Black Sea Trade & Development Bank

Embracing change Growing stronger together

ANNUAL REPORT 2024

TWENTY FIVE YEARS

25

Contents

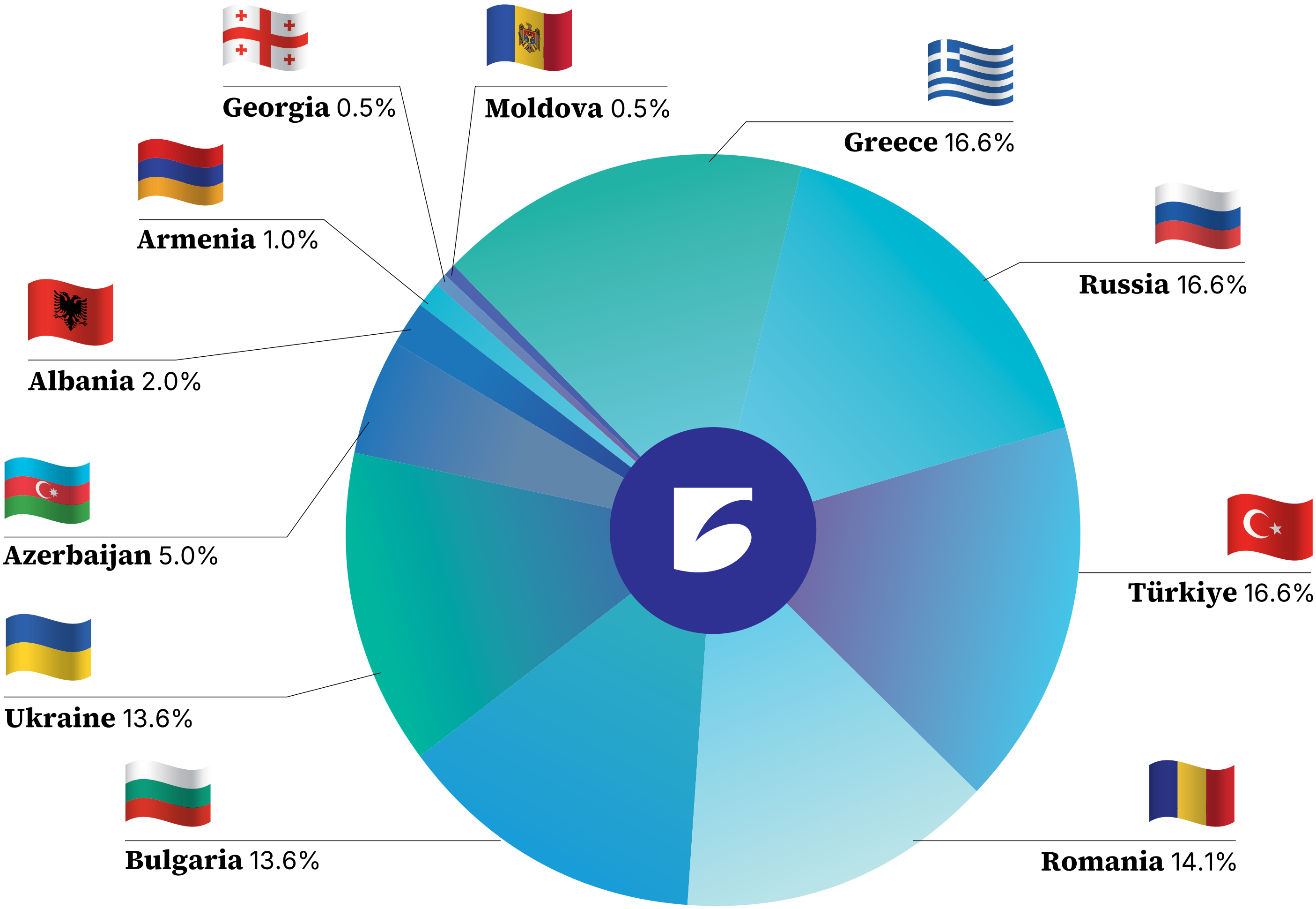
Introduction

Who We Are

The Black Sea Trade and Development Bank (BSTDB), an international financial institution with headquarters in Thessaloniki, Greece, was established by Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Türkiye, and Ukraine. BSTDB started operations in June 1999 and has an authorized capital of EUR 3.45 billion and a subscribed capital of EUR 2.3 billion.

BSTDB supports economic development and regional cooperation in the Black Sea Region through loans, guarantees, and equity participation in private enterprises and public entities in member countries.

As an international financial institution, the Bank has preferred creditor status. This means that the Bank will usually (i) not reschedule debt payments with respect to its loans to, or guaranteed by, its member countries and (ii) not reschedule its loans to private sector borrower due to a general foreign exchange unavailability in the borrower's country.


Georgia 0.5%
Moldova 0.5%
Greece 16.6%
Armenia 1.0%
Russia 16.6%
Albania 2.0%
Azerbaijan 5.0%
Türkiye 16.6%
Ukraine 13.6%
Bulgaria 13.6%
Romania 14.1%

CORPORATE GOVERNANCE

Management Structure

BSTDB is committed to maintaining effective corporate governance through a framework of responsibilities and controls. Transparency and accountability supported by clearly defined reporting systems enable maintenance of an appropriately controlled business environment.

BSTDB's governing constitution is set out in the Agreement Establishing the Bank. This document requires that the institution be managed by a Board of Governors, a Board of Directors, a President, Vice Presidents, a Secretary General, and such officers and staff, as may be necessary.

Each of the Member States of the Bank is represented on the Board of Governors. All powers of the Bank are vested in the Board of Governors. With certain exceptions, the Board of Governors has delegated the exercise of these powers to the Board of Directors, while still retaining overall authority.

The Board of Directors, chaired by the President of the Bank, is responsible for guiding the general operations of the Bank. Each of the Bank's Member States appoints a Director and an Alternate Director, with full powers to act for the Director when the Director is not present.

The Audit Committee is established by and reports directly to the Board of Directors. The composition of the Audit Committee is four Board of Director members, one being appointed as Chairman.

The President, as chief executive of the Bank, is its legal representative. In this capacity, and as Chairman of the Management Committee, he conducts the current business of the Bank under the direction of the Board of Directors. The President is appointed by the Board of Governors.

The Management Committee comprises of the President (as Chairman), the Vice Presidents, and the Secretary General. In the absence of the President, one of the Vice Presidents chairs the meetings of the Management Committee. The Vice Presidents and Secretary General are appointed by the Board of Directors on the recommendation of the President.

Compliance

The Compliance function of the Compliance Risk Management Office (DCR) of the Bank assists management in effectively managing the compliance risks faced by the Bank. To this end, it identifies, assesses, advises on, monitors and reports accordingly on the Bank's compliance risk.

With regard to internal integrity issues, DCR monitors, administers and advises on Code of Conduct-related issues for Bank Officials and staff.

With regard to the financing operations, anti-fraud, corruption, money laundering, terrorism financing and sanctions due diligence is – among other types of due diligence – integrated into the Bank's normal approval of new business and into the monitoring of existing activity. The Bank screens all transactions to ensure that they do not represent such risks. The Head of the Compliance function advises the business groups, as needed, inter alia, on the Customer Due Diligence process and integrity issues.

Reporting and Disclosure

BSTDB's corporate governance structure is supported by appropriate financial and management information reporting. Through its reports and disclosures, the Bank, in line with its policy of maintaining industry best practice, follows the reporting conventions of other international financial institutions. The Accounting Policies adopted by the Bank are in compliance with International Financial Reporting Standards.

With respect to external financial reporting, the Bank presents financial statements in its quarterly Summary Statements to the Board of Directors, and both the interim financial statements and the Annual Report are published on the Bank's website. Pursuant to Article 35 of the Establishing Agreement, published reports are accessible [transmitted to] the Governments of the Member States, members of the Board of Governors and Directors, and the BSEC Permanent International Secretary.

In its financial reporting, the Bank aims to provide appropriate information on risk and performance. Industry best practice guides the evolving disclosure practice both in public financial reports and management information reporting.

Internal Audit

Internal Audit is an independent, objective, assurance, and consulting activity designed to add value and improve the organization's operations, that examines and evaluates the activities of the Bank as a service to Management and the Board of Directors (primarily through its Audit Committee). The Audit Committee has the responsibility, inter alia, of satisfying itself that the internal audit process is adequate and efficient through reviewing the policy, scope, work program, and reporting relating to the Bank's internal audit.

According to the Bank's Internal Audit Charter, the internal Audit Department's main objective is to help Management and the Board of Directors discharge their responsibilities and accomplish the objectives of the Bank by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes. The Internal Audit's mission is to foster an environment of continuous improvement in controls and risk awareness.

Enterprise Risk Management

Recognizing the need for effective internal controls and acknowledging that Enterprise Risk Management (ERM), including internal controls over financial reporting, is a fundamental approach for the management of an organization, the Bank has established a functioning, consolidated, and on-going Enterprise Risk Management system. This system includes certification in the Annual Report as to the effectiveness of internal controls over external financial reporting, using the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control Framework (2013).

Upon the overall assessment of the effectiveness of internal controls over financial reporting, coordinated by the Internal Audit Department and a Working Group with representatives of all the Divisions of the Bank, an annual certification statement is issued, signed by the President and the Vice President Finance and subject to review and an attestation of the Bank's external auditors.

The external auditors review and offer their opinion on Management's assertion as to the effectiveness of internal controls over financial reporting.

External Auditors

The External Auditors are appointed by the Board of Governors upon the recommendation of the Board of Directors. They are qualified external auditors of international reputation and appointed for a term of one year, renewable further on such terms and conditions as approved by the Board of Directors.

The External Auditors' services are limited only to the audit of the financial statements of the Bank and the provision of audit related and permissible non-audit services. The performances and independence of the External Auditors are assessed by the Audit Committee.

In addition, the External Auditors review and offer their opinion on Management's assertion as to the effectiveness of internal controls over financial reporting. This opinion is given as a separate report to the audit opinion. At the conclusion of their annual audit, the External Auditors prepare a management letter for the Board of Directors, which is reviewed in detail and discussed with the Audit Committee, setting out the External Auditor's views and Management's response on the effectiveness and efficiency of internal controls and other matters.

Board of Governors

As of 31 December 2024

Republic of Albania	
Governor:	Ms. Adela XHEMALI, Deputy Minister of Finance & Economy
Alternate Governor:	Position vacant
Republic of Armenia	
Governor:	Mr. Arthur JAVADYAN, Ambassador-at large, Chairman of the Board of the Centre for Economic Perspectives Foundation
Alternate Governor:	Mr. Davit NAHAPETYAN, Board Member, Central Bank of Armenia
Republic of Azerbaijan	
Governor:	Mr. Samir SHARIFOV, Minister of Finance
Alternate Governor:	Mr. Mikayil JABBAROV, Minister of Economy
Republic of Bulgaria	
Governor:	Ms. Lyudmila PETKOVA, Deputy Prime Minister and Minister of Finance
Alternate Governor:	Ms. Gergana BEREMSKA, Director, International Financial Insitutions and Cooperation Directorate, Ministry of Finance
Georgia	
Governor:	Position vacant
Alternate Governor:	Mr. Lasha KHUTSISHVILI, Minister of Finance
Hellenic Republic	
Governor:	Mr. Nikolaos PAPATHANASIS, Alternate Minister of National Economy & Finance
Alternate Governor:	Position vacant
Republic of Moldova	
Governor:	Ms. Victoria BELOUS, Minister of Finance
Alternate Governor:	Position vacant
Romania	
Governor:	Ms. Carmen MORARU, Secretary of State, Ministry of Finance
Alternate Governor:	Ms. Boni Florinela CUCU, General Director, General Directorate for ECOFIN, Financial Assistance and International Financial Relations, Ministry of Finance
Russian Federation	
Governor:	Mr. Pavel SNISORENKO, Director, Department of International Financial Relations, Ministry of Finance
Alternate Governor:	Position vacant
Republic of Türkiye	
Governor:	Mr. Osman ÇELİK, Deputy Minister of Treasury & Finance
Alternate Governor:	Position vacant
Ukraine	
Governor:	Ms. Yuliia SVYRYDENKO, First Deputy Prime Minister & Minister of Economy
Alternate Governor:	Mr. Volodymyr KUCHYN, Head, Office for European Integration & International Programs, National Bank of Ukraine

Board of Directors

As of 31 December 2024

Republic of Albania	
Director:	Mr. Besmir BEJA, Secretary General, Ministry of Finance
Alternate Director:	Position vacant
Republic of Armenia	
Director:	Mr. Garegin GEVORGYAN, Director, Financial System Stability and Regulation Directorate, Member of Executive Committee, Central Bank of Armenia
Alternate Director:	Position vacant
Republic of Azerbaijan	
Director:	Mr. Famil ISMAYILOV, Head, International Cooperation Department, Ministry of Finance
Alternate Director:	Position vacant
Republic of Bulgaria	
Director:	Ms. Milena BOIKOVA, Director, Government Debt Directorate, Ministry of Finance
Alternate Director:	Position vacant
Georgia	
Director:	Ms. Ekaterine GUNTSADZE, Deputy Minister of Finance
Alternate Director:	Position vacant
Hellenic Republic	
Director:	Mr. Christos GEROULANOS, Department of International Financial Institutions & Development Banks, Ministry of Economy & Finance
Alternate Director:	Position vacant
Republic of Moldova	
Director:	Ms. Elena MATVEEVA, Head, Public Sector Debt & External Assistance General Directorate, Ministry of Finance
Alternate Director:	Position vacant
Romania	
Director:	Ms. Diana BLINDU, Head of Division, Management of External Loans, General Directorate for International Financial Relations, Ministry of Finance
Alternate Director:	Position vacant
Russian Federation	
Director:	Mr. Dmitry BIRICHEVSKIY, Director, Department of Economic Cooperation, Ministry of Foreign Affairs
Alternate Director:	Position vacant
Republic of Türkiye	
Director:	Mr. Kerem DÖNMEZ, Director General, Foreign Economic Relations, Ministry of Treasury & Finance
Alternate Director:	Position vacant
Ukraine	
Director:	Mr. Taras KACHKA, Deputy Minister of Economy, Trade Representative of Ukraine
Alternate Director:	Position vacant

Audit Committee

As of 31 December 2024

Ms. Milena BOIKOVA, Director for the Republic of BULGARIA and Chairperson of the Audit Committee
Mr. Garegin GEVORGYAN, Director for the Republic of ARMENIA and Audit Committee member
Mr. Famil ISMAYILOV, Director for the Republic of AZERBAIJAN and Audit Committee member
Ms. Ekaterine GUNTSADZE, Director for GEORGIA and Audit Committee member

Management Team

Dr. Serhat Köksal
President
Chairman of the Board of Directors

Dragoş Paul Ungureanu
Vice President Risk

Valeriy Piatnytskyi
Vice President Finance

Asterios Tsoukalas
Secretary General

To the Board of Governors

In accordance with Article 35 of the Agreement Establishing the Black Sea Trade and Development Bank and Section 10 of its By-Laws, I submit to the Board of Governors the Bank's Annual Report for 2024 as endorsed by the Board of Directors. The Annual Report contains the Bank's financial statements; separate financial statements for the operations of the Bank's Special Funds have also been issued, as prescribed in Section 12 of the Bank's By-Laws.

Dr. Serhat Köksal
President
Chairman of the Board of Directors

Statement by the President

The Black Sea Trade and Development Bank (BSTDB) celebrated its silver anniversary in 2024, marking a quarter century of activity financing projects across the greater Black Sea Region, helping companies and agencies enhance their networks and modernize their operations, and promoting the Region and its many extremely positive achievements.

Regional economies have shown notable growth and tremendous maturation and resilience over this time. They have navigated numerous endogenous and more recently exogenous crises, including geopolitical conflicts within the greater Black Sea Region, as well as in proximate areas. Yet, regional growth has remained positive and steady despite the turbulence, an achievement made all the more impressive by the fact that the Region's main trading partners and sources of financing and direct investment in the Eurozone have been nearly stagnant. By contrast, the Region achieved real GDP growth of 2.8% in 2024, and did so with the Region's economies maintaining solid and/or improving indicators for key measures of stability, including public and external debt levels, the fiscal balance, unemployment and inflation. In turn, this bodes well for future economic prospects of the Region and its ability to sustain this track record of steady growth.

For BSTDB, its 25th year was a significant turning point after having focused primarily since February 2022 on safeguarding the institution, deleveraging in order to preserve capital and enhance liquidity, steering through a complex and constantly shifting financial environment and geopolitically induced restrictions on activity. These prudent but difficult choices necessitated a substantial but temporary slowdown in operational activity and prioritization on preservation and safety in order to achieve the necessary degree of clarity that would permit the Bank to return to pursuing its institutional mandate to promote regional cooperation and support economic development.

The Bank reached this turning point in the middle of 2024, with the stabilization of its portfolio being accompanied by the successful conclusion of its second capital increase and the repayment of a key benchmark bond. Fortified by the strong commitment of its shareholders and the solid state of its key indicators of financial health, the Bank began a measured resumption of operating activity. Approvals of new projects by the Bank's Board of Directors reached € 415.2 million for the year up from € 189.6 million in 2023; new commitments (signings) rose to € 369.8 million in 2024 from € 120.8 million in 2023, and disbursements rose to € 466.1 million from € 248.1 million in 2023. Significantly, these results were accompanied by a rise in net income for 2024 to € 23.4 million. Together with the net income of € 20.4 million realized in 2023, this demonstrates that the Bank has definitively overcome the losses incurred in 2022- when aggressive provisioning led to realization of a year-end loss and the cessation of a string of 18 consecutive years of profitability. It also permits the enhancement of reserves and retained earnings which in turn will contribute to stronger operational growth in coming years.

In January, the Bank signed an agreement for the acquisition, design, and development of a new state-of-the-art office building to be developed in a collaborative effort with the Greek Government and located in the center of a significant urban regeneration project around the Thessaloniki port area. The new 5,000 m2 plus building represents a strong statement of the support of, and commitment to, the Bank on the part of its shareholders, and it will boast a multifunctional and low-emissions design bearing Gold 'Leadership in Energy and Environmental Design' (LEED) certification, the first of its kind in the city.

Alongside the uptick in operational activity, the Bank recommenced borrowing activities. No new borrowing was required during the consolidation period since the Bank was deleveraging, and the renewed engagement focused on securing additional resources in the near term and setting the stage for sustained additional activity going forward. The highlight was a US$ 150 million facility signed in September with the Japan Bank for International Cooperation in order to support critical development efforts, including climate finance initiatives that promote environmental sustainability and post-conflict reconstruction focused projects in affected areas. In this vein, the Bank also resumed discussions with other longtime partner development financial institutions, exploring new partnerships to increase needed investment into the Region.

In December, the Bank's Board of Governors approved Phase 2 of the Bank's Medium-Term Strategy and Business Plan (MTSBP) for 2023-2026. This updated strategy focuses on 2025-2026 and envisions continuing the return to the Bank's traditional business model of steady managed growth, wherein it leverages its capital prudently in order to finance directly, and attract additional financing for, projects that promote economic development in the Region and regional cooperation.

The 25-year celebration of Bank operations represented a milestone, allowing the Bank and its Member States to take a moment to reflect on the evolution and growth of the Region and the Bank during this time span. Despite the ups and downs, both the Bank and the Region in which it operates have grown in size and sophistication and shown an impressive ability to adapt and take the necessary measures which may be difficult in the short run, but over the longer term lay the ground for successful balanced progress. Significantly, a solid healthy foundation is also there upon which to build further.

The Bank embarks on its second quarter century with a well-established presence in the Region, an always relevant mandate backed by strong shareholder support, and excellent financial health which will allow it to scale up operations in order to meet the high demand for its support. In this way, and in partnership with other development institutions, private investors, donors, and related parties, the Bank will continue to contribute to efforts to deepen cooperation and meet the infrastructure needs and other development challenges of this fast-moving and exciting Region.

Dr. Serhat Köksal
Chairman of the Board of Directors
President
Black Sea Trade and Development Bank

BSTDB Highlights of 2024

- **Acquisition of New Headquarters** - In January 2024 the Bank signed the turnkey contract agreement for its new Headquarters, to be constructed by the leading Greek real estate development company, DIMAND, as part of its HUB 26 business development center in the western entrance of Thessaloniki. As a development institution, the Bank is thereby actively assisting the remaking of the western entrance as a business hub for leading local and international companies and financial institutions. The acquisition of the Bank's new Headquarters was made possible through the generous financial contribution of the Hellenic Republic. As part of BSTDB's ongoing commitment to sustainability and environmental responsibility, the new Bank's headquarters is a state-of-the-art building designed to meet the highest standards of green building practices. The Bank's new headquarters is designed to achieve a LEED Gold Certification for Building Design & Construction, which recognizes high-performance building strategies that reduce environmental impact, improve energy efficiency, and enhance occupant health and productivity.

- **Strengthening Strategic Partnerships for Regional Development** - In 2024, the Black Sea Trade and Development Bank (BSTDB) took significant steps to deepen its strategic partnerships and enhance regional development. One of the key milestones was signing a Memorandum of Understanding with the Japan Bank for International Cooperation (JBIC). This agreement established greater collaboration in Ukraine's reconstruction and broader sustainable development efforts across the Black Sea region. Building on this partnership, BSTDB secured a USD 150 million facility from JBIC to finance critical sectors, including agriculture, food production, transportation and logistics, digital infrastructure, and pharmaceuticals in Ukraine. These investments are designed to help rebuild essential economic and social infrastructure. Notably, up to USD 75 million from this facility will be directed towards environmentally friendly initiatives. This allocation reflects BSTDB's dedication to balancing immediate recovery needs with long-term sustainability goals, reinforcing its commitment to green development across its member states. BSTDB also finalised a EUR 75 million long-term loan agreement with Standard Chartered Bank (SCB), supported by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) to strengthen its financial base further. This partnership leverages SCB's expertise in structuring financial solutions and ICIEC's role in mitigating investment risks. The secured funding will support infrastructure and economic development projects in Albania, Azerbaijan, and Türkiye, further solidifying BSTDB's role as a regional stability and growth catalyst.

- In 2024 the Director of the Independent Evaluation Office of the Bank was elected by the Evaluation Cooperation Group (ECG) of the Multilateral Development Banks to chair the ECG membership committee, as well as provide key contributions to the ongoing update of the ECG international evaluation standards. The independent evaluation at the Bank is rigorously conducted in line

Medium-Term Strategy and Business Plan 2023-2026 Phase 1: 2023-2024 All goals and targets achieved

Capital increase

with these standards which are an integral part of the Bank's new evaluation policy, approved in 2023 and implemented since early 2024.

- **BSTDB launched the Green Business Credit Line for Financial Intermediaries** - The Bank views partnering with FIs as an opportunity to expand its climate change financing to a wider pool of sub-borrowers, such as SMEs and microfinancing companies, thus contributing more effectively towards decarbonizing the economies of its shareholders. The Green Business Credit Line is designed to equally support the implementation of BSTDB Climate Change Strategy, and the shareholders' climate commitments under the Paris Agreement. It targets primarily climate mitigation activities that reduce GHG emissions as the main contributor to climate change, climate adaptation activities that decrease vulnerabilities to climatic impacts, and environmental protection activities that promote sustainable use of resources, pollution prevention and control, protection and restoration of biodiversity and ecosystem services. The list of activities eligible for BSTDB Green Business Credit Line is based on the environmental objectives of the EU Taxonomy for Sustainable Finance and the MDB-IDFC Common Principles for Climate Finance Tracking and is adjusted to meet the purpose of the Green Credit Line.

- **Achievement of all goals and targets set in the Medium-Term Strategy and Business Plan 2023-2026 - Phase 1: 2023-2024**, including internally generated resources for repayment of all coming due obligations, maintenance of good quality of assets, with NPL at around 7%, realization of net positive financial results and renewed access to markets in support of returning to managed growth.

- **Capital increase** - On 21 May 2024, the Board of Governors of the Black Sea Trade and Development Bank (BSTDB) completed the subscription process for the Bank's second capital increase. Following the successful full subscription and allocation of the offering to its shareholders, BSTDB's capital base will increase by 35 percent, reaching €3.1 billion. This powerful statement of shareholder support will enhance BSTDB's financial capacity, enabling the Bank to offer a broader range of financing instruments to address critical regional challenges, thereby driving further growth and prosperity in Black Sea member countries.

- **Adoption by the BoG of the Medium-Term Strategy and Business Plan 2023-2026 - Phase 2: 2025-2026** - On 6 December 2024, the BSTDB Board of Governors approved Phase 2 of the Medium-Term Strategy and Business Plan 2023-2026, covering the 2025-26 period and emphasizing getting the Bank 'back on track'. Following a conflict-induced consolidation from 2023-2024, which successfully focused upon managing financial fallout from the conflict, de-risking the balance sheet and assessing the impact of external stresses, the Bank has mapped out a path to return to operational growth and value creation that is based upon its successful pre-2022 business model of steady, measured growth.

BSTDB at 25: A Brief Account of Regional Development and Resilience

As the BSTDB marks its 25th anniversary, it stands as a strong regional development institution. Established as a ‘borrowers’ club’ owned by its Member States, BSTDB is dedicated to promoting development, fostering regional cooperation, and enhancing the well-being of the people within the region it serves.

The Bank is a member institution of the Black Sea Economic Cooperation (BSEC). BSEC has successfully cultivated a network of complementary bodies alongside its central organization, the Permanent Mission. Notably, four such bodies have been established, each operating effectively within their respective areas of interest: the BSEC Business Council, the Parliamentary Assembly of BSEC (PABSEC), the International Center for Black Sea Studies, and, of course, the Black Sea Trade and Development Bank (BSTDB). The creation of BSTDB represented the most significant financial commitment by BSEC and its Member States.

The initiative to establish BSTDB was undertaken in the 1990s, a period marked by systemic transitions, macroeconomic constraints, and occasional political instability in many of the Bank’s Member States. Despite these challenges, the Bank’s shareholders remained steadfast in their commitment to creating a locally owned and regionally focused development bank. BSTDB operates as an autonomous international organization, professionally managed and independent of undue political influence or considerations.

This autonomy has placed an extra responsibility upon the Bank to demonstrate its value and its commitment by identifying underserved niches and developing new approaches to provide value-added services to its stakeholders. This commitment has been consistently upheld and strengthened over the years, forming the cornerstone of the Bank’s achievements.

The Agreement Establishing the BSTDB was signed on June 30, 1994. Following ratification by the Member States, the Agreement was registered with the United Nations as an international treaty (Multilateral No. 36909), in accordance with Article 102 of the United Nations Charter. BSTDB commenced its operational activities in 1999.

In its early phase, BSTDB operated with a small team of employees, utilizing limited office space and having access to internet through telephone lines. This period was characterized by intense and enthusiastic work. The Bank developed its foundational policies and regulatory framework, recruited essential personnel, and initiated its first operational activities.

From this initial stage, the Bank moved on and succeeded in making great progress. Over the first 10 years of existence, the increased prosperity in the region over the period 2000-2008 facilitated substantial development for BSTDB. The Bank established a robust institutional and operational structure, grew the banking portfolio, and demonstrated its capacity to fulfill its dual mandate: to support economic development in its member countries and to promote regional cooperation.

BSTDB achieved its first investment-grade rating in 2004, followed by an upgrade in 2006, reflecting the Bank’s strong financial fundamentals, shareholder support, and portfolio quality. Notably, the Bank increased profitability while maintaining conservative provisioning procedures, ensuring excellent portfolio quality, and advancing developmental objectives, such as focusing on smaller shareholding countries.

Towards the end of BSTDB's first decade of operation, the global financial crisis of 2008 precipitated a regional economic downturn. The sudden disruption of global financial markets necessitated a cautious 'wait and see' approach by the Bank, as the disappearance of liquidity generated dramatic uncertainties. The uncertainties persisted into 2009, greatly shaping the Bank's operational outlook and introducing new challenges. This situation created a tension between the Bank's desire to operate counter-cyclically and the prevailing harsh economic conditions.

The freezing of credit markets paradoxically reduced immediate competition for the Bank, particularly from private financial institutions, creating a 'window of opportunity' for BSTDB to play a counter-cyclical role and provide essential financing in the absence of alternatives for regional banks and firms.

In this context, the shareholders reaffirmed their strong support through a decision to increase the authorized and subscribed capital of the Bank. The three-fold increase in authorized capital, approved by the Board of Governors in December 2007, was followed by Member States subscribing for shares worth SDR 1 billion (the currency of denomination of capital at that time), effectively doubling the subscribed capital. Further to this development and the Bank's overall performance, Moody's revised the outlook for BSTDB's Baa1 credit rating from stable to positive in December 2007. Capital payments were made over a period of eight years and were completed in 2018.

BSTDB adapted to the evolving post-crisis environment by adopting a strategy that preserved its achievements and positioned it to react swiftly and flexibly to market conditions, safeguarding its interests while fulfilling its mandate.

BSTDB has maintained consistent profitability since 2005, reinvesting profits into operational activities. The preservation of portfolio quality has been a key feature of BSTDB's operations. The Bank's portfolio development has been underpinned by conservative risk management and comprehensive due diligence. Adequate provisions for non-performing loans (NPLs) have been consistently made. Furthermore, in the case of NPL, the Bank has worked closely with clients to find mutually acceptable solutions. This approach has resulted in limited financial losses and generally low levels of non-performing loans, even during crises. The Bank successfully navigated through the 2008 global financial crisis and the subsequent European sovereign debt crisis. When the Bank celebrated its 15th anniversary in 2015, it had an A2 long-term rating from Moody's and an A- long-term rating from Standard & Poor's.

After the initial years of emphasizing operational growth, building a track record, and becoming visible in the developmental marketplace in the early 2000s, BSTDB also established contacts and relationships in the development banking community, and embraced the idea of building network of cooperation and partnerships. With this idea in mind, the Bank inaugurated an Observer Status Policy in 2003 in order to generate interest in the Bank from outside the region, and to provide a flexible mechanism to facilitate involvement in the Black Sea Region.

The development of partnerships was in part in response to the increased economic activity in the Black Sea Region, but also it was the result of a Bank strategy of increased outreach in order to achieve greater leveraging of its own resources, improved risk sharing and the establishment of new networks of financing.

Over the years, the Bank has operated in a regional economic and political landscape marked by fluctuations. The Bank's shareholders have demonstrated a unified commitment to promoting regional projects of mutual interest, setting aside political and economic disputes. Despite challenges, BSTDB has not experienced significant issues due to political tensions arising between some member countries from time to time. Its shareholders, represented in the Bank's governing bodies, have consistently followed the Bank's mandate to support growth and economic cooperation.

Building on its achievements and credibility, BSTDB pursued a strategy to enhance its business profile while maintaining financial stability, aiming for higher development and regional cooperation impact from 2019 to 2022. This strategy focused on a 12% annual portfolio growth rate, giving greater focus on development impact, being innovative, especially for instruments such as PPPs/blended finance, increasing local currency financing, diversifying risk products and seeking new ways to increase resource mobilization. Greater attention to public sector and private sector (corporate) governance issues, increased emphasis on awareness of importance of sustainability and development of standards – environmental, trade, social – were the main characteristics of operational activity during this strategy period. Moreover, Climate Change Strategy was approved by the Board of Directors in March 2021 with the main goal of better aligning BSTDB financing with the Member States climate priorities where the Bank committed to gradually reduce the net emissions in the portfolio, increase the share of its funding to climate positive operations and operations with climate co-benefits to at least 30% and build capacity to better serve Member States in mitigation and adaptation efforts.

The Bank's positive prospects and the ways in which its shareholders would like it to evolve were reflected in the Long-Term Strategic Framework 2021-2030, the key document that links the Bank's dual mandate to its strategic priorities. The framework was adopted by the Board of Governors in June 2021, and it reaffirmed the vision of the Bank to become a pre-eminent institution in the Black Sea Region.

Unfortunately, as the Bank tried to increase its policy relevance and the development impact of its operations, the global health crisis and the Covid-19 pandemic led to unforeseen economic consequences which affected the Bank's ability to pursue operational activity as it desired and its Member States expected.

The lockdown and the severe economic consequences of pandemic measures made planning future actions extremely difficult. Operational activity slowed, remaining limited with only committed operations disbursing and new non-disbursing operations prepared, and shifted to operations which could help authorities meet key anti-pandemic priorities. Nevertheless, the Bank fulfilled effectively its Medium-Term Strategy earlier than planned, it had the most profitable year with strong portfolio quality ever by far and received a long-sought upgrade by S&P. Also, the Bank successfully shifted to distance working mode during the lockdowns in Greece. The use of tele-meetings with staff, clients, investors, and the Bank's Board of Directors proved successful.

Given its successful performance, the Bank's shareholding Member States decided to increase the capital of the Bank through a new subscription of existing authorized capital. This was a strong signal of support for the Bank and demonstrated confidence in its long-term ability to support development and to advance regional cooperation further.

This willingness, undertaken during a time of post-pandemic fiscal and monetary tightening, demonstrated the dedication of the shareholders to the Bank. It was anticipated that this injection of capital would increase the buffers and mobilization capacity and enhance the impact of its support.

The 2022 geopolitical crisis between Russia and Ukraine amplified uncertainties regionally and globally and undermined BSTDB's growth prospects. The conflict negatively affected Bank operations, its access to new funding and generated risks impossible to foresee.

However, in spite of these negative developments, the Bank pursued the safest and most prudent route in order to enable it to continue receiving repayments from its borrowers in Russia, servicing pre-existing, good faith loans extended according to its mandate prior to the conflict. The timely response and corrective measures taken by the Management with the support of the Board of Directors have redirected the Bank to the strongest financial position it has ever been by the end of 2024. The Bank managed to safeguard its assets, consolidate its portfolio, generate financial resources internally to meet its obligations and maintain an adequate quality of its assets. All key prudential ratios were kept at levels above desirable thresholds. Moreover, the Board of Governors completed the subscription process for the Bank's second capital increase in 2024. With full subscription and allocation successfully finalized, the total subscribed capital will rise by approximately 35% to €3.1 billion. As part of this increase, the paid-in capital will grow from €686.5 million to €931.5 million through a €245 million cash contribution. Member States will make these contributions in eight equal installments, with the first payment due by the end of 2027 and the final one by the end of 2034. The capital structure will remain unchanged, with a 30/70 split between paid-in and callable capital. The table below shows the total capital of BSTDB before and after the most recent capital increase:

	No. Subscribed Shares	Value Subscribed Shares	Of Which: Paid-in shares	Of Which: Callable shares
Prior to 2024 Cap Increase	1,990,000	€2,288,500,000	€686,550,000	€1,601,950,000
2024 Cap Increase	710,032	€816,536,800	€244,961,040	€571,575,760
Post 2024 Cap Increase	2,700,032	€3,105,036,800	€931,511,040	€2,173,525,760

This capital increase will enhance BSTDB's financial capacity, enabling the Bank to offer a broader range of financing instruments to address critical regional challenges, thereby driving further growth and prosperity in Black Sea member countries.

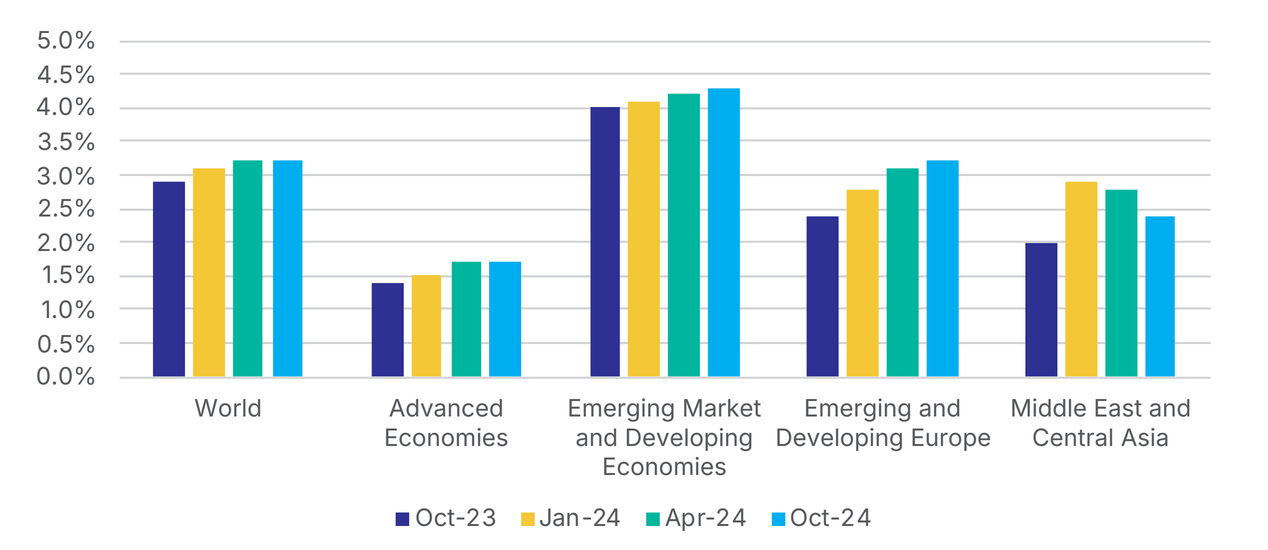
In formulating the Medium-Term Strategy and Business Plan 2023-2026, due to prevailing uncertainties that made difficult a forecast of conditions prevailing after 2024 and therefore the ability of the Bank to foresee its business profile and operational activities, the Bank has decided to proceed with a two-stage approach. Instead of the customary 4-year strategy with a mid-term review, it elected to proceed with Phase 1 covering 2023-2024 and to continue with a Phase 2 covering 2025-2026. Phase 1 was implemented successfully and the Board of Governors approved Phase 2, signaling a return to growth in a sound and manageable manner.

At 25, BSTDB is no stranger to crises of any nature. Yet, it has consistently proven its ability to navigate difficult conditions, remaining financially strong and resilient. Now, in a great position to grow once again, the Bank continues to earn the confidence of its shareholders and the broader development community. Carefully combining capital contributions from its shareholders with funding from diverse market sources, BSTDB is more equipped than ever to support the development of its Member States and foster regional cooperation for years to come.

Economic Overview of the Black Sea Region in 2024[1]

Despite a tight monetary policy, persistent global geopolitical challenges, and increasing policy uncertainty, global GDP grew by 3.2% in 2024. Although this growth rate is below the historical average of 3.7% (2000–2019), it surpasses the 2.9% forecast in late 2023. The expansion in 2024 was primarily driven by strong economic performance in emerging and developing Asian economies, where growth is estimated to have reached 5.2%, along with better-than-expected outcomes in the United States and emerging European markets. However, these gains were partially offset by weaker performance in the Eurozone.

Evolution of GDP growth rate projections for 2024

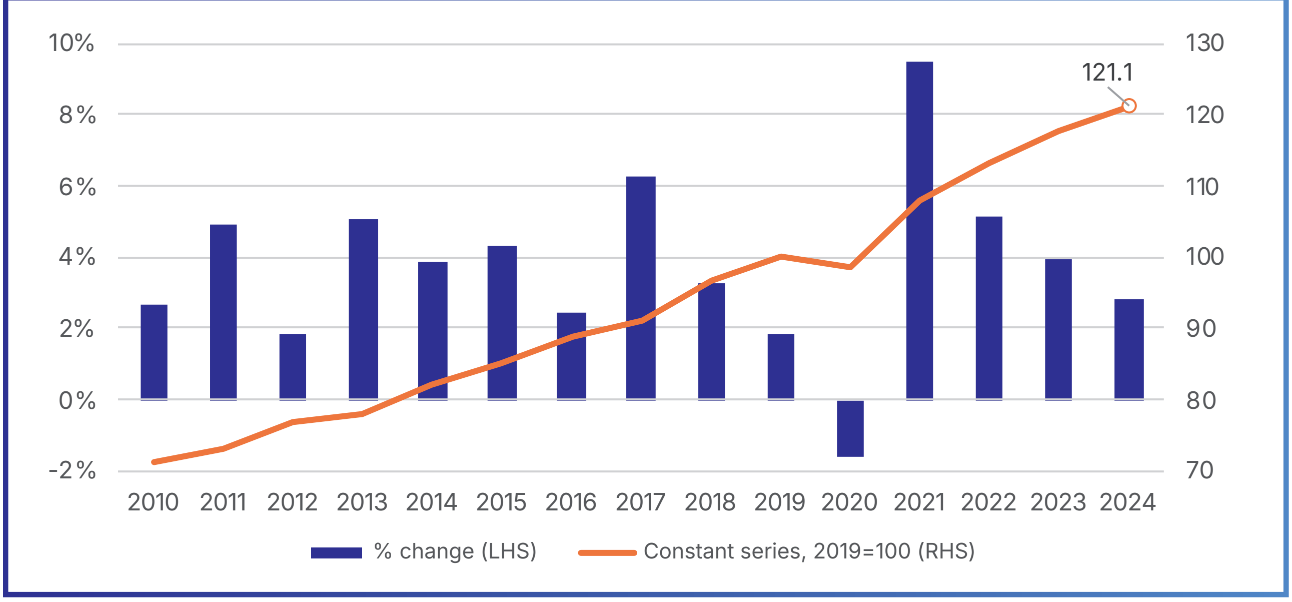


Source: IMF WEO publications

Similarly, the economic growth rate in BSTDB member countries decelerated to 2.8%. The major drivers of growth in 2024 in the region were domestic demand, particularly robust household consumption, and, in some member countries, investments. With the economic activity in the Eurozone and other regions slowing down, external demand in almost all member countries had a negative impact on the growth. Another factor behind relatively weak growth in the region in 2024 was a swift post-Covid recovery, with the growth rate for 2021-23 averaging 6.2%, resulting in a high base. This may also be seen by the fact that, despite slower growth compared to the global and other regional performances in 2024, the economies of the region were 21.1% bigger compared to pre-Covid 2019, while global GDP was up 14.5%.

[1] unless otherwise noted, regional data excludes Ukraine and Russia.

BSTDB Region GDP

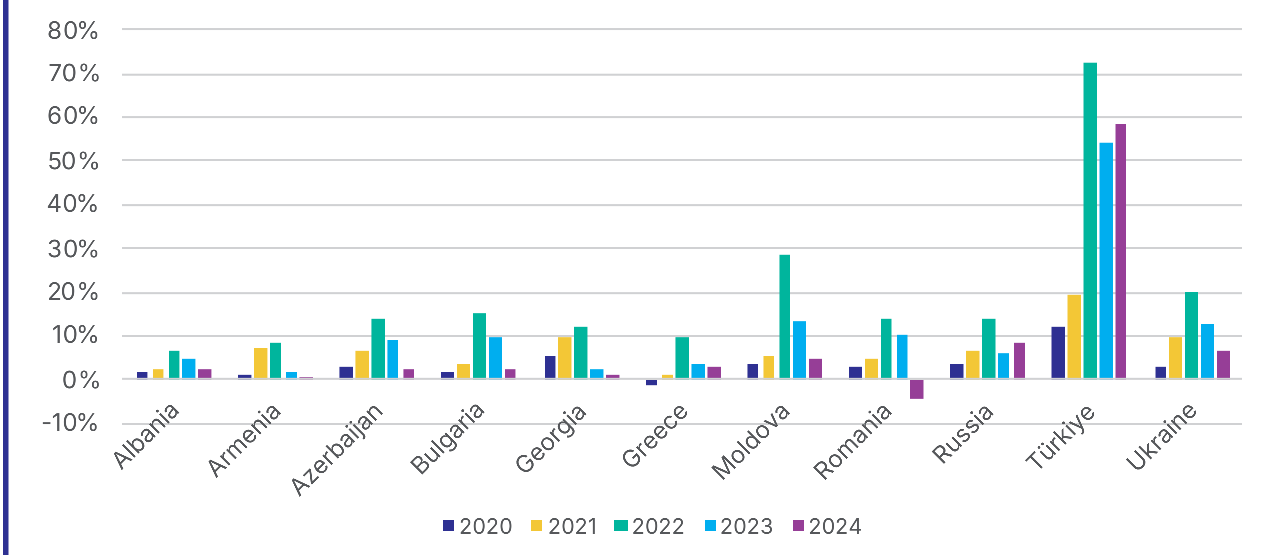


Source: Official statistical agencies and BSTDB calculations

Price Developments

While household demand remained the major positive contributor to the GDP growth in our region, its growth rate was down compared to the previous years. This factor, along with supply-side price developments and the still tight national monetary policies, helped to ease inflationary pressures in the region. As a result, annual average inflation retreated significantly in 2024, with the rate below 3% in seven member countries and well within the targeted ranges.

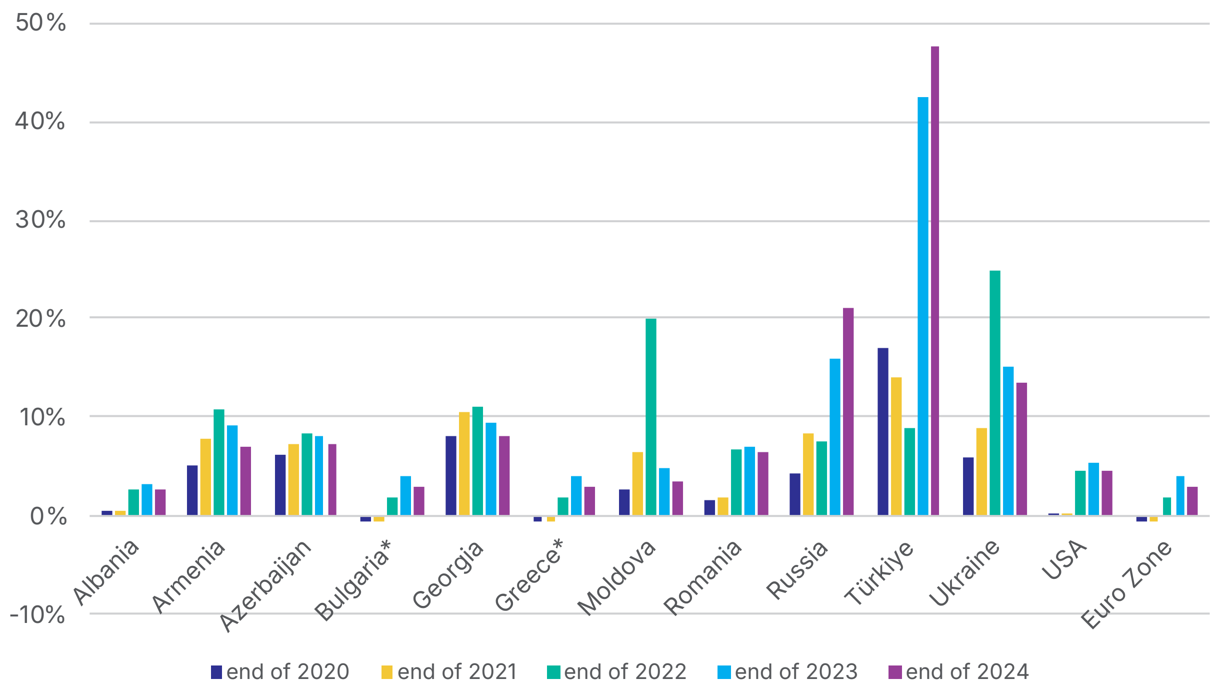
Inflation, annual, average



Source: Official statistical agencies

Retreating inflation allowed for monetary policy decision-makers to soften monetary policy, in comparison with the previous year. While the monetary policy remained tight for the most part, the nominal policy rates were reduced in nine out of eleven member countries. As the price moderation was mainly driven by supply-side factors, officials remained cautious about inflation prospects. Therefore, rates were held above historical average levels.

Monetary Policy Rates



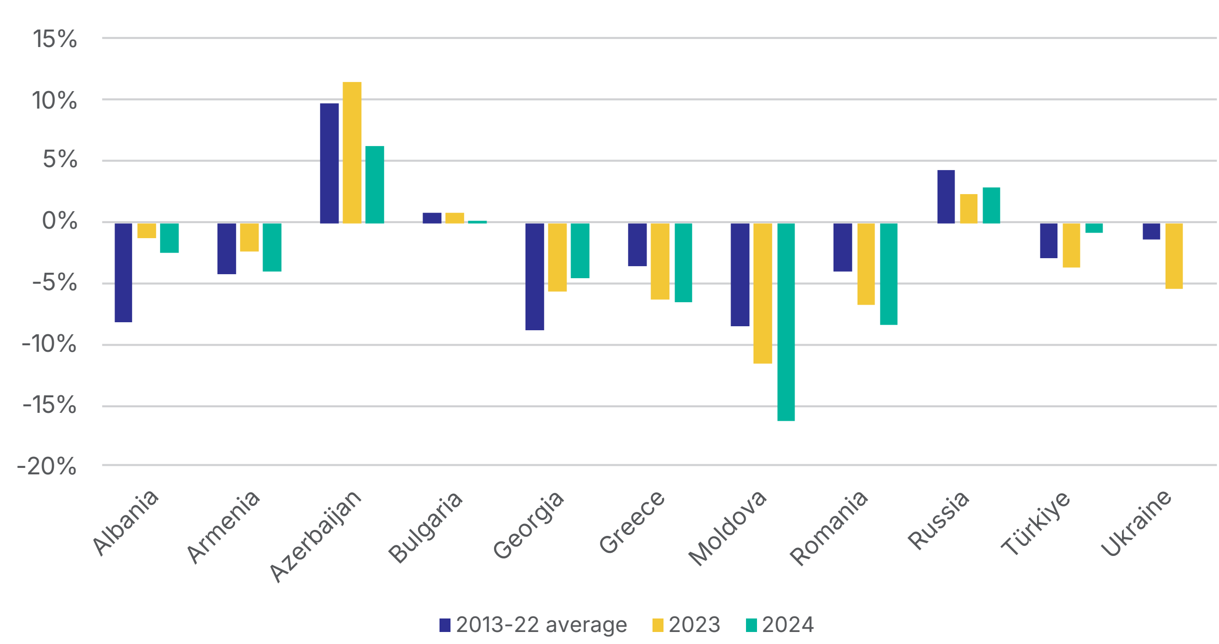
Source: Monetary policy-setting institutions

Cautious monetary policy has been the hallmark of the economies in the region, contributing to the resilience and sustainability of the member countries. With this policy in mind, decision-makers have not rushed to cut the monetary policy rates. Rather, the preference has been to be on the safe side and only reduce rates when upside risks to the inflation outlooks are further moderated. For that reason, it is possible to expect that despite the current inflation rates lying within the targeted ranges, rate cutting will likely be slow in 2025.

Balance of Payments

BSTDB Region's current account deficit narrowed from 4.8% of GDP in 2022 to 3.7% of GDP in 2023 and further down to 2.6% of GDP in 2024. While the improvement from 2022 to 2023 was broad-based, the improvement in 2024 was driven by a single country and the aggregate measure hid significant country differences. Compared to 2023, the external deficit improved in three member countries and worsened in four member countries, while current account surplus member countries saw their surpluses decline.

Current Account Balance, % of GDP



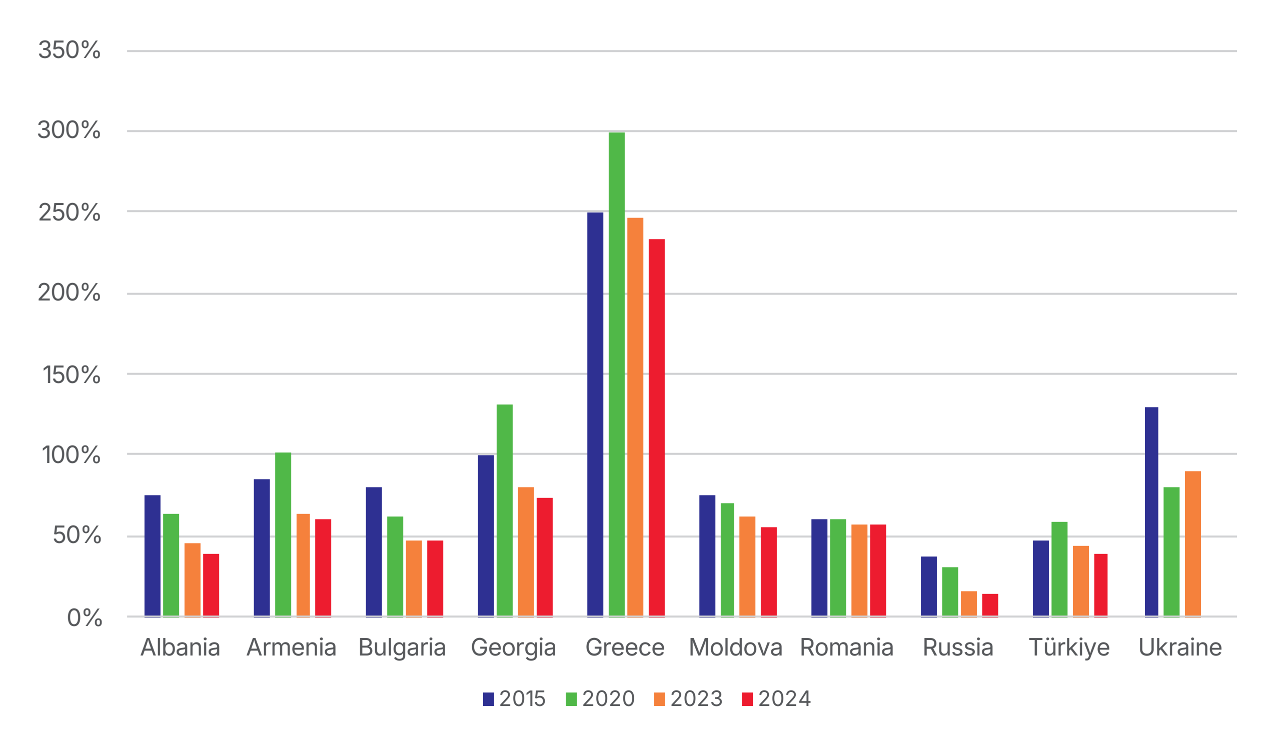
Source: Official statistical agencies

Despite the deficits, BSTDB member countries still attracted significant financial inflows in 2024. In five deficit economies, financial flows were above the external financing needs, thereby resulting in an increase in reserves, while others experienced a moderate drop.

External Debt

Another noteworthy fact in the external financial inflows in 2024 is that for the most part, they were not debt-creating inflows. Therefore, the increase in nominal external debt stock in the member countries was minimal, while as a ratio to GDP, it was down in eight out of nine member countries. Overall, external debt in the region peaked in 2020 as a result of the COVID-19 pandemic measures. Since then, thanks to the strong growth and non-debt-creating financial inflows, driven by the attractiveness of the region, external debt metrics retreated in most of the countries in the region.

Gross External Debt, % of GDP



Source: Official statistical agencies

Fiscal Developments

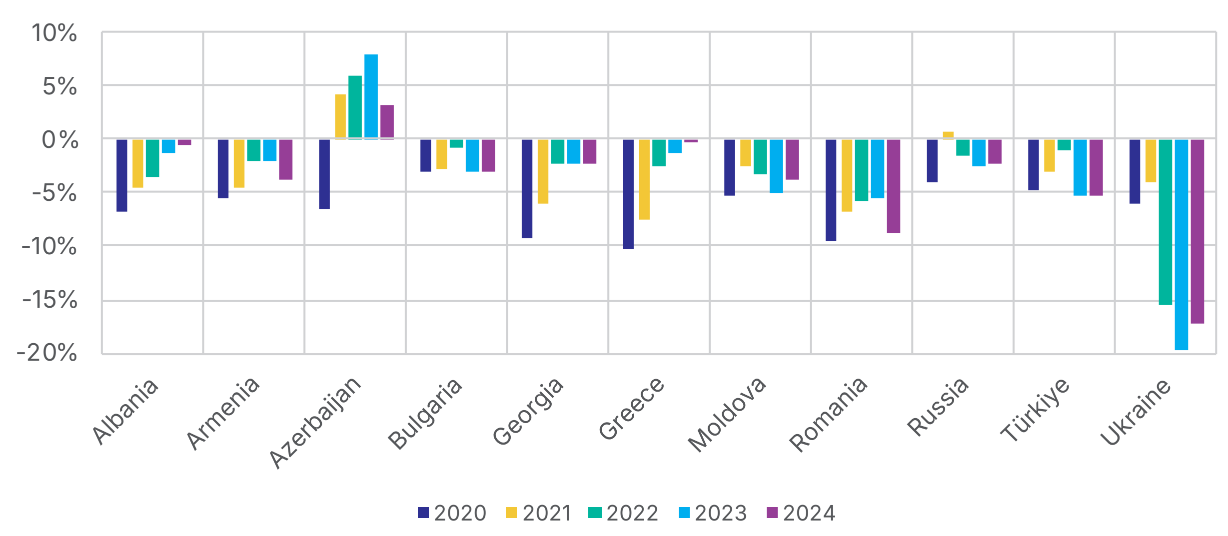
The strong growth of previous years helped countries in the region improve their fiscal balances, with six member countries recording their lowest fiscal deficits in four years in either 2022 or 2023. While the simple average fiscal balance of the BSTDB-9 declined slightly from -1.7% of GDP in 2022 to -2.0% in 2023, the median value worsened marginally from -2.2% to -2.3% of GDP over the same period. However, these average figures mask significant variations among countries, a disparity that becomes even more pronounced in 2024.

In 2024, four member countries experienced a relatively significant improvement in their fiscal balances, with gains close to or exceeding 1% of GDP. Another four countries saw their balances remain flat or improve only marginally. In contrast, three member countries experienced a notable deterioration, with deficits widening by more than 3% in two of them.

As a result, the simple average budget balance of the BSTDB-9 declined from -2.0% of GDP in 2023 to -2.7% in 2024, while the median value dropped from -2.3% to -3.0% of GDP.

Diverging fiscal performance, along with differences in debt structure and economic growth, led to varied public debt trajectories. Debt-to-GDP ratios fell in six member countries, while the remaining countries saw increases. Nevertheless, debt levels in the region remain relatively low, with the simple average debt-to-GDP ratio declining from 52.3% in 2023 to 51.7% in 2024.

General Government Balance, % of GDP



Source: World Economic Outlook database, IMF

Banking Sector

Banking penetration in the region remains low, with the deposit-to-GDP ratio averaging 58.2% in 2024. Despite the low penetration, the banking system's funding remains robust due to its strong reliance on domestic sources, particularly deposits.

Credit/Deposit in the Banking System, %

Source: Official statistical agencies

Outlook

Persistent uncertainties—exacerbated by the global tariff war, geopolitical risks, and weak growth prospects in the European Union—continue to weigh on the region's economic outlook. As a result of these downside factors, the region is projected to grow by 2.5% in 2025. Although growth is expected to rise modestly to 2.9% in 2026 and 3.1% in 2027, it will remain below the historical average.

Driven by ongoing uncertainties and the threat of tariff wars, inflation is expected to pick up slightly in some countries in the region in 2025. However, subdued growth and tight monetary policies will help contain upward pressure. Over time, as the impact of these uncertainties fades and authorities remain committed to price stability, inflation is projected to gradually decline, staying within target ranges in nearly all member countries.

Despite the relatively weak growth outlook, member country authorities—following a recent trend toward conservative fiscal policy—are not expected to pursue expansionary measures. As a result, aside from a minor deviation in 2025, fiscal balances are anticipated to improve in the following years.

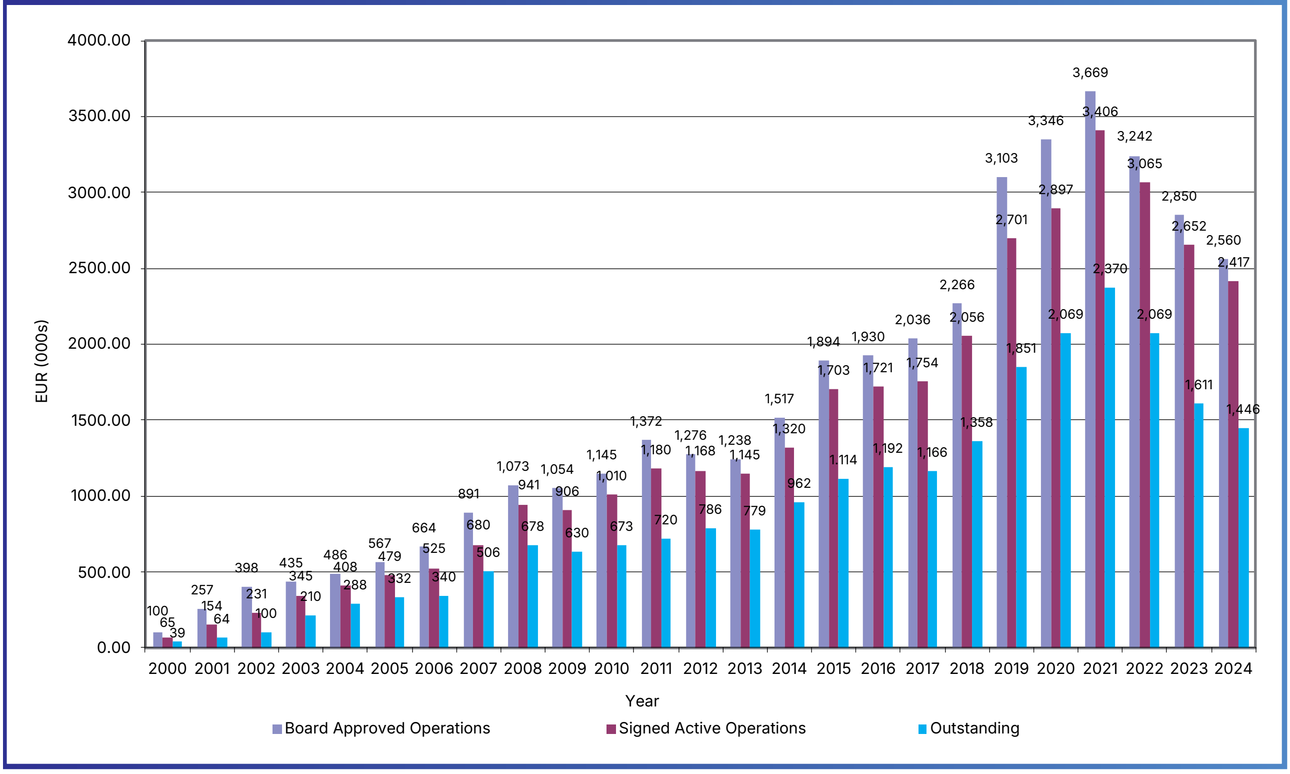
Weak regional growth and subdued external demand, further strained by tariff threats, are likely to lead to a slight deterioration in current account balances across the BSTDB region. Nevertheless, no significant challenges are expected in meeting external financing needs.

BSTDB in the Black Sea Region

Portfolio Description

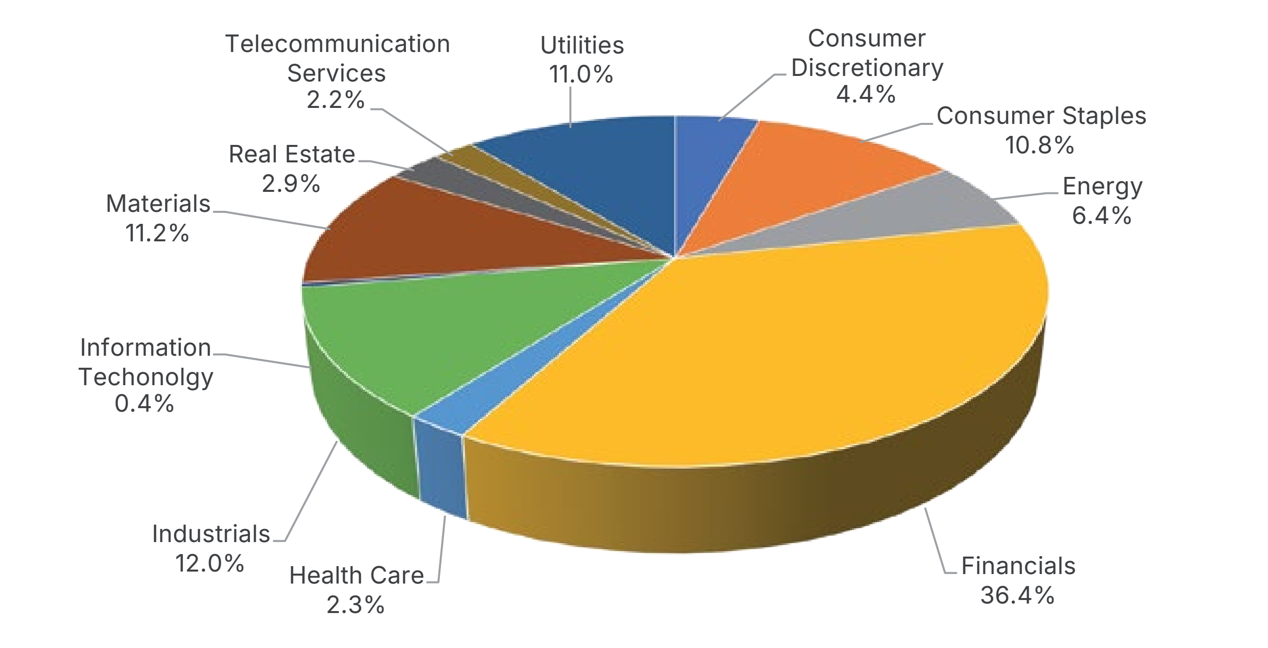
Since the beginning of operations in June 1999, the Bank has approved 509 operations amounting to about EUR 9.3 billion. Throughout this period, there were 452 signed operations for a total signing amount of EUR 7.9 billion. A total of 395 operations for about EUR 7.6 billion were repaid. At end-2024, there were 99 operations in the total portfolio outstanding balance for EUR 1.446 billion.

BSTDB Portfolio Development 2000-2024



Source: BSTDB

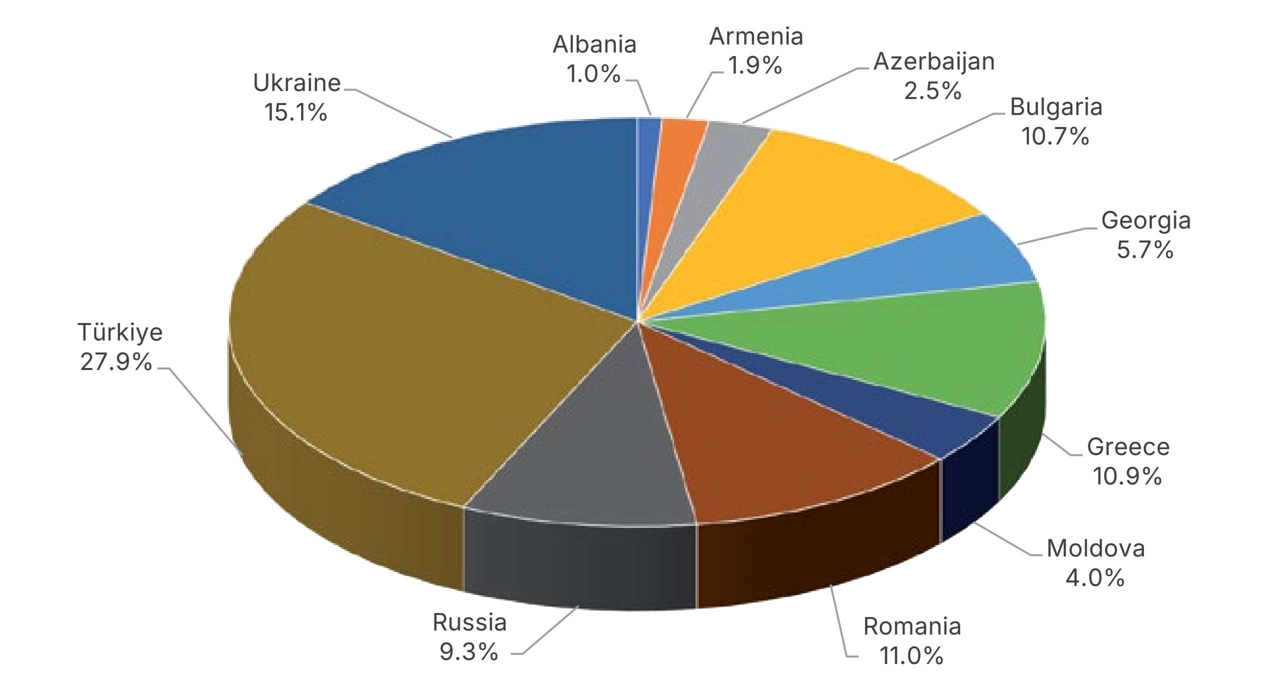
Cumulative Signed Operations by Sector



Source: BSTDB

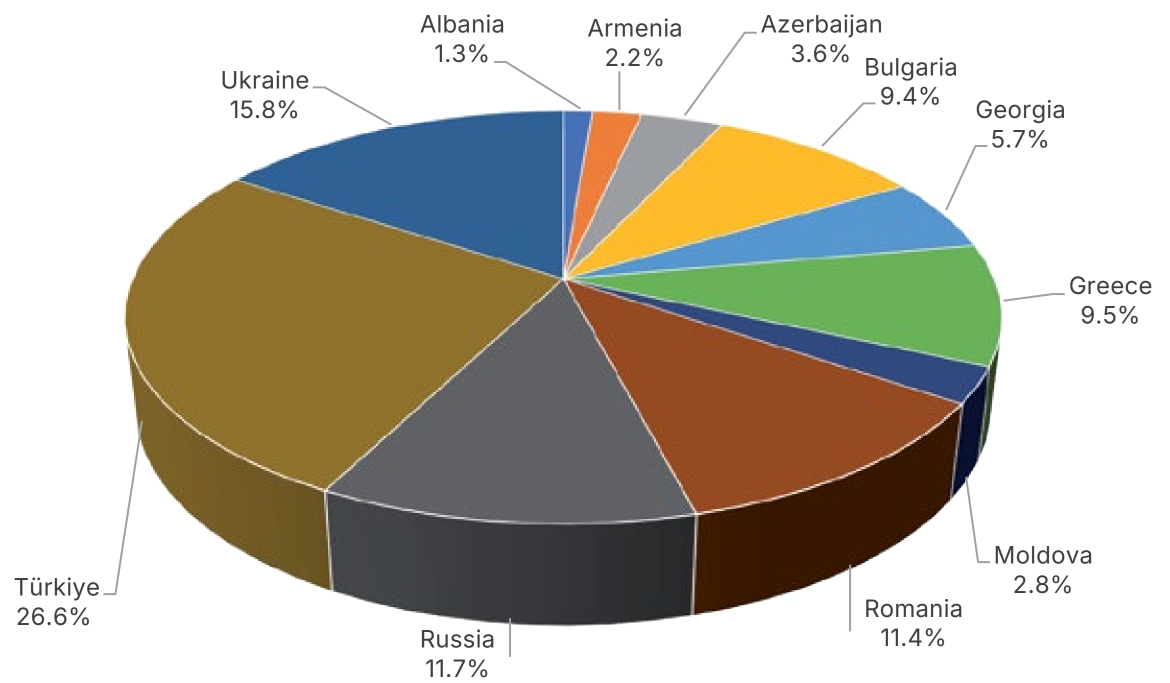
As of end-2024 the outstanding operations of the Bank (cumulative disbursements less repayments for active operations) represented EUR 1.446 billion, distributed by country as per the following graph:

Outstanding Operations by Country



Source: BSTDB

Active Signed Operations by Country



Source: BSTDB

2024 Portfolio Developments

In 2024 the Board of Directors approved 22 new operations for a total of EUR 415.2 million. Twenty-one operations were signed for a total of EUR 369.8 million. As a result, the Bank had 99 outstanding operations to 77 clients at the end of 2024.

Portfolio structure by sector remained broadly in line with the Bank's historical trends. As in previous years, the most significant exposures were in financial institutions, industrials, consumer staples, utilities, materials, and health care. The Bank's participation in regional equity funds represented a further 0.46% of the outstanding portfolio.

Enhanced effort was put into increasing the share of the real (i.e. non-financial) sector, which reached 78.9% of outstanding portfolio at year-end. The majority of the new approvals in 2024 went to the financial institutions. The sectorial structure was well diversified, with projects originating from various industries and economic sectors: financing small and medium enterprises, leasing, trade finance, consumer staples, utilities, materials and real estate.

Co-Financing

The Bank values its cooperation with other financiers in mobilizing investment in the Black Sea Region and realizing cross-country operations. Such operations possess high shareholder value for the Bank and are therefore priority activities.

In the course of 2024, 43.1% of signed portfolio was co-financing. In terms of total signed active portfolio in the amount of EUR 2.4 billion, 49.0% of operations are co-financing. The share of co-financed active operations to total portfolio outstanding balance is 52.2%.

Selected BSTDB Financings in 2024

TransOil Dedicated Trade Finance Facility (Moldova)

The Black Sea Trade and Development Bank (BSTDB) has reinforced its long-standing cooperation with Moldova's TransOil Group by providing a new EUR 10 million bilateral short-term trade finance structured facility. This financing will support the Group's working capital needs and expand its exports of sunflower products and other agricultural commodities, primarily to BSTDB member countries such as Romania and Türkiye.

As a key player in Moldova's agricultural sector, TransOil Group continues to demonstrate resilience and growth. BSTDB is proud to support their efforts, strengthening regional trade and economic stability. While the Bank remains committed to bolstering Moldova's economy, this funding also helps mitigate trade and supply chain disruptions affecting the broader Black Sea region.

BSTDB amount	**EUR 10 million**
Total Operation cost	**n.a.**
Type of financing	**trade finance, with secured pre-export structure**
Maturity	**1 year**

Kernel Group PXF Trade Finance Facility (Ukraine)

The Bank has provided USD 25 million, part of a syndicated pre-export finance facility for Kernel Group, a leading force in Ukraine's agricultural sector and one of the world's top sunflower oil exporters. This funding will ensure the company has the working capital needed to procure, process, store, and transport oilseeds and vegetable oils to global markets.

BSTDB's financing is part of a USD 150 million syndicated facility arranged by ING Bank NV and Coöperatieve Rabobank UA, reinforcing international support for Ukraine's vital agricultural exports.

BSTDB is proud to stand by Kernel during these critical times as agriculture remains a cornerstone of Ukraine's economy, and by supporting production and exports, the Banks is not only sustaining a vital industry but also strengthening the country's economic resilience and recovery.

BSTDB amount	**USD 25 million**
Total Operation cost	**USD 150 million**
Type of financing	**trade finance, pre-export**
Maturity	**under a year**

Metinvest Trade Finance Facility (Ukraine)

The Black Sea Trade and Development Bank (BSTDB) provided a EUR 10 million bilateral one-year revolving debt facility to one of the trading subsidiaries of Metinvest BV. The Group comprises steel and mining production facilities located in Ukraine, the EU, the UK and the US, as well as a sales network covering all key global markets. This financing is used to enhance the Group's export capabilities and support its production continuity in Ukraine.

Despite significant challenges stemming from the ongoing conflict, Metinvest has adapted through its diversified operations across Ukraine, the EU, the UK, and the USA. BSTDB's support is helping sustain production, protect jobs, and ensure the continued flow of Ukrainian exports. By reinforcing the resilience of Ukraine's industrial backbone, BSTDB reaffirms its commitment to the country's economic stability and regional trade continuity.

BSTDB amount	**EUR 10 million**
Total Operation cost	**n.a.**
Type of financing	**trade finance, pre-export**
Maturity	**1 year**

TransOil Bond 2024 (Moldova)

The Black Sea Trade and Development Bank (BSTDB) has reinforced its support for Moldova's agricultural sector by participating with up to USD 30 million in TransOil Group's new USD 550 million 2029 Eurobond issuance. BSTDB's participation as an anchor investor highlights the strategic importance of the Group's role in regional trade and food security.

TransOil is Moldova's largest agricultural exporter, playing a vital role in sourcing, processing, and exporting sunflower oil, corn, barley, and wheat, with a strong presence in BSTDB member states such as Türkiye, Ukraine, and Romania.

This investment aligns with BSTDB's commitment to fostering economic resilience, supporting one of Moldova's largest private employers, and strengthening regional trade integration. By securing long-term funding for TransOil, BSTDB contributes to the stability of Moldova's agriculture sector and reinforces the sustainable development in the Black Sea region.

BSTDB amount	**USD 30 million**
Total Operation cost	**USD 550 million**
Type of financing	**bonds**
Maturity	**5 years**

Alro III Corporate Loan Facility (Romania)

The Bank has further expanded its long-term cooperation with Alro Group by providing a USD 40 million loan to finance some long-term capital expenditures of the Group, including energy efficiency investments.

Alro is Romania's only aluminium producer and the largest primary aluminium production facility in the Central and Eastern Europe (excluding CIS) by volume, with annual installed production capacity of 265,000 tonnes of electrolytic aluminium. The main markets for the aluminium manufactured by Alro are within the EU, the USA and Asia.

In accordance with Alro Group's strategy in Romania, aiming at securing its positioning in the market via increased production capacity of higher value-added products and more efficient energy consumption, as well as less exposure to the aluminium and electricity price swings, several projects have been undertaken by Alro Group. The overall cost of the current investment program will be USD 208 million and will aim to modernize, reduce costs, and improve energy efficiency between 2024-2028. Alro Group is one of the largest producers and energy consumers in Romania, hence lowering its energy cost, enhancing its product diversity, quality and safety adds substantially to its competitiveness.

BSTDB participation in the Operation will bring a positive development impact as it will generate additional export and tax revenues, support the investments of a successful company in Romania, and promote the cooperation among member states via investments and exports.

BSTDB amount	**USD 40 million**
Total Operation cost	**USD 208 million**
Type of financing	**corporate finance loan**
Maturity	**7 years**

Agricover III Medium Term Loan Facility (Romania)

BSTDB has continued to strengthen its partnership with Agricover Group by providing a new EUR 20 million loan to Agricover Credit IFN to finance grain farmers across Romania.

Agricover Credit IFN is the only Romanian financial institution specialized in financing the agricultural sector, serving mainly large-scale crop producers, dairy and animal husbandry farmers. It provides working capital (82%) and capital expenditure financing solutions (18%). The main group of clients of Agricover are the large crops farmers, exploiting over 400 ha in total surface. Agricover Group applies an integrated financing scheme to support farmers: whilst the other Group companies provide the farmers with seeds, agricultural chemicals, fuel and advanced technology, financing is provided by Agricover Credit IFN. This integrated support system ensures that farmers can enhance productivity and competitiveness.

The loan aligns with Bank's commitment to strengthen Romania's SMEs and agribusiness sector. It fosters higher exports and increased tax revenues, supports the activities of a successful Group in Romania, and contributes to the development of the agriculture sector of the country.

BSTDB amount	**EUR 20 million**
Total Operation cost	**n.a.**
Type of financing	**corporate finance loan**
Maturity	**5 years**

Autonom Mobility Services – Sustainability-Linked Bond (Romania)

The Bank participated with EUR 9 million in its first sustainability-linked bond, issued by Autonom, the largest Romanian car leasing and rental company. The private placement totals EUR 30 million, with BSTDB participating as an anchor investor.

Autonom is the largest mobility network in Romania with 52 agencies in 38 cities. It offers a wide range of integrated mobility solutions and is among the top three players by revenue in its main activity sectors: operational leasing and car rentals. As part of its sustainability strategy, Autonom aims to reduce by 55% the CO_2 emissions intensity of its car fleet by 2030, contributing to Romania's green transition and the global fight against climate change.

The proceeds from BSTDB's investment will support Autonom's broad sustainability initiatives, including expanding its car fleet to better serve local businesses, while reducing emissions. The bond issuance also strengthens Romania's capital markets by diversifying financing instruments for private sector companies with a strong environmental focus.

The bond proceeds will finance Autonom's efforts to expand its car fleet to meet increased demand from local business, while reducing its carbon footprint. Thus, the bond fosters environmentally friendly growth, in line with company's sustainability strategy aiming to cut the operating fleet's carbon emissions. By participating in the bond issue, the Bank supports Autonom in pursuing its long-term sustainability endeavours.

BSTDB amount	**EUR 9 million**
Total Operation cost	**EUR 30 million**
Type of financing	**bond**
Maturity	**5 years**

Basisbank (Georgia)

BSTDB extended a new SME loan facility of USD 15 million to Basisbank, an existing BSTDB partner financial intermediary in Georgia. With this new medium-term funding aimed to support Basisbank's lending to SMEs in Georgia, BSTDB will promote job creation, income generation and, to the extent possible, increasing trade turnover between BSEC countries. The excellent cooperation between BSTDB and Basisbank has been continuing since 2012 when the first trade finance facility was extended. Since then, BSTDB disbursed to Basisbank in aggregate nearly USD 200 million in support of Georgian SMEs, exporters and importers.

Established in 1993, JSC Basisbank is 92.3% owned by Chinese Hualing Group, one of the largest foreign investors in Georgia. The bank provides a broad range of banking services to retail and corporate clients through an extensive nationwide network.

BSTDB amount	**USD 15 million**
Total Operation cost	**USD 15 million**
Type of financing	**SME Finance**
Maturity	**4 years**

Evocabank (Armenia)

BSTDB initiated a new partnership in Armenia by providing USD 10 million financing to Evocabank. USD 9 million of the loan will be dedicated to financing small and medium-sized enterprises (SMEs), whilst USD 1 million will be aimed at trade finance operations. Hence, the BSTDB facility is designed to address the capital expenditure and working capital needs of Armenian SMEs, including those engaged in trade with other countries in the Black Sea region. Evocabank will utilize these funds to support domestic SMEs, helping them implement their investment programs, expand into new markets, and strengthen their competitiveness and export capabilities.

As a new partner for BSTDB in Armenia, Evocabank's advanced digital channels and extensive branch network will play a crucial role in delivering support to a diverse range of SMEs across Armenia. This collaboration expands the BSTDB network of partner financial intermediaries and opens new opportunities for Armenian companies to engage in cross-border trade and foster stronger economic ties within the region, in line with BSTDB's mandate to promote intra-regional cooperation.

BSTDB amount	**USD 10 million**
Total Operation cost	**USD 10 million**
Type of financing	**SME finance / Trade Finance**
Maturity	**3 years / 1 year (revolving)**

Fondi BESA (Albania)

BSTDB extended a medium-term loan facility of EUR 7 million to Fondi BESA, an existing BSTDB partner in Albania. Fondi BESA is a leading non-banking provider for micro, small and medium sized enterprises (MSME) in Albania. BSTDB and Fondi BESA have a proven track record of established partnership since 2013. Since then, the Bank and the company have entered into several loan agreements with an aggregate amount exceeding EUR 34 million, to support the growing business activity. The proceeds of the new BSTDB financing will further support the Albanian MSME grow and create new jobs.

BSTDB amount	**EUR 7 million**
Total Operation cost	**EUR 7 million**
Type of financing	**MSME finance**
Maturity	**3 years**

Microinvest (Moldova)

To bolster economic activity and promote green financing in Moldova, the Bank established a new partnership with Microinvest S.R.L. the leading microfinance company in Moldova. Under this partnership BSTDB provided a EUR 10 million combined credit line aimed at enhancing the access to finance of small businesses and supporting the real economy in Moldova.

The four-year facility will fund micro, small, and medium-sized enterprises (MSMEs) to support their growth. A portion of these funds will be specifically allocated for green financing initiatives, including renewable energy, energy efficiency, waste management, and low-carbon technologies.

The green component is the pilot implementation under the BSTDB Green Credit Line for financial intermediaries and contributes to the execution of the BSTDB Climate Change Strategy, better aligning BSTDB financing to the Bank shareholders' own climate priorities. It represents an opportunity to expand BSTDB's climate change financing to a wider pool of sub-borrowers, thus supporting more effectively decarbonizing the economies in the Black Sea Region.
The loan to Microinvest is consistent with the strategic objectives of BSTDB to support the development of the financial sector. MSMEs lending is one of the main developmental pillars of the Bank, as funds are directed to the real economy through the intermediation of a financial institution.

With over 20 years of experience, Microinvest S.R.L. stands as Moldova's premier microfinance institution, empowering businesses and individuals with tailored financial solutions. The company has a significant share in the non-banking sector and is the fifth largest player in Moldova among banks and non-bank financial institutions. It is a highly regarded brand in Moldova, supported by a well-developed branch network. As a new partner financial intermediary, Microinvest represents an excellent channel for the Bank to direct financial resources to micro and SME beneficiaries.

BSTDB amount	**EUR 10 million**
Total Operation cost	**EUR 10 million**
Type of financing	**MSME and Green financing**
Maturity	**4 years**

TBC Bank (Georgia)

BSTDB extended in 2024 a new SME Local Currency loan facility of 135 million Georgian Lari (USD 50 million indicative equivalent) to TBC Bank. TBC Bank is one of the largest banks in Georgia with very wide country coverage, diversified banking services range, strong corporate governance and highly professional and dedicated management and team. It is an existing BSTDB financial partner in Georgia. This operation is the third local currency loan to TBC Bank, further expanding the very successful partnership started in 2015. The new facility is supporting TBC Bank's activities in financing eligible small and medium-sized enterprises. As the facility is provided in GEL, there is no foreign exchange risk, neither for TBC Bank nor for Georgian beneficiary SMEs.

Therefore, in addition to facilitating SMEs access to finance, BSTDB contributes to the Georgian authorities de-dollarization program in the banking sector. The loan was funded by a GEL-denominated bond issued by BSTDB in cooperation with TBC Capital, a member of TBC Bank Group, thus contributing to the local capital market development. The excellent cooperation between BSTDB and TBC Bank has been continuing since 2003 in both SME finance (with aggregate disbursement volume of USD 105 million) and trade finance (with total volume of disbursements reaching over USD 68 million).

BSTDB amount	**GEL 135 million**
Total Operation cost	**GEL 135 million**
Type of financing	**SME finance (local currency)**
Maturity	**3 years**

Türk Eximbank (Türkiye)

BSTDB extended a two-year trade finance facility of USD 45 million to Türk Eximbank, a long-standing BSTDB partner bank in Türkiye. The new loan aims to support the activities of Türk Eximbank in financing the exporting companies. As Türkiye's official export credit agency, Türk Eximbank plays a key role in the government's export-led growth model and in supporting exporters by providing credit, guarantees and export credit insurance. BSTDB and Türk Eximbank have a long-standing successful partnership for a quarter of a century. Since the first loan in 2000, the BSTDB disbursed nearly USD 650 million to Türk Eximbank, funds channeled to support the export activities of Türkiye's businesses.

BSTDB amount	**USD 45 million**
Total Operation cost	**USD 45 million**
Type of financing	**trade finance**
Maturity	**2 years**

Ekspo Factoring (Türkiye)

The successful long-term cooperation started in 2013 between BSTDB and Ekspo Faktoring was continued in 2024 with the renewal of the USD 10 million BSTDB funding aimed at supporting trade finance operations of Ekspo Factoring key clients.

Ekspo Faktoring is a non-bank affiliated independent factoring company specializing in export and import trade finance. It has been providing factoring services to blue chip and well-known large, small and medium sized enterprises in Türkiye since 2000. Despite its relatively small size, the company has established a strong presence in the Turkish factoring sector, maintaining a conservative yet flexible approach.

This continued collaboration between BSTDB and Ekspo Faktoring demonstrates a shared commitment to supporting businesses, driving economic growth, and strengthening trade finance operations both in Türkiye and beyond.

BSTDB amount	**USD 10 million**
Total Operation cost	**USD 10 million**
Type of financing	**trade finance**
Maturity	**1 year (revolving)**

In Focus: Steady Support to Ukraine in Challenging Times

The Black Sea Trade and Development Bank (BSTDB) has reinforced its long-standing cooperation with Moldova's TransOil Group by providing a new EUR 10 million bilateral short-term trade finance structured facility. This financing will support the Group's working capital needs and expand its exports of sunflower products and other agricultural commodities, primarily to BSTDB member countries such as Romania and Türkiye.

2021: A Strong Foundation

As of end-2021 Ukraine already held a strong position in BSTDB's portfolio, reflecting the dedication of the Bank to fostering the economic development of the country. The cumulative signed operations in Ukraine amounted to approximately EUR 831 million, representing 11.9% of total operations signed by BSTDB since its establishment. At the end of the year the BSTDB active portfolio in Ukraine amounted to EUR 367 million, representing 10.8% of total portfolio of the Bank.

This robust engagement laid the groundwork for continued support in subsequent years.

2022-2024: Navigating Challenges with Resilience - Targeted Support and Strategic Initiatives

The onset of conflict in early 2022 posed substantial challenges to Ukraine's economy. Despite these adversities, BSTDB maintained its commitment to Ukraine, focusing on sustaining essential economic activities, supporting critical sectors and helping existing clients of the Bank to manage the situation. Below are several highlights:

- **Supporting the Petroleum Retail Sector:** in April 2023, BSTDB provided a EUR 25 million short-term revolving trade finance facility to Joint Stock Company Concern Galnaftogaz, a leading petroleum products distributor in Ukraine. This facility ensured the uninterrupted supply of essential petroleum products, supporting the company's operations and contributing to the stability of Ukraine's energy sector during challenging times.

- **Backing country's steel exports:** to support Ukraine's industrial resilience, in May 2024 the Bank extended a EUR 10 million trade finance facility to Metinvest, the leading Ukrainian steel and mining powerhouse. This funding supports the seamless export of Metinvest products, reinforcing production continuity despite the conflict. With operations spanning Ukraine, the EU, the UK, and the USA, Metinvest has demonstrated remarkable resilience. BSTDB's backing sustains jobs, fortifies Ukraine's economic backbone, and secures the uninterrupted flow of high-quality Ukrainian steel to global markets. This initiative underscores BSTDB's unwavering commitment to regional trade and economic stability at a crucial time for Ukraine. By standing behind Metinvest, BSTDB is not just financing trade - it is fueling the future of Ukraine's industrial strength.

- **Enhancing Agricultural Exports:** in October 2024, BSTDB extended a USD 25 million pre-export finance facility to Kernel Group, one of Ukraine's largest agricultural producers and exporters. This financing supported Kernel's procurement, processing, storage, and transportation of oilseeds and vegetable oils, facilitating continued agricultural exports and reinforcing Ukraine's position in global food markets.

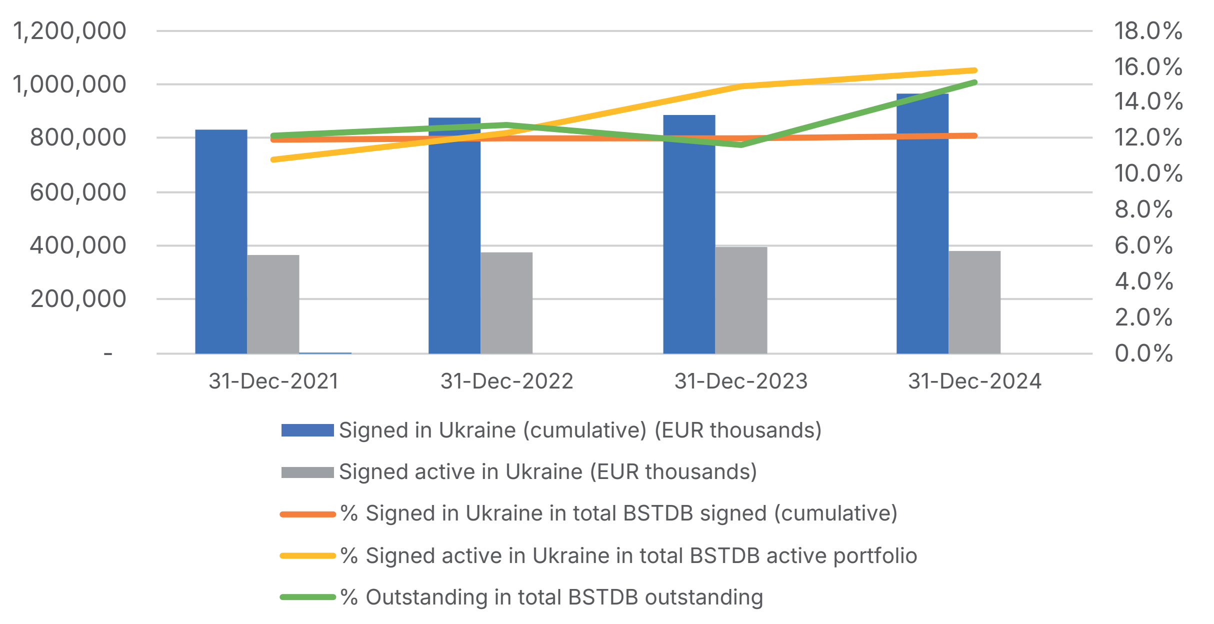
- **Japan Bank for International Cooperation (JBIC) facility:** building on its commitment to Ukraine, BSTDB entered into a significant agreement with the Japan Bank for International Cooperation (JBIC) in September 2024. This partnership secured a USD 150 million facility aimed at supporting Ukraine's recovery and advancing green initiatives in the Black Sea region. The funding targets critical sectors such as agriculture, food, transport and logistics, digital infrastructure, and pharmaceuticals, aligning with sustainable development goals and promoting economic resilience.

- **Supporting existing clients:** in addition to tangible deals the Bank has done in Ukraine during this challenging period, the Bank has been hugely supportive to existing clients, assisting to manage the situation with waivers, consents and/or approval of payment delays.

These initiatives show that the Bank has been a steadfast partner in Ukraine's economic development, adapting its support to meet the nation's evolving needs in challenging times. As a result of these initiatives, the cumulative financing provided by the Bank to Ukraine increased to EUR 962 million as of end-2024, an increase by 16% compared to pre-conflict. The outstanding active portfolio at end-2024 increased to EUR 381 million, representing over 15% of Bank's portfolio.

The following graph illustrates the evolution of BSTDB financing for Ukraine from before the conflict to 2024:

BSTDB Financing in Ukraine (2021-2024)



Note: The figures for 2022-2024 include new signed operations, reflecting BSTDB's ongoing support for Ukraine's economic development.

The graph demonstrates Bank's ongoing support during a critical period for the country and underscores Bank's role as a reliable partner in times of crisis.

Conclusion: A Testament to Enduring Partnership

From 2021 through 2024, BSTDB's unwavering support for Ukraine exemplifies a steadfast partnership aimed at fostering economic resilience and sustainable development. Through targeted financing in critical sectors and strategic collaborations, BSTDB has supported Ukraine's economy during challenging times, reinforcing Bank's commitment to the nation's growth and prosperity.

Addressing Climate Change and Sustainability

Milestones

Since 1999 when BSTDB started its activity the sustainability of its operations was one of the key principles the shareholders embedded into the core of the Bank's business model. Thus, the Board of Governors in April 1999 adopted through resolution No.7 the Rules and Regulations for Financing Projects and Commercial Activities of the Bank that regarded promotion of sustainable development of its Member States as the main objective of BSTDB. The Bank adhered at that time to the principles of the Washington Declaration on Environment and Sustainable Development of the World Federation of Development Financing Institutions and committed to support only operations that meet the sustainability principles.

These principles were successfully translated into BSTDB's first Environmental Policy which was approved by its Board of Directors in June 1999. The Policy defined the environmental mission of the Bank which was to integrate environmental concerns into the internal assessment procedures of the financed operations, and the Bank committed to make sure that its activities do not harm the environment; they strengthen the environmental management of its Clients; and help address global environmental concerns.

2013 was another sustainability milestone for BSTDB when its Board of Directors approved at the September meeting the new Environmental and Social Policy which came to further support the Bank's efforts in fulfilling its sustainable development objective. The material change was the inclusion in the new policy of the social dimension of sustainability along the environmental one and was designed to integrate even deeper the sustainable development principles into its business management. These relate primarily to pollution prevention and mitigation; respect for fundamental human rights in the working environment; protection of the Black Sea against pollution; addressing climate change; promoting sustainable use of natural resources, protection and conservation of biodiversity; and disclosure of information on environmental and social performance of its operations.

While aware of the pandemic-related lingering economic exigencies and uncertainties, in March 2021 the Board of Directors approved the Bank's first Climate Change Strategy. The Strategy represents the vision and approach of BSTDB in addressing climate-related issues over the next ten years and beyond and defines a more purposeful role for the Bank in supporting its shareholders to both mitigate and better cope with the impacts of climate change. By way of the document the Bank intends to better align its financing with the Member States climate priorities and commits to achieve the following three strategic objectives: 1) to gradually reduce net emissions in the portfolio by setting periodic emission targets aiming at achieving zero net emissions by 2050; 2) to gradually increase the share of its funding to climate positive operations and operations with climate co-benefits to at least 30 percent; and 3) to build capacity to better serve Member States public and private sector actors in mitigation and adaptation efforts.

At present, the new BSTDB Environmental and Social Policy is on the way. It builds on the experience of application over the past 25 years but also keeps abreast of new requirements and challenges in financing sustainable development. The policy integrates in a more systematic manner the principles of circular economy, tackling climate change mitigation and adaptation, analysis of climate risks, both physical and transitional, the environmental and social performance requirements towards operations, and makes clear statements on nuclear energy, and coal.

Thus, over the years the Bank is continuously building a solid environmental and social management system that is fully integrated into its operations cycle, internal procedures and practices so that BSTDB could achieve its objectives effectively and efficiently.

Approach

BSTDB addresses sustainability and climate change through the operations it finances and the principles it follows. These include primarily management of environmental and social issues, pollution prevention and mitigation, respect for fundamental human rights, labor and working conditions, tackling climate change, protection of the Black Sea against pollution, efficient use of natural resources and protection and conservation of biodiversity, disclosure of project-related environmental and social information, and engagement in open dialogue with stakeholders. Thus, the Bank closely considers these key principles in its financing decisions to ensure its operation are sustainable.

Addressing Climate Change

The vision and approach of BSTDB in addressing climate-related issues in its operations are stated in its Climate Change Strategy approved by the Board of Directors in 2021. Its objectives are to gradually reduce net emissions in the portfolio by setting periodic emission targets aiming at achieving zero net emissions by 2050; to gradually increase the share of its funding to climate positive operations and operations with climate co-benefits to at least 30 percent; and to build capacity to better serve Member States public and private sector actors in mitigation and adaptation efforts.

In successfully meeting these objectives BSTDB is systematically addressing climate issues at both strategic and operational level. GHG emission reduction is a crucial part of climate mitigation, and the Bank strongly supports such efforts. Renewable energy investments, energy and resource efficiency, sustainable infrastructure, green buildings and electric transport systems are among BSTDB's financing priorities. At the same time the Bank gradually phases out support for carbon-intensive sectors.

Raising additional capital and exploring new sources of finance are central to fulfilling the Bank's strategic objective of mobilizing more capital for climate financing. BSTDB seeks to build a solid portfolio of green operations thus building expertise as well as gaining credibility. This helps attract more capital, including through green and climate bonds following the prevailing standards, accessing grants and technical assistance for project preparation needs, and in the future contracting concessional loans from climate funds.

Building capacity is crucial to support and enhance mitigation and adaptation in both existing and new operations especially in such vulnerable sectors as construction and real estate, coastal infrastructure, agribusiness, mining, water-intensive sectors and utilities. These efforts are made possible by both updating the Bank's assessment frameworks to account for climate risks as well as strengthening the due diligence process to identify and manage more accurately the climate change impacts on its operations. Using tools like carbon accounting methods and disclosure of the carbon intensity of its portfolio helps track and measure progress towards achieving the Bank's strategic goal.

Managing Environmental and Social Issues

All operations supported by BSTDB undergo mandatory screening depending on the associated potential environmental and social risks and impacts, and the scope of the environmental and social due diligence necessary to identify, assess and mitigate these risks and impacts. The due diligence of operations financed directly by BSTDB, depending on relevance in each specific case, focuses on such issues as the environmental and social management applied by the Borrowers; labor and working conditions and how people are treated in the working environment; the applied pollution prevention and abatement measures and how efficient the resources are being used; potential risks on the local communities, their health, safety and security; issues related to land acquisition, involuntary resettlement and economic displacement; impacts on biodiversity, ecosystem services and sustainable use of living natural resources; protection of any cultural heritage; and potential risks and impacts on Indigenous Peoples if present in the area of influence of the operation.

The due diligence of operations financed by BSTDB through Financial Intermediaries (FIs) normally focuses on the capability of such FIs to manage the environmental and social risks and impacts associated with their business activity in a manner that is compliant with the requirements of the Bank's Environmental and Social Policy and the national legislation in effect, including the country's commitments under international law. If these are found to be satisfactory the Bank normally delegates the function and responsibility for environmental and social issues to its FI Borrower.

Category A operations are subject to Environmental and Social Impact Assessment (ESIA) process and require meaningful consultation with the public that may be affected by such operations. This includes setting of procedures for public notification, disclosure of related information about the operation before it may be considered by the BSTDB's Board of Directors, its potential environmental and social risks and impacts, public review and comment.

BSTDB applies good international environmental and social practices in all the operations it finances. By good practices, the Bank recognizes the performance standards and requirements of the leading Multilateral Development Banks (MDBs), development Agencies, the European Union (EU) E&S standards, the ILO CLS, the World Health Organization (WHO) standards, relevant IMO conventions, as well as relevant international conventions, such as Convention on the Protection of the Black Sea Against Pollution, and the multilateral environmental agreements under the United Nations Economic Commission for Europe (UNECE), in particular the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (Aarhus Convention), and Convention on Environmental Impact Assessment in a Trans-boundary Context (Espoo Convention).

The operations considered by BSTDB need to comply with the following minimal environmental and social requirements: 1) National and applicable EU environmental, labor, health and safety, and public information laws and regulations, including national commitments under international law; 2) Availability of permits, approvals, licenses and certificates required under relevant laws and regulations; 3) Category A operations need to meet the requirements applied by EU, namely the Environmental Impact Assessment (EIA) Directive and relevant sector-specific and cross-cutting Directives, or the requirements applied by the World Bank Group. Category A operations that are likely to generate trans-boundary impacts need to meet the requirements stipulated under the Espoo and Aarhus Conventions irrespective whether the country of operation is a party to the Convention; and 4) Meet the requirements of the BSTDB Environmental and Social Exclusion List.

As an integral part of BSTDB's sustainability approach the Bank informs the public in a transparent and timely manner about the environmental and social aspects of its operations. This information is posted on the Bank's website as Operation Summary Documents (OSDs) and includes general information about the operation financed, as well as information on environmental and social screening, the potential risks and impacts, and how these will be addressed. OSDs are disclosed to the public after such operations are approved by the Bank's Board of Directors.

Category A operations are disclosed to the general and/or interested public before these are presented to BSTDB's Board of Directors for consideration. The operations in the private sector are disclosed not later than 30 calendar days before the Board of Directors meeting, and the operations in the public sector at a minimum of 60 calendar days before considered for approval. The environmental and social information related to Category A operations is disclosed on the Bank's website and is open for public comments.

Annual Evaluation Overview

Scope, standards, and methodology

According to the BSTDB's Evaluation Policy, the Office of Independent Evaluation of the Bank presents this annual evaluation overview to highlight key findings and trends from the conducted ex-post-evaluations, since the commencement of the Bank's operations in 2000.

This overview ensures accountability and quality management improvement of the Bank's performance, based on a rigorous, internationally harmonized independent evaluation of BSTDB's operations. Each annual evaluation overview is presented to Management, the Board of Directors, and the Board of Governors to highlight key findings in operational and institutional performance.

The evaluation overviews aggregate and compare the independent evaluations on an annual cumulative basis. They focus on mandate and strategy fulfilment as well as important trends and causal links. These reports do not contain commercially sensitive / operation-specific information and, therefore, represent the main vehicle for broader disclosure and accountability on the Bank's performance, inter alia within a dedication section of the Bank's Annual Report.

The current annual evaluation overview presents a synthesis of the findings of independent evaluations conducted within the last 5 years (2020-2024) with a focus on revealing and comparing key performance trends and underlying causality. This evaluation offers accountability and learning from past performance, to guide further strategies, by evidence and lessons learned.

The BSTDB Independent Evaluation Policy, updated and approved by the Board of Directors in 2023, is geared to the Good Practice Standards on Evaluation, as maintained by the Evaluation Cooperation Group (ECG) of the Multilateral development Banks (MDBs). These standards, inter alia, ensure the organizational and behavioral independence of the evaluation function, safeguarding the important accountability role of the evaluation to the Boards of Directors/Governors. The Independent Evaluation Office officially became a member of ECG in 2014, following years of proactive role in enhancing and applying the respective MDB-specific evaluation standards, as well as a comprehensive peer review by the ECG on the evaluation methodology, rigor and credibility. Currently, its director chairs the ECG membership committee.

The MDB-harmonized evaluation methodology uses 4 ratings (scores) for ranking performance of operations, 2 positive and 2 negative: Excellent, Satisfactory, Partially Unsatisfactory, Unsatisfactory. These ratings apply to each of the 5 evaluation criteria:

- RELEVANCE: Consistency of operation objectives with the BSTDB mandate
- EFFECTIVENESS: Extent to which objectives are achieved
- EFFICIENCY: Extent to which benefits are commensurate with inputs
- SUSTAINABILITY: Likelihood that results will be maintained
- INSTITUTIONAL IMPACT: Covers improvements in norms and practices.

The ratings on those 5 criteria form the overall rating, a single measure of mandate-centered operation's performance.

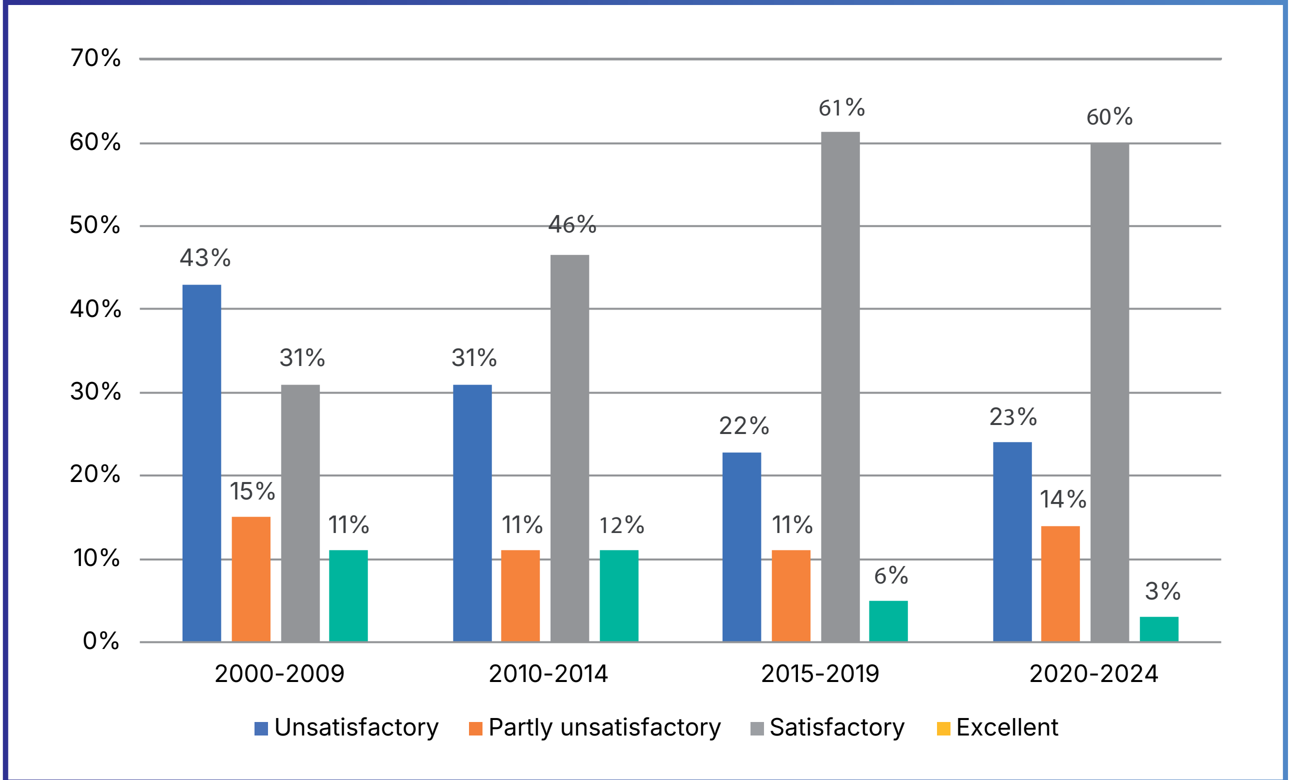
Performance of evaluated operations

This section presents aggregate evaluation findings from independent evaluations of the Bank operations since 2000, covering 207 evaluations of completed operations, grouped within 4 comparative periods.

In the latest aggregate period (2020-2024) BSTDB's positively rated operations represent 63%, that is 7 percentage points below the target of 70%, set by the Bank's Board of Governors. In broader terms, the latest 5-year period reveals a declining trend compared to the previous 5-year period - from 67% in 2015-2019 to 63% in 2020-2024, reflecting the impact of regional challenges and respective attention to crisis mitigation during 2022-2024. On the upper end of the ratings, the share of "Excellent" declined from 6% in 2015-2019, to 3% in 2020-2024, which is partly attributed to the same cause.

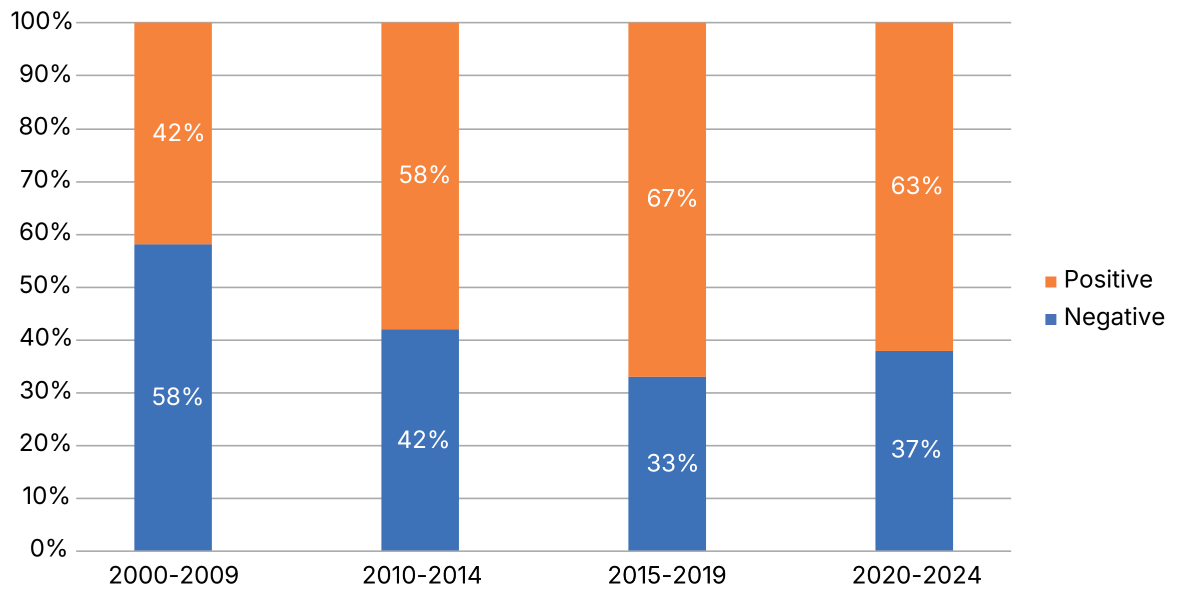
The share of BSTDB operations rated negatively (Partly Unsatisfactory or Unsatisfactory), indicates both overall and structural deterioration, as they account for 37% (against 33% in 2015-2019) with the lowest-rated share (Unsatisfactory) increasing from 22% in 2015-2019 to 23% in 2020-2024, reversing the generally positive trends observed prior 2019. As already noted in previous evaluation overviews, this negative trend is mostly attributed to the rapid shift to growth in 2019, overshadowing quality indicators, followed by the impact of the conflict in the region and the respective focus on restructuring and liquidity management, triggered by the deteriorated credit ratings of BSTDB within 2022 and beyond.

Chart 1: Evaluation Ratings 2000-2024



Source: Office of Independent Evaluation

Chart 2: Binary evaluation ratings of Bank's operations for 2000-2024

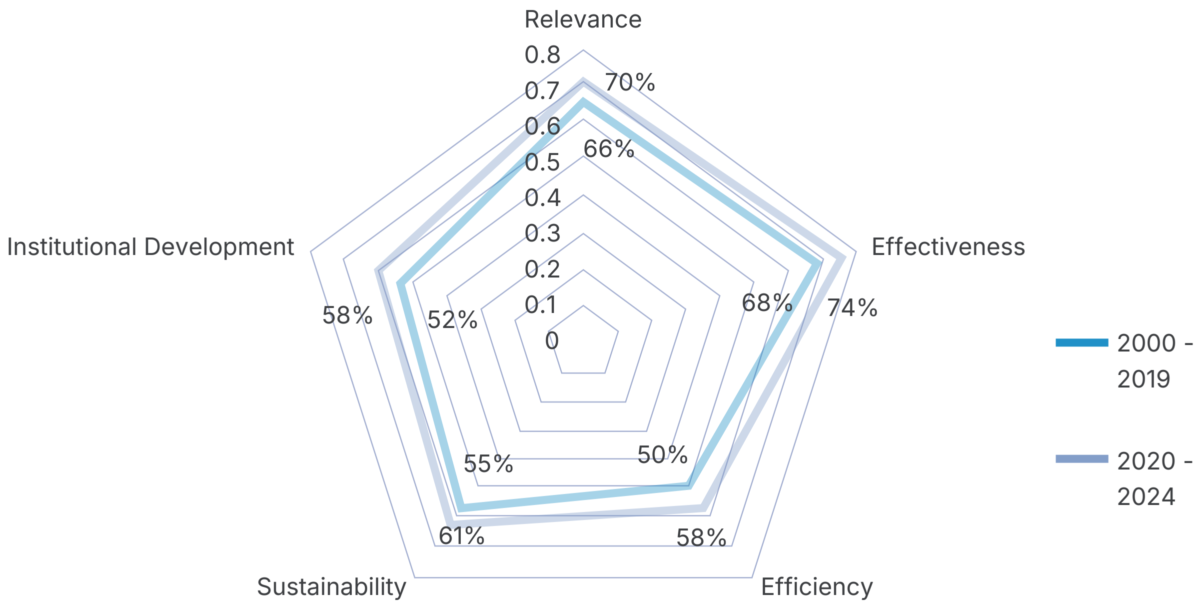


Source: Office of Independent Evaluation

Relevance, Effectiveness, Efficiency, Sustainability and Institutional Development

A more analytical perspective of the evaluation ratings under each of the five criteria (Relevance, Effectiveness, Efficiency, Sustainability and Institutional Development) is helpful to understand the broader picture, as well as where the Bank needs efforts to enhance overall performance. An outline of the share of positively rated operations indicates that only the performance on Effectiveness is within the 70% Bank target while the other 4 criteria require attention both at the ex-ante indicators stage, as well as during implementation and monitoring. The evaluation also notes that while the aggregated positive binary ratings presented above have deteriorated by 4 percentage points, there is an improvement of a few percentage points on each of the 5 evaluation criteria (comparing the periods 2000-2019 and 2020-2024 respectively, see Chart 3). This positive development indicates a potential for improved overall evaluation ratings in future periods, in view of the typical time lag observed in respect of the impact of individual criteria on the aggregate rating.

Chart 3. Positive evaluation ratings on Relevance, Effectiveness, Efficiency, Sustainability and Institutional Development



Source: Office of Independent Evaluation

Independent validation of self-evaluation reports

The Bank's Operation Teams prepare self-evaluation reports on each operation (Operation Completion Reports - OCRs). The Independent Evaluation Office's normally issues performance ratings that differ from the OCR self-evaluation ratings.

The overall OCR performance ratings issued during 2020-2024 were validated by the independent evaluation without change stand at 69%. For the same period, the OCR ratings that were upgraded and downgraded by the independent evaluation were 0% and 31% of the total, respectively. These figures suggest some improvement relative to previous evaluation overviews but call for further efforts to improve the rigor and quality of self-evaluation reports.

Benchmarking

All aspects of evaluated performance are subject to rigorous benchmarking with peer Multilateral Development Banks. These comparisons are conducted regularly based on data and time aggregation, to ensure validity and overall consistency.

Since 2008 BSTDB has maintained its performance generally in line with the comparable MDBs, with the already noted deterioration in 2022. The evaluation reveals 25 years of growth and improvement, within set targets, with some deviations. A typical recurring challenge is the side effect of volume-dominated incentives, known as "approval culture" - focusing on volumes of new operations, overshadowing quality and sustainability, hence eroding the development dimension, as well as causing waves of premature cancellations and pre-payments.

Follow-up of evaluation recommendations

To date, all evaluation recommendations accepted by the Management, Audit Committee and the Board of Directors have been addressed or are under implementation. While there are no outstanding issues, some recurring challenges and recommendations are outlined in the concluding section, as they deserve further attention.

Conclusions and lessons learned from recent evaluations

A central key performance indicator of the Bank states that the positively rated operations upon independent ex-post evaluation should be at least 70% in any given year. As this is a complex composite indicator, involving measurement time-lags (5-year moving average, reflecting operations maturity dynamics), its actual value will be revealed in hindsight by future evaluation overviews. The aggregate evaluation ratings of the last 5 years indicate lower overall performance relative to the earlier 5-year period, mostly due to the combined effect of the rapid but unsustainable growth in 2019 and the regional challenges and respective limitations caused by lowered credit ratings, as addressed by previous evaluation overviews. However, the current evaluation acknowledges that the detailed ratings on all 5 evaluation criteria imply a recent (2024) return towards development priorities and indicators, implying potential for improvement in forthcoming periods. Should this positive development be maintained, the target of 70% positively rated operations may be reached within the next 2 years.

While overall performance in terms of mandate fulfilment decreased only slightly over the last 5 years, the share of operations rated excellent at ex-post has declined from 12% in earlier periods to 3% during the last 5 years. This merits attention as highly successful operations are a benchmarking source of valuable learning, motivation, and replication. The diminishing cases of excellently rated operations reflect a combination of unrealistic expectations (ex-ante mandate compliance optimism driven by efforts to obtain approval) and lower actual achievement, in a context of prioritizing volumes over development impact.

The two most frequent key causes of mandate-related underperformance are: (i) risks identified at due diligence that were not covered by adequate covenants and/or monitoring; (ii) mitigating the risk of deficient corporate governance is very challenging, particularly when not done at the outset of operation handling. Contrary to certain prejudice, development performance is positively co-related (79%) to general portfolio quality and financial outcomes.

There are recent examples when the Bank enhanced its relevance and risk sharing by an effort to become more responsive to stakeholders, e.g. by the increase in local currency finance that turned particularly valuable to non-exporting borrowers, as their currency risk exposure was better mitigated. While this is acknowledged, the evaluation notes its limitations, based on the risk absorption and fund-raising constraints.

Given the magnitude of external factors that abruptly affected the Bank's operations in 2022, as well as the attainment of strategic goals deemed to be reached already at mid-term, the key question to be addressed in the future is implementing a relevant strategy with ensuring a higher degree of resilience and consolidation among shareholder countries, in the context of enhanced international partnerships. The evaluation acknowledges the effort to anticipate and mitigate external disturbances within the context of the recent challenges. It is evident that the experienced external shocks and disruptions within the region were well beyond the scope of any of the worst-case assumptions used by the Bank within the earlier medium term and country strategies. Nevertheless, the Bank was able to overcome a sequence of critical events (2022-2024), finalizing a major capital increase in 2024, and restoring external funding and portfolio growth, along with a due attention to development mandate and respective partnerships.

Institutional Activities

Human Resources

Human capital and staff resources are a key factor in the success of the BSTDB. The institution strives to maintain its status as a competitive employer following international standards and best practices, applying meritocratic recruitment, and a remuneration system that promotes excellence and positive incentives.

HR Development
2024 was marked by the improvement of quite a number of important HR policies. More specifically, the revision of the Bank's Benefits and Allowances Policy, Recruitment and Appointment Policy, and Performance Management Policy were finalized.

The modifications to the Benefits and Allowances Policy were aimed at streamlining the allowances administration and processing, updating some obsolete provisions, and aligning certain limits and amounts with the ever-changing life conditions in the host country and with the best practices of the other IFIs.

The modifications to the Recruitment and Appointment Policy, among others, were aimed at improving the contract administration methodology, enhancing the reference-checking process prior to offering an appointment, making more efficient use of the Policy's provisions re temporary positions, and emphasizing the succession planning provisions. Moreover, the new Recruitment and Appointment Policy motivates existing staff by offering opportunities to apply internally for other positions.

The earlier implemented revision of the Bank's Performance Management System provided meaningful and precise tools for the evaluation of Institutional and Departmental performance through monitoring, measuring, and evaluating the achievement of strategic goals and operational targets, with a view to fulfilling the Bank's mission and mandate. The modifications introduced in 2024 provided for a fair and transparent evaluation of Individual performance.

Staffing and Recruitment
The BSTDB conducts recruitment on a wide geographical basis. While preference is given to citizens of the member countries, recruitment is competitive and is based on the professional qualifications of the candidates. In the course of 2024, the Bank initiated recruitment for five positions, with more vacant positions earmarked for recruitment in the course of 2025. As of 31.12.24, the Bank's headcount was 111 full-time employees.

Staff Development
The BSTDB offers learning opportunities, addressing the development needs of its staff within the context of organizational business requirements. The Policy on Training, Learning and Development establishes a clear link between the institution's business needs and the development of professional and technical skills of the staff. In 2024, the emphasis continued to be placed on in-house group trainings, for relevant groups of staff, which specifically covered the topics of Information Security, Trade Finance (Certified Trade Finance Program), Personal Data Protection ("Personal Data Protection: BSTDB's Policy and Procedure"), Prevention of Market Abuse. Moreover, BSTDB continued offering to its Board of Directors members trainings on the following topics: "Obligations of the BoD members emanating from the BSTDB's Code of Conduct"; "BSTDB's ongoing efforts to fight Money Laundering & Terrorism financing, prohibited practices & tax evasion"; "Obligations emanating from the application of international standards on the prevention of market abuse"; "Compliance of BSTDB with International best standards on personal data protection".

Staff Benefit System
BSTDB operates a market-oriented staff compensation and benefits system designed to match the employment standards of other International Financial Institutions.

The BSTDB medical, life and temporary incapacity/long-term disability insurance plan provides adequate coverage emphasizing preventive medical care.

The BSTDB pension plan, launched in January 2003, is comprised of a fully funded defined benefit. The pension plan offers the versatility required to best meet the needs of a multinational workforce.

Information Technologies

IT has continued its journey toward a digital transformation based on the Medium-Term IT Strategy. In 2024, the Bank continued to improve its SAP S/4HANA cloud ecosystem to better account for its derivative capturing and the use of the SOFR rate. It has also integrated various SAP applications with the SAP Cloud Analytics (SAC) application and produced reports on managing human resources. It has also moved forward with investigating the use and benefits of Artificial intelligence (AI) in Information Management (M365 and Opentext) by carrying out proof of concept projects in key business areas. The Bank has selected a new website software to implement a new website and to create compiling content using intuitive tools and design to increase its communication and reach out to its stakeholders.

In the meantime, IT staff assisted with the IT infrastructure for the Bank's new building, which will be operational in 2025. The Bank continues improving its infrastructure by replacing old IT equipment with new, more energy-efficient equipment, substantially reducing its energy footprint on its new building data center and Disaster Recovery Site (DRS).

Information Security and Cybersecurity threats are continuously evolving, so BSTDB staff need to be aware of them. Therefore, the Bank improves and updates its information security/cybersecurity awareness and training program, including simulations of attacks at different levels to keep the staff alert on cybersecurity issues.

Also, the Bank performed a SWIFT attestation with a certified third party to ensure that its system meets the SWIFT cybersecurity requirements.

External Relations and Communications

In 2024, the External Relations and Communications Department (DER) concentrated on safeguarding the Bank's profile and ensuring stakeholders stay informed about its activities and Institutional developments.

Promoting Regional Cooperation and Coordinating Participation in External Events
During 2024, the Department organized several physical signing ceremonies, including one for the purchase of its new headquarters.

Later in the year, the Department coordinated and organized the Bank's Annual Meeting in Istanbul, Türkiye, along with the 25th anniversary celebrations, which featured a specially produced promotional video and social media coverage.

In collaboration with Anadolu University (Türkiye), the Department hosted the International Conference on Applied Economics and Finance at the Bank's premises. The event, a key platform for academics, researchers, and practitioners, featured 70 papers from participants across 17 countries, emphasizing the importance of applied economics and finance in today's interconnected global financial landscape. During the conference, the Bank held a panel discussion on "Local Currency Financing in Emerging Markets," emphasizing the role of credible monetary policies, liquidity, and international financial institutions in supporting local currency markets.

The Department also organized two study visits, one from Lehigh University (US) and another from the Diplomatic Academy of the Greek Foreign Ministry. The first visit focused on the legal status of IFIs and their crucial role in fostering development, while the second included sessions on the legal status of inter-governmental institutions, the Black Sea Region's economic landscape, and the BSTDB's approach to banking, sustainability, and risk management.

In 2024, the Bank's senior management and other executives actively participated in several high-profile international and regional business conferences. These included: the Meeting of the BSEC Ministers of Foreign Affairs under the Albanian Chairmanship and the PABSEC General Assembly (held in Albania & Armenia), the Hellenic MFA Conference on the Reconstruction of Ukraine, the Athens Energy Summit, the GTR CEE Conference (Austria), the International Road Federation Congress and its specialized session "Decarbonized and Resilient Transport for Resilient Societies and Economies" (Türkiye), the Regional Conference on Clean and Secure Energy (Türkiye), COP 29 (Azerbaijan), the Eurasian Economic Summit (Türkiye), the Ukraine Recovery Conference (Germany), and the Japan-Ukraine Conference for Promotion of Economic Growth and Reconstruction (Japan) among others.

Consolidating Ties with Peer MDBs

As in previous years, BSTDB participated in the Annual Meetings of other IFIs and continued to contribute to the established regular IFI consultation mechanisms, taking part in the respective meetings on Human Resources (Workshop on Remunerations, Allowances, and Pensions), Environmental and Social Standards, Operations' Recovery and Support, Evaluation, GEMs, and Transparency, Information Disclosure and Stakeholder Engagement.

Moreover, the Bank participated to the 25th Annual Meeting of the IFI Secretaries, held in June at the EBRD Headquarters, in London. The agenda covered topics of mutual interest among IFIs, including key updates and experiences from the past year, current issues, and future perspectives on the role of IFI Boards and how Secretariats will support them.

Social Media Outreach

In 2024, BSTDB maintained a steady social media audience and achieved satisfactory engagement rates, despite lower new lending activity and limited original content.

The Bank marked a significant milestone by celebrating its 25th anniversary with promotional videos. This initiative was carefully crafted to highlight the bank's remarkable growth and progress over the years, as well as to showcase its contributions and activities across its member countries.

The promotional video, which served as the centrepiece of the celebration, took viewers on a journey through the bank's history, reflecting on challenges faced, and the pivotal moments that led to its success.

Administrative Services

In 2024, the Bank celebrated its 25th anniversary since its establishment, marked by the signing of the purchase agreement for its new premises with the financial contribution of the Hellenic Government. This significant achievement emphasized the Bank's solid commitment to enhancing its presence and effectiveness in the region.

New Premises

The BSTDB's Headquarters will be a state-of-the-art building of 5,170 sqm, designed to meet the highest standards of functionality, accessibility, and sustainability. Its multifunctional, eco-friendly design and architecture aligns with the Bank's environmental and sustainability goals, earning it the prestigious LEED Gold certification. It will have a capacity to accommodate its employees, conference facilities, meeting rooms, public spaces and our future needs. The new Headquarters of the Bank will be a symbol of the institution's vision, mission, and achievements.

Procedural improvements

In 2024, the Bank initiated a series of tenders to address the technical infrastructure needs for its new building. These tenders encompassed various aspects of the infrastructure, including advanced IT systems, security measures, and modern facilities to ensure the Bank's operations are efficient and secure in its new premises. This initiative reflects the Bank's proactive approach to upgrading its capabilities and enhancing its operational environment.

Financial Statements for the Year Ended 31 December 2024

Together with Auditor's Report

Internal Controls over Financial Reporting

Responsibility for external financial reporting

Management's responsibility

Management's report regarding the effectiveness of internal controls over external financial reporting.

The management of the Black Sea Trade and Development Bank ("the Bank") is responsible for the preparation, integrity, and fair presentation of its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Management is responsible for establishing and maintaining effective internal controls over financial reporting and for the preparation of financial statements for external purposes in conformity with IFRS. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorisation, assets are safeguarded and financial records are reliable. The system of internal controls contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over financial reporting, which are subject to scrutiny and testing by management and internal audit, and are revised as considered necessary, support the integrity and reliability of the financial statements.

There are inherent limitations in any system of internal controls, including the possibility of human error and the circumvention of overriding controls. Accordingly, an effective internal controls system can provide only reasonable, as opposed to absolute, assurance with respect to the financial statements presentation and preparation. Furthermore, the effectiveness of an internal controls system can change over time.

The Bank's Board of Directors has appointed an Audit Committee, which assists the Board in its responsibility to ensure the soundness of the Bank's accounting practices and the effective implementation of the internal controls that management has established relating to finance and accounting matters. The Audit Committee is comprised entirely of members of the Board of Directors. The Audit Committee meets periodically with management in order to review and monitor the financial, accounting and auditing procedures of the Bank and related financial reports. The internal auditors regularly meet with the Audit Committee to discuss the adequacy of internal controls over financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

The management of the Bank assessed the effectiveness of the Bank's internal controls over financial reporting based on the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) (2013). Based upon this assessment, management concluded that, as of 31 December 2024, the Bank's internal control over financial reporting is effective.

In addition to providing an audit opinion on the fairness of the financial statements for the year ended 31 December 2024, the external auditors of the Bank conducted an independent assessment of the Bank's internal control over financial reporting as of 31 December 2024 and their assurance report is presented separately in this financial report.

Serhat Köksal

President

Valeriy Piatnytskyi

Vice President, Finance

Black Sea Trade and Development Bank

Thessaloniki

11 June 2025

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INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Subject Matter

We were engaged by the Board of Directors of Black Sea Trade and Development Bank (hereinafter “the Bank”) to undertake a reasonable assurance engagement to report on the effectiveness of internal control over financial reporting of the Bank as of December 31, 2024, as established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013) (hereinafter Applicable Criteria).

Bank’s Responsibilities

The Bank’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual report.

Our Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Bank’s internal control over financial reporting based on the evidence obtained.

We conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (“ISAE 3000”).

Our work is restricted to the matters described in the paragraph Scope of Work.

Professional Ethics and Quality Management
We are independent of the Company, during the whole period of this engagement and we have complied with the requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) as it has been transposed into the Greek legislation, and with the ethical and independence requirements of Law 4449/2017, as well as Regulation (EU) 537/2014.

Our audit firm applies the International Standard on Quality Management 1 (ISQM 1), “Quality Management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements” and accordingly, maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance and ethical requirements, professional standards and applicable legal and regulatory requirements.

Scope of Work performed

Our engagement included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating to the extent necessary the design and operating effectiveness of internal control based on the assessed risk of management's assertion not being fairly stated, in all material respects. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our procedures provide a reasonable basis for our conclusion.

Inherent Limitations of Internal Control over Financial Reporting

A Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Also, because of the inherent limitations of any control structure, even if controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

Our work does not constitute an audit or review of historical financial information in accordance with the applicable International Standards on Auditing or International Standards on Review Engagements, and for this reason, we do not provide any other assurance beyond what is stated in the section "Scope of Work Performed".

We communicated any findings important enough to merit attention by those responsible for oversight of the Bank's financial reporting, to those charged with governance.

Conclusion

In our opinion, Black Sea Trade and Development Bank maintained, in all material respects, effective internal control over financial reporting, as of 31 December 2024, based on criteria established in Internal Control — Integrated Framework issued by COSO (2013).

Athens, 11 June 2025

The Certified Public Accountant

Alexandra Kostara
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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

Audit Report 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 2024 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 2024, 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.

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Key audit matter	How the matter was addressed in our audit
Expected Credit Loss on Loans at amortized cost	
Loans measured at amortized cost of the Bank amounted to EUR 1,454 million as at 31 December 2024 (EUR 1,622 million as at 31 December 2023) and Expected Credit Losses ("ECL") to EUR 96 million (EUR 84 million as at 31 December 2023) as presented on the Statement of Financial Position. 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. Measurement of ECL on loans at amortized cost is considered a key audit matter as it involves management judgments and accounting estimates with high degree of estimation uncertainty. Increased uncertainty related to the continuing impact of Russia and Ukraine conflict and the availability of reliable information represented an increased risk in the determination of ECL for loans granted to debtors operating in these countries. Management judgements and accounting estimates, with higher level of subjectivity or complexity relate to: • 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. Management provided further information about principles and accounting policies for determining the Expected Credit Losses on loans at amortized cost and the management of credit risk in notes 3.6, 5, 12 and 15 to the financial statements.	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: • 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-Russian 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. 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.

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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, 11 June 2025

The Certified Public Accountant

Alexandra Kostara
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INCOME STATEMENT

For the year ended 31 December 2024

Presented in thousands of EUR	Note	2024	2023
Interest and similar income	7	85,492	128,536
Interest and similar expense	8	(30,214)	(55,084)
Net interest income (expense) on derivatives	9	(18,891)	(17,400)
Net interest income		**36,387**	**56,052**
Of which: net interest income based on the effective interest rate		67,514	107,710
Net fees and commissions	10	1,991	475
Dividend income		55	-
Net gains (losses) on derecognition of debt investment securities at fair value through other comprehensive income	13	(7,247)	(549)
Net (losses) from sale of loans at amortized cost		-	(1,176)
Net gains on derecognized of financial liabilities at amortized cost		-	14,963
Realized gains (losses) on derivative instruments		(15,453)	(13,128)
Unrealized fair value gains (losses) on derivative instruments		12,741	12,207
Fair value gains (losses) on loans measured at fair value through profit or loss		(1,370)	(1,561)
Foreign exchange income (losses)		28,377	(176)
Other income (losses)		(41)	3
Operating income		**55,440**	**67,110**
Personnel expenses	11,26	(18,198)	(17,630)
Administrative expenses	11	(5,525)	(4,890)
Depreciation and amortization	18,19	(482)	(456)
Income before expected credit losses		**31,235**	**44,134**
Expected credit (losses) gains on loans measured at amortized cost	12	(6,992)	(23,248)
Expected credit (losses) gains on debt investment securities measured at fair value through other comprehensive income	13	(816)	(477)
Income for the year		**23,427**	**20,409**

The accompanying notes, on pages 73-137 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

Presented in thousands of EUR	Note	2024	2023
Income for the year		23,427	20,409
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Gains (losses) on actuarial defined benefit scheme	24	2,159	(3,274)
Gains (losses) on equity investments financial assets	24	261	(618)
Items that are or may be reclassified subsequently to profit or loss:			
Gains (losses) on investment securities financial assets	24	8,520	4,477
Gains (losses) on cash flow hedges	24	(2,233)	1,786
Other comprehensive income		8,707	2,371
Total comprehensive income		**32,134**	**22,780**

The accompanying notes, on pages 73-137 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2024

Presented in thousands of EUR	Note	2024	2023
Assets			
Cash and due from banks	25	224,333	375,390
Deposits in margin accounts		94,020	80,120
Debt investment securities at fair value through other comprehensive income	13	94,610	94,986
Derivative financial instruments – assets	14	15,969	35,413
Loans at amortized cost	5,15	1,419,535	1,565,094
Plus: accrued/deferred income	15	35,447	57,721
Less: expected credit losses	5,12	(96,232)	(83,933)
Loans at fair value through profit or loss	15	20,308	10,827
Loans		1,379,058	1,549,709
Equity investments at fair value through other comprehensive income	5,16	6,625	10,665
Other assets	17	15,908	18,413
Property and equipment	18	12,042	332
Intangible assets	19	381	552
Right of use assets	22	512	343
Asset held for sale	28	-	2,962
Total Assets		**1,843,458**	**2,168,885**
Liabilities			
Amounts due to financial institutions	20	77,451	115,540
Debt evidenced by certificates	20	737,860	1,052,468
Accrued interest payable	20	6,868	6,476
Borrowings		822,179	1,174,484
Margin accounts		-	1,600
Derivative financial instruments – liabilities	14	112,442	108,998
Other liabilities	21	17,484	24,502
Lease liability	22	328	164
Total liabilities		952,433	1,309,748
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	100,944	83,163
Retained earnings		103,531	89,424
Total members' equity		891,025	859,137
Total Liabilities and Members' Equity		**1,843,458**	**2,168,885**
Off-balance-sheet items			
Commitments	5	61,547	73,034

The accompanying notes, on pages 73-137 are an integral part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 31 December 2024

Presented in thousands EUR	Share capital					
	Subscribed	Callable	Payable	Reserves	Retained Earnings	Total
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	-	-	-	-	-	-
Total contributions	-	-	-	-	-	-
At 31 December 2023	**2,288,500**	**(1,601,950)**	**-**	**83,163**	**89,424**	**859,137**
Income for the year	-	-	-	-	23,427	23,427
Other comprehensive income:						
Net gains (losses) on financial assets at fair value reserve through OCI	-	-	-	8,535	-	8,535
Disposal of equity investment at fair value through OCI	-	-	-	246	(246)	-
Actuarial (losses) gains on defined benefit scheme	-	-	-	2,159	-	2,159
Effective portion of cash flow hedges gains (losses)	-	-	-	(2,233)	-	(2,233)
Total comprehensive income for the year	-	-	-	8,707	23,181	31,888
Members' contributions	-	-	-	-	-	-
Transfer to general reserve	-	-	-	9,074	(9,074)	-
Total contributions	-	-	-	-	-	-
At 31 December 2024	**2,288,500**	**(1,601,950)**	**-**	**100,944**	**103,531**	**891,025**

The accompanying notes, on pages 73-137 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

Presented in thousands of EUR	Note	2024	2023
Cash flows from operating activities			
Income (loss) for the year		23,427	20,409
Adjustment for items in income statement:			
Depreciation and amortization		481	456
Expected credit losses (gains) on loans		6,923	23,248
Expected credit losses (gains) on investment securities		816	477
Unrealized gains (losses) on disposal of investment securities at FVTOCI		7,247	549
Fair value (gains) losses on loans at FVTPL		518	1,561
Net interest income		(55,278)	(73,452)
Unrealized (gains) losses from debt securities issued		-	(14,963)
Unrealized (gains) losses on derivative instruments		5,031	13,128
Other adjustments		1,360	-
Working capital adjustments:			
Decrease (increase) in loans and advances		137,981	407,540
Decrease (increase) in deposits margin accounts		(13,900)	34,310
Decrease (increase) in other assets		842	656
Increase (decrease) in margin accounts		(1,600)	(12,820)
Increase (decrease) in other liabilities		(1,508)	4,370
Increase (decrease) in equity investments		4,059	1,157
Net movement in derivative financial instruments		-	(20,494)
Interest income received		109,952	145,450
Net cash from / (used in) operating activities		226,351	531,582
Cash flows from investing activities			
Net proceeds from investment securities at FVTOCI		3,946	92,489
Purchase of property, software and equipment		(12,018)	(514)
Net cash from / (used in) investing activities		(8,072)	91,975
Cash flows from financing activities			
Proceeds from borrowings		112,528	209,507
Repayment of borrowings		(465,025)	(948,727)
Payment of lease liability		(672)	(649)
Interest income paid		(29,822)	(68,499)
Net cash from financing activities		(382,991)	(808,368)
Effect on foreign exchange		13,595	(69,546)
Net increase (decrease) in cash and cash equivalents		**(151,117)**	**(254,357)**
Cash and cash equivalents at beginning of year		425,390	679,747
Cash and cash equivalents at end of year	25	**274,273**	**425,390**

The accompanying notes, on pages 73-137 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 Komninon Street, Thessaloniki, in the Hellenic Republic, was established as an international financial organization under the Agreement Establishing the Bank dated 30 June 1994 (‘Establishing Agreement’). In accordance with Article 61 of the Establishing Agreement, following 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, Türkiye 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 (Alternate)
Greece	Mr. Nikos Papathanasis
Moldova	Ms. Victora Belous
Romania	Ms. Carmen Moraru
Russia	Mr. Pavel Snisorenko
Türkiye	Mr. Osman Çelik
Ukraine	Ms. Yulia Svyrydenko

NOTES TO THE FINANCIAL STATEMENTS

1.3.2 Board of Directors

Country	Director
Albania	Mr. Besmir Beja
Armenia	Mr. Garegin Gevorgyan
Azerbaijan	Mr. Famil Ismayilov
Bulgaria	Ms. Milena Boikova
Georgia	Ms. Ekaterine Guntsadze
Greece	Mr. Christos Geroulanos
Moldova	Ms. Elena Matveeva
Romania	Ms. Diana Blindu
Russia	Mr. Dmitry Birichevskiy
Türkiye	Mr. Kerem Dönmez
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 2024 were submitted by the Management Committee to the Board of Directors (BoD) for approval on 11 June 2025 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 9 July 2025.

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;
- Derivative financial instruments; and
- Assets Held for Sale.

NOTES TO THE FINANCIAL STATEMENTS

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.

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, and 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 2024 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 December 2024, the Board of Governors approved the Medium-Term Strategy and Business Plan 2023-2026, Phase 2: 2025-2026, thus providing the necessary guidance for the coming two year period, including certain adjustments to the LTSF 2021-2030 in order to update objectives and numeric targets in light of actual developments so as to be appropriate for the current situation of the Bank.

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:

NOTES TO THE FINANCIAL STATEMENTS

3.1 Adoption of New and Amended Standards (IFRS)

The following amendments to existing IFRSs, effective from 1 January 2024, have been issued by the International Accounting Standards Board ("IASB") and endorsed by the EU as of the date the Annual Financial Statements were issued.:

Amendments to Accounting Standards

IAS 1 (Amendment) "Classification of Liabilities as Current or Non-current". The amendment aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Moreover, the amendment addresses issues regarding the presentation and disclosures of liabilities for which an entity's right to defer settlement for at least 12 months is subject to the entity complying with specified conditions (covenants) after the reporting period.

The adoption of the above amendments had no impact on the financial statements of the Bank.

IAS 7, IFRS 7 (Amendment) "Supplier Finance Arrangements". The amendment aims to add disclosure information about supplier finance arrangements, such as terms and conditions, carrying amount of financial liabilities that are part of such arrangements, ranges of payment due dates and liquidity risk information. The adoption of the above amendment had no impact on the financial statements of the Bank.

Amendments to standards that have been issued by the IASB and have been endorsed by the EU, but they are not effective in 2024 nor have they been early adopted by the Bank:

IAS 21 (Amendment) "Lack of exchangeability". The amendments specify when a currency is exchangeable into another currency and, consequently, when it is not and how an entity determines the exchange rate to apply when a currency is not exchangeable. Additionally, the amendment requires disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. Effective for annual reporting periods beginning on or after 1 January 2025. The Bank anticipates no material impact as a result of adopting the amendments to the standard.

New standards and amendments to existing standards that have been issued by the IASB but they have not yet been endorsed by the EU, and therefore they have not been adopted by the Bank:

IFRS 18 (New IFRS) "Presentation and Disclosure in Financial Statements". The new Standard aims to improve the transparency and comparability of the entities' performance reporting, it has retrospective application and will replace IAS 1 Presentation of Financial Statements. It sets out general and specific requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 19 (New IFRS) "Disclosures: Subsidiaries without Public Accountability". The new Standard specify the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRSs. It allows subsidiaries with a parent that applies IFRS in its consolidated financial statements to apply IFRS with reduced disclosure requirements. Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability, and their parent company applies IFRS in their consolidated financial statements.

IFRS 9, IFRS 7 (Amendment) "Classification, Measurement and Disclosure of financial instruments". The amendments aim to address matters identified post – implementation of the IFRS 9. More specifically, the amendments: a) clarify that an entity is allowed to derecognise a financial liability (or part of it) settled before the actual settlement date under specific conditions when using an electronic payment system, b) provide additional examples regarding the contractual terms which are consistent with a basic lending arrangement and enhance the description of non-recourse features and contractually linked instruments and c) add new disclosures for equity instruments classified at FVTOCI and financial instruments with contingent features.

NOTES TO THE FINANCIAL STATEMENTS

IFRS 9, IFRS 7 (Amendment) “Contracts Referencing Nature-dependent Electricity”. The amendments aim to enhance the factors an entity shall take under consideration when assessing the own-use exemption of IFRS 9 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent. Moreover, the amendments extend also to hedge accounting and allow an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument. Finally, amendments introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

Annual Improvements

The standards amended in order to address inconsistencies among paragraphs of different IFRSs or to provide clarifications are:

- IFRS 1 “Hedge accounting by a first-time adopter”.
- IFRS 7 “Gain or loss on derecognition”.
- IFRS 7 “Disclosure of deferred difference between fair value and transaction price”.
- IFRS 7 “Introduction and credit risk disclosures”.
- IFRS 9 “Lessee derecognition of lease liabilities”.
- IFRS 9 “Transaction price”.
- IFRS 10 “Determination of a ‘de facto agent”.
- IAS 7 “Cost method”.

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 (i) the effective interest (ii) impairment and (iii) prepayments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year.

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 EUR by the European Central Bank (ECB), exception for Armenian dram, Azerbaijan manat, Georgian lari, and Russian Ruble, extracted from relevant Central Banks. The exchange rates used by the Bank at the financial position date were as follows.

			31 December 2024	31 December 2023
	=	United States dollar	1.03890	1.10500
	=	Pound sterling	0.82918	0.86905
	=	Russian ruble	106.10280	100.55060
1 EUR	=	Azerbaijan manat	1.77240	1.88110
	=	Georgian lari	2.93060	2.99600
	=	Armenian dram	413.89000	447.90000
	=	Romanian leu	4.97430	4.97560
	=	Turkish lira	36.73720	32.65310

NOTES TO THE FINANCIAL STATEMENTS

Though the Bank's economic hedging effectively puts in a position where US dollar assets are practically matched with US dollar liabilities (whether directly or through derivative currency swapping other foreign currency liabilities to US dollar) from a market risk point of view, the Bank has an effect on the income statement from the following: the Bank's assets (loans) and liabilities (issued bonds) are measured at amortized cost, whereas the derivatives (e.g. used for creating the US dollar liabilities from other foreign currencies in which the Bank borrowed) are measured at fair value.

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 (iii) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 typically recognized when funds are transferred to the customer's account.

2. *Financial assets (debt securities) 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).

   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. 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.

NOTES TO THE FINANCIAL STATEMENTS

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/models 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 2 business models (i) hold to collect and (ii) hold to collect and sell. 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 a loan (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.

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 hold 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:

NOTES TO THE FINANCIAL STATEMENTS

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 realize 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 customer. 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 2024 were a gross amount of EUR 289,628 thousand (2023: EUR 274,233 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 techniques/models used are discounted payment / cashflows approach using applicable interest rate and net asset value.

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 to apply the requirements in section 5.5. of IFRS 9 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.

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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).
- 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.

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 risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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Generally, there will be a significant increase in credit risk before a financial asset becomes credit impaired or an actual default occurs. The assessment of significant increase in credit risk is key in transferring an exposure from stage 1 to stage 2 or 3 and the respective change in the ECL measurement from 12-month to lifetime ECL. A combination of quantitative and qualitative factors structured as primary and secondary drivers will be considered and are also supplemented with backstop options. The backstop triggers automatic stage transfers even though the primary and secondary indicators may not trigger such transfer, unless this result is due to a data error, operational issues, or timing difference in applying cash received up to 30 days to the customer account.

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);
- 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.

NOTES TO THE FINANCIAL STATEMENTS

a. Qualitative

Unlikeliness 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 unlikeliness 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.

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 internal scenarios where only the most realistic is included in these financial statements. 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 "Expected credit losses".

NOTES TO THE FINANCIAL STATEMENTS

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 borrower, 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.

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 (see Note ‘Loans’).

In the event that further recoveries are made after a financial asset has been written off, these are credited to the income statement as a reversal of previous expected credit losses (write-back).

3.6.5 Write-backs

Recoveries (write-backs) of an asset, or part thereof, are credited to the income statement if previously written off for the year was EUR 415 thousand (2023: EUR 428 thousand).

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 evidence 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Derivative 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 (e.g. borrowings), 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.

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 (SOFP) 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.

NOTES TO THE FINANCIAL STATEMENTS

The notional amounts and fair values of the derivative instruments are disclosed in Note "Derivative financial instruments". The fair value hierarchy level of derivatives is disclosed in Note "Risk management".

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 "Derivative financial instruments". Hedge accounting disclosures are provided in Note "Risk management".

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.

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 members' 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.

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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 are the accumulated undistributed and unallocated net income over the years.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

a. 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.

b. Fixed-income debt securities and other: represents interest income on treasury investments.

c. 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.

d. Net interest income/(expense) on derivatives: represent interest on derivatives using the contractual interest rate. The Bank does not have a trading portfolio.

e. Fees and commission income and expense that are integral to the EIR: represents loan 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 and significant control in making financial and operational decisions. Related parities include key management personnel, and close family members of key management personnel.

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

3.15 Property and Equipment

Property and equipment include leasehold improvements and transportation and other equipment. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition. Subsequently to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs incurred subsequently to the acquisition of an asset, which is classified as property and equipment are capitalized, only when it is probable that they will result in future economic benefits to the Bank beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

At each reporting date the Bank assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Any gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining their gain or loss on disposal.

Depreciation is provided to write off the cost of each asset to their residual values on a straight-line basis over their estimated useful lives. The annual depreciation rates applied were as follows:

- Transportation vehicles	20.0%
- Furniture and office accessories	20.0%
- Personal computers	33.3%
- Office and telecommunication equipment	20.0%
- Under construction (see Note 18)	-

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 financials instruments not measured at fair value.

b. The ECL is calculated for both Stage 1 and Stage 2 loans by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan to the exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR).

   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.
   - 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 decisionmaking, 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 Portfolio Monitoring and Corporate Recovery Department, with inputs from the originating Operation Teams regarding the availability of financial data. Monitoring reports are completed by the Portfolio Monitoring and Corporate Recovery 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 Portfolio Monitoring and Corporate Recovery 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.

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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 nonpayment on sovereign debt or by private sector borrowers as a result of local laws creating a delay or freeze on foreigncurrency 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 Portfolio Monitoring and Corporate Recovery 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 15,969 thousand the corresponding cash collateral received was EUR nil, and derivatives financial instruments-liabilities an amount of EUR 112,442 thousand the corresponding cash collateral received was EUR 94,020 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 2024	At 31 December 2023
Cash and due from banks		224,333	375,390
Deposits in margin accounts		94,020	80,120
Debt investment securities		94,610	94,986
Derivative financial instruments	Deposits in margin accounts	15,969	35,413
Loans at amortized cost	Sovereign, property, other	1,419,535	1,565,094
Accrued/deferred income		35,447	57,721
Loans at fair value		20,308	10,827
Equity investments		6,625	10,665
Other assets		15,908	18,413
Asset held for sale		-	2,962
On-balance-sheet		**1,926,755**	**2,251,591**
Undrawn commitments	Sovereign, property, other	61,547	73,034
Total		**1,988,302**	**2,324,625**

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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.

			2024			
Presented in EUR (000)	Aaa – Aa3	A1 – A3	Baa1 – B3	Caa1 – C3	Unrated	**Total**
Analysis by Moody's rating						
Cash and bank balances	53,097	119,416	5,145	-	46,675	**224,333**
Deposits in margin accounts	46,560	47,460	-	-	-	**94,020**
Debt investment securities	9,517	49,940	30,610	4,543	-	**94,610**
Derivatives financial instruments		-	-	-	15,969	**15,969**
Equity investments	-	-	-	-	6,625	**6,625**
Accrued/deferred income	-	-	-	-	35,447	**35,447**
Other assets	-	-	-	-	15,908	**15,908**
At 31 December	**109,174**	**216,816**	**35,755**	**4,543**	**120,624**	**486,912**
Of which issued by						
Corporates/governments	9,517	49,940	30,610	4,543	6,625	**101,235**
Cash deposits at banks	99,657	166,876	5,145	-	46,675	**318,353**
Other	-	-	-	-	67,324	**67,324**
At 31 December	**109,174**	**216,816**	**35,755**	**4,543**	**120,624**	**486,912**
Of which classified as						
Fair value through profit or loss	-	-	-		15,969	**15,969**
Fair value through OCI	9,517	49,940	30,610	4,543	6,625	**101,235**
Amortized cost	99,657	166,876	5,145	-	98,030	**369,708**
At 31 December	**109,174**	**216,816**	**35,755**	**4,543**	**120,624**	**486,912**

NOTES TO THE FINANCIAL STATEMENTS

	2023					
Presented in EUR (000)	Aaa – Aa3	A1 – A3	Baa1 – B3	Caa1 – C3	Unrated	**Total**
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/deferred income	-	-	-	-	57,721	**57,721**
Other assets	-	-	-	-	18,413	**18,413**
At 31 December	**315,522**	**145,422**	**37,311**	**4,554**	**169,899**	**672,708**
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	-	-	-	-	111,547	**111,547**
At 31 December	**315,522**	**145,422**	**37,311**	**4,554**	**169,899**	**672,708**
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	-	123,821	**531,644**
At 31 December	**315,522**	**145,422**	**37,311**	**4,554**	**169,899**	**672,708**

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

NOTES TO THE FINANCIAL STATEMENTS

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 2024 and 31 December 2023.

Loans at amortized cost: presented in EUR (000)

					ECL allowance			
Internal risk rating category	12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	**Total**	12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	**Total**
Excellent	-	-	-	**-**	-	-	-	**-**
Very strong	-	-	-	**-**	-	-	-	**-**
Strong	-	-	-	**-**	-	-	-	**-**
Good	-	-	-	**-**	-	-	-	**-**
Fair	442,507	-	-	**442,507**	531	-	-	**531**
Weak	428,047	181,370	-	**609,417**	1,201	391	-	**1,592**
Special attention	9,608	252,294	105,709	**367,611**	208	35,000	58,901	**94,109**
Expected loss	-	-	-	**-**	-	-	-	**-**
At 31 December 2024	**880,162**	**433,664**	**105,709**	**1,419,535**	**1,940**	**35,391**	**58,901**	**96,232**

Loans at amortized cost: presented in EUR (000)

					ECL allowance			
Internal risk rating category	12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	**Total**	12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	**Total**
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	151,560	**360,651**	148	19,740	62,108	**81,996**
Expected loss	-	-	-	**-**	-	-	-	**-**
At 31 December 2023	**951,167**	**462,367**	**151,560**	**1,565,094**	**1,891**	**19,934**	**62,108**	**83,933**

	Loans at fair value: presented in EUR (000)	
Internal risk rating category	Fair value 2024	Fair value 2023
Excellent	-	-
Very strong	-	-
Strong	-	-
Good	-	-
Fair	20,308	10,827
Weak	-	-
Special attention	-	-
Expected loss	-	-
At 31 December 2024	**20,308**	**10,827**

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.

	At 31 December 2024		At 31 December 2023	
Presented in EUR (000)	Outstanding balance	Undrawn commitments	Outstanding balance	Undrawn commitments
Concentration by instrument				
Loans	1,439,843	50,812	1,575,921	64,829
Equity investments	6,625	7,859	10,665	3,037
Guarantees	-	2,876	-	5,168
At end of year	**1,446,468**	**61,547**	**1,586,586**	**73,034**
Concentration by country				
Albania	14,133	12	2,543	12
Armenia	26,874	1,042	29,023	75
Azerbaijan	36,981	12	5,431	12
Bulgaria	154,926	208	208,428	39,171
Georgia	83,294	8,149	31,501	4,689
Greece	157,131	5,378	318,029	1,500
Moldova	57,528	1,858	36,771	1,445
Romania	158,515	36,076	173,714	1,599
Russia	134,714	443	162,006	443
Türkiye	404,214	4,622	432,585	806
Ukraine	218,158	3,747	186,555	23,282
At end of year	**1,446,468**	**61,547**	**1,586,586**	**73,034**
Concentration by sector				
Consumer discretionary	65,454	-	54,264	15,000
Consumer staples	194,185	4,838	137,823	37,866
Energy	119,377	-	91,254	-
Financial institutions	305,118	27,450	188,879	3,037
Health care	93,421	-	98,593	-
Industrials	300,517	-	352,519	3,963
Materials	158,780	24,883	163,392	-
Real estate	42,045	1,500	86,831	8,000
Utilities	167,571	2,876	413,031	5,168
At end of year	**1,446,468**	**61,547**	**1,586,586**	**73,034**
Incurred by				
Sovereign	193,012	-	367,275	-
Non-sovereign	1,253,456	61,547	1,219,311	73,034
At end of year	**1,446,468**	**61,547**	**1,586,586**	**73,034**

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)	2024	2023
Property	409,236	509,530
Debt securities	5,297	2,020
Other	120,727	122,665
Non-sovereign	535,260	634,215
Sovereign	183,962	362,401
Collateral and credit enhancements	**719,222**	**996,616**

Presented in EUR (000)	2024	2023
Stage 1 and 2	696,577	882,107
Stage 3	22,645	114,509
Collateral and credit enhancements	**719,222**	**996,616**

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 hold cash as collateral against its derivative contract counterparties, at 31 December 2024 the Bank had pledged as collateral for derivative transactions a net amount of EUR 94,020 thousand (2023: EUR 78,520 thousand).

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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 75% 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 counterparties (iii) Euro-denominated commercial paper and (iv) 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 2024 and 31 December 2023 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	316	10,691	28,247	555,198	337,397	**931,849**
Derivative financial instruments	-	5,312	-	31,646	75,484	**112,442**
Other and lease liabilities	-	17,812	-	-	-	**17,812**
Financial Liabilities at 31 December 2024	**316**	**33,815**	**28,247**	**586,844**	**412,881**	**1,062,103**
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**

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 2024 Presented in EUR (000)	Euro	United States Dollar	Swiss franc	Other	**Total**
Assets					
Cash and due from banks	160,778	14,076	-	49,479	**224,333**
Deposits in margin accounts	94,020	-	-	-	**94,020**
Debt investment securities	66,124	28,486	-	-	**94,610**
Derivative financial instruments	1,305	14,664	-	-	**15,969**
Loans	877,584	511,398	-	50,861	**1,439,843**
Accrued/deferred income	27,443	8,177	-	(173)	**35,447**
Expected credit losses on loans	(54,058)	(41,966)	-	(208)	**(96,232)**
Equity investments	6,037	167	-	421	**6,625**
Other assets	10,021	3,487	443	1,957	**15,908**
Total	1,189,254	538,489	443	102,337	**1,830,523**
Liabilities					
Borrowings	302,128	79,039	168,127	272,885	**822,179**
Margin accounts	-	-	-	-	**-**
Derivative financial instruments	63,258	49,184	-	-	**112,442**
Other and lease liabilities	9,855	6,645	175	1,137	**17,812**
Total	375,241	134,868	168,302	274,022	**952,433**
Currency balance at 31 December 2024	**814,013**	**403,621**	**(167,859)**	**(171,685)**	**878,090**

NOTES TO THE FINANCIAL STATEMENTS

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	49,933	7,801	-	(13)	**57,721**
Expected credit losses on loans	(53,449)	(30,477)	-	(7)	**(83,933)**
Equity investments	7,715	2,808	-	142	**10,665**
Other assets	18,413	-	-	-	**18,413**
Asset held for sale	2,962	-	-	-	**2,962**
Total	1,560,670	576,450	-	30,538	**2,167,658**
Liabilities					
Borrowings	303,137	461,911	162,555	246,881	**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	404,034	496,278	162,555	246,881	**1,309,748**
Currency balance at 31 December 2023	**1,156,636**	**80,172**	**(162,555)**	**(216,343)**	**857,910**

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024 Presented in EUR (000)	Interest bearing 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	Non-interest bearing	Total
Assets							
Cash and due from banks	224,317	-	-	-	-	16	**224,333**
Deposits in margin accounts	94,020	-	-	-	-	-	**94,020**
Debt investment securities	49,940	-	19,209	21,400	4,061	-	**94,610**
Derivative financial instruments	-	-	-	15,969	-	-	**15,969**
Loans	273,149	148,221	590,365	347,573	80,535	-	**1,439,843**
Equity investments	-	-	-	-	-	6,625	**6,625**
Accrued/deferred income	-	-	-	-	-	35,447	**35,447**
Other assets	-	-	-	-	-	15,908	**15,908**
Total	641,426	148,221	609,574	384,942	84,596	57,996	**1,926,755**
Liabilities							
Borrowings	-	6,634	5,855	463,095	339,727	6,868	**822,179**
Margin accounts	-	-	-	-	-	-	**-**
Derivative financial instruments	-	5,312	-	31,646	75,484	-	**112,442**
Other and lease liabilities	-	-	-	-	-	17,812	**17,812**
Total	-	11,946	5,855	494,741	415,211	24,680	**952,433**
Interest rate risk at 31 December 2024	**641,426**	**136,275**	**603,719**	**(109,799)**	**(330,615)**	**33,316**	**974,322**

At 31 December 2023 Presented in EUR (000)	Interest bearing 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	Non-interest bearing	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/deferred income	-	-	-	-	-	57,721	**57,721**
Other assets	-	-	-	-	-	18,413	**18,413**
Asset held for sale	2,962	-	-	-	-	-	**2,962**
Total	718,332	213,437	708,745	442,749	81,527	86,801	**2,251,591**
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)**	**54,059**	**941,843**

NOTES TO THE FINANCIAL STATEMENTS

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 around 70% Euro and 30% US dollar currencies, with minor, if any, loans in local currency or are matched with that amount borrowed. In addition, the Bank's administrative expenses are denominated in Euro, and the Bank's income is typically denominated around 70% Euro and 30% US dollar currencies. The Bank has addressed this sensitivity to currency risk by proceeding to increase the 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 2024	At 31 December 2023
Euro	969,144	1,011,000
United States dollar	159,642	(182,000)
Total re-pricing gap	1,128,786	829,000
Shift of 50 basis points in the EUR curve	**5,644**	**4,144**

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 would had been as follows.

	At 31 December 2024		
Presented in EUR (000)	Financial statement amount	Upward shift	Downward shift
Income for the year	23,427	29,071	17,783
Other comprehensive income	8,707	8,707	8,707
Total comprehensive income	**32,134**	**37,778**	**26,490**

	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	**22,780**	**26,924**	**18,636**

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 (rather 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 income statement, 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 income statement.

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 2024 and 31 December 2023, the Bank held the following interest rate and cross currency swaps as hedging instruments in fair value hedges of interest and foreign currency risk.

	At 31 December 2024	
Presented in EUR (000)	1 – 5 years	Over 5 years
Interest Rate Swaps		
Hedge of borrowings / euro notes:		
Nominal amount	10,107	201,817
Average fixed interest rate	2.19%	1.63%
Cross Currency Swaps		
Hedge of borrowing / other notes:		
Nominal amount	239,227	50,351
Average EUR: USD exchange rate		1.07
Average EUR: AUD exchange rate	1.65	
Average EUR: PLN exchange rate	4.31	
Average EUR: CZK exchange rate	24.95	
Average EUR: RON exchange rate	4.97	
Average EUR: JPY exchange rate	159.70	
Average EUR: GBP exchange rate	0.85	
Average EUR: TRY exchange rate	34.70	
Average EUR: NZD exchange rate	1.80	

	At 31 December 2023	
Presented in EUR (000)	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

NOTES TO THE FINANCIAL STATEMENTS

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2024 and 31 December 2023 were as follows:

Presented EUR (000)	At 31 December 2024						
	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 2024	Ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities				
Interest rate swaps – hedge of borrowings	211,924	-	40,544	Derivative financial instruments – assets/liabilities	2,636	(301)	Unrealized fair value (losses) on derivative instruments
Cross currency swaps – hedge of borrowings	289,578	1,304	36,803	Derivative financial instruments – assets/liabilities	(7,921)	(893)	Unrealized fair value (losses) on derivative instruments
Total	**501,502**	**1,304**	**77,347**		**(5,285)**	**(1,194)**	

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**	

NOTES TO THE FINANCIAL STATEMENTS

The amounts relating to items designated as hedged items at 31 December 2024 and 31 December 2023 were as follows:

Presented in EUR (000)	At 31 December 2024			
	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	3,976
Other Notes Issued	-	469,518	Borrowings	(26,818)
Total	**-**	**589,518**		**(22,842)**

At 31 December 2024, there were no amounts related to settled swaps.

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)**

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 gains (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 2024, 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 159,371 thousand (2023: EUR 161,987 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). Additionally, another cash flow hedge relationship with a nominal value of EUR 4,813 thousand (2023: nil) was designated with corresponding hedge item being a loan.

For above outstanding hedged designation, the balance in the cash flow hedge reserve amounts to EUR 4,561 thousand loss (2023: EUR 2,328 thousand loss, see Note "Reserves"). At 31 December 2024, 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 2024 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 Operational Risk Department 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 damage 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.

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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 standardized 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 2024 and 31 December 2023. 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	-	15,969	-	**15,969**
Fair value through profit or loss:				
Loans	-	-	20,308	**20,308**
Fair value through other comprehensive income:				
Debt investment securities	94,610	-	-	**94,610**
Equity investments	-	-	6,625	**6,625**
Derivative financial instruments – liabilities	-	(112,442)	-	**(112,442)**
At 31 December 2024 on recurring basis	**94,610**	**(96,473)**	**26,933**	**25,070**

Debt investment securities in Level 3 are equivalent to their fair value due to the very short-dated nature of these financial assets.

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. There were no transfers between Levels during the year.

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**

Fair Value Measurement in Level 3

The table provide a reconciliation of the fair values of the Bank's loans classified in Level 3 of the fair value hierarchy.

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
At 1 January	10,827	15,350
Disbursement	10,000	21,271
Transfer to held for sale	-	(2,962)
Total gains (losses) recognized in the income statement	(519)	(1,561)
Revaluation gains (losses)	-	(21,271)
At end of year on recurring basis	**20,308**	**10,827**

At 31 December 2024 the fair value of loans through profit or loss is calculated based on a discounted payment / cashflows approach using the applicable effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

The table provides a reconciliation of the fair values of the Bank's equity investments classified in Level 3 of the fair value hierarchy.

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
At 1 January	10,665	12,440
Disbursements*	221	931
Repayments	(1,411)	(2,088)
Distribution of equity investment	(2,865)	-
Total gains (losses) recognized in other comprehensive income	261	(618)
Exit at fair value through other comprehensive income**	(246)	-
At end of year on recurring basis	**6,625**	**10,665**

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

** Pursuant to the Bank's accounting policy for equity investments at fair value through other comprehensive income at 31 December 2024 an amount of EUR -246 thousand (2023: nil) was exit of such financial assets and not recycled to the income statement (see Note "Equity investments").

Sensitivity Analysis for Level 3

The table below illustrates the valuation techniques used in the determination of fair values for loans and equity investments 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 approach 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	20,308	1,015	(1,015)
Equity investments	Net asset value and EBITDA multiplies	6,625	331	(331)
At 31 December 2024		**26,933**	**1,346**	**(1,346)**

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)**

* Also includes asset held for sale, loan.

Loans at fair value through profit or loss mainly comprise tier 2 subordinate loans. Their fair value is calculated based on a discounted payment / cashflows approach using the applicable effective interest rate and provided inputs which could be discount rate, average cost of capital, probability of default.

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 period.

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 2024 and 31 December 2023 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, 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 2024				
Presented in EUR (000)	Level 1	Level 2	Level 3	**Fair value**	Carrying amount
Assets					
Cash and due from banks	224,333	-	-	**224,333**	224,333
Deposits in margin accounts	94,020	-	-	**94,020**	94,020
Loans at amortized cost	234,965	-	1,138,240	**1.373.205**	1,419,535
Accrued/deferred income	-	-	35,447	**35,447**	35,447
Other assets	-	-	15,908	**15,908**	15,908
Total financial assets	**553,318**	**-**	**1,189,595**	**1,742,913**	**1,789,243**
Liabilities					
Borrowings	154,988	578,414	84,319	**817,721**	822,179
Margin accounts	-	-	-	**-**	-
Other and lease liabilities	-	-	17,812	**17,812**	17,812
Total financial liabilities	**154,988**	**578,414**	**102,131**	**835,533**	**839,991**

	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/deferred income	-	-	57,721	**57,721**	57,721
Other assets	-	-	18,413	**18,413**	18,413
Total financial assets	**687,523**	**-**	**1,390,966**	**2,078,489**	**2,096,738**
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**

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 2.5 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.

	2024			2023		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	67,514	17,978	85,492	107,710	20,826	128,536
Net fees and commissions	1,809	182	1,991	475	-	475
Other income (losses)	14	(7,247)	(7,233)	3	(549)	(546)
Total segment revenues	69,337	10,913	80,250	108,188	20,277	128,465
Interest expense	(29,943)	(271)	(30,214)	(54,615)	(469)	(55,084)
Net interest income (expense) on derivatives	-	(18,891)	(18,891)	-	(17,400)	(17,400)
Gains (losses) on other financial instruments	(1,370)	(2,712)	(4,082)	(2,737)	14,042	11,305
Foreign exchange	-	28,377	28,377	-	(176)	(176)
Personnel and administrative expenses	(22,883)	(840)	(23,723)	(21,746)	(774)	(22,520)
Depreciation and amortization	(479)	(3)	(482)	(448)	(8)	(456)
Segment income before ECL	14,662	16,573	31,235	28,642	15,492	44,134
Less: expected credit losses	(6,992)	(816)	(7,808)	(23,248)	(477)	(23,725)
Income for the year	**7,670**	**15,757**	**23,427**	**5,394**	**15,015**	**20,409**

	31 December 2024			31 December 2023		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,414,526	428,932	1,843,458	1,582,976	585,909	2,168,885
At end of year			**1,843,458**			**2,168,885**
Segment liabilities	839,991	112,442	952,433	1,199,150	110,598	1,309,748
Members' equity	-	-	891,025	-	-	859,137
At end of year			**1,843,458**			**2,168,885**

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 2024	Year to 31 December 2023
Albania, Bulgaria and Greece	16,858	25,058
Armenia, Azerbaijan, Georgia and Türkiye	27,090	37,831
Moldova Romania, Russian Federation and Ukraine	25,389	45,299
Treasury	10,913	20,277
Total segment revenues	**80,250**	**128,465**

7. INTEREST AND SIMILAR INCOME

Interest and similar income are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2024	Year to 31 December 2023
From loans at amortized cost	66,234	106,386
From due from banks	6,296	6,689
From debt securities at FVTOCI	11,682	14,137
Total interest income for financial instruments not measured at FVTPL	84,212	127,212
From loans at FVTPL	1,280	1,324
Interest and similar income	**85,492**	**128,536**

8. INTEREST AND SIMILAR EXPENSE

Interest and similar expense are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2024	Year to 31 December 2023
From borrowed funds *	6,292	15,778
From issued debt	23,651	38,837
From other charges	271	469
Interest and similar expense	**30,214**	**55,084**

* For presentation purposes concerning the prior year an amount of EUR 10,878 thousand was reclassified from interest expense from borrowed funds to interest income from loans at amortized cost which represented an adjustment of interest income loss on loans in stage 3, while net interest income remained unchanged was not considered necessary to present a restated income statement.

NOTES TO THE FINANCIAL STATEMENTS

9. NET INTEREST ON DERIVATIVES

Net interest on derivatives is analyzed as follows:

Presented in EUR (000)	Year to 31 December 2024	Year to 31 December 2023
Interest on derivatives receivable	38,391	55,472
Interest on derivatives payable	(57,282)	(72,872)
Net interest income (expense) on derivatives	**(18,891)**	**(17,400)**

10. NET FEES AND COMMISSIONS

Net fees and commissions are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2024	Year to 31 December 2023
Guarantee fees	147	164
Management fees	212	124
Administration fees	17	14
Surveillance fees	32	51
Participation	182	-
Prepayment / cancellation fees	1,214	21
Other fees	187	101
Net Fees and commissions	**1,991**	**475**

11. PERSONNEL AND ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2024	Year to 31 December 2023
Salaries and benefits	15,215	14,935
Staff retirement plans	2,983	2,695
Personnel expenses	**18,198**	**17,630**
Professional fees and related expenses	1,466	1,218
Utilities and maintenance	1,806	1,788
Other administrative	2,253	1,884
Administrative expenses	**5,525**	**4,890**

The average number of staff employed during the year was 113 (2023: 115). The number of staff at 31 December 2024 was 111 (2023: 114). 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

The table below presents the movement of the Expected Credit Losses arise from Loans measured at amortized cost. 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 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 adjustment	(35)	(390)	(436)	(861)
At 31 December 2023	1,891	19,934	62,108	83,933
New loans originated	763	406	-	1,169
Release	(269)	(704)	-	(973)
Transfer	(46)	16,373	(16,327)	-
Impact in net remeasurement	(426)	(1,205)	11,577	9,946
Foreign exchange and other adjustments	27	587	1,543	2,157
At 31 December 2024	**1,940**	**35,391**	**58,901**	**96,232**

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 was EUR 96,232 thousand in the year ended 31 December 2024 (2023: EUR 83,933 thousand) an increase EUR 12,299 thousand compared to 2023, which is mainly attributable to ECL charge amounted to EUR 10,098 thousand. 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.

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.

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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 a 50% credit conversion factor to loan undrawn commitments for calculation of expected credit loss, which may also include an ECL on any guarantee. At 31 December 2024 the related amount included in other liabilities is EUR 312 thousand for loan commitments of EUR 50,812 thousand (2023: EUR 3,047 thousand for loan commitments of EUR 64,829 thousand). The ECL released during the current financial year was EUR 3,106 thousand which included in the financial statement line “Expected credit (losses) gains on loans measured at amortized cost”.

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 2024 of Russian and Ukraine loans as follows:

	Presented in EUR (000)		
Russia	Stage 2	Stage 3	Total
Outstanding balance	75,240	59,474	134,714
Expected credit loss	142	22,735	22,877

	Presented in EUR (000)		
Ukraine	Stage 2	Stage 3	Total
Outstanding balance	177,054	41,104	218,158
Expected credit loss	34,858	34,591	69,449

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 supranational 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.

Stage Overrides Operations

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

NOTES TO THE FINANCIAL STATEMENTS

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 252,294 thousand representing 17.5% of total outstanding loans at amortized cost as of 31 December 2024 and their respective ECL allowance was EUR 35,195 thousand, which includes that of wundrawn commitments (2023: EUR 22,710 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:

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Gross balance at 1 January	95,975	525,736
Purchase of debt investment securities	2,135,556	2,240,863
Proceeds from debt investment securities	(2,127,809)	(2,670,624)
Participation in Ukraine government debt restructuring*	(7,247)	-
Gross balance debt investment securities	96,475	95,975
Less: deferred income	(60)	-
Less: expected credit losses	(1,805)	(989)
Debt investment securities at fair value through OCI	**94,610**	**94,986**

By investment type

Bonds	44,670	44,986
Commercial papers	49,940	50,000
Debt investment securities at fair value through OCI	**94,610**	**94,986**

* In July 2024 Ukraine announced that it reached agreement with members of the creditor committee which comprises some of Ukraine's largest holders of existing sovereign debt as well as other long-term investors, on debt restructuring terms related to such. The Bank was eligible and participated in this debt restructuring completed in September 2024 which incurred a haircut from the exchange net loss of EUR 7,001 thousand (2023: nil).

Presented in EUR (000)	
Nominal value of bonds prior restructuring	14,510
Net loss recognized in income statement	(7,001)
Net loss in fair value through OCI	(1,272)
Fair value of exchange bonds at 31 December 2024	6,237

NOTES TO THE FINANCIAL STATEMENTS

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

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2022	44	-	468	512
Charge	-	-	489	489
Release	(12)	-	-	(12)
At 31 December 2023	32	-	957	989
Charge	70	-	746	816
Release	-	-	-	-
At 31 December 2024	**102**	**-**	**1,703**	**1,805**

Total expected credit losses on debt investment securities were EUR 1,805 thousand at 31 December 2024 a net increase of EUR 816 thousand compared to previous year, primarily attributed to the increase in ECL investment securities classified in Stage 3.

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.

	At 31 December 2024		
Presented in EUR (000)	Notional amount of derivative contracts	Fair Value	
		Assets	**Liabilities**
Derivatives held for hedging:			
Derivatives designated and effective as hedging instruments in cash flow hedges:			
Interest Rate Swaps	211,924	-	(40,544)
Cross Currency Swaps	289,578	1,304	(36,803)
Total Derivatives designated in fair value hedges:	501,502	1,304	(77,347)
Derivatives designated and effective as hedging instruments in cash flow hedges:			
Cross Currency Swaps	164,184	10,985	(13)
Total Derivatives designated in cash flow hedges:	164,184	10,985	(13)
Derivatives designated and effective as hedging instruments in cash flow hedges:			
Interest Rate Swaps	203,128	3,680	(29,039)
Cross Currency Swaps	63,716	-	(731)
Forwards	67,379	-	(5.312)
Total Derivatives held for risk management purposes:	334,223	3,680	(35,082)
Total	**999,909**	**15,969**	**(112,442)**

NOTES TO THE FINANCIAL STATEMENTS

	At 31 December 2023		
Presented in EUR (000)	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)**

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 "Risk management".

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 2024	At 31 December 2023
Loans at amortized cost:		
At 1 January	1,622,815	2,040,986
Disbursements	449,440	220,202
Less: repayments*	(622,539)	(540,795)
Movement of accrued/deferred income	(22,331)	57,721
Sale of loans	-	(116,441)
Transfer to FVTPL	-	(21,271)
Foreign exchange and other movements	27,597	(17,587)
Outstanding balance	1,454,982	1,622,815
Less: expected credit losses	(96,232)	(83,933)
Loans at fair value through profit or loss**	20,308	10,827
Loans (net carrying amount)	**1,379,058**	**1,549,709**

* Does not include amount received from asset held for sale, loan for 2024 (nil 2023).

** See Note c5 for further movement of 'loans at fair value through profit or loss'.

At 31 December 2024 for loans at amortized cost the outstanding balance was EUR 1,454,982 thousand (2023: EUR 1,622,815 thousand). At 31 December 2024 for loans at fair value through profit or loss the Bank had disposed an amount of EUR 21,271 thousand (2023: nil) that had a fair value of nil.

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

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Stage 1	993,719	979,755
New loans originated	368,940	92,941
Transfer/repayment	(464,277)	(79,058)
Less: expected credit losses	(1,940)	(1,891)
Carrying amount	896,442	991,747
Stage 2	469,147	868,963
Transfer/repayment	(21,446)	(399,815)
Less: expected credit losses	(35,391)	(19,934)
Carrying amount	412,310	449,214
Stage 3	160,028	170,997
Transfer/repayment	(51,129)	(10,968)
Less: expected credit losses	(58,901)	(62,108)
Carrying amount	49,998	97,921
Fair value through profit or loss	20,308	10,827
Net carrying amount	**1,379,058**	**1,549,709**

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.

		At 31 December 2024		At 31 December 2023	
Presented in EUR (000)	% of Investment	Cost	Fair Value	Cost	Fair Value
SEAF Caucasus Growth Fund	-	-	-	2,829	2,675
Access Bank, Azerbaijan	0.58	852	421	802	143
Emerging Europe Accession Fund	10.15	1,110	3,501	1,110	3,999
Rusal	0.01	4	167	4	133
ADM Ceecat Recovery Fund	5.59	261	6	1,506	1,403
Teamnet International	8.33	5,599	-	5,599	-
Natfood	37.98	-	-	-	-
EOS Hellenic Renaissance Fund I	2.01	2,029	2,505	2,031	2,312
EOS Hellenic Renaissance Fund II	0.01	57	25	-	-
Equity investments at fair value though other comprehensive income		**9,912**	**6,625**	**13,881**	**10,665**

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 2024, 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.

During the year the Bank received dividend income of EUR 55 thousand from its investment in the SEAF Caucasus Growth fund that was derecognized with a fair value approximate to the amount in above table as it ceased operation/ within liquidation.

On disposal or exit of an equity investment for those at fair value through other comprehensive income, the cumulative gain or loss is realized with a corresponding reversal of the unrealized gain or loss that was recorded prior to the exit from that investment, is not recycled to the income statement but included in retained earnings. An amount of EUR (-246) thousand has been recognized in the year ended 31 December 2024 in retained earnings.

As of 31 December 2024 the Bank has committed amount of EUR 7,859 thousand towards further participation in the above entities. Additional analysis of the equity investment portfolio is presented in the Note "Risk management".

None of the Bank's equity investments were accounted for as an investment in an associate under IAS 28 as the Bank does not exert significant influence nor significant control.

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER ASSETS

Other assets are analyzed as follows:

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Advances and prepaid expenses	2,603	1,883
Accrued interest on derivatives	7,728	9,391
Clearinghouse on derivatives	1,604	1,522
Other receivables	371	2,015
Other prepayments	188	185
Staff loans (see Note 11)	3,333	3,327
Guarantee deposits and non-current	81	90
Other assets	**15,908**	**18,413**

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	Under* construction	Total
Cost						
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
Additions	-	-	9	428	11,403	11,840
Disposals	(20)	(105)	(12)	(290)	-	(427)
At 31 December 2024	**893**	**182**	**575**	**1,960**	**11,403**	**15,013**
Accumulated depreciation						
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
Charges	4	33	9	84	-	130
Disposals	(20)	(105)	(12)	(290)	-	(427)
At 31 December 2024	**891**	**78**	**551**	**1,451**	**-**	**2,971**
Net book value						
At 31 December 2024	**2**	**104**	**24**	**509**	**11,403**	**12,042**
At 31 December 2023	6	137	24	165	-	332
At 31 December 2022	14	15	24	212	-	265

* The Bank's new permanent Headquarters Premises began acquisition/construction agreement in the first half of 2024, and payments are made within scheduled of such agreement with final payment anticipated around end 2025. The amount of contractual commitment for acquisition/construction is approximately EUR 21,000 thousand. Depreciation will commence after available for use and completed agreement.

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 2022	5408
Additions	294
At 31 December 2023	5,702
Additions	178
At 31 December 2024	**5,880**
Accumulated amortization	
At 31 December 2022	4,855
Charges	295
At 31 December 2023	5,150
Charges	349
At 31 December 2024	**5,499**
Net book value	
At 31 December 2024	**381**
At 31 December 2023	552
At 31 December 2022	553

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 2024		At 31 December 2023	
Presented in EUR (000)	Average maturity (years)	Approx. average cost (%)	Amount used	Amount arranged	Amount used	Amount arranged
Borrowed by						
Amounts borrowed	4.55	2.96	815,311	1,060,694	1,168,008	1,198,008
Accrued interest payable	-	-	6,868	-	6,476	-
Total	**4.55**	**2.96**	**822,179**	**1,060,694**	**1,174,484**	**1,198,008**
Denomination by						
Euro	7.09	2.22	264,280	365,280	317,627	347,627
United States dollar	5.99	3.01	90,541	234,924	448,861	448,861
Swiss franc	2.25	0.35	159,439	159,439	162,092	162,092
Romanian lei	1.41	5.02	67,293	67,293	67,263	67,263
Pound sterling	4.62	2.03	60,170	60,170	57,380	57,380
Turkish lira	5.00	36.76	9,799	9,799	-	-
Georgian lari	3.00	8.25	46,066	46,066	-	-
Czech koruna	1.25	4.61	47,647	47,647	48,536	48,536
Japanese yen	1.41	0.65	30,643	30,643	31,946	31,946
Australian dollar	5.25	3.03	17,664	17,664	18,172	18,172
Polish zloty	1.75	2.12	16,374	16,374	16,131	16,131
New Zealand dollar	4.75	6.10	5,395	5,395	-	-
Accrued interest payable	-	-	6,868	-	6,476	-
Total	**4.55**	**2.96**	**822,179**	**1,060,694**	**1,174,484**	**1,198,008**
Maturity by						
Short-term, within one year	059	4.48	12,489	12,489	435,392	435,392
Long-term, over one year	4.65	2.93	802,822	1,048,205	732,616	762,616
Accrued interest payable	-	-	6,868	-	6,476	-
Total	**4.55**	**2.96**	**822,179**	**1,060,694**	**1,174,484**	**1,198,008**

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.

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER LIABILITIES

Other liabilities are analyzed as follows:

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Accrued interest on derivatives	15,455	17,366
Pension plan obligation	-	2,807
Suppliers and other accrued expenses	1,717	1,282
Other	312	3,047
Other liabilities	**17,484**	**24,502**

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 2022	277
Renewal of lease term	531
Lease payments recognized in administrative expenses	(644)
Lease liability at 31 December 2023	164
Renewal of lease term	831
Lease payments recognized in administrative expenses	(667)
Lease liability at 31 December 2024	**328**

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:

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
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 2024		
Presented in EUR (000)	Initial capital	Capital increase	**Total**
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
Türkiye	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 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
Gains (losses) on revaluation of investments	-	8,781	-	8,781
Actuarial (losses) gains on defined benefit scheme	-	-	2,159	2,159
Gains (losses) on cash flow hedging instruments	-	-	(2,233)	(2,233)
Transferred from retained earnings	9,074	-	-	9,074
At 31 December 2024	**131,562**	**(29,654)**	**(964)**	**100,944**

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 an amount transferred from retained earnings during the year of EUR 9,074 thousand (2023: 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 8,781 thousand (2023: EUR 3,859 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 2,159 thousand (2023: EUR -3,274 thousand).
- The cash flow hedge reserve of EUR -2,233 thousand (2023: EUR 1,786 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:

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Cash on hand	16	2
Due from banks	224,317	375,388
Investments maturing up to 1 month:		
At fair value through other comprehensive income portfolio	49,940	50,000
Investment maturing from 1 month to 3 months:		
At fair value through other comprehensive income portfolio	-	-
Cash and cash equivalents	**274,273**	**425,390**

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.

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 2024. The present value of the defined benefit obligation and current service cost was calculated using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Amounts recognized in the statement of financial position		
Present value of the defined benefit obligations	32,662	30,967
Fair value of plan assets	(32,768)	(28,160)
Net liability at end of the year	**(106)**	**2,807**
Amounts recognized in the income statement		
Service cost	1,505	1,361
Net interest on the net defined benefit liability/(asset)	52	(16)
Administration expense	50	50
Total included in personnel expenses	**1,607**	**1,395**
Remeasurements recognized in other comprehensive income		
At 31 December	(2,148)	1,126
Liability gain (loss) due to changes in assumptions	1,782	(1,450)
Liability experiences gain (loss) arising during the year	(1,380)	(3,002)
Return on plan assets excluding income statement amounts	1,757	1,178
Total amount recognized in OCI during the year	2,159	(3,274)
Cumulative in other comprehensive income (expense)	**11**	**(2,148)**
Principal actuarial assumptions used		
Discount rate	3.51%	3.24%
Expected return on plan assets	3.51%	3.24%
Future salary increase	1.00%	1.00%
Future pension increase	2.00%	2.20%
Average remaining working life of employees	7 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 3.51% 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 2024	At 31 December 2023
Major categories of plan assets		
Cash instruments	7%	6%
Fixed interest	54%	54%
Equities	36%	36%
Other	3%	4%
Reconciliation of plan assets		
Market value at 1 January	28,160	24,084
Expected return	944	899
Contributions paid	2,361	2,483
Benefit pension and lump sum paid to pensioners	(404)	(434)
Expenses	(50)	(50)
Asset gain (loss)	1,757	1,178
Fair value of plan assets	**32,768**	**28,160**

The actual investment return on assets of the Fund for the year was 9.8%. 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 2025 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)	2024	2023	2022	2021	2020
Defined benefit obligations	32,662	30,967	24,705	36,375	34,427
Plan assets	(32,768)	(28,160)	(24,084)	(27,691)	(24,198)
Plan deficit (surplus)	(106)	2,807	621	8,684	10,229
Net experience adjustments on plan liabilities (assets)	**1,380**	**3,002**	**1,631**	**225**	**(319)**

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.

	At 31 December 2024		At 31 December 2023	
Presented in EUR (000)	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(4,040)	4,040	(2,809)	2,809
Future salary growth (1% movement)	1,927	(1,927)	2,788	(2,788)

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 1,350 thousand (2023: EUR 1,300 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 26 thousand (2023: nil) 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 1,450 thousand (2023: EUR 1,764 thousand), of which comprises salary and employee benefits of EUR 1,239 thousand (2023: EUR 1,563 thousand) and post-employment benefits of EUR 211 thousand (2023: EUR 201 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 two special funds. Extracts from the audited financial statements are included under the Note 'Summary of special funds'.

28. ASSET HELD FOR SALE

At 31 December 2024 the Bank had no asset held-for-sale (2023: EUR 2,962 thousand). During the year the Bank received the previous year's amount from loan sale and any difference is recognized in the income statement within 'fair value gains (losses) on loans measured at fair value through profit or loss'.

Presented in EUR (000)	
Fair value of loan prior to sale	2,962
Net loss recognized in income statement	(851)
Net loan	2,111

NOTES TO THE FINANCIAL STATEMENTS

29. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that would require disclosure 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 2024.

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.

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 2024	At 31 December 2023
Statement of movements		
Balance brought forward	8	8
Net income 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**

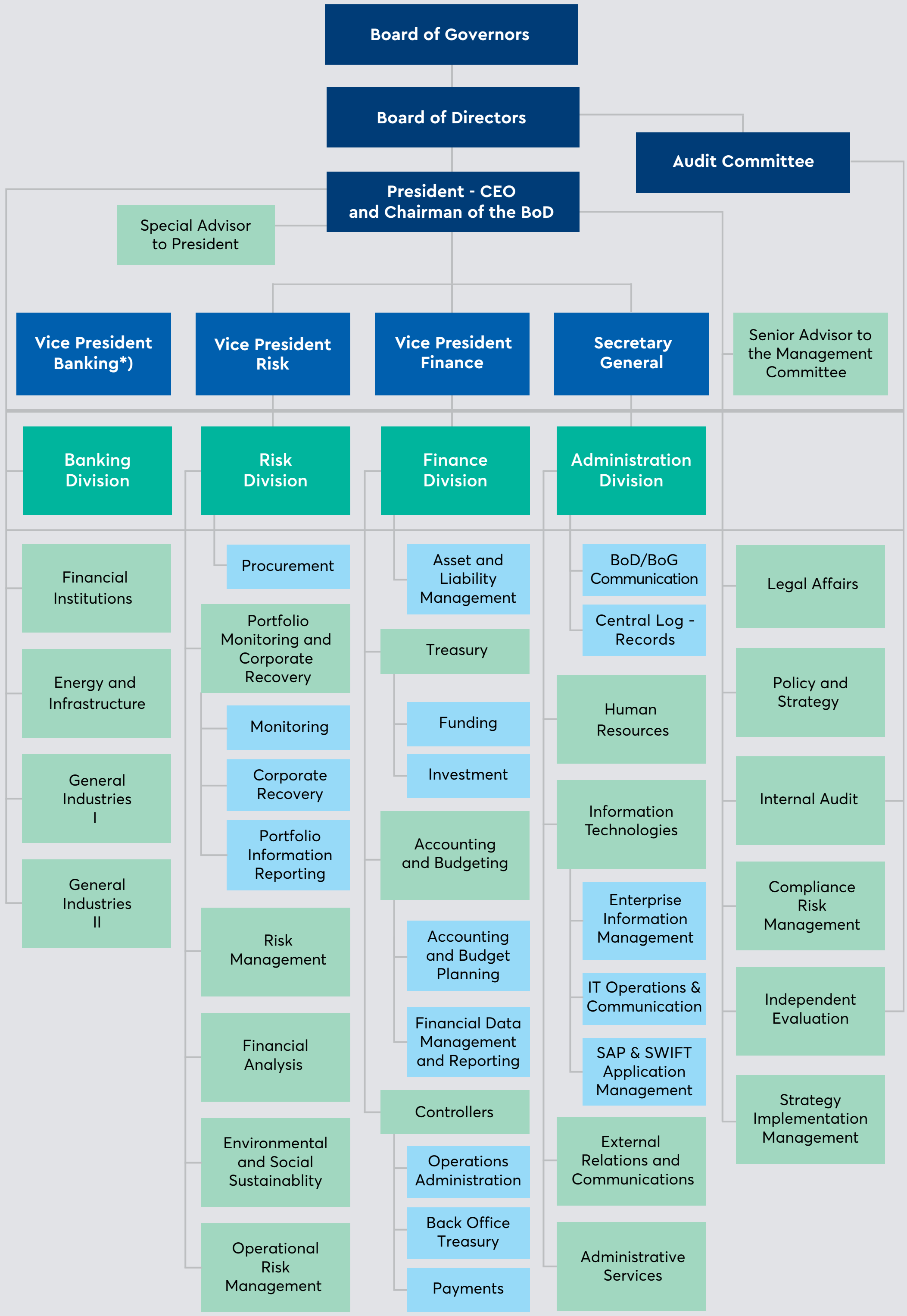
NOTES TO THE FINANCIAL STATEMENTS

New Permanent Headquarters of the Bank

The Hellenic Government in an expression of support and demonstration of its continuous commitment to the Bank, wishes to contribute for the specific purpose of the Bank acquiring appropriate permanent premises for its Headquarters in Thessaloniki in the Hellenic Republic. The movement in the Fund is shown below.

Presented in EUR (000)	At 31 December 2024	At 31 December 2023
Statement of movements		
Balance brought forward	-	-
Contribution	5,000	-
Net income for the year	-	-
Less: disbursements	-	-
Balance of available funds	**5,000**	**-**
Financial position		
Placements with other financial institutions	5,000	-
Total Assets	**5,000**	**-**
Unallocated fund balance	5,000	-
Total Liabilities and Contributor Resources	**5,000**	**-**

Annex A
Organizational Chart



*) Temporarily suspended

As of 31 December 2024

Annex B
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