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STRONGER IMPACT

ANNUAL REPORT | 2025

BSTDB

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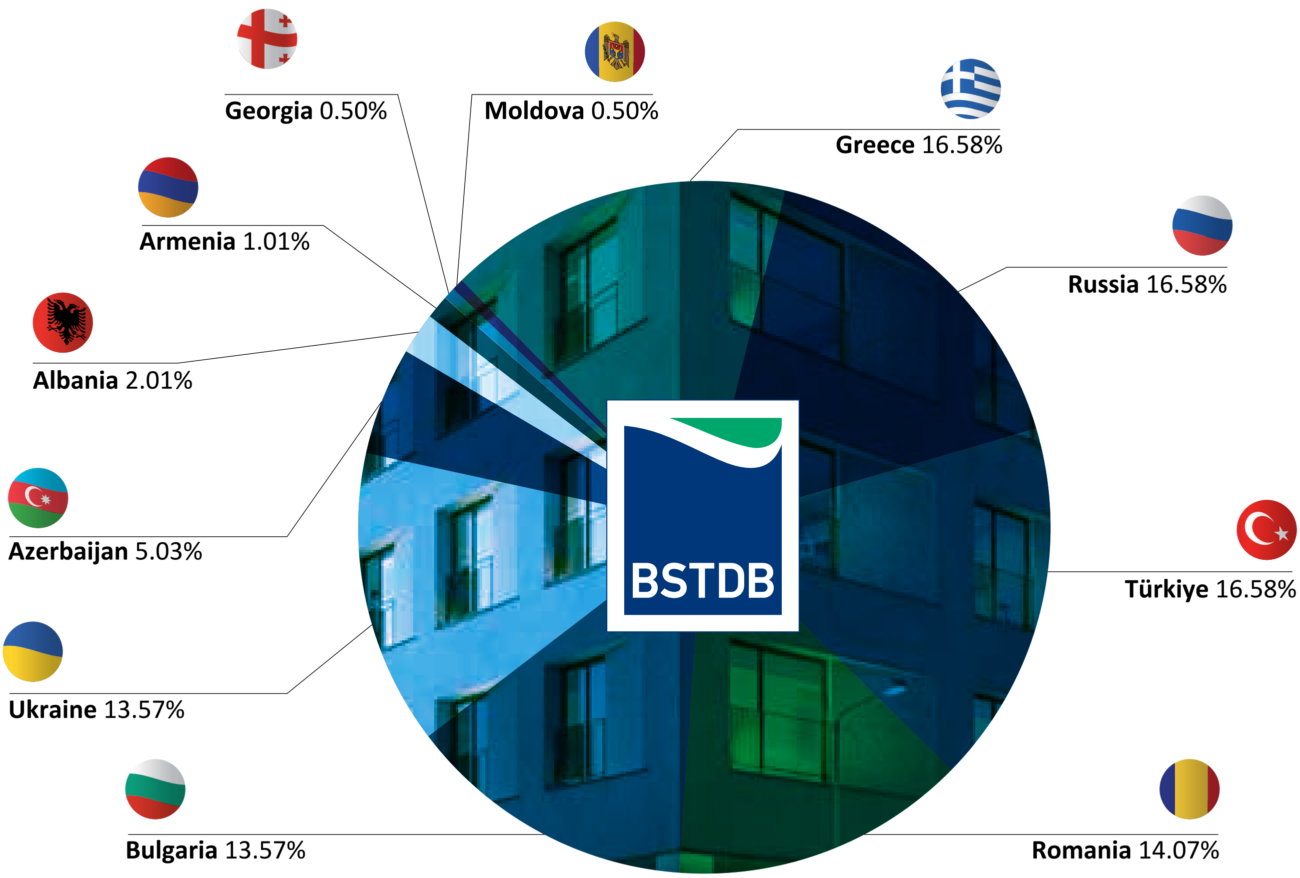
Introduction

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.



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 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. 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.

Upon the overall assessment of the effectiveness of internal controls over financial reporting, an annual attestation is issued, signed by the President and the Vice President Finance and subject to review the external auditors 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 2025

REPUBLIC OF ALBANIA

Governor:	Mr. Endrit YZEIRAJ, Deputy Minister of Finance
Alternate Governor:	Ms. Kesjana HALILI, General Director of State Debt, Ministry of Finance

REPUBLIC OF ARMENIA

Governor:	Mr. Arthur JAVADYAN, Ambassador-at-large Chairman of the Board of the Centre for Economic Perspectives Foundation
Alternate Governor:	Mr. Vahan AVETISYAN, Director, Financial Control and Licensing Directorate, Central Bank of Armenia

REPUBLIC OF AZERBAIJAN

Governor:	Mr. Sahil BABAYEV, Minister of Finance
Alternate Governor:	Mr. Mikayil JABBAROV, Minister of Economy

REPUBLIC OF BULGARIA

Governor:	Ms. Lyudmila PETKOVA, Director, Public Financial Inspection Agency (PFIA)
Alternate Governor:	Ms. Gergana BEREMSKA, Director, International Financial Institutions and Cooperation Directorate, Ministry of Finance

GEORGIA

Governor:	Ms. Natia TURNAVA, Governor, National Bank of Georgia
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:	Mr. Florin Alexandru ZAHARIA, 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:	Mr. Oleksii SOBOLEV, Minister of Economy, Environment and Agriculture
Alternate Governor:	Mr. Volodymyr KUCHYN, Head, Office for European Integration & International Programs, National Bank of Ukraine

Board of Directors

As of 31 December 2025

REPUBLIC OF ALBANIA

Director:	Mr. Besmir BEJA, Secretary General, Ministry of Finance
Alternate Director:	position vacant

REPUBLIC OF ARMENIA

Director:	Mr. Davit NAHAPETYAN, Board Member, Central Bank of Armenia
Alternate Director:	Ms. Milena HOVHANNISYAN, Head, International Cooperation Department, Ministry of Finance

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:	Mr. Alexandr RODIDEAL, Head, Public Sector Debt 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 and Finance
Alternate Director:	position vacant

UKRAINE

Director:	Mr. Taras KACHKA, Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine
Alternate Director:	position vacant

Audit Committee

As of 31 December 2025

Ms. Milena BOIKOVA, Director for the Republic of BULGARIA and Chairperson of the Audit Committee

Mr. Besmir BEJA, Director for the Republic of ALBANIA and Audit Committee member

Ms. Ekaterine GUNTSADZE, Director for GEORGIA and Audit Committee member

Mr. Alexandr RODIDEAL, Director for the Republic of MOLDOVA and Audit Committee member

Management Team

Dr. Serhat Köksal
President
Chairman of the Board of Directors

Ziya Aliyev
Vice President Banking

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 2025 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

In a year marked by significant economic uncertainty and geopolitical tension, the countries of the Black Sea Region once again demonstrated resilience and an ability to maintain growth in the face of growing global headwinds. In 2025, real GDP growth in the Region reached 2.9%, slightly below the global average, but almost twice the rate recorded in the European Union, the Region's largest trading partner and a key source of investment and financing. Importantly, this performance was achieved while preserving generally sound macroeconomic and financial fundamentals, further reinforcing market confidence in the resilience and underlying strength of the Region's diverse economies.

This hard-earned credibility reflects years of prudent economic management and institutional strengthening. Across the Region, policymakers have shown both discipline and determination, including a willingness to take difficult decisions when required. Markets have increasingly recognized these efforts. This can be seen in continued market access and in borrowing spreads that are often more favourable than sovereign ratings alone would suggest. Credit rating developments also moved in a positive direction in 2025: six countries in the Region received a total of nine upgrades, with no downgrades during the year. Positive outlook revisions also outnumbered negative ones, indicating that the foundations for further improvements remain in place, provided that sound economic policies and business climate reforms continue.

Against this backdrop, the Black Sea Trade and Development Bank significantly expanded its operational activity in 2025, following three years of consolidation and subdued growth amid regional geopolitical turbulence. The Bank's Board of Directors approved 31 new projects totalling €668.4 million, an increase of 80.8% compared to 2024. Commitments reached €483.8 million, up 16.5% year-on-year, as 25 operations were signed. Disbursements rose by 12.3%, to €523.8 million, while the operational portfolio grew to €1,464.1 million. Net income for the year amounted to €27.5 million.

These results demonstrate that the Bank made solid progress in the first year of implementation of the second phase of its Medium-Term Strategy and Business Plan for 2025–2026. BSTDB remained active across those member countries where it was possible to undertake operations and delivered support across a broad range of sectors. This breadth of activity reflects the Bank's ability to respond flexibly and effectively to the needs of its clients, while remaining focused on its development mandate.

The year was also notable for a major institutional milestone: the completion of the Bank's new headquarters and the successful relocation of all operations to its new premises. With the strong support of our host country, Greece, this project was completed smoothly, on schedule, and within budget. BSTDB remains proudly headquartered in Thessaloniki, now in a modern, purpose-built building that represents a major qualitative step forward from the Bank's previous rented offices. The building has also achieved LEED Platinum certification, reflecting the Bank's commitment to sustainability, efficiency and long-term institutional responsibility. The new headquarters will support the Bank in fulfilling its mandate more effectively by enhancing engagement with clients, investors and development partners, while also providing a stronger platform for dialogue, cooperation and events focused on the Black Sea Region and development finance.

The new headquarters also carries significance beyond the institution itself. BSTDB's move has contributed to the renewal of the surrounding area, helping attract further investment and activity. We take particular pride in the fact that this important milestone in the Bank's development is also contributing to the wider revitalization of a key part of the city of Thessaloniki.

The Bank's achievements in 2025 have created strong momentum for 2026 and beyond. Building on this progress, BSTDB will continue working to meet the expectations of its member states by promoting regional cooperation and sustainable economic development through targeted financing, risk-sharing solutions, and long-term partnerships with public and private sector clients across the wider Black Sea Region.

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

New BSTDB Headquarters

The relocation of the Bank to its new headquarters in Thessaloniki marks an important milestone in our institutional development and a tangible contribution to the regeneration of the city's historic western entrance. The realization of this 25-year vision was made possible through the significant financial contribution of the Hellenic Government.

The building has achieved LEED Platinum certification, the highest global distinction for sustainable construction, becoming the first building outside the Attica region to receive this certification. This achievement reflects our commitment to ESG principles, integrating bioclimatic design, renewable energy systems, efficient resource management, and circular economy practices.

Designed by DIVERCITY Architects and developed by DIMAND, with TERNA as the main contractor, the new building supports our long-term operational growth and creates a friendly and easy-going environment for staff and visitors. As part of the HUB 26 bioclimatic business campus, it offers a modern, flexible, and high-quality working environment in line with international best practices.

Situated in an area with a deep industrial legacy and integrated into the broader urban redevelopment program, the project connects Thessaloniki's past with its future, while supporting economic revitalization, job creation, and improved urban quality.

Overall, the Bank's new headquarters represents a long-term investment in sustainability, functionality, and social responsibility, reinforcing our role as a forward-looking international financial institution and a catalyst for the sustainable development of the city of Thessaloniki.

The Bank's emblematic building stands as an iconic example of sustainable architecture, having received LEED Platinum certification, the highest international distinction for energy efficiency and environmental footprint.

BSTDB Highlights of 2025

New logo

In September 2025 the Black Sea Trade and Development Bank (BSTDB) unveiled a new logo, marking a significant step in aligning its visual identity with its evolving role and strategic direction, coinciding with the Bank's relocation to its new headquarters in Thessaloniki and symbolizing a new era of growth, modernisation, and increased visibility. The updated design retains the signature wave—long a symbol of the Black Sea region—now rendered in a more dynamic and contemporary form, while the new deep blue, green, and white color scheme underscores BSTDB's commitment to stability, sustainability, and transparency. A key element of the rebranding is the shift from the full name to the widely recognized acronym "BSTDB," reflecting how partners and stakeholders already identify the institution and enhancing clarity and consistency across communications.

Successful Debt Restructuring in Ukraine's Agricultural Sector

In 2025, the Bank successfully led the restructuring of a Ukrainian agribusiness severely affected by the consequences of the geopolitical developments. Disrupted exports, depressed prices, and rising costs had impaired the borrower's ability to service its debt. Together with another international financial institution, the Bank coordinated complex negotiations with the borrower's advisor and local lenders. A mutually acceptable Restructuring Agreement was signed in September 2025, restoring debt service capacity through a sustainable repayment profile. The first repayment was received in December 2025, and the borrower's financial position and outlook have since improved.

Industrial Recovery and Sustainable Growth in Northern Greece

The turnaround of a northern Greece–based industrial group highlights the Bank's long-term recovery impact. In 2020, the Group entered restructuring amid high leverage and severe liquidity pressures. The Bank actively participated in a syndicated restructuring with local lenders, supporting a comprehensive solution. Over the following five years, revenues tripled, EBITDA increased eightfold, and market capitalization expanded twentyfold. Distressed funding was refinanced by commercial banks, leverage returned to sustainable levels, and the borrower re-established market access. More than 2,000 jobs were secured, with strong repayment performance maintained.

Annual Meeting of the Heads of Internal Audit of International Organizations (HOIA)

On **12–13 June 2025**, BSTDB's Internal Audit Department hosted the Annual Meeting of the Heads of Internal Audit of international organizations (HOIA), under the theme **"Empowering Accountability and Resilience: Shaping the Future of Internal Audit".** The Annual Meeting was attended by fifty participants representing thirty-eight international

Annual Meeting of the Heads of Internal Audit of International Organizations (HOIA)

Antalya Alanya project – enhanced environmental standards

Guarantees (Student housing project – Greece)

organizations. The meeting focused on strengthening accountability and resilience in internal audit functions across international organizations and included keynote addresses by BSTDB's President and the President and CEO of the Institute of Internal Auditors Global Headquarters, as well as panel discussions and presentations addressing current challenges and innovations in internal auditing. Topics covered included the integration of ESG criteria in audits, partnerships between audit and program evaluation, fraud risk management, challenges facing internal audit functions, and staff exchanges to support knowledge sharing, with contributions from experts from various international organizations. In addition, collaboration between independent accountability mechanisms and audit functions, the use of artificial intelligence in internal audit—including generative AI and AI solutions at BSTDB—and quality assessment under the new IIA standards were presented and discussed. Participant feedback reflected satisfaction with the meeting's organisation and outcomes.

Antalya-Alanya project – enhanced environmental standards

BSTDB participation, alongside other major international development banks, in financing the landmark Antalya-Alanya Motorway Project in Türkiye contributed significantly to increasing its sustainability long-term. Application of internationally recognized Environmental and Social (E&S) standards required by the financiers, have shaped both the design of the project and its implementation approach. Alignment with best practices such as the IFC Performance Standards, the EBRD Performance Requirements, and the Equator Principles has ensured that E&S risks were identified early, assessed comprehensively, and managed through robust mitigation measures. This standards-driven process strengthened biodiversity protection, enhanced stakeholder engagement, improved land acquisition and livelihood restoration planning, and embedded strong occupational health and safety practices across the project phases. As a result, the project demonstrates a higher level of E&S responsibility, and long-term sustainability that would have been achieved under national requirements alone, thus reflecting the added value of international best practice in developing large-scale infrastructure projects that normally are associated with significant E&S impacts and which require comprehensive mitigation measures.

Guarantees (Student housing project - Greece)

In 2025, the Bank successfully returned to the Greek PPP market and issued a guarantee, supporting the project "University of Crete Student Halls", developed by major construction group Aktor in collaboration with the European Investment Bank and Piraeus Bank. BSTDB involvement in this project illustrates its role as an active player in the country's PPP sector, contributes to a highly important social infrastructure project of Greek higher education system and confirms that the Bank is actively using various financial instruments to deliver on its development mandate.

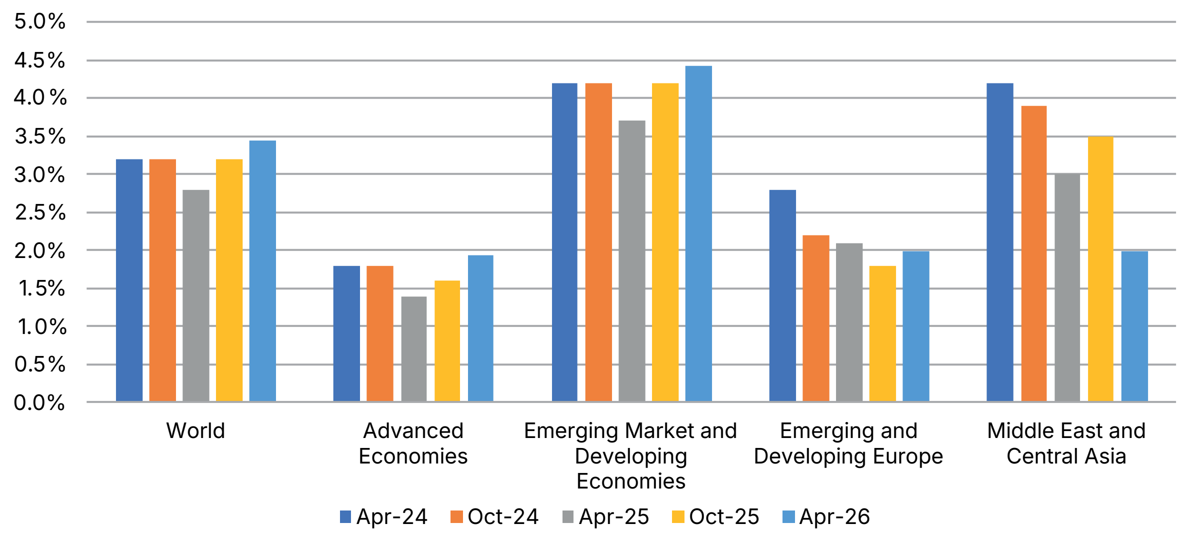
Economic Overview of the Black Sea Region in 2025

Global developments

Over the past several years, the world has faced major challenges and policy instability. Events such as the COVID-19 pandemic and conflicts between Russia and Ukraine and across the Middle East have disrupted supply chains, driven up commodity prices, threatened trade routes, and forced countries to secure alternative energy sources on very short notice. In addition, policy uncertainty stemming from U.S. tariff announcements, revisions, and cancellations has further disrupted trade flows, strained relations even among allied countries, and weakened multilateral institutions.

These factors created widespread pessimism, reflected in downbeat macroeconomic projections. Nevertheless, year after year, global economic performance—although below long-term historical averages—exceeded expectations. While risks persist, the fact that growth has consistently surprised on the upside highlights both the resilience of the global economy and its ability to adjust rapidly to changing conditions.

Evolution of GDP growth rate projections for 2025



Source: IMF World Economic Outlook

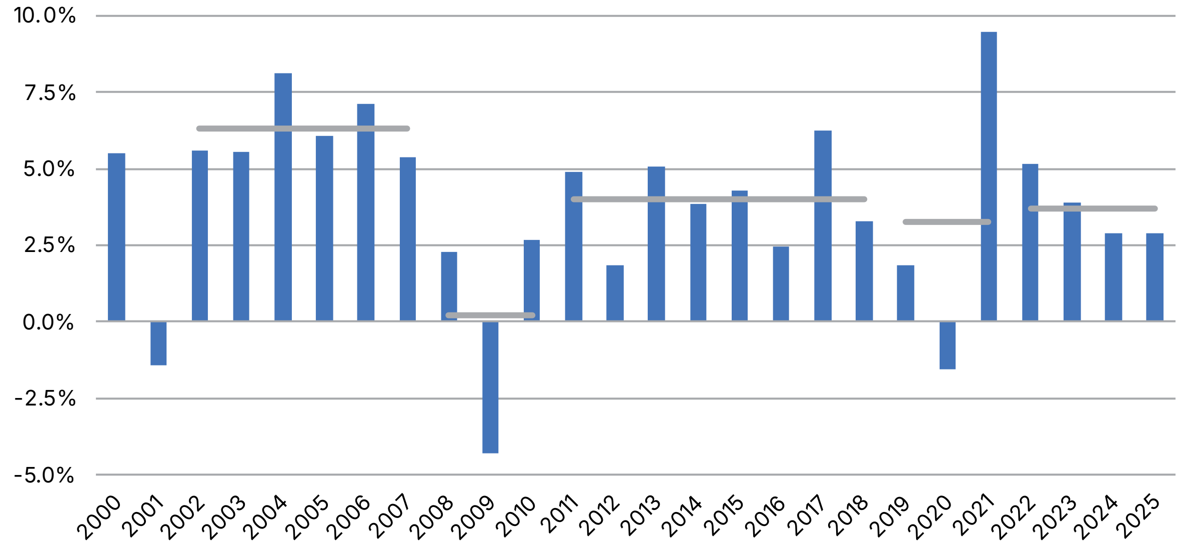
In 2025, the pattern was no different. In its April 2025 World Economic Outlook, the IMF lowered its global growth forecast for 2025 to 2.8%, citing persistent and emerging risks. However, according to the latest estimate, actual growth reached 3.4%. This upward revision was broad-based across major advanced and emerging economies. Inflation remained broadly stable, global trade expanded faster than world output, and financial conditions were relatively accommodative.

Regional growth performance

In line with global trends, the Black Sea Region outperformed expectations despite global policy uncertainty, regional conflicts, tariff measures, and subdued growth in the EU—its major export destination. According to the IMF's April 2025 WEO, regional growth for 2025 was projected at 2.5%. However, strong domestic demand, supportive fiscal and monetary policies, and favourable global financial conditions lifted actual growth to 2.9%.

The 2022–2025 average growth rate was broadly in line with the region's 2011–2018 average. This suggests that the region's economic trajectory returned quickly to its long-term trend despite the COVID-19 shock and persistent geopolitical tensions.

BSTDB Region GDP growth rates



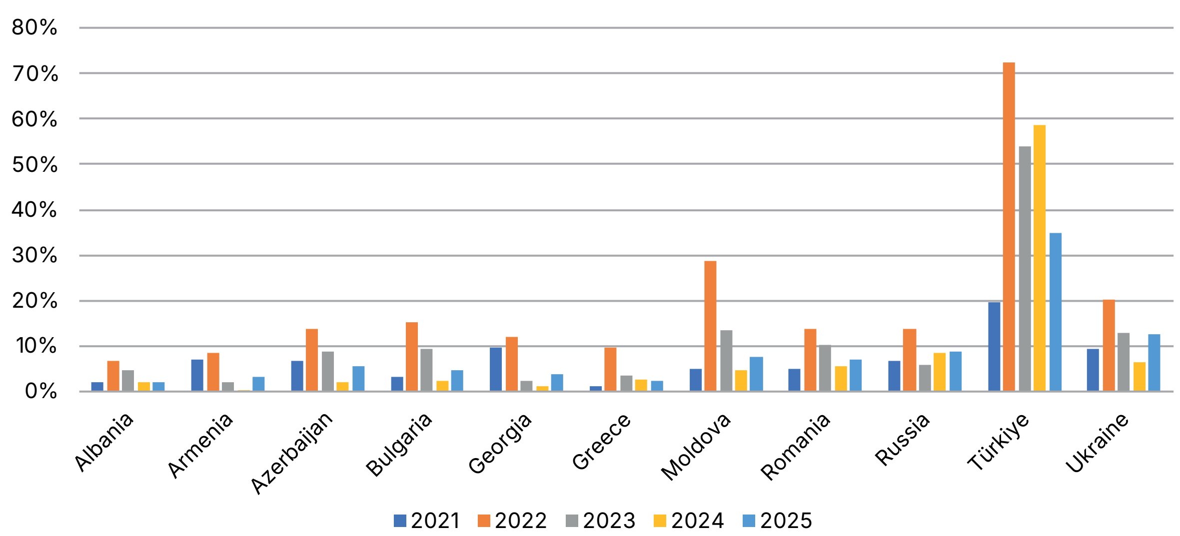
Source: Official statistical agencies and BSTDB calculations

Household consumption increased in all member countries in 2025 and remained the main engine of growth. This was followed by gross fixed capital formation, which expanded in seven member countries. Together with government consumption, these components drove domestic demand, which was partly met through higher imports. While imports increased, weak external demand resulted in a negative contribution from net exports.

Strong domestic demand—mainly household consumption and business investment—was supported by a healthy banking sector and conducive global financial conditions.

Inflation

Annual average inflation rate

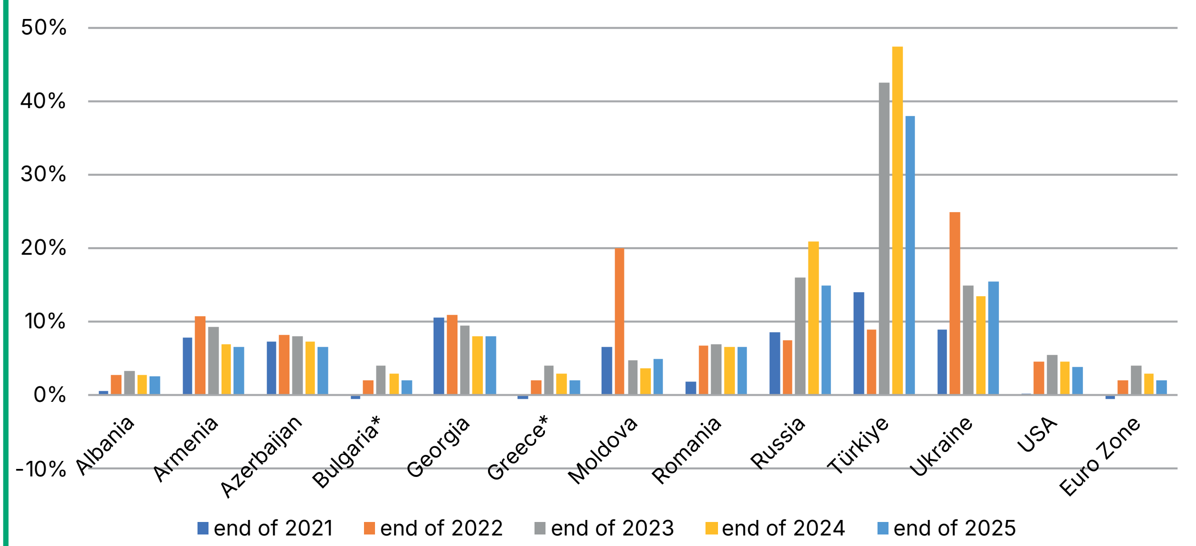


Source: Official statistical agencies

With domestic demand remaining strong and the impact of earlier low base effects fading, inflation increased in eight of the eleven BSTDB member countries in 2025 compared with the previous year. As a result, inflation in only three member countries was within or below their target ranges. Median[1] annual inflation in the region rose from 2.7% in 2024 to 5.6% in 2025. Nine countries recorded single-digit inflation rates between 2.1% and 8.7%.

Despite the uptick in inflation, real interest rates remained mostly positive because benchmark policy rates stayed above inflation. Although a few countries cut rates in 2025, policy rates generally remained elevated, as monetary authorities had not rushed to ease in 2024 when inflation had reached multi-year lows. This helped keep recent price increases contained and within single-digit territory.

Monetary Policy Rates



Source: Monetary policy-setting institutions

This cautious and conservative approach enhanced the credibility of monetary policymaking across the region. As a result, the region's resilience improved, attracting longer-term foreign capital and investment.

Fiscal Developments

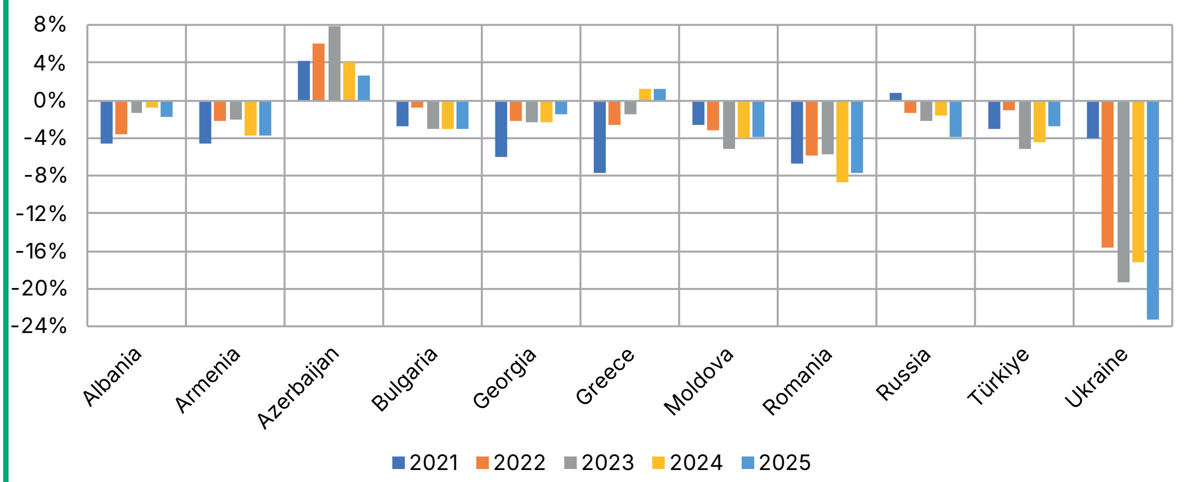
After two consecutive years of fiscal expansion, BSTDB member countries achieved modest consolidation in 2025, with the simple average general government budget deficit narrowing from 2.4% of GDP in 2024 to 2.3% in 2025, mainly thanks to strong GDP growth, while the median deficit declined from 3.0% to 2.8%. The previous episode of fiscal consolidation occurred in 2022, when the average fiscal deficit fell to 1.7% of GDP. While a 2.8%-of-GDP fiscal deficit is within the normal range, it may not be sufficient to build stronger buffers against potential challenges arising from geopolitical risks. To be better prepared, countries need to further improve revenue collection, better target spending, and communicate their fiscal plans transparently.

While the regional average improved slightly, outcomes varied widely across countries. Two countries recorded fiscal surpluses in 2025, and two others kept deficits below 2% of GDP. Furthermore, among the nine member countries, six improved their budget balances relative to the previous year, while only three posted budget deficits above 3.0% of GDP.

A key driver of deficits was interest payments on debt, which, as a share of GDP, increased in four member countries in 2025. Excluding interest payments, the budget balance was in surplus in four member countries; in two, it was below 1.0% of GDP; and in only one member country it was above 3.0%.

1 Given the small sample size, average figures can be skewed by a few outliers. Median figures can partially address this challenge.

General Government Balance, % of GDP



Source: World Economic Outlook database, IMF

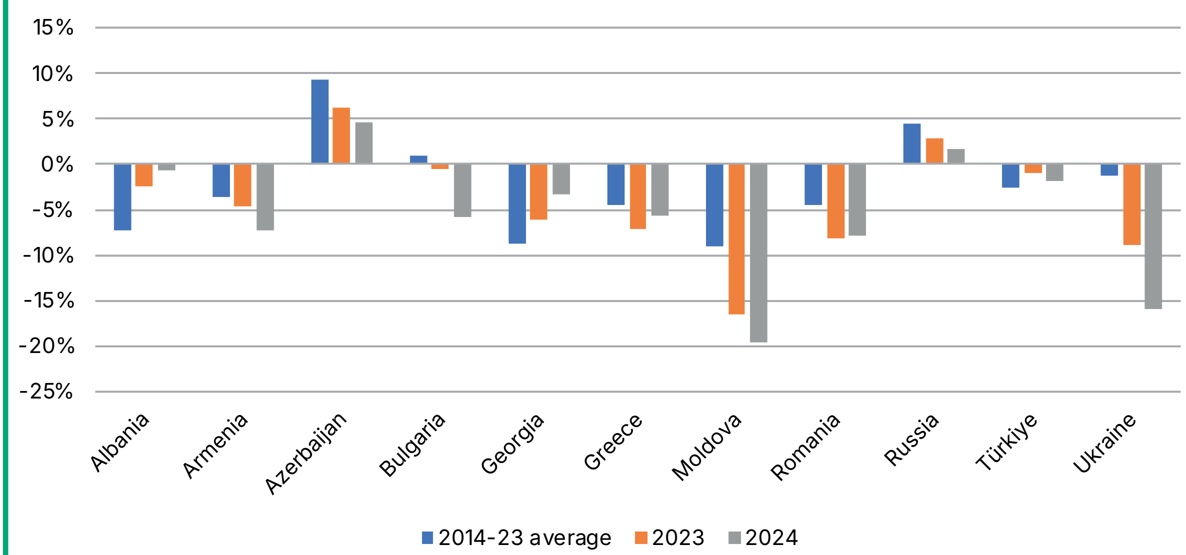
With fiscal deficits at manageable levels and GDP growth strong, public debt as a share of GDP declined in seven BSTDB member countries. Gross government debt remained below 40% of GDP in four member countries, providing a buffer that can support economies during periods of stress. However, fiscal policy must be well-timed and paired with a credible plan to return to consolidation once conditions stabilize. While current debt levels give countries fiscal space to respond to shocks, they could still face challenges if worst-case scenarios materialize.

Balance of Payments

After narrowing for two consecutive years, the region's current account deficit widened from 2.9% of GDP in 2024 to 3.5% in 2025. The deterioration reflected strong domestic demand and weak external demand. The goods trade balance accounted for most of the decline, while travel and transport services continued to contribute positively. In nominal U.S. dollar terms, net travel receipts reached a record USD 80.2 billion, and net transport receipts reached USD 34.0 billion, as the region leveraged its natural attractions and benefited from shifting supply chains.

However, these inflows were outweighed by a USD 167.4 billion deficit in goods trade, leaving external financing needs above USD 90.0 billion.

Current Account Balance, % of GDP



Source: Official statistical agencies

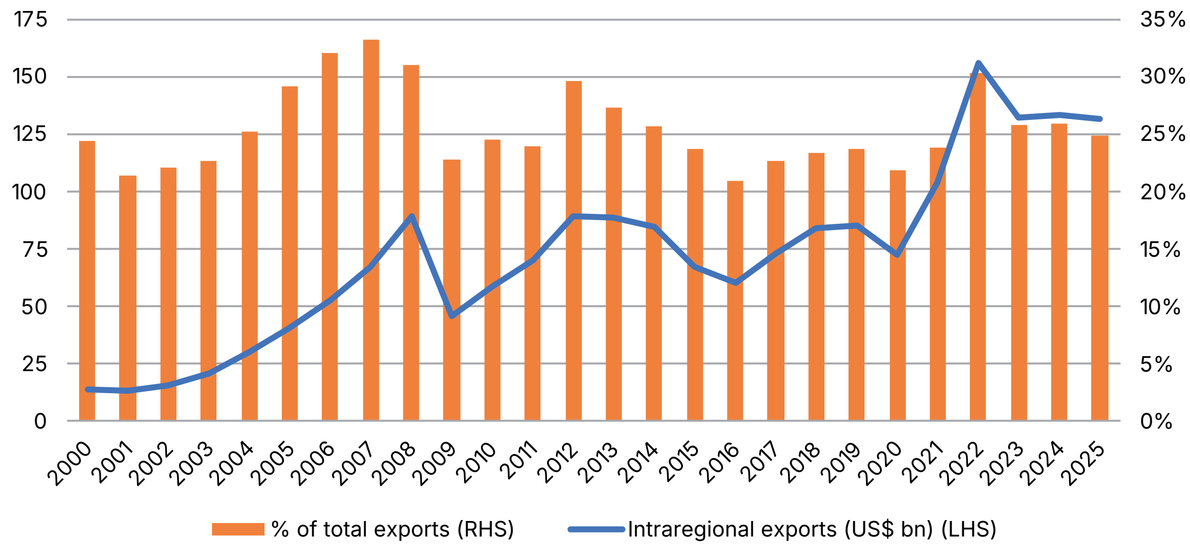
More than half of these needs were financed by portfolio and other investment inflows (USD 48.8 billion), followed by foreign direct investment (USD 25.9 billion). The remaining gap (USD 15.6 billion) was financed through reserve drawdowns. Aggregate figures, however, mask significant country-level differences: reserves were used in only three countries, while six recorded net inflows that increased reserve holdings.

Trade developments

Despite tariffs and policy uncertainty, global trade continued to expand in 2025, with global exports rising by 6.8% in U.S. dollar terms and 2.3% in euro terms. U.S. imports grew by 4.5% in nominal dollar terms, as declines in exports from China and Canada were more than offset by increases from elsewhere, including the EU and several large Asian economies. China partly compensated for reduced exports to the U.S. by expanding shipments to the EU and large Asian markets.

Exports from the BSTDB nine increased by 3.0% in U.S. dollar terms. Exports to the U.S. fell by 1.3% in dollar terms and accounted for 4.3% of total exports in 2025. The EU remained the region's dominant export destination; with a 6.4% increase in 2025, it accounted for 52.6% of the region's total exports.

Intraregional exports



Source: IMF International Trade in Goods Statistics

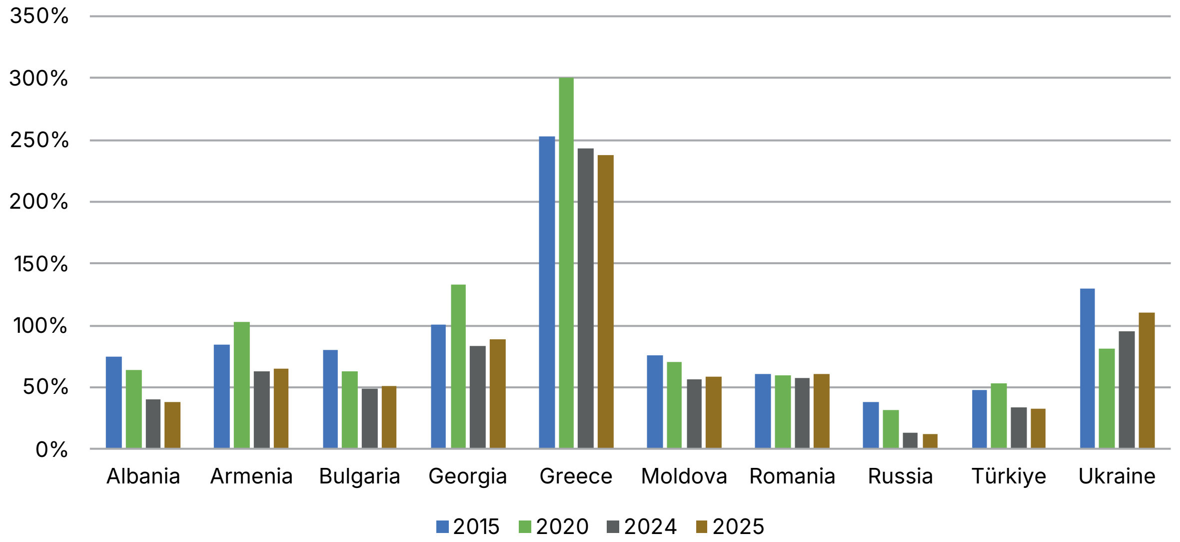
Intraregional exports, however, decreased by 1.1% in 2025, reducing the share of intraregional trade in the region's total exports to 24.9%, down from a recent high of 30.3% in 2022.

External Debt

At the aggregate level, gross external debt in the BSTDB region remained broadly stable at 63% of GDP in 2025. However, this headline figure masks significant cross-country differences: gross external debt as a share of GDP fell in four member countries and rose in six. Exchange rate movements also influenced the numbers: because the U.S. dollar depreciated in 2025, nominal gross external debt increased by more than 17% in dollar terms but only 3.5% in euro terms.

Despite the increase, debt levels remained manageable: in eight of the eleven member countries, gross external debt stayed below 65% of GDP.

Gross External Debt, % of GDP



Source: Official statistical agencies

Outlook

Persistent uncertainty and newly emerging shocks make growth forecasting challenging. Forecasts depend on how long current crises will persist and whether the damage will be temporary or permanent. Given these unknowns, global institutions increasingly produce scenario-based forecasts, with a benchmark defined as the reference forecast. Among these institutions is the IMF, whose reference forecasts for GDP growth in 2026 and 2027 are 3.1% and 3.2%, respectively. The downward revisions stem mainly from the conflict in the Middle East. Absent this recent conflict, GDP growth might have reached 3.4% in 2026; if the conflict persists and generates significant negative spillovers, growth could retreat even more.

A prolonged conflict in the Middle East would also put upward pressure on inflation, increasing the likelihood of tighter responses from central banks. This, in turn, would worsen external balances and dampen global growth. The impact would vary depending on countries' reliance on regional energy supplies, storage capacity, and access to alternative export markets and sources of key imports.

Recent performance, however, provides some grounds for optimism. For example, in 2022 Europe adjusted rapidly by diversifying its energy supplies. This success can be attributed to continued coordination and investment in logistics, transit infrastructure, and storage facilities, which helped mitigate the effects of geopolitical tensions. To address new challenges, there is a need to further accelerate the diversification of suppliers and trade routes. This will require significant resources and may divert investment from other priorities. Although costly in terms of foregone growth, diversification will ultimately strengthen the resilience of the global economy.

In line with the global forecast, GDP growth projections for the Black Sea Region were revised down from 3.1% to 2.7% for 2026 and from 3.3% to 3.1% for 2027. However, the outlook remains subject to considerable uncertainty, including the risk of escalating conflict in the Middle East. Prolonged tensions could keep oil and gas prices elevated, weighing on growth while adding to inflationary pressures.

Nevertheless, the Black Sea region has demonstrated strong resilience in recent years. Member countries benefit from accumulated buffers, a favourable geographic position for alternative trade corridors, and strong investment potential. The combination of strong performance and resilience was also reflected in credit ratings: no BSTDB member country was downgraded in 2025, and five saw their sovereign ratings upgraded.

Addressing spillovers from geopolitical shocks will require coordinated action among BSTDB member countries, targeted investment in supply-chain infrastructure, and efforts to improve connectivity and secure alternative import sources—particularly from neighbouring countries. The region has significant potential to reshore value chains closer to home, and recent performance suggests a strong willingness to capitalize on this opportunity. Higher intraregional trade would further strengthen resilience, as it remains relatively low compared with other major regional blocks.

Macroeconomic Security in the Black Sea Region: Learning from Crisis and Building Resilience

Introduction

Economic security is not a static concept; it may shift unpredictably and suddenly in response to changing threats and opportunities. The key point is that it represents a perceived risk on the part of an entity, for which that entity believes that mitigating measures - such as insurance, expanded alliances, greater self-sufficiency, diversified sources of supply and/or markets - are necessary to enhance its sense of economic security. This chapter examines how the countries in the Black Sea Region (BSR) have navigated crises, adapted their economic security strategies, and built resilience against external shocks. It also provides recommendations that could enhance economic security further individually, but also in ways that foster greater cooperation and trust[2].

Transformations and Building Resilience Through Crisis

Over the last three decades, resilience in the BSR has been '**crisis-crafted**'. Among these, two stand out for their importance in shaping perceptions of security in the BSR: the Global Financial Crisis of 2008 and the COVID-19 pandemic of 2020-21. Both were global in nature and exogenous in origin to the BSR, but highly impactful. To be sure, other crises also influenced the transformation of countries. In the 1990s, BSR countries experienced various crises and periods of turmoil, which ultimately led to needed measures, such as undertaking structural reforms, achieving fiscal consolidation, and improving legal and regulatory frameworks. They also experienced their own economic and/or financial crises and, most notably, the region-wide Ruble Crisis of 1998. Despite the turmoil these crises caused, their effects were largely and rapidly overcome. Successful management led to a period of growth, enhanced links with the world economy, and increased openness to external influences - be it the external inflows of financing or the increased cooperation with global and regional bodies.

The economic crisis that ensued from the Global Financial Crisis was different in scope and scale, as well as in long-term impact; the lingering effects are still felt today. This crisis exposed the vulnerabilities of credit-fuelled growth models dependent on external financing and thin macro-prudential toolkits. The Region experienced a 6.3% GDP contraction in 2009, with the magnitude varying across countries and reaching double digits in some cases.

The principal reason for the severity of the contraction was that over 2000-2008, when the BSR had enjoyed robust growth, many economies of the Region began to display features of 'overheating', accumulating internal and external imbalances, such as rising inflation and current account deficits, and a growing dependence on continued inflows of external financing to sustain the growth. When the crisis struck and financing stopped, sudden corrections were forced upon the countries. The need to undertake abrupt, sharp remedial fiscal and financial measures to avert collapse led to the significant economic downturn.

While most countries successfully imposed austerity measures to restore balance, the political and economic fallout was unpleasant. It led to a re-evaluation of the prevailing economic growth model, which was driven by external financing. While it had fuelled the high growth, the realization of its unpredictability frightened regional policymakers. Perhaps

This chapter is adapted from: Vogiazas, S., & Gavras, P. (2026). *Macroeconomics of security in the Black Sea region: Crisis, adaptation and resilience* (Global Strategic Insight No. 5). SecureBlackSea Project, supported by the NATO Science for Peace and Security Programme. Edited by M. Aydin.
Available at: https://www.globacademy.org/wp-content/uploads/2026/03/5-EN-Macroeconomics-of-Security-in-the-Black-Sea-Region-Crisis-Adaptation-and-Resilience.pdf

2 The paper does not address cybersecurity, even though it is a significant, rapidly growing area of importance globally. But it is not specific to the BSR, and it is of a scope and magnitude that cannot be adequately addressed in this text.

the key 'lesson learned' from the 2008 financial crisis was that, although external financing can fuel high growth, it is inherently uncertain and can reverse abruptly and without warning. This can be extremely dangerous for economies that have become reliant on such financing for continued growth.

Thus, after the initial stabilization, policy responses focused on reducing vulnerability. Depending on where a country felt most vulnerable, it focused on adjustment measures to improve financial regulation, contain unrestrained credit growth, achieve balanced budget and debt indicators, build up reserves, and reduce current account deficits. These measures were implemented effectively for the most part and achieved their main intended objectives.

However, they also came at a cost: reduced investment rates and economic growth on the one hand, and reduced interest in cross-border economic activity and cooperation on the other. There was a distinct reduction in both dialogue about enhancing cooperation and actual economic cooperation. Although not always quantifiable, specific key measures point in this direction. Foreign direct investment as a share of GDP rose rapidly in the 2000s and averaged over 4.5% of GDP per annum in the peak period of 2006-08. Post-crisis, it fell by over half and averaged at 2.1% of GDP per annum between 2010 and 2019. External trade grew at an average annual rate of 26.2% from 2000 to 2008, whereas from 2010 to 2019 it grew at an average yearly rate of 6.2%, with significant year-to-year fluctuations. As a share of GDP, total regional external trade has largely stayed flat.

Greater self-reliance and autarchy also gained traction as a way to reduce vulnerability. This can be seen in energy markets, where the shift to renewable energy sources has been impressive, aided by significant reductions in investment costs for wind and, more markedly, solar power. The driving force, though, does not appear to be averting climate change or meeting the targets set at the 2015 Paris climate accords. Instead, it is a combination of seeking to save outflows of foreign exchange and to lessen reliance on imported sources of energy to reduce vulnerabilities from external suppliers perceived by policymakers as carrying higher geopolitical risk. Another area where self-reliance has been a key factor driving policy decisions, is in the effort to deepen domestic markets and reduce reliance on external financing and the use of foreign reserve currencies for domestic transactions and valuations - so-called 'de-dollarization'. Because dependence on continued external inflows increased vulnerability, countries decided to reduce their reliance on them. However, while the reduction reduced dependence, it also reduced investment and economic growth. Domestic financial markets were, and remain, too small to provide the level of financial intermediation needed to achieve sustained growth. Such a policy choice emphasised prudence, and, under the circumstances, it was understandable. But it was a choice that had economic consequences, including foregone economic activity.

The COVID-19 pandemic was consequential in demonstrating the success of these vulnerability-reduction strategies and underscoring the degree of maturation and stability that enabled BSR economies to mitigate the worst effects of the crisis and recover rapidly. While there were differences in degree, almost all countries introduced lockdowns, closed borders, and, to the extent possible, discouraged non-essential business activity, shifted education to remote learning, and encouraged working from home. In tandem with unprecedented uncertainties and global supply chain breakdowns, they had a significant negative economic impact.

To counter the negative impacts, governments implemented various mitigating policies. These policies included reducing interest rates, increasing fiscal spending, reallocating funds from previous spending categories, providing guarantees, tapping international funds, and entering into swap agreements. What is most notable is that, in 2020, the BSR countries provided fiscal support measures amounting to 6.2% of GDP, well below the nearly 25% of GDP in advanced economies, but higher than levels provided in other emerging economies[3].

The economic downturn in the BSR was relatively mild, with GDP contracting by 2.2% in 2020. The recovery in 2021 was also more robust, as the BSR grew by 7.4%. Beyond the benign economic activity figures, what stood out was the remarkable stability of the Region's economies. There was no panic when markets initially froze in the spring of 2020. Exchange rates remained broadly stable, and, even as governments increased fiscal deficits and public debt through mitigating measures, these were accepted as responsible policy interventions. The COVID-19 pandemic showed that even though the BSR economies may not yet be considered developed, they are considered stable by the markets, and they are not perceived as 'at risk' as they were in 2008.

3 For more information, see the IMF's Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic at https://www.imf.org/en/topics/imf-and-covid19/fiscal-policies-database-in-response-to-covid-19

The strong rebound in growth from COVID-19 in 2021 was undercut by the war in 2022 and the attendant price shocks, as global energy price spikes quickly fed into higher inflation rates. Once again, though, there was no undue pressure on exchange rates or reserve levels in Black Sea countries. In many cases, their central banks gained credibility by aggressively raising interest rates even before developed-economy central banks did so, thus curbing inflation pressures more quickly and being in a position to resume interest-rate cuts as inflation abated in 2023. The impact on growth was also smaller than initially feared, and the BSR posted GDP growth of 4.1% in 2023 and 3.6% in 2024. Black Sea countries have shown a high level of adaptability and resilience, and a remarkable ability to navigate severe turmoil with limited impact on their domestic economies.

At present, the majority of BSR economies find themselves in a situation of stable, sustained growth with most macroeconomic indicators either healthy or on an improving trend. They have a demonstrated track record of adaptability and a willingness to undertake necessary measures, even if politically difficult, to reverse imbalances, or maintain stability. While they lag behind the European Union average in per capita income terms, and will require decades to achieve convergence, they have risen to the middle-income tier, from being low-income countries.

Furthermore, most BSR countries have avoided the negative fallout from the many sources of geopolitical turmoil affecting the Region as well as the uncertain and increasingly tense global economic system. The latter includes increasingly confrontational rhetoric and the willingness of the most prominent global players to use, or threaten to use, their financial instruments to inflict damage on others and secure improved conditions for themselves.

The Way Forward: Recommendations to Enhance Security

In such an environment, maintaining, and where possible enhancing, macroeconomic security is a vital imperative. Macroeconomic security is best understood as risk management in the face of uncertainty. BSR economies operate in an environment where shocks—financial, geopolitical, energy-related, or logistical—can disrupt the continuity of economic activity even when domestic fundamentals are sound.

Three guiding principles need to be kept in mind. First, security has externalities: private agents underinvest in resilience because the benefits—financial stability, reduced panic dynamics, and uninterrupted trade—are widely shared. This creates a clear role for public policy when the spillovers of resilience investments are economy-wide. Second, resilience is not cost-free. Buffers, redundancies, and diversification involve both fiscal outlays and opportunity costs. Policymakers must therefore prioritise high-impact, low-regret measures, while recognising the trade-offs and avoiding inefficient "autarchy by default". Third, in many cases there are superior efficiency and stability gains from coordinated regional action compared to isolated national strategies. For the BSR, where vulnerabilities often span borders and shocks propagate rapidly across interconnected systems, the logic of collective investment and harmonized standards reinforces the case for deeper cooperation, joint capacity-building, and institutional alignment.

Policy choices inevitably involve trade-offs and opportunity costs. When policy choices divert resources from ongoing economic activity, there is a risk of reduced economic growth, which may be temporary or permanent. To the degree that a policy intervention curbs economic activity that would otherwise have occurred, it is essential to identify the nature and the cost of the curtailed activity, including any positive or negative externalities. Barring an activity, limiting its full expression, or taxing it can impose high financial, political, and social costs. It may also result in corruption or the creation of vested interests that promote activities that are inefficient and distortionary for the overall economy, but favourable to that group.

Taking these considerations into account, the objective of economic security policy needs to focus on reducing vulnerability, strengthening capacity to absorb shocks, and ensuring that critical systems continue to function during periods of stress. Such policies could be organised around five levers: liquidity backstops, risk-sharing arrangements, supply chain and corridor diversification, buffers and institutional strength, and targeted cooperation and coordination on shared risks.

Liquidity backstops: swap lines

One initiative with a successful track record of enhancing economic security and maintaining stability is the use of swap lines between the central bank of an at-risk country and a global central bank that manages a reserve currency, such as the US Federal Reserve or the European Central Bank. The mere existence of such a swap line has proven in practice sufficient to soothe markets, and the lines have been used far less than initially expected when they were activated. These lines are set up and implemented very quickly, and from the perspective of the global central bank, the sums involved are tiny, while for the beneficiary, they are more than adequate.

At the onset of a crisis, demand for foreign exchange rises sharply as market panic sets in, but then eases quickly once liquidity is plentiful. The beneficiary central bank borrows from the global central bank and then on-lends to eligible beneficiaries in its home country, thus ensuring the smooth continuation of economic activity.

During the GFC in 2008 and the pandemic in 2020-21, Fed and ECB swap lines with other central banks had a positive, stabilising effect on markets, with the latter active in assisting BSR members. In 2020, the ECB set up a €2 billion swap line with the Bulgarian National Bank, and a very similar repo line[4] with Romania (up to €4.5 bn), Serbia (up to €1 bn), and Albania and North Macedonia (up to € 400 million for each). Swap lines require a reliable global central bank to serve as a backstop, but have proven enormously successful, generating goodwill and underscoring the importance of collaboration in a low-cost, high-impact manner.

Risk-sharing arrangements: pooling of risks or resources

An alternative to international cooperation that may enhance economic security is an arrangement that helps countries share risks and resources. At the global level, the International Monetary Fund serves as an institution designed to act as a lender of last resort, ensuring that its members have access to financial assistance in times of need. The IMF has a long track record in this regard, but its assistance comes with strict conditions - typically austerity measures such as fiscal spending cuts, increases in taxation, and increases in lending rates - which are often politically difficult for a country. Its assistance is also subject to Board approval, which can become very political if the country does not enjoy good relations with key IMF Board members.

At the regional level, countries may also come together to establish arrangements to assist participating members in times of need. The most notable example of this is the European Union (EU), which has established a common currency and an independent European Central Bank (ECB) with a mandate to protect the currency and participating ‘Eurozone’ members. During the Eurozone Crisis in the early 2010s, the EU established support institutions to assist member states in severe economic difficulty, which eventually morphed into the European Stability Mechanism[5]. In the BSR, Greece was a significant beneficiary of this.

In Asia, a looser arrangement known as the Chiang Mai Initiative has been set up to help the 10 participating countries access pooled reserves from one another in a time of crisis. Created in the aftermath of the 1997 Asian Financial Crisis, CMI provides short-term liquidity through currency swaps. It has evolved into a US$240 billion multilateral arrangement that supplements IMF financing but also seeks to reduce reliance on the IMF by boosting regional cooperation[6].

Such a pooling arrangement would seem to be far-fetched for the BSR, not just politically, but also financially, since to achieve confidence with financial markets, they require a credible ‘backstop’- the presence of a reserve currency issuing country. For CMI, China and Japan provide the backstop. The BSR has no such reserve-currency issuer, but it is proximate to the Eurozone, and two countries, Greece (since 2002) and Bulgaria (starting in 2026), are members of the Eurozone. This suggests that any pooling arrangement would need somehow to involve the ECB.

Supply chains and corridor diversification

Strengthening macroeconomic security also requires greater supply chain resilience. Diversification should occur both upstream (at the sources of critical imports) and downstream (at the destinations of exports).

In the case of upstream resilience, countries should diversify supply chains for food and critical agricultural inputs,

4 The difference between swap and repo lines is that repo lines provide euro liquidity in exchange for adequate euro-denominated collateral, while swap lines provide liquidity against accepted currencies without collateral.

5 For more information on the ESM, see https://www.esm.europa.eu/

6 For more information on the CMI, see https://amro-asia.org/about-us/regional-financing-arrangements/

energy, including both fossil and renewable sources, and critical raw materials. The goal is not complete self-sufficiency, which would be costly and inefficient, but rather to reduce dependence on single suppliers or single routes that pose geopolitical or logistical risks. In the case of downstream resilience, export markets should be diversified to reduce reliance on a narrow set of buyers. Diversification of trading partners cushions the impact of external demand shocks, sanctions spillovers, or corridor disruptions.

Diversification should extend to infrastructure links. For small or landlocked economies in particular, reliance on a single corridor poses significant vulnerability. Developing alternative transport routes—rail, road, or maritime—and investing in the modernisation of ports, customs, and logistics systems reduces exposure to disruptions and improves overall economic security.

A complementary implication is that diversification is strengthened not only by adding suppliers and routes, but also by preserving access to a rules-based multilateral trading system, which expands the set of feasible "outside options" during disruptions. Recent analysis emphasizes that a strong WTO-anchored system delivers 'flexicurity' - security through flexibility - because it allows households and firms to substitute rapidly across suppliers when shocks occur. By contrast, fragmentation, reshoring, or narrow friend-shoring can reduce choice and raise costs. This is especially relevant because supply shortages are inherently difficult to predict ex ante, so maintaining broad market access functions as a practical resilience mechanism. For BSR economies, the policy implication is that upstream and downstream diversification should be pursued in a way that avoids 'autarchy by default': domestic measures (buffers, contingency routes, prudential tools) are most effective when complemented by external arrangements that preserve wide market access and predictable trading rules.

Buffers and Shock-Absorbing Capacity

A cornerstone of macroeconomic security is maintaining adequate buffers. For financial systems, this means ensuring high levels of bank capitalization, strong liquidity positions, and limiting tendencies for excessive credit growth and risk-taking. For the broader economy, it requires maintaining key indicators of external sustainability within prudent ranges, including the current account balance, the fiscal balance, public debt, external debt (public and private), and international reserves.

Precautionary reserves help countries withstand sudden stops in capital flows and pursue trade policies without threatening macroeconomic stability. Additionally, some degree of autarchy in the provision of critical items - especially food, energy, and water - may be justified when external dependence poses unacceptable risks. The goal, however, is not isolation, but selective risk mitigation, focusing on the vulnerabilities that are most severe. Finally, countries should seek to establish fallback options and insurance mechanisms wherever feasible - whether through reserves, diversified suppliers, contingency trade routes, or financial safety nets. Moreover, countries that are highly dependent on the performance of a particular sector or a particular commodity should seek to encourage diversification. Ideally, they would promote this via market-friendly policies that promote investment, are predictable, and respect the rule of law. Alternatively, economic diversification can be pursued by a mix of import substitution policies, subsidies, and tax breaks. Still, these almost always introduce distortions into an economy - some of which become very costly or difficult to remove. The common bottom line of all these measures, if successfully implemented, is that they reduce the probability that a shock in one sector cascades across the economy.

Targeted cooperation and coordination on shared risks

Even during periods of tension and low trust, regional cooperation remains a vital risk-mitigation tool. Interest in collaboration may wane, and appetite may be limited for collaborative schemes that seek to boost growth, but require high degrees of trust and interdependence. However, schemes that help manage risks and uncertainties and are based on shared interests are worth considering. Countries can develop collaboration among willing partners who share sufficient common interests or values to act together.

Handling natural disasters is one area where resources can be pooled from multiple countries to help a country facing a severe weather event, earthquake, fire, or other natural catastrophe. Another is the creation of early warning systems to prepare for or prevent disasters. Such events may be either natural or man-made - a financial disruption, a pandemic, a pollution event, crime, etc. Cybersecurity represents an area where some degree of cross-border cooperation is essential

- such things as early warnings, new threats, new remedies, knowledge sharing and training, and ensuring the integrity of infrastructure, among others.

The level of cooperation could involve dialogue and information exchange, pooling of resources, exchange of personnel and equipment, or supranational institutional arrangements, depending on participants' appetite and mutual trust. A collateral benefit of successful cooperation is that it helps build trust among participants and increases the willingness to deepen cooperation.

Finally, in an ever more interconnected world, specific sources of vulnerability cannot be eliminated, particularly dependence on critical external infrastructures (e.g. payment systems, satellite, network, or operating systems) that rely on advanced technology, know-how, or patents and are controlled by a small set of providers. Similarly, if a significant economic power issuing a reserve currency decides to cut off a country via sanctions or other exclusionary policy, the only option available to excluded entities is to seek alternatives, usually at much greater cost and risk. For these sources of vulnerability, contingency planning and diversification of access points are often the most feasible forms of insurance.

Further reading

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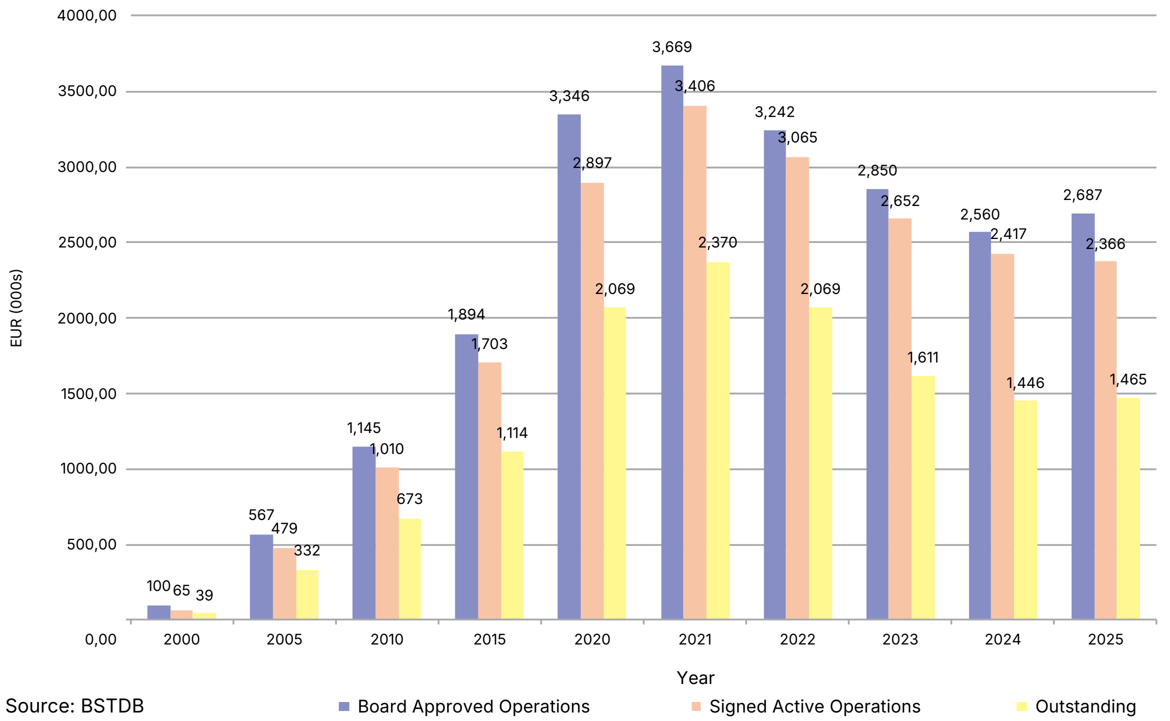
BSTDB in the Black Sea Region

Portfolio Description

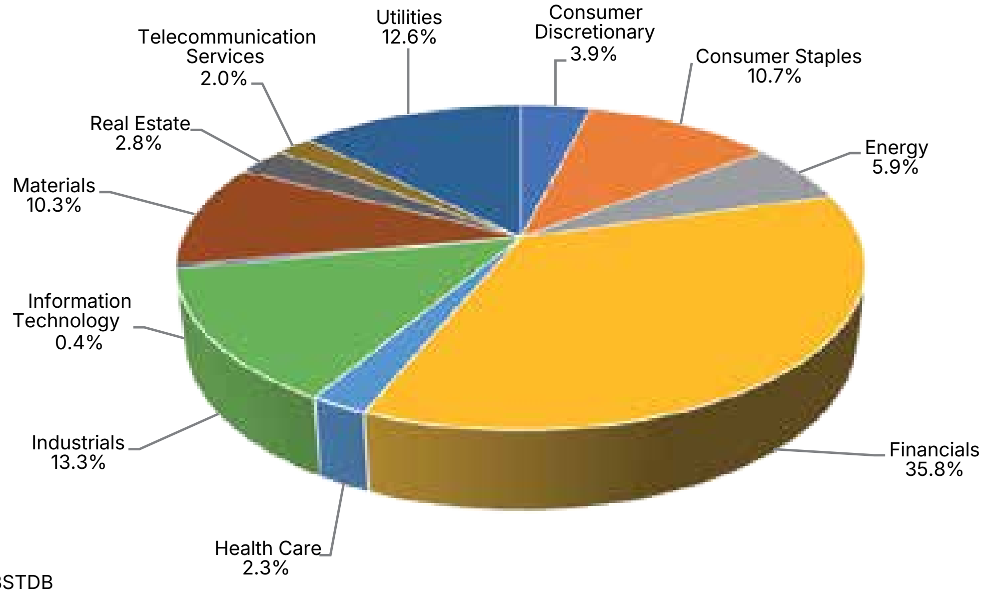
Since the beginning of operations in June 1999, the Bank has approved 539 operations amounting to about EUR 9.4 billion. Throughout this period, there were 476 signed operations for a total signing amount of EUR 8.0 billion. A total of 409 operations for about EUR 7.5 billion were repaid. At end-2025, there were 104 operations in the total portfolio outstanding balance for EUR 1.465 billion.

BSTDB Portfolio Development 2000-2025



Source: BSTDB

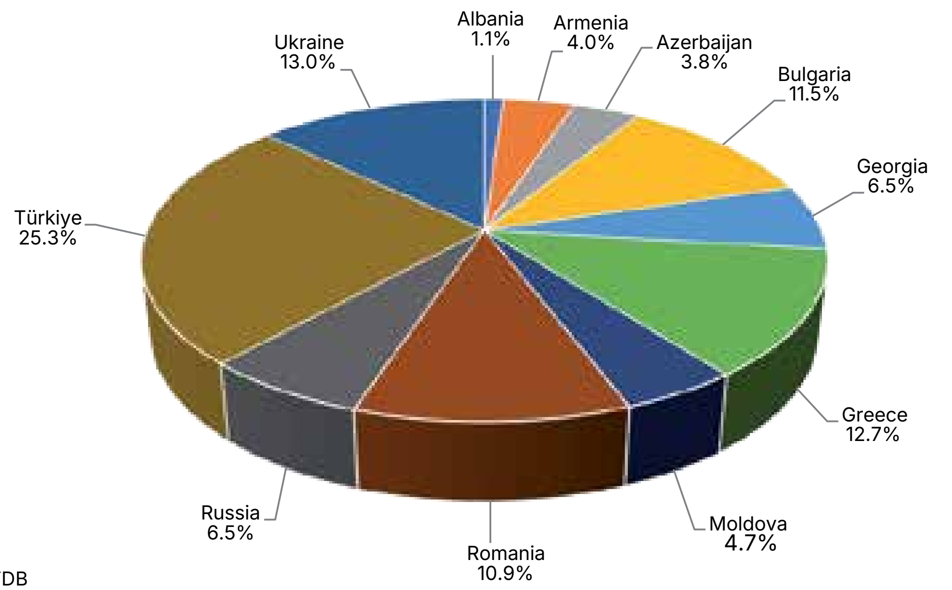
Cumulative Signed Operations by Sector



Source: BSTDB

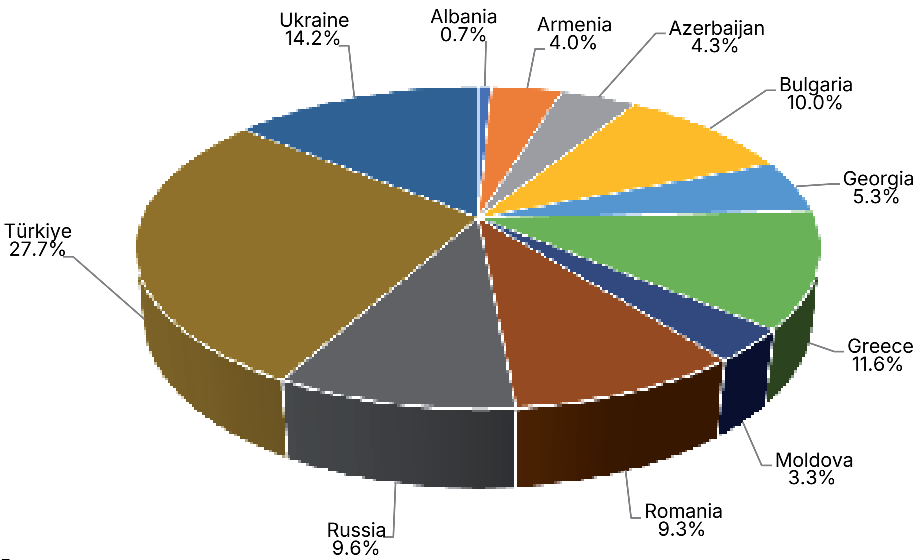
As of end-2025 the outstanding operations of the Bank (cumulative disbursements, less repayments, for active operations) represented EUR 1.465 billion, distributed by country as per the following graph:

Outstanding Operations by Country



Source: BSTDB

Active Signed Operations by Country



Source: BSTDB

2025 Portfolio Developments

In 2025, the Board of Directors approved 31 new operations for a total of EUR 668.4 million. Twenty-five operations were signed for a total of EUR 483.8 million. As a result, the Bank had 104 outstanding operations to 80 clients at year-end.

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 0.47% of the outstanding portfolio.

Enhanced effort was put into increasing the share of the real (i.e. non-financial) sector, which reached 76.2% of outstanding portfolio at year-end. Most of the new approvals during 2025 went to the industrial sector. The sectorial structure was well diversified, with projects originating from various industries and economic sectors: industrials, utilities, financing small and medium enterprises, leasing, trade finance, consumer staples, and materials.

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 2025, 58.0% of signed portfolio was co-financing. In terms of total signed active portfolio in the amount of EUR 2.4 billion, 53.9% of operations are co-financing. The share of co-financed active operations to total portfolio outstanding balance is 51.1%.

Selected BSTDB Financings in 2025

Galnaftogaz Wind Farm (Ukraine)

BSTDB participated in the financing of the 147 MW onshore wind farm in the Volyn region of western Ukraine through a EUR 37 million senior loan, alongside the EBRD and IFC, as part of a EUR 157 million project finance package. The total project cost amounts to EUR 260 million, including EUR 103 million in equity from the sponsor, OKKO Group. The wind farm project will install 25 modern wind turbines, expand Ukraine's renewable energy capacity, diversify the electricity mix, and support long-term energy security and decarbonisation, and, once operational, is expected to generate approximately 396 GWh of renewable electricity annually—enough to supply around 150,000 people—while avoiding about 255,000 tons of CO_2 -equivalent emissions per year. A key innovation is the introduction of Ukraine's first long-term corporate renewable power purchase agreement (PPA), which provides stable revenue through a 19-year market-based contract with a corporate off-taker. This structure establishes an important precedent for privately financed renewable energy projects without public support, helping to attract new private investment into the sector.

The transaction also demonstrates effective multilateral cooperation, bringing together several international financial institutions and leveraging blended finance instruments, including first-loss guarantees and concessional funding from international partners. These risk-mitigation tools enabled long-term project finance in a challenging market environment. BSTDB's participation highlights its commitment to supporting sustainable infrastructure, climate finance, and regional energy transition, while contributing to the development of innovative financing models that can be replicated in future renewable energy investments.

BSTDB amount:	**EUR 37 million**
Total operation cost:	**EUR 260 million**
Type of financing:	**Project finance**
Maturity:	**16 years**

Renalfa IPP (Bulgaria, Romania)

BSTDB backed renewable energy expansion in Bulgaria and Romania with EUR 40 million loan to Renalfa IPP, joining a EUR 315 million international financing to accelerate clean energy investments.

The BSTDB loan supported the development, hybridisation, and expansion of Renalfa IPP's renewable energy assets in Bulgaria and Romania. The financing formed part of a broader EUR 315 million financing package secured from leading development finance institutions and commercial banks, including the European Bank for Reconstruction and Development (EBRD), Kommunalkredit Austria AG, OTP Hungary, NLB Slovenia, and UniCredit BulBank.

The funds will enable Renalfa IPP to upgrade its portfolio of renewable energy and battery energy storage systems (BESS), contributing to the decarbonisation of Bulgaria's and Romania's power systems. Combined, these investments are expected to generate approximately 1,220 GWh of renewable energy annually, translating into 580,000 tons of avoided CO_2e emissions. The project will help diversify the countries' energy mix, enhance energy security, and accelerate their transition to low-carbon economies. BSTDB financing will also help catalyse further private and public sector investments, generate employment during both the construction and operation phases, and create long-term value for local communities. The operation represents a major step forward in the region's transition toward cleaner, more secure, and sustainable energy systems.

Renalfa IPP is a leading independent power producer based in Vienna, specialising in the development, construction, and operation of renewable energy projects across Central and Eastern Europe. As an established platform with strong business model capabilities, Renalfa IPP works across the full value chains from project origination to asset operation. The company focuses on solar, wind, and Battery Energy Storage Systems (BESS), supporting the region's transition to a sustainable and low-carbon energy future. Renalfa IPP is a joint venture between Renalfa Solarpro Group and RGREEN INVEST.

BSTDB amount:	**EUR 40 million**
Total Operation cost:	**EUR 315 million**
Type of financing:	**Corporate loan (Holdco Financing)**
Maturity:	**7 years**

Aegean Airlines Bond (Greece)

In July 2025, the Bank subscribed to the second bond issue by the leading Greek airline, Aegean Airlines S.A. (AEGEAN).

The EUR 250 million bond issue by AEGEAN is earmarked towards the financing of the airlines' fleet renewal program, with the acquisition of new, energy-efficient aircraft and working capital requirements.

BSTDB participation aims to strengthen AEGEAN's competitive position in the region, enhance Greece's connectivity, and generate broad economic benefits across the tourism and infrastructure sectors - two of the most dynamic pillars of the Greek economy.

This marks BSTDB's second investment in AEGEAN, following its participation in the company's debut bond issue in 2019. The continued partnership underscores BSTDB's commitment to supporting Greece's strategic enterprises and sustainable development objectives.

BSTDB amount:	**EUR 15 million**
Total Operation cost:	**EUR 250 million**
Type of financing:	**Bond**
Maturity:	**7 years**

Intrakat Guarantee (Greece)

BSTDB has provided a project guarantee to the Greek construction company, Aktor Group (formerly known as Intrakat) to support implementation of the PPP project “University of Crete Student Halls”. The project envisages the construction and operation of student accommodation facilities at the University of Crete.

Together with the senior lenders of the project, the European Investment Bank and Piraeus Bank, BSTDB will support an important project - the construction of student dormitories for the University of Crete. The project will have a positive effect on the capacity of the Greek higher education system, attracting talented students from remote regions and providing them with high-standard accommodation facilities. The participation of the Bank in the project reinforces BSTDB’s role as an active player in the Greek PPP sector, which is highly important to the local government and represents a priority for multilateral development banks.

BSTDB amount (via guarantee):	**EUR 65 million**
Total Operation cost:	**EUR 250 million**
Type of participation:	**Guarantee**
Maturity:	**38 months**

TransOil PXF 2025 (Moldova, Romania)

In 2025, BSTDB successfully extended its USD 25 million participation in TransOil Group's syndicated PreExport Finance (PXF) facility, with maturity to July 2027. The operation supports the financing of seasonal working capital for the origination, processing, storage and export of agricultural commodities from Moldova and Romania, reinforcing the resilience of a sector vital to regional food security.

By enabling cross-border trade flows and integrated logistics across multiple BSTDB member states, the transaction makes a strong contribution to regional cooperation and economic connectivity in the Black Sea area. The facility benefits from a strong counterpart performance and a proven operational track record.

This operation exemplifies BSTDB's role as a trusted long-term partner, financing projects that deliver high development impact, support export-oriented growth and strengthen regional value chains in challenging environments.

BSTDB amount:	**USD 25 million**
Total PXF Syndication:	**USD 325 million**
Type of financing:	**Trade Finance (Participation in Syndication)**
Maturity:	**2 years**

Antalya-Alanya Motorway Sustainability-Linked Loan (Türkiye)

BSTDB contributed to Türkiye's infrastructure development with a EUR 50 million sustainability-linked loan for the design, construction, operation, maintenance, repair and transfer of Antalya-Alanya Motorway, a 122 km stretch designed to be a world-class motorway along Türkiye's Mediterranean coast. It will serve as one of the most important connectors among multiple cities which have evolved into major tourism hubs. Given its close location to the Antalya International Airport, which is a major international hub, the Project will create a large impact on the industry, contributing to a more efficient flow of passenger traffic.

The Project is realised under the Public Private Partnership model. The Grantor is the General Directorate of Highways ("KGM") of the Ministry of Transportation and Infrastructure of Türkiye, and the Debt Assumption Provider is The Ministry of Treasury and Finance of Türkiye.

The Project is expected to strengthen the region's capacity to support tourism and agriculture in a more efficient way through the reduction of traffic times, enhanced connectivity across various junctions, coupled with the added safety measures incorporated into the motorway design. Furthermore, it is expected to generate EUR 6.8 billion in total economic activity, create 9,267 jobs annually and generate an additional EUR 713.8 million in tax revenues between the start of the construction and the end of the concession period. Furthermore, alignment of the project with best practices applied by BSTDB along other major Multilateral Development Banks, has ensured that E&S risks were identified early, assessed comprehensively, and managed through robust mitigation measures. This standards-driven process strengthened biodiversity protection, enhanced stakeholder engagement, improved land acquisition and livelihood restoration planning, and embedded strong occupational health and safety practices across the project phases.

BSTDB amount:	**EUR 50 million**
Total Operation cost:	**EUR 2.46 billion**
Type of financing:	**Project Finance**
Maturity:	**14 years**

AKLease Green Lease Financing (Türkiye)

In 2025, BSTDB further strengthened its partnership with AKLease by providing a EUR 40 million loan for green lease financing. BSTDB funds will support ECO Lease, the sustainability-themed product of AKLease, dedicated to financing a wide range of environmentally conscious and sustainable projects. Target beneficiaries will be Turkish companies investing in renewable energy, waste management, energy efficiency, raw material and water efficiency, contributing directly to Türkiye's green transition and aligning with the national commitments under the Paris Agreement.

The loan is consistent with the strategic objectives of BSTDB to support the development of the financial sector, strengthen institutional resilience and promote transition to sustainable economies of the Member Countries. It contributes to the implementation of the Climate Change Strategy of BSTDB and better aligns its financing to the shareholders' own climate priorities. It represents an opportunity to expand BSTDB's climate change financing to a wider pool of sub-borrowers, thus contributing more effectively towards decarbonising the economies of its shareholders.

AKLease is one of the top leasing companies in Türkiye with 12% market share. It is a subsidiary of Akbank, a premium systemically important bank having as largest shareholder Sabancı Holding, one of the leading multi-business conglomerates in Türkiye.

BSTDB has been partnering with AKLease since 2017, having provided previously EUR 50 million of SME funding which supported over 260 leasing transactions. The new sustainability-linked facility builds on the successful track record and sets a precedent for scaling climate-focused finance in Türkiye's leasing market.

BSTDB amount:	**EUR 40 million**
Total Operation cost:	**EUR 40 million**
Type of financing:	**Green Lease Financing**
Maturity:	**4 years**

Armeconombank SME Loan (Armenia)

In 2025, BSTDB extended a new SME loan facility of USD 20 million to Armeconombank, an existing financial intermediary in Armenia. With the new medium-term SME funding to support Armeconombank's activities in financing eligible SMEs in Armenia, BSTDB will promote job creation, income generation and, to the extent possible, increasing trade turnover between BSEC countries. The loan marked a continuation of the strong cooperation between BSTDB and Armeconombank over nearly two decades. The first SME facility was extended by BSTDB to Armeconombank in 2008. Since then, Armeconombank has received USD 60 million in supporting the Armenian SMEs.

BSTDB amount:	**USD 20 million**
Total Operation cost:	**USD 20 million**
Type of financing:	**SME Finance**
Maturity:	**5 years**

Bank Respublika SME Finance Loan (Azerbaijan)

BSTDB resumed its partnership with Bank Respublika, one of the leading privately-owned banks in Azerbaijan, by providing AZN 25 million financing earmarked for financing small and medium-sized enterprises (SMEs). The BSTDB facility is intended to cater the capital expenditure and working capital needs of SMEs: Bank Respublika will use these funds to support domestic SMEs, helping them to implement their investment programs and expand operations, and will eventually contribute to the growth of the non-oil segment of the Azerbaijani economy. Financing will be provided in Azerbaijani Manat, hence neither Bank Respublika nor its SME clients will bear the foreign exchange (FX) risk.

By reengaging with Bank Respublika, BSTDB will capitalise on its partner bank's advanced digital channels and extensive branch network that will play a crucial role in accessing multiple SME clients across Azerbaijan. This collaboration reinforces the BSTDB network of partner financial intermediaries in the region and opens new opportunities for Azerbaijani companies to get access to medium-term financing while mitigating FX risks, in line with BSTDB's mandate to support the SME sector development in its Member States.

BSTDB amount:	**AZN 25 million**
Total Operation cost:	**AZN 25 million**
Type of financing:	**SME financing**
Maturity:	**3 years**

Credins Bank MREL-Eligible Loan (Albania)

The first MREL[7]-eligible loan in Albania was provided by BSTDB to Credins Bank in 2025. The EUR 10 million loan supports compliance with the regulatory requirements set by the Bank of Albania, contributing to the partner bank's resilience and competitiveness on the market.

The operation reflects the current demand of Albanian banks to attract financing aimed to maintain sufficient eligible instruments for an effective implementation of the resolution strategy. BSTDB, like other Multilateral Development Banks in the region, plays a crucial role in supporting local banks meet regulatory requirements for capital and loss-absorbing capacity and build resilience in a sustainable way, enabling emerging and transition economies to strengthen the stability of their banking systems.

The operation meets the strategic priorities and mandate of BSTDB. Credins Bank committed to use the BSTDB funds for on-lending to the real economy by creating a portfolio of SME and green sub-loans. Through this commitment the intermediary role of the partner bank is fully employed to support the fulfilment of BSTDB mandate.

Credins Bank is a systemically important leading bank in the country with 18% market share and solid financial fundamentals. Over the years, Credins Bank has built a strong position as one of the largest banks, enjoying a reputable brand and serving over 400,000 active customers balanced between small business, corporate and retail customers.

BSTDB amount:	**EUR 10 million**
Total Operation cost:	**EUR 10 million**
Type of financing:	**MREL Eligible Loan**
Maturity:	**3 years**

7 MREL: Minimum Requirement for Own Funds and Eligible Liabilities

TBC SME Leasing Facility (Georgia)

In 2025, BSTDB provided a new SME leasing facility of EUR 10 million to TBC Leasing, the leading provider of financial lease services in Georgia. TBC Leasing (member of TBC Group) is an existing BSTDB financial partner in Georgia. With this new medium-term SME leasing facility to support TBC Leasing's activities in financing capital goods for SMEs in Georgia, BSTDB is promoting job creation, income generation and, to the extent possible, increasing trade turnover among BSEC countries. The first SME leasing facility by the Bank was extended to TBC Leasing in 2007. Since then, BSTDB disbursed to TBC Leasing an aggregated amount of around USD 40 million which were on-lent to Georgian SMEs in various sectors and regions.

BSTDB amount:	**EUR 10 million**
Total Operation cost:	**EUR 10 million**
Type of financing:	**SME Leasing**
Maturity:	**4 years**

In Focus: Enhanced Energy Security and Resilience of BSTDB Member Countries

During 2025 the Bank focused on implementing Phase 2 of the MTSBP 'Back to Growth' strategy, which involves financing of regional climate mitigation and adaptation, including the development of renewable energy sources, storage and transmission. Post-COVID pandemic and since regional conflicts, the importance of energy generation, access, and resilience have become paramount in the Black Sea region. The Bank has endeavoured to meet this challenge.

Over the year 2025, the Bank has participated in many energy security and resilience- related events such as: BSEC Working Group on Energy, participation in the Risk Management in Energy conference, the Balkan Energy Summit, the Ukraine Energy Transition Forum, as well as many country missions, for example the BSTDB Moldova Business Forum where energy security and resilience was an important topic.

The Bank approved several new operations in the Black Sea Region that complemented regional energy security and resilience. Specifically, the Bank participated in Bulgaria Energy Holding's 2025 Bond by providing EUR 40 million to support their development of specific investment projects; invested EUR 40 million in EnergoPro's Green Bond supporting their activities in Bulgaria, Georgia and Türkiye; approved a loan of EUR 40 million for the construction, development and operation of Galnaftogaz's Windfarm operation (see section "Selected BSTDB Financings in 2025") in Ukraine; provided EUR 40 million to Renalfa IPP for the hybridisation of their energy portfolio particularly in Bulgaria and Romania (see section "Selected BSTDB Financings in 2025"); and participated with EUR 15 million in the Aktor Bond to assist in the financing of specific projects in Greece.

The Bank has evaluated and continues to evaluate numerous operations in all BSTDB countries of operation with the most activity being in Bulgaria, Greece, Romania, Türkiye, and Ukraine. Meanwhile, the Bank continues to reach out to all its member countries to identify and evaluate new opportunities, regardless of the development stage of each country's energy security and resilience.

Addressing Climate Change and Sustainability

Sustainability Milestones

Since the start of operations in 1999, the Black Sea Trade and Development Bank (BSTDB) has embedded sustainability at the core of its mandate. This commitment was formalized from the outset through the Board of Governors' Resolution No. 7 (April 1999), which established the *promotion of sustainable development in Member States* as a primary objective of the Bank. Guided by the Washington Declaration on Environment and Sustainable Development of the World Federation of Development Financing Institutions, BSTDB committed to support only those operations that aligned with sustainability principles.

The Bank's first Environmental Policy, adopted by the Board of Directors in June 1999, translated these commitments into operational practice. The policy introduced systematic environmental review across all financed operations and committed BSTDB to:

- Avoid causing environmental harm;
- Strengthen clients' environmental management practices;
- Support efforts addressing global environmental challenges.

A major milestone was reached in 2013 with the approval of the Environmental and Social Policy (ESP). This policy significantly broadened the Bank's sustainability framework by integrating social considerations. It reinforced BSTDB's commitment to issues such as pollution prevention, labour and human rights, climate change, biodiversity protection, and transparency of environmental and social (E&S) information.

In March 2021, as Member States faced the economic repercussions of the COVID-19 pandemic and the intensifying climate crisis, BSTDB approved its first Climate Change Strategy. The Strategy outlined a long-term vision for aligning the Bank's operations with global climate goals and Member States' national commitments. It established three strategic objectives:

1. Progressive reduction of net emissions in the financed portfolio, with targets supporting the goal of achieving net-zero emissions by 2050;
2. Increasing climate-positive and climate co-benefit financing to at least 30% of total approvals;
3. Strengthening internal and external capacity to support public and private actors in mitigation and adaptation.

Through these cumulative steps, BSTDB continues to build a robust, integrated E&S management system supporting the Bank's effectiveness, credibility, and operational resilience.

General Approach

BSTDB addresses sustainability and climate change through both its operational choices and its internal standards. Key principles include:

- Effective management of environmental and social risks;
- Pollution prevention and resource efficiency;
- Respect for fundamental human rights and sound labour practices;
- Climate change mitigation and adaptation;
- Protection of the Black Sea marine environment;
- Biodiversity conservation and responsible natural resource use;
- Transparent disclosure of E&S information;
- Stakeholder engagement and public dialogue.

These principles guide the Bank's financing decisions to ensure that all operations contribute to sustainable development outcomes.

Addressing Climate Change

BSTDB's Climate Change Strategy (2021) continues to guide its work on climate issues. To meet its strategic objectives, the Bank operationalizes its climate commitments at both portfolio and project levels.

Key areas of focus include:

- Mitigation: Supporting renewable energy, energy and resource efficiency, sustainable infrastructure, green buildings, and clean mobility. The Bank is gradually phasing out support for carbon-intensive sectors.
- Mobilization of climate finance: Expanding the climate portfolio, strengthening internal expertise, and building a track record to attract additional capital. This includes the issuance of green and climate bonds, access to grant resources for project preparation, and future engagement with global climate funds.
- Capacity building: Enhancing climate-related assessment tools, integrating climate risk methodologies, and supporting clients in climate adaptation - particularly in vulnerable sectors such as construction, real estate, coastal infrastructure, agribusiness, water systems, mining and extractives, and utilities.
- Measurement and reporting: Applying carbon accounting methodologies and disclosing portfolio carbon intensity to track progress toward net-zero targets.

Managing Environmental and Social Issues

All BSTDB-financed operations undergo mandatory E&S screening and due diligence proportional to the potential risks and impacts. Direct financing due diligence typically examines:

- The client's E&S management systems;
- Labour conditions and workplace practices;
- Pollution prevention, resource efficiency, and waste management;
- Community health, safety, and security risks;
- Land acquisition, involuntary resettlement, and economic displacement;
- Biodiversity and ecosystem impacts;
- Cultural heritage protection;
- Risks to Indigenous Peoples where relevant.

For operations through financial intermediaries (FIs), BSTDB assesses the FI's capacity to manage E&S risks in compliance with the Bank's ESP and applicable national laws. When adequate systems are confirmed, BSTDB may delegate E&S responsibilities to the FI.

Category A operations, due to their higher potential E&S impacts, require a full Environmental and Social Impact Assessment (ESIA), public consultations, advance disclosure, and opportunities for public comment.

BSTDB applies international good practice standards, including those of leading Multilateral Development Banks, the European Union's E&S framework, ILO Core Labour Standards, WHO guidelines, IMO conventions, and key international environmental agreements such as the Black Sea Convention, the UNECE Aarhus Convention, and the UNECE Espoo Convention.

All BSTDB-funded operations must meet minimum requirements, including:

1. Compliance with national and applicable EU laws and international commitments;
2. Possession of all required permits and licenses;
3. Alignment with EU EIA Directive or World Bank Group standards for Category A operations;
4. Adherence to the BSTDB Environmental and Social Exclusion List.

Transparency and Disclosure

BSTDB ensures transparency by publicly disclosing environmental and social information. Operation Summary Documents (OSDs), published after Board approval, provide details on project characteristics, screening category, potential impacts, and mitigation measures.

For Category A operations, disclosure occurs *before* Board consideration:

- Private sector: at least 30 days prior;
- Public sector: at least 60 days prior.

All relevant ESIA documentation is posted on the BSTDB website and open to public comment.

Sustainability and circularity in the Bank's new Headquarters

The headquarters serves as a benchmark for circular economy principles, incorporating the reuse of existing old structures and responsible sourcing of materials to significantly reduce its environmental footprint. As such, systematic waste management and extensive material recycling contributed to a significant reduction in the project's natural resource consumption and overall carbon footprint. 91% of demolition and construction waste, amounting to more than 3,000 tons, were diverted from landfills and reused for other purposes, while 59% of the existing building surface was preserved. Three additional floors were added to the existing building while 36% of the total cost of materials used for the building was sourced from recycled materials.

Moreover, the new building includes:

- Advanced energy and water efficiency systems, smart lighting and HVAC, reduced light pollution, as well as its own PV generation of 90 KW installed capacity.
- The employees-centered design features kitchens and sitting areas on each floor, a prayer room, a 400 sqm private courtyard, high-quality indoor air, optimized natural daylight, and advanced security and fire safety.
- Infrastructure supporting sustainable transportation options for staff including a bicycle rack and fast chargers for EVs.

Annual Evaluation Overview

Scope, standards, and methodology

According to the BSTDB's Evaluation Policy, the department 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 in the Bank's performance, based on a rigorous, internationally harmonized independent evaluation of BSTDB's operations. Each annual evaluation overview is presented to the 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 of the Bank's performance, *inter alia* within a dedicated 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 (2021-2025) 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 behavioural independence of the evaluation function, safeguarding its accountability role vis-à-vis the Boards of Directors/Governors. The Independent Evaluation department 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, rigour and credibility. Currently, its director chairs the ECG and the organization's 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-centred operation's performance.

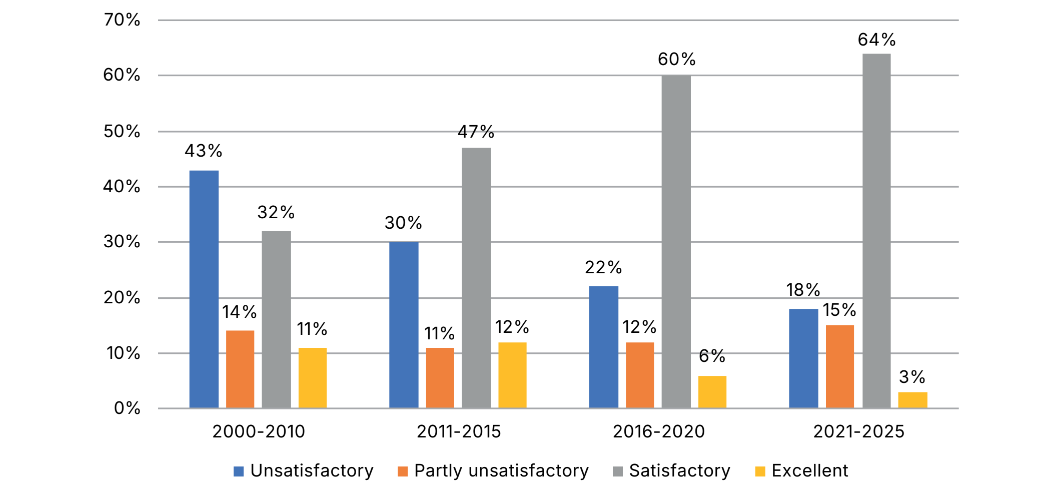
Performance of evaluated operations

This section presents aggregate evaluation findings from independent evaluations of the Bank operations since 2000, covering 216 evaluations of completed operations, grouped within 4 comparative periods.

In the latest aggregate period (2021-2025) BSTDB's positively rated operations represent 67%, that is 3 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 positive shift toward reaching the 70% benchmark, that remained unattainable within the last decade due to regional challenges and respective attention to crisis mitigation during 2021-2025. On the upper end of the ratings, the share of "Excellent" declined from 6% in 2016-2020, to 3% in 2021-2025, which is partly attributed to the same cause.

The share of BSTDB operations rated negatively (Partly Unsatisfactory or Unsatisfactory), indicates a sign of improvement, as they account for 33% (against 34% in 2016-2020) with the lowest-rated share (Unsatisfactory) decreasing from 22% in 2016-2020 to 18% in 2021-2025, reversing the consistently negative trends observed prior the last 5-year period (attributed to the combined effects of rapid portfolio growth and a major regional conflict).

Chart 1: Evaluation Ratings 2000-2025



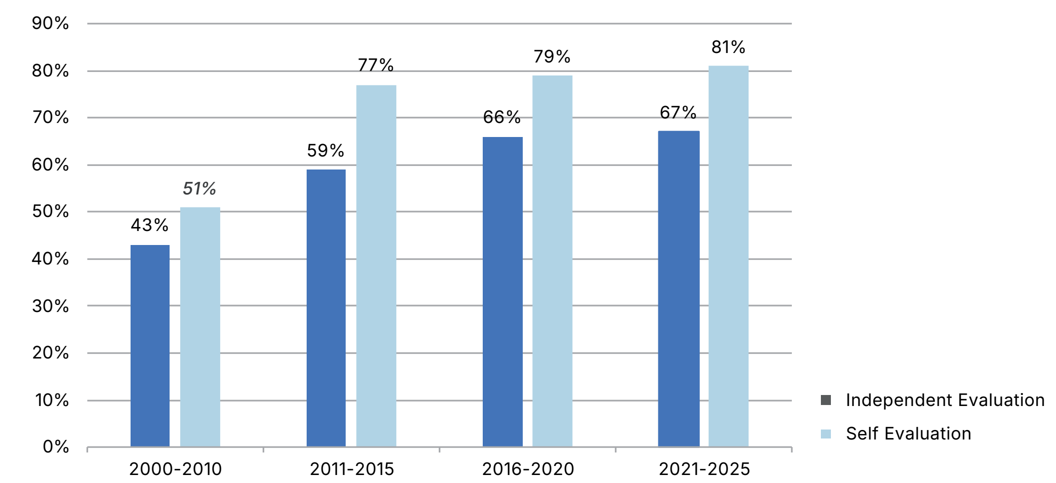
Source: Independent Evaluation Department

Independent validation of self-evaluation reports

The Bank's Operation Teams prepare various self-evaluation reports on each operation (typically Operation Completion Reports - OCRs). The Independent Evaluation Department reviews and validates the OCRs and issues performance ratings that differ from the self-evaluation ratings.

The self-evaluation ratings issued by the implementation teams during 2021-2025, validated by the independent evaluation without change, stand at 68%. For the same period, the OCR ratings that were upgraded and downgraded by the independent evaluation were 0% and 32% of the total, respectively. These figures suggest some improvement relative to previous evaluation overviews but call for further efforts to improve the rigour and quality of self-evaluation reports as the latter draw an overoptimistic presentation of actual performance (Chart 2 below).

Chart 2: Positive Evaluation Ratings of Bank`s Operations for 2000-2025

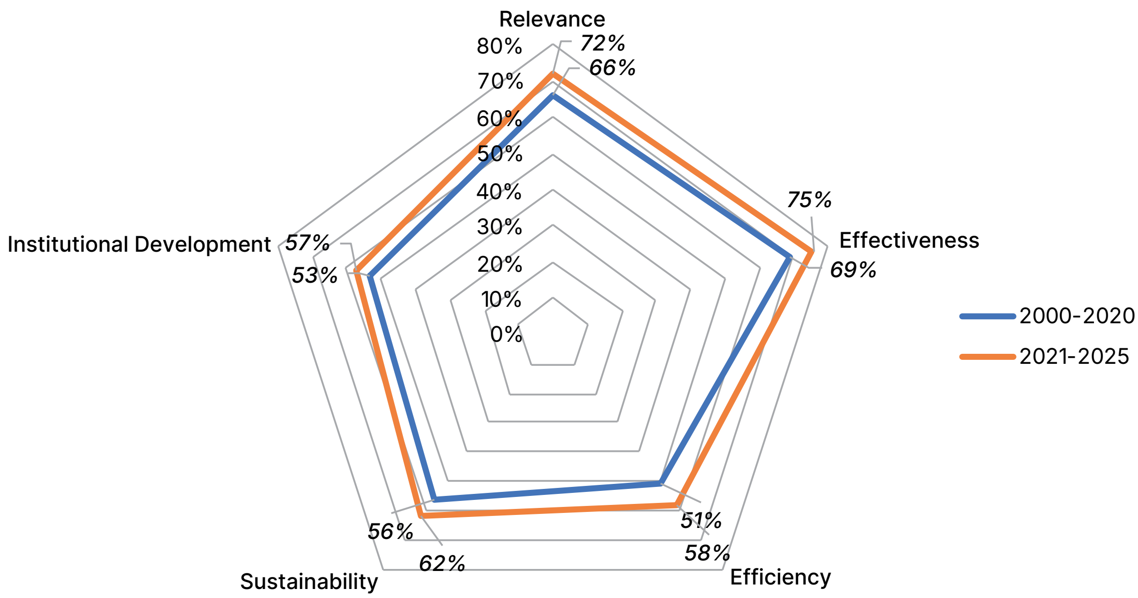


Source: Independent Evaluation Department

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 impact. An outline of the share of positively rated operations indicates that only the performance on Relevance and Effectiveness exceeds the 70% Bank target while the other 3 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 independent ratings presented above have improved by one percentage point, there is also a notable improvement of a few percentage points on each of the 5 evaluation criteria (comparing the periods 2000-2020 and 2021-2025 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



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 impact and sustainability, hence restraining the development dimension, as well as causing 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 for 2025 will be revealed in hindsight by future evaluation overviews. The aggregate evaluation ratings of the last 5 years indicate improved overall performance relative to the earlier 5-year period, mostly due to the refocusing from crisis response to mandate-based rebuilding of the portfolio. The detailed ratings on all 5 evaluation criteria imply a recent (2024-2025) return towards development priorities and indicators, generating a potential for improvement in forthcoming periods. Should this positive development be maintained, the target of 70% positively rated operations may be attained within the next 1-2 years.

While overall performance in terms of mandate fulfilment improved over the last 5 years, the share of operations rated excellent at ex-post has declined from 6% 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 modest ex-ante mandate compliance incentives, limiting the scale and scope of impact-based excellence, in the context of prioritizing volumes over development impact.

Meeting the target of 70% positively rated independent evaluations will require a better alignment of performance indicators toward mandate fulfilment by reducing the relative weight of volume-based incentives. It also calls for improving the quality and credibility of self-evaluations, narrowing the relatively wide gap between self- and independent ratings.

The key drivers of mandate-related performance enhancement, revealed by the independent evaluation are: (i) increasing the weight and elaboration of adequate ex-ante impact indicators at both the origination and implementation stages of operations; (ii) addressing and mitigating shortcomings in borrowers' corporate governance, at the outset of operation handling. Contrary to certain prejudice, development performance remains strongly positively co-related (78%) to general portfolio quality and financial outcomes and should therefore merit the same level of attention.

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 with peer development institutions.

Institutional Activities

Human Resources, Administration Division

Human capital and staff resources are a key factor in the success of BSTDB. The institution strives to maintain its status as a competitive employer in line with international standards and best practice, applying merit-based recruitment and a remuneration system that promotes excellence and positive incentives. The year 2025 saw improvements across a number of key HR areas.

Compensation, Benefits and Payroll Systems

BSTDB operates a market-oriented staff compensation and benefits system designed to align with employment standards at other international financial institutions. BSTDB's medical, life and temporary incapacity/long-term disability insurance plan provides comprehensive coverage with an emphasis on preventive care. BSTDB also offers an optional post-separation medical insurance scheme.

The BSTDB pension plan, launched in January 2003, comprises a fully funded defined-benefit element and a defined-contribution component funded by equal voluntary contributions from employees and BSTDB. This combined approach provides the flexibility needed to meet the needs of a multinational workforce.

During 2025, BSTDB implemented the Board-approved cost-of-living adjustment and related individual basic salary increases, and updated all relevant software applications, systems and databases to reflect these changes.

Performance Management and Rewards

BSTDB rolled out the revised individual performance appraisal system introduced under the Performance Management Policy, establishing a consistent framework for measuring institutional, departmental and individual performance against strategic objectives.

Remuneration Policy Governance

BSTDB completed a comprehensive review and update of the Remuneration Policy to strengthen governance around temporary and permanent assignments and salary adjustments tied to changes in responsibility. The updated policy enhances controls to ensure equitable, performance-linked and market-aligned compensation decisions. The Board of Directors' approval of the Remuneration Policy marked the completion, at this stage, of a holistic review of HR policies and procedures.

Recruitment, Staffing and Budgeting

HR ensured that permanent business needs were addressed in line with the Recruitment and Appointment Policy by progressing recruitment campaigns for all positions approved for external announcement by the Management Committee. As of 31 December 2025, BSTDB's headcount stood at 120 full-time employees.

Training and Compliance

BSTDB continued to prioritize targeted training across governance and technical areas. Ongoing Board member training covers obligations under the Code of Conduct, anti-money laundering and counter-terrorist financing measures, prevention of market abuse and personal data protection and, in cooperation with the IT Department, developed and delivered cybersecurity and digital asset protection training. HR also developed and provided training on the application of the Independent Evaluation Policy to support consistent evaluation practices across BSTDB.

Information and Communication Technology (ICT), Administration Division

Digital Transformation Initiatives

IT's Progress Towards Digital Transformation

In 2025, IT continued to advance its digital transformation strategy, closely following the Bank's Medium-Term Strategy and ensuring alignment between Business and IT operations. A significant milestone was achieved when the Bank acquired its new headquarters building. This state-of-the-art facility was equipped with advanced technologies designed with energy efficiency in mind, contributing to both operational excellence and sustainability.

New Headquarters: Technology and Efficiency

The new headquarters features a TIER III data centre, providing robust and reliable IT infrastructure. Networking capabilities were enhanced, and all meeting rooms were outfitted with modern audio and video systems to facilitate seamless collaboration. Security was strengthened through the deployment of advanced access control systems. Additionally, a comprehensive energy consumption measurement system was implemented to monitor and optimize the building's energy usage. The transition from the previous location to the new headquarters was executed flawlessly, with zero downtime, ensuring uninterrupted day-to-day business operations.

SAP S/4HANA and SuccessFactors Enhancements

Continuous improvements were made to business functionality within the SAP S/4HANA cloud ecosystem, enhancing the management of loans and enabling the introduction of new treasury instruments. In parallel, SAP SuccessFactors saw the launch of a proof-of-concept project aimed at further automating the management of employee allowances and benefits, increasing efficiency through the SuccessFactors application.

Artificial Intelligence Initiatives

The Bank embarked on several Artificial Intelligence (AI) projects, initiating proof-of-concept efforts in key business areas. These projects leveraged information tools available within the OpenText Content Management ecosystem, the Microsoft Azure cloud environment, and Microsoft 365 platforms. One notable achievement was the development of an electronic Memo (eMemo) application, which streamlined the memo process across the Bank, simplifying memo distribution, usage, and storage. Developments on Board of Directors on Boarding application continues and is tested in order to be released.

SWIFT ISO 20022 Implementation and Security

To maintain compliance with international standards, the Bank successfully implemented the new SWIFT ISO 20022 protocol, adhering to the latest requirements for global payment transactions. A SWIFT security attestation was also performed in collaboration with a SWIFT certified company, testing and validating the security of the SWIFT system according to the established SWIFT cybersecurity framework.

Information Security and Cybersecurity Awareness

Recognizing that information security and cybersecurity threats are continually evolving, the Bank proactively enhances its security awareness and training programs. These initiatives include simulated cyberattacks at various levels to maintain staff vigilance and preparedness. Furthermore, a physical security risk assessment was conducted for the new headquarters building to identify and address any vulnerabilities, thereby strengthening the Bank's overall physical security posture.

External Relations and Communications, Administration Division

Media Relations

In 2025, the Department of External Relations and Communications (DER) adopted a focused and proactive approach to media engagement, working selectively with key outlets to communicate the Bank's activities, priorities, and institutional developments with clarity and consistency.

Events Management

In 2025, DER significantly expanded BSTDB's institutional visibility and engagement across the Black Sea region and beyond, delivering an extensive portfolio of high-level events and strategic engagements aligned with the Bank's priorities in private sector development, regional cooperation and international outreach.

A major milestone was the successful organisation of three flagship institutional events: two BSTDB Business Fora and the official inauguration of the Bank's new Headquarters. These events strengthened BSTDB's positioning as a regional platform for policy dialogue, investment partnerships and private sector engagement.

The BSTDB Business Fora held in Armenia (July) and Moldova (September) convened senior government representatives, business leaders, and financial institutions to explore opportunities in trade, energy, infrastructure and regional connectivity. Both events reaffirmed the Bank's role in promoting targeted investment and crossborder partnerships supporting sustainable growth across the Black Sea Region, while fostering new links with local business communities.

<u>The inauguration of BSTDB's new Headquarters marked a landmark institutional moment, showcasing the Bank's evolution and strengthening of its international profile through high-level participation and coordinated stakeholder engagement.</u>

In parallel, DER broadened BSTDB's institutional outreach through the delivery of international academic and industry gatherings, including the ICOAEF Conference and the Annual Meeting of the Heads of Internal Audit (HOIA), further positioning the Bank as a convening platform for dialogue across policy, academic and financial communities.

BSTDB market visibility was further enhanced though the organisation of **ten high-profile signing ceremonies** with major national and international partners reflecting the Bank's expanding regional engagement, and partnership.

DER also coordinated and delivered BSTDB's institutional participation in major international fora—including the Annual Meetings of the EBRD, ADB, IsDB, AIIB, and WB/IMF, as well as regional platforms such as the BSEC Council of Ministers of Foreign Affairs and the PABSEC General Assembly. Through additional engagement at global and regional events, including the 2nd AmCham Eurasian Economic Summit, the Global Transport Connectivity Forum, the Zero Waste Forum and the 14th ICBSS International Symposium, the Department ensured consistent institutional messaging and high-level participation, and sustained high-level engagement across all platforms.

Digital Communications and Social Media

In 2025, the Department further strengthened the Bank's institutional profile through steady organic growth across LinkedIn, X, Facebook, and Instagram. With LinkedIn remaining the leading platform for professional outreach, the Bank's financing work, strategic direction and major milestones—including the new visual identity and the inauguration of the new Headquarters—were communicated with clarity and impact. This integrated approach enhanced BSTDB's public presence and advanced its outreach objectives across the region.

Publications & Website

The Department further strengthened the Bank's corporate communications through the production of the Annual Report and a modern, mobile-friendly edition of the "Doing Business with BSTDB" brochure. These publications were prominently featured at flagship events in Istanbul, Chisinau, and Yerevan, and made available through the Bank's website.

In its role as Content Administrator of the website, DER coordinated inputs from relevant departments, guided content development, and ensured that all online materials remained accurate and up to date. In preparation for the launch of the Bank's new website, the Department also conducted a comprehensive review of existing content to ensure consistency, accuracy, and alignment with the Bank's evolving communication priorities.

Administrative Services, Administration Division

New Headquarters and Relocation

In 2025, the Bank successfully completed the relocation to its new headquarters, marking a significant milestone in its institutional development. The transition was carefully planned to ensure the seamless continuation of operations.

The new state-of-the-art building has been awarded LEED Platinum certification by the U.S. Green Building Council (USGBC), the leading authority in the field of sustainable buildings. Particular emphasis was placed on choices that consume minimal natural resources and reduce the project's overall environmental footprint. As part of the Bank's commitment to sustainability and social responsibility, furniture and equipment from the previous headquarters were donated to public institutions, including police services, hospitals, and universities.

Administrative Services coordinated the relocation process, including workspace planning, infrastructure installation and the transfer of staff and operations. Attention was given to security arrangements, facility management, and operational readiness.

Procurement Unit, Risk Division

During the new building project, the procurement unit managed the construction supervision arrangements, liaising directly with the Bank's technical advisor, SALFO & Associates, and with the developer's (DIMAND SA) construction management team, to ensure the successful conclusion of the building works within the agreed timeline. The procurement unit worked closely with internal teams to determine their needs for building enhancements and advised on the relevant contractual arrangements. Moreover, the procurement unit assisted the developer's architectural and electromechanical staff with clarifying the Bank's final needs and requirements, helped conceptualize and negotiate the Facility Management contract for the building's maintenance, and facilitated its implementation. Following delivery, it actively participated in the roll out of the premises' Building Management System (BMS), provided troubleshooting services during the staff's familiarization with the building, and was instrumental in securing the Bank's LEED Platinum certification for the building, a step beyond the originally envisaged LEED Gold certification.

Operational Risk Management, Risk Division

During 2025, the Bank continued to strengthen its operational risk management framework as a core element of its overall governance and internal control environment. Operational risk management supports the Bank's mandate by promoting the reliability, resilience and effectiveness of its processes, systems and organizational arrangements, and by safeguarding the continuity of critical activities.

Operational risk oversight is exercised within the Risk Division, through a dedicated Operational Risk function that operates independently from the Bank's business units and forms part of the second line of defence. The framework is designed to identify, assess, monitor and mitigate risks arising from internal processes, people, systems and external events, in line with the Bank's Operational Risk Management Policy and established international best practices.

Throughout the year, emphasis was placed on maintaining a consistent and forward-looking approach to operational risk identification across all material activities of the Bank. This included periodic risk and control self-assessments, the monitoring of key operational risk indicators, and the systematic analysis of operational risk events and near-misses, with a view to identifying root causes and strengthening preventive and corrective controls.

Operational risk considerations were embedded into the Bank's governance and decision-making processes, including those related to new products, process changes, outsourcing arrangements and information technology developments. Attention continued to be given to risks related to business continuity, information systems, data integrity and the resilience of critical operations, supported by established contingency, business continuity and disaster recovery arrangements.

Reporting on operational risk exposures and material developments is provided to the Senior Management and relevant governing bodies, supporting informed oversight and timely escalation where required. The Bank continued to enhance the quality, consistency, and transparency of operational risk reporting, reinforcing management's ability to take proactive and risk-based decisions.

Overall, the operational risk management framework remained proportionate to the Bank's size, complexity and risk profile, and continued to support a strong control culture, accountability and sound risk awareness across the institution.

BLACK SEA TRADE AND DEVELOPMENT BANK

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

TOGETHER WITH AUDITOR'S REPORT

BSTDB

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 2025, 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 2025, the external auditors of the Bank conducted an independent assessment of the Bank's internal control over financial reporting as of 31 December 2025 and their assurance report is presented separately in this financial report.

Dr. Serhat Köksal
President

Valeriy Piatnytskyi
Vice President, Finance

Black Sea Trade and Development Bank

Thessaloniki
22 May 2026

Deloitte.

Deloitte Certified Public
Accountants S.A.
3a Fragkokklisias & Granikou str.
Marousi Athens GR 151-25 Greece

Tel: +30 210 6781 100
www.deloitte.gr

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

To the Board of Governors and the Board of Directors ("Management") of Black Sea Trade and Development Bank

Subject Matter

We were engaged by the Board of Directors and Board of Governors 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, 2025, as established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013) (hereinafter Applicable Criteria).

Management'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 Responsibilities

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), 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 December 31, 2025, based on criteria established in Internal Control — Integrated Framework issued by COSO (2013).

Athens, 22 May 2026

The Certified Public Accountant

Alexandra Kostara
Reg. No SOEL:19981
Deloitte Certified Public Accountants S.A.
3a Fragkokklisias & Granikou str., GR 151-25 Marousi, Athens, Greece
Reg. No SOEL: E 120

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Deloitte Certified Public
Accountants S.A.
3a Fragkokklisias & Granikou str.
Marousi Athens GR 151-25 Greece

Tel: +30 210 6781 100
www.deloitte.gr

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 2025 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 2025, 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 1,456 million as at 31 December 2025 (EUR 1,454 million as at 31 December 2024) and Expected Credit Losses ("ECL") to EUR 86 million (EUR 96 million as at 31 December 2024) 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, 14 and 17 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, 22 May 2026

The Certified Public Accountant

Alexandra Kostara
Reg. No. SOEL: 19981
Deloitte Certified Public Accountants SA
3a Fragkokklisias & Granikou str.,
GR 151-25 Marousi, Athens, Greece
Reg. No SOEL:E120

INCOME STATEMENT

For the year ended 31 December 2025

Presented in thousands of EUR	Note	2025	2024
Interest and similar income	**7**	87,894	85,492
Interest and similar expense	**8**	(32,011)	(30,214)
Net interest income (expense) on derivatives	**9**	(11,602)	(18,891)
Net interest income		**44,281**	**36,387**
Of which: net interest income based on the effective interest rate		79,352	67,514
Net fees and commissions	**10**	1,895	1,991
Dividend income		18	55
Net gains (losses) on derecognition of debt investment securities at fair value through other comprehensive income	**15**	(294)	(7,247)
Net gain (loss) from sale of loans at amortized cost	**17**	1,023	-
Losses of exit of equity investments at FVOCI	**18**	(261)	-
Realized gains (losses) on derivative instruments	**11**	7,240	(15,453)
Unrealized fair value gains (losses) on derivative instruments	**11**	13,834	12,741
Fair value gains (losses) on loans measured at fair value through profit or loss		(276)	(1,370)
Foreign exchange (losses) gains	**12**	(16,919)	28,377
Other income (losses)		683	374
Operating income		**51,224**	**55,855**
Personnel expenses	**13,28**	(20,294)	(18,198)
Administrative expenses	**13**	(6,479)	(5,525)
Depreciation and amortization	**20,21**	(730)	(482)
Income before expected credit losses		**23,721**	**31,650**
Expected credit (losses) gains on loans measured at amortized cost	**14**	4,916	(7,407)
Expected credit (losses) gains on guarantees		(572)	-
Expected credit (losses) gains on debt investment securities measured at fair value through other comprehensive income	**15**	(547)	(816)
Income for the year		**27,518**	**23,427**

The accompanying notes, on pages 69 to 140, are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

Presented in thousands of EUR	Note	2025	2024
Income for the year		**27,518**	**23,427**
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Gains (losses) on actuarial defined benefit scheme	**26**	1,601	2,159
Gains (losses) on equity investments financial assets	**26**	171	261
Items that are or may be reclassified subsequently to profit or loss:			
Gains (losses) on investment securities financial assets	**26**	1,197	8,520
Gains (losses) on cash flow hedges	**26**	2,071	(2,233)
Other comprehensive income		**5,040**	**8,707**
Total comprehensive income		**32,558**	**32,134**

The accompanying notes, on pages 69 to 140, are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2025

Presented in thousands of EUR	Note	2025	2024
Assets			
Cash and due from banks	**27**	425,871	224,333
Deposits in margin accounts		80,370	94,020
Debt investment securities at fair value through other comprehensive income	**15**	111,472	94,610
Derivative financial instruments – assets	**16**	19,670	15,969
Loans at amortized cost	**5,17**	1,427,151	1,419,535
Plus: accrued/deferred income	**17**	28,697	35,447
Less: expected credit losses	**5,14**	(85,623)	(96,232)
Loans at fair value through profit or loss	**17**	30,031	20,308
Loans		**1,400,256**	**1,379,058**
Equity investments at fair value through other comprehensive income	**5,18**	6,914	6,625
Other assets	**19**	34,146	15,908
Property and equipment	**20**	18,034	12,042
Intangible assets	**21**	511	381
Right of use assets		-	512
Total Assets		**2,097,244**	**1,843,458**
Liabilities			
Amounts due to financial institutions	**22**	310,869	77,451
Debt evidenced by certificates	**22**	728,525	737,860
Accrued interest payable	**22**	9,808	6,869
Borrowings		**1,049,202**	**822,179**
Margin accounts		3,160	-
Derivative financial instruments – liabilities	**16**	94,607	112,442
Other liabilities	**23**	26,692	17,484
Lease liability	**24**	-	328
Total liabilities		**1,173,661**	**952,433**
Members' Equity			
Authorized share capital	**25**	3,450,000	3,450,000
Less: unallocated share capital	**25**	(1,161,500)	(1,161,500)
Subscribed share capital		**2,288,500**	**2,288,500**
Less: callable share capital	**25**	(1,601,950)	(1,601,950)
Paid-in share capital		**686,550**	**686,550**
Reserves	**26**	120,729	100,944
Retained earnings		116,304	103,531
Total members' equity		**923,583**	**891,025**
Total Liabilities and Members' Equity		**2,097,244**	**1,843,458**
Off-balance-sheet items			
Commitments	**5**	180,837	61,547

The accompanying notes, on pages 69 to 140, are an integral part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 31 December 2025

Presented in thousands EUR	Note	Share capital				
		Subscribed	Callable	Reserves	Retained Earnings	Total
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	26	-	-	-	-	**-**
Transfer to general reserve		-	-	9,074	(9,074)	**-**
At 31 December 2024		**2,288,500**	**(1,601,950)**	**100,944**	**103,531**	**891,025**
Income for the year		-	-	-	27,518	**27,518**
Other comprehensive income:						
Net gains (losses) on financial assets at fair value reserve through OCI		-	-	1,368	-	**1,368**
Actuarial (losses) gains on defined benefit scheme		-	-	1,601	-	**1,601**
Effective portion of cash flow hedges gains (losses)		-	-	2,071	-	**2,071**
Total comprehensive income for the year		-	-	**5,040**	**27,518**	**32,558**
Members' contributions		-	-	-	-	-
Transfer to general reserve	**26**	-	-	14,745	(14,745)	-
At 31 December 2025		**2,288,500**	**(1,601,950)**	**120,729**	**116,304**	**923,583**

The accompanying notes, on pages 69 to 140, are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

Presented in thousands of EUR	Note	2025	2024
Cash flows from operating activities			
Income (loss) for the year		**27,518**	**23,427**
Adjustment for items in income statement:			
Depreciation and amortization	**20,21**	730	481
Expected credit losses (gains) on loans	**14,23**	(4,916)	6,923
Expected credit losses (gains) on guarantees	**23**	572	-
Expected credit losses (gains) on investment securities	**15**	547	816
Unrealized losses (gains) on expected credit losses on loans	**14**	(4,765)	-
Unrealized gains (losses) on disposal of investment securities at FVTOCI		4,011	7,247
Realized (gains) losses on disposal on investment securities at FVTOCI		458	-
Fair value (gains) losses on loans at FVTPL	**5c5**	276	518
Net interest income		(55,883)	(55,278)
Realized (gains) losses on disposal of derivative instruments		11,423	-
Unrealized (gains) losses on derivative instruments		(8,628)	5,031
Other adjustments		(15)	1,360
Working capital adjustments:			
Decrease (increase) in loans and advances		(66,338)	137,981
Decrease (increase) in deposits margin accounts		3,160	(13,900)
Decrease (increase) in other assets		(8,701)	842
Increase (decrease) in margin accounts		13,650	(1,600)
Increase (decrease) in other liabilities		(1,819)	(1,508)
Increase (decrease) in equity investments		(117)	4,059
Interest income received		79,916	109,952
Net cash from / (used in) operating activities		**(8,921)**	**226,351**
Cash flows from investing activities			
Net proceeds / (purchases) from /(of) investment securities at FVTOCI		16,245	3,946
Purchase of property, software and equipment	**20**	(7,018)	(12,018)
Proceeds from disposal of property, plant and equipment		15	-
Net cash from / (used in) investing activities		**9,242**	**(8,072)**
Cash flows from financing activities			
Proceeds from borrowings		258,718	112,528
Repayment of borrowings		(15,089)	(465,025)
Repayment of lease liability	**24**	(452)	(672)
Interest expense paid		(26,496)	(29,822)
Net cash from financing activities		**216,681**	**(382,991)**
Effect on foreign exchange		21,492	13,595
Net increase (decrease) in cash and cash equivalents		**238,494**	**(151,117)**
Cash and cash equivalents at beginning of year		**274,273**	**425,390**
Cash and cash equivalents at end of year	**27**	**512,767**	**274,273**

The accompanying notes, on pages 69 to 140, 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") is an international financial organization established under the Establishing Agreement dated 30 June 1994. 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 its operations on 1 June 1999. The Bank is located in Hellenic Republic having its headquarters at 26th Oktovriou & 1 Limnou Street, in Thessaloniki.

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	Mr. Endrit Yzeiraj
Armenia	Mr. Arthur Javadyan
Azerbaijan	Mr. Sahil Babayev
Bulgaria	Ms. Lyudmila Petkova
Georgia	Ms. Natia Turnava
Greece	Mr. Nikos Papathanasis
Moldova	Ms. Victoria Belous
Romania	Mr. Florin Alexandru Zaharia
Russia	Mr. Pavel Snisorenko
Türkiye	Mr. Osman Çelik
Ukraine	Mr. Oleksii Sobolev

NOTES TO THE FINANCIAL STATEMENTS

1.3.2 Board of Directors

Country	Director
Albania	Mr. Besmir Beja
Armenia	Mr. Davit Nahapetyan
Azerbaijan	Mr. Famil Ismayilov
Bulgaria	Ms. Milena Boikova
Georgia	Ms. Ekaterine Guntsadze
Greece	Mr. Christos Geroulanos
Moldova	Mr. Alexandr Rodideal
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 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 Republic, 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 2025 were submitted by the Management Committee to the Board of Directors (BoD) for approval on 22 May 2026 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 01 July 2026.

Basis of measurement

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

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

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 expenditure are primarily denominated and settled in this currency. The Bank's presentation currency is Euro (EUR) and values are rounded to the nearest thousand unless otherwise stated. Any differences between the amounts presented in the primary financial statements and the relevant amounts presented in the accompanying notes, are due to rounding.

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 critical judgements and estimates are significant to the Annual Financial Statements are disclosed in 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 2025 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.

3.1 Adoption of International Financial Reporting Standards (IFRS)

Amendments to Accounting Standards

Amendments to existing IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the EU, as date Financial Statements were issued and effective from 1 January 2025:

NOTES TO THE FINANCIAL STATEMENTS

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

New standards and amendments to existing standards that have been issued by the IASB and have been endorsed by the EU, but they are not effective in 2025 nor they have been early 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 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.

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 where the Bank is examining their impact, as relevant 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".

NOTES TO THE FINANCIAL STATEMENTS

The Bank has not early adopted the above amendment, however it is not expected any material impact on the Bank's financial statements.

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

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.

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. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses arising from the settlement of such transactions and 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. Translation differences on non- monetary financial assets that are measured at fair value are a component of the change in the fair value and are recognized in income statement or in other comprehensive income for equity investments measured at FVTOCI.

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 2025	31 December 2024
	=	United States dollar	1.17500	1.03890
	=	Pound sterling	0.87260	0.82918
	=	Russian ruble	92.09380	106.10280
1 EUR	=	Azerbaijani manat	2.00220	1.77240
	=	Georgian lari	3.17370	2.93060
	=	Armenian dram	449.01000	413.89000
	=	Romanian leu	5.09680	4.97430
	=	Turkish lira	50.48380	36.73720

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.

NOTES TO THE FINANCIAL STATEMENTS

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, are initially recognized on the trade date (except those disclosed in Note 3.5.1), 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 marketplace.

Financial assets and financial liabilities are measured initially at fair value plus, 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.

Additionally, financial assets that otherwise meet criteria for amortized cost or FVTOCI may be irrecoverably designated as FVTPL at initial recognition if this avoids or significantly reduces an accounting mismatch. The Bank has no financial assets designated as FVTPL at initial recognition within the current reporting period.

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, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognized in income statement.

3.4.3 Modification of Financial Assets and Financial Liabilities

When the contractual cash flows from a financial asset is modified and the modification does not result in the derecognition of the financial asset in accordance with the requirements of IFRS 9, the Bank recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the income statement. The gross carrying amount of the financial asset is the present value of the modified cash flows of the financial asset discounted with the original effective interest rate (EIR). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized during the remaining life of the modified financial asset.

If an existing financial liability is replaced by another with substantially different terms from the same lender, or the terms of an existing financial liability are substantially modified, this substantial modification is treated as derecognition of the original liability and recognition of a new liability, with the difference between the carrying amount of the original liability and the new liability to be recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

3.5 Financial Assets

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

These financial assets include cash and due from banks and loans that meet the above criteria.

Loans are initially recognized at fair value (plus transaction costs) and measured subsequently at amortized cost using the effective interest method, less any allowance for expected credit losses. Loans are recognized when funds are transferred to the customer's account. All such financial assets are primarily recognized on settlement date.

2. *Financial assets (debt securities) measured at fair value through other comprehensive income (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. Any modification gain or losses are recognized in the income statement. All such financial assets are recognized on trade date.

3. *Financial assets (equity instruments) measured at FVTOCI*. For equity investments for which the Bank made an irrevocable election to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument within the scope of this IFRS 9. 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 and can be reclassified to retained earnings at derecognition.

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 utilize unobservable inputs including net asset value, earnings-based valuations using comparable information and discounting cash flows.. 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.

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.

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:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 funds are transferred to customer's account. 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 its 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 as at 31 December 2025 had a gross amount of EUR 316,171 thousand (2024: EUR 289,628 thousand). Management has concluded that presentation within loans presents 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 including mainly the discounted payment / cashflows approach using applicable interest rate and net asset value approach.

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'.

The basis of inputs and assumptions and the estimation techniques used to apply the requirements in section 5.5. within 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.

For the purpose 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.

NOTES TO THE FINANCIAL STATEMENTS

- ***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.

Purchased or Originated credit Impaired (POCI)

POCI financial assets are credit impaired at the time of initial recognition. Their fair value at that date reflects incurred credit losses, while subsequent measurement is based on credit -adjusted EIR, with amortized cost incorporating life time expected credit losses throughout the asset's life. POCI assets are not allocated to stages and no transfers between stages are made subsequently. The Bank does not hold any POCI assets during the current period.

ii) Key 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 counterparties that fail to meet their contractual obligations and is usually expressed as a percentage of EAD.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

A financial asset is transferred to Stage 3 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.

For investment securities default occurs when the issuer fails to pay its contractual obligations in full, and when payments are past -due for at least 90 days.

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 an evaluation of optimistic and pessimistic internal scenarios to incorporate the most appropriate in the LGD calculation. 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 substantially renegotiated it will be derecognized and a new loan will be recognized.

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 614 thousand (2024: EUR 415 thousand).

3.6.6 Reclassification of Financial Assets

In accordance with IFRS 9, once the initial classification has been determined, reclassification of financial assets is only permitted when an entity changes its business model for managing the financial assets.

Based on the Bank's Policies, no reclassification of financial assets is performed upon initial classification.

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 risks being hedged. Interest expense is accrued in the income statement within "Interest expense".

NOTES TO THE FINANCIAL STATEMENTS

3.7.2 Other liabilities

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

3.8 Offsetting of Financial Assets and Liabilities

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

3.9 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 bond 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.).

NOTES TO THE FINANCIAL STATEMENTS

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

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

3.9.1 Derivatives and hedge accounting

In accordance with the requirements of IFRS 9, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The notional amounts and fair values of the derivative instruments designated are disclosed separately in Note "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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

3.10 Share Capital and Dividends

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

3.11 Reserves and Retained Earnings

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

NOTES TO THE FINANCIAL STATEMENTS

1. Amortized cost (AC) and gross carrying amount

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

2. Calculation of interest income and expense

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

- Income from Loans: represent interest income on loans, for stage 1 and stage 2 loans interest income is calculated over the gross carrying amount using the effective interest rate, whereas for stage 3 loans interest income is calculated by applying the effective interest rate to the net balance of the loan.
- Fixed-income debt securities and other: represents interest income on treasury investments.
- Interest and similar expense: represent interest expense on all borrowed funds. The majority of the Bank's borrowings are undertaken through the issuance of bonds or private placements.
- Net interest income/(expense) on derivatives: represent interest on derivatives using the contractual interest rate. The Bank does not have a trading portfolio.
- Fees and commission income and expense that are integral to the EIR: represents 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 income

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:

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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 parties 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, except land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings, subsequently to initial recognition are measured at fair value less accumulated depreciation.

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.

NOTES TO THE FINANCIAL STATEMENTS

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:

- Land	-
- Buildings	5.0%
- Transportation vehicles	20.0%
- Furniture and office accessories	20.0%
- Personal computers	33.3%
- Office and telecommunication equipment	20.0%
- Under construction	-

3.16 Government Grant

Under IAS 20 a government grant is recognized when there is reasonable assurance that the Bank will comply with conditions to such and the grant will be received. The grant is related to the Bank's new permanent Headquarters Premises (see Note "Summary of special funds") that was purchased and constructed presented in the statement of financial position as long-term fixed asset under property and equipment, to which the grant is recognized in the income statement as deferred income on a systematic basis over the useful life of the asset (see Note 20).

During the year the Bank has fully relocated to the new Headquarters Premises and complied with the conditions within the grant that the Bank expects to receive the funds. As of 31 December 2025 the government grant funds are within the above Special Fund pending final transferring of funds to the Bank.

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. Change in accounting estimates are recognized in the period when the estimate is revised and applied prospectively. Actual results may differ from the estimates. The Bank believes that the significant judgments, estimates and assumptions used in the preparation of its financial statements are appropriate. The Bank reviews the assumptions used and estimates made on an on-going basis.

The following are the most significant areas, for which the Bank has made critical judgments, estimates and assumptions in applying the Bank's accounting policies, and have the most significant effect in the financial statements are the following:

a. Fair value estimates for financials instruments not measured at fair value.

b. Expected Credit Losses for loans

NOTES TO THE FINANCIAL STATEMENTS

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). The Bank incorporates forward-looking macroeconomic variable projections for each Member state and assesses the relationship between the multiple macroeconomic scenarios used and the main economic inputs utilized such as GDP. Additionally, for stage 3 loans i.e. the loans that are assessed for impairment on an individual basis the Bank assess at each reporting period all available information and evidence on a loan by loan basis and the ECL measurement is determined based on the estimation of LGD which is calculated based an individual assessment impairment exercises and discounted cash flow approach. The cash flow approach incorporates the Management's estimates at the reporting period for incorporating certain assumptions and available information including information relating to collaterals liquidation. For more information refer to Note "Expected credit losses".

c. Staging override: The Management uses judgement for determining the stage classification for loan exposures to Ukraine and Russia due to the geopolitical crisis. For more information refer to note 14.

5. RISK MANAGEMENT

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

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

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

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

Once an operation is approved and disbursed, it is then monitored to ensure thorough and regular evaluations of its credit quality. Operations are monitored according to a schedule coordinated by the 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 foreign-currency exchanges. The Bank is exposed to the following risks discussed below.

Financial Risk

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

a) Credit risk

The Bank is subject to credit risk, which is the risk that customers or counterparties will be unable to meet their obligations as they fall due. Credit risk arises principally from the Bank's lending activities as well as other activities where the Bank is exposed to counterparty default risk. Regular reviews by the departments of Risk Management, Financial Analysis and 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 19,670 thousand the corresponding cash collateral received was EUR 3,160 thousand, and derivatives financial instruments-liabilities an amount of EUR 94,607 thousand the corresponding cash collateral received was EUR 80,370 thousand.

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

NOTES TO THE FINANCIAL STATEMENTS

Presented in EUR (000)	Principal type of collateral held	31 December 2025	31 December 2024
Cash and due from banks		425,871	224,333
Deposits in margin accounts		80,370	94,020
Debt investment securities		111,472	94,610
Derivative financial instruments	Deposits in margin accounts	19,670	15,969
Loans at amortized cost	Sovereign, property, other	1,427,151	1,419,535
Accrued/deferred income		28,698	35,447
Loans at fair value		30,031	20,308
Equity investments		6,914	6,625
Other assets		34,146	15,908
On-balance-sheet		**2,164,323**	**1,926,755**
Undrawn commitments	Sovereign, property, other	180,837	61,547
Total		**2,345,160**	**1,988,302**

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.

	2025					
Presented in EUR (000)	Aaa – Aa3	A1 – A3	Baa1 – B3	Caa1 – C3	Unrated	Total
Analysis by Moody's rating						
Cash and bank balances	156,514	187,047	5,735	-	76,575	**425,871**
Deposits in margin accounts	56,930	23,440	-	-	-	**80,370**
Debt investment securities	-	86,931	20,967	3,574	-	**111,472**
Derivatives financial instruments	-	-	-	-	19,670	**19,670**
Equity investments	-	-	-	-	6,914	**6,914**
Accrued/deferred income	-	-	-	-	28,698	**28,698**
Other assets	-	-	-	-	34,146	**34,146**
At 31 December	**213,444**	**297,418**	**26,702**	**3,574**	**166,003**	**707,141**
Of which issued by						
Corporates/governments	-	86,931	20,967	3,574	6,914	**118,386**
Cash deposits at banks	213,444	210,487	5,735	-	76,575	**506,241**
Other	-	-	-	-	82,514	**82,514**
At 31 December	**213,444**	**297,418**	**26,702**	**3,574**	**166,003**	**707,141**
Of which classified as						
Fair value through profit or loss	-	-	-		19,670	**19,670**
Fair value through OCI	-	86,931	20,967	3,574	6,914	**118,386**
Amortized cost	213,444	210,487	5,735	-	139,419	**569,085**
At 31 December	**213,444**	**297,418**	**26,702**	**3,574**	**166,003**	**707,141**

NOTES TO THE FINANCIAL STATEMENTS

	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**

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 2025 and 31 December 2024.

2025 - 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	133,053	-	-	**133,053**	44	-	-	**44**
Fair	538,680	-	-	**538,680**	684	-	-	**684**
Weak	391,929	66,498	-	**458,427**	2,028	233	-	**2,261**
Special attention	5,957	198,865	11,481	**216,303**	7	30,697	5,753	**36,456**
Expected loss	-	-	80,687	**80,687**	-	-	46,177	**46,177**
At 31 December 2025	**1,069,620**	**265,363**	**92,168**	**1,427,151**	**2,764**	**30,929**	**51,930**	**85,623**

2024 - 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 fair value: presented in EUR (000)

Internal risk rating category	Fair value 2025	Fair value 2024
Excellent	-	-
Very strong	-	-
Strong	-	-
Good	-	-
Fair	10,189	20,308
Weak	9,891	-
Special attention	9,951	-
Expected loss	-	-
At 31 December	**30,031**	**20,308**

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's limits are set as a maximum at 30% of planned commitments. This limit is calculated based on the BoD approved operations, minus repayments and cancellations. Individual operations are further constrained by the Single Obligor Limit and by monitoring 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.

	31 December 2025		31 December 2024	
Presented in EUR (000)	Outstanding balance	Undrawn commitments	Outstanding balance	Undrawn commitments
Concentration by instrument				
Loans	1,457,182	110,551	1,439,843	50,812
Equity investments	6,914	14,682	6,625	7,859
Guarantees	-	55,604	-	2,876
At end of year	**1,464,096**	**180,837**	**1,446,468**	**61,547**
Concentration by country				
Albania	15,551	-	14,133	12
Armenia	59,155	-	26,874	1,042
Azerbaijan	54,989	16,732	36,981	12
Bulgaria	167,421	9,517	154,926	208
Georgia	95,776	9,791	83,294	8,149
Greece	185,366	69,005	157,131	5,378
Moldova	68,875	2,226	57,528	1,858
Romania	160,303	18,168	158,515	36,076
Russia	96,626	-	134,714	443
Türkiye	370,363	41,644	404,214	4,622
Ukraine	189,671	13,754	218,158	3,747
At end of year	**1,464,096**	**180,837**	**1,446,468**	**61,547**
Concentration by sector				
Consumer discretionary	59,704	-	65,454	-
Consumer staples	176,126	4,452	194,185	4,838
Energy	132,116	-	119,377	-
Financial institutions	348,881	41,196	305,118	27,450
Health care	87,841	-	93,421	-
Industrials	268,515	94,695	300,517	-
Materials	137,130	12,098	158,780	24,883
Real estate	39,951	-	42,045	1,500
Utilities	213,832	28,397	167,571	2,876
At end of year	**1,464,096**	**180,837**	**1,446,468**	**61,547**
Incurred by				
Sovereign	187,970	40	193,012	-
Non-sovereign	1,276,126	180,797	1,253,456	61,547
At end of year	**1,464,096**	**180,837**	**1,446,468**	**61,547**

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)	**2025**	**2024**
Property	403,022	409,236
Debt securities	8,927	5,297
Other	91,459	120,727
Non-sovereign	503,408	535,260
Sovereign	173,836	183,962
Collateral and credit enhancements	**677,244**	**719,222**

Presented in EUR (000)	**2025**	**2024**
Stage 1 and 2	659,763	696,577
Stage 3	17,481	22,645
Collateral and credit enhancements	**677,244**	**719,222**

Other financial instruments

Collateral held as security for financial assets is determined by the nature of the instrument. Bonds and Euro Commercial Papers, held by the Bank as investment securities, are generally unsecured. The Bank may retain cash as collateral to secure its derivative contract counterparties. On 31 December 2025 the Bank had pledged as collateral for derivative transactions a net amount of EUR 80,370 thousand (2024: EUR 94,020 thousand).

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.

NOTES TO THE FINANCIAL STATEMENTS

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 the statement of financial position.

Contractual maturities for financial liabilities at 31 December 2025 and 31 December 2024 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	279	67,741	153,155	722,069	214,441	**1,157,685**
Derivative financial instruments	-	-	15,063	21,628	57,916	**94,607**
Other and lease liabilities	-	26,692	-	-	-	**26,692**
Financial Liabilities at 31 December 2025	**279**	**94,433**	**168,218**	**743,697**	**272,357**	**1,278,984**
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**

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).

NOTES TO THE FINANCIAL STATEMENTS

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 2025

Presented in EUR (000)	Euro	United States Dollar	Swiss franc	Other	Total
Assets					
Cash and due from banks	289,744	56,479	-	79,648	**425,871**
Deposits in margin accounts	80,370	-	-	-	**80,370**
Debt investment securities	84,305	27,167	-	-	**111,472**
Loans	997,717	404,551	-	54,914	**1,457,182**
Accrued/deferred income	23,254	5,495	-	(51)	**28,698**
Expected credit losses on loans	(52,422)	(29,306)	-	(3,895)	**(85,623)**
Equity investments	6,149	226	-	539	**6,914**
Other assets	29,086	2,411	47	2,602	**34,146**
Total	**1,458,203**	**467,023**	**47**	**133,757**	**2,059,030**
Liabilities					
Borrowings	462,010	126,540	161,539	299,113	**1,049,202**
Margin accounts	3,160	-	-	-	**3,160**
Other and lease liabilities	21,163	4,239	(3)	1,292	**26,691**
Total	**486,333**	**130,779**	**161,536**	**300,405**	**1,079,053**
Net financial instruments	**971,870**	**336,244**	**(161,489)**	**(166,648)**	**979,977**
Derivative financial instruments (nominal amount)	(19)	(335,916)	161,048	247,127	**72,240**
Currency balance at 31 December 2025	**971,851**	**328**	**(441)**	**80,479**	**1,052,217**

NOTES TO THE FINANCIAL STATEMENTS

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**
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	**1,187,949**	**523,825**	**443**	**102,337**	**1,814,554**
Liabilities					
Borrowings	302,128	79,039	168,127	272,885	**822,179**
Margin accounts	-	-	-	-	**0**
Other and lease liabilities	9,855	6,645	175	1,137	**17,812**
Total	**311,983**	**85,684**	**168,302**	**274,022**	**839,991**
Net financial instruments	**875,966**	**438,141**	**(167,859)**	**(171,685)**	**974,563**
Derivative financial instruments (nominal amount)	100,092	(439,673)	159,371	250,618	**70,408**
Currency balance at 31 December 2024	**976,058**	**(1,532)**	**(8,488)**	**78,933**	**1,044,971**

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 2025			Interest bearing				
Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks	425,865	-	-	-	-	6	**425,871**
Deposits in margin accounts	80,370	-	-	-	-	-	**80,370**
Debt investment securities	78,451	8,480	11,240	10,397	2,904	-	**111,472**
Derivative financial instruments	-	3,869	5,667	9,894	240	-	**19,670**
Loans	232,091	220,563	567,685	377,728	59,115	-	**1,457,182**
Equity investments	-	-	-	-	-	6,914	**6,914**
Accrued/deferred income	-	-	-	-	-	28,698	**28,698**
Other assets		-	-	-	-	34,146	**34,146**
Total	**816,777**	**232,912**	**584,592**	**398,019**	**62,259**	**69,764**	**2,164,323**
Liabilities							
Borrowings	-	66,145	118,110	745,685	109,454	9,808	**1,049,202**
Margin accounts	3,160	-	-	-	-	-	**3,160**
Derivative financial instruments	-	-	15,064	8,447	71,096	-	**94,607**
Other and lease liabilities	-	-	-	-	-	26,692	**26,692**
Total	**3,160**	**66,145**	**133,174**	**754,132**	**180,550**	**36,500**	**1,173,661**
Interest rate risk at 31 December 2025	**813,617**	**166,767**	**451,418**	**(356,113)**	**(118,291)**	**33,264**	**990,662**

At 31 December 2024			Interest bearing				
Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	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 2025	**641,426**	**136,275**	**603,719**	**(109,799)**	**(330,615)**	**33,316**	**974,322**

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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)	31 December 2025	31 December 2024
Euro	564,466	969,144
United States dollar	309,817	159,642
Total re-pricing gap	**874,283**	**1,128,786**
Shift of 50 basis points in the EUR curve	**4,731**	**5,644**

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.

	31 December 2025		
Presented in EUR (000)	Financial statement amount	Upward Shift	Downward shift
Income for the year	27,518	32,249	22,787
Other comprehensive income	5,040	5,040	5,040
Total comprehensive income	**32,558**	**37.289**	**27,827**

	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**

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c4. Hedges of interest rate risk and foreign currency risk

The Bank uses the following interest rate swaps (IRS) and cross currency swaps (CCS) in hedge accounting:

	At 31 December 2025	
Presented in EUR (000)		
	1 – 5 years	**Over 5 years**
<u>**Interest Rate Swaps**</u>		
Hedge of borrowings / euro notes:		
Nominal amount	**148,937**	**204,574**
Average fixed interest rate	3.72%	2.15%
<u>**Cross Currency Swaps**</u>		
Hedge of borrowing / other notes:		
Nominal amount	**367,067**	**34,296**
Average EUR: USD exchange rate	1.11	
Average EUR: AUD exchange rate	1.72	
Average EUR: PLN exchange rate	4.25	
Average EUR: CZK exchange rate	24.71	
Average EUR: RON exchange rate	5.04	
Average EUR: JPY exchange rate	173.58	
Average EUR: GBP exchange rate	0.85	
Average EUR: TRY exchange rate	43.61	
Average EUR: NZD exchange rate	1.95	

	At 31 December 2024	
Presented in EUR (000)		
	1 – 5 years	**Over 5 years**
<u>**Interest Rate Swaps**</u>		
Hedge of borrowings / euro notes:		
Nominal amount	**10,107**	**201,817**
Average fixed interest rate	2.19%	1.63%
<u>**Cross Currency Swaps**</u>		
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	

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The Bank has currently four hedge accounting models used to hedge interest rate risk and foreign exchange risk of its financial assets and financial liabilities. These models are presented as follows:

c4.1 Fair value hedge accounting for foreign currency risk component to lending operations

As part of the Bank's core lending operations, the Bank uses currency swaps to hedge the foreign exchange risk arising from future collections of principal amounts of the designated USD-denominated foreign currency loans.

In this context, the fair value change risk arising from the USD-denominated loans designated as hedged item is eliminated by establishing an offsetting mechanism with the fair value changes of the currency swaps as the hedging instrument, in accordance with IFRS 9 hedge accounting principles (see Note 3.9.1).

Within the scope of the Bank's fair value risk management strategy related to foreign exchange rate fluctuations, the Bank applies fair value hedge accounting in accordance with IFRS 9 principles. It offsets the unrealized fair value fluctuations arising on the hedging instrument — against the foreign exchange gains or losses generated by changes in market exchange rates on the notional amounts of the Bank's USD-denominated loan operations..

Under the established hedge accounting framework, the Bank aims to maintain a hedge ratio of c.a. 80% and hedge effectiveness within the range of 70% to 130%. As of 31 December 2025, the hedge ratio was calculated at 83% and the hedge effectiveness at 92%.

Presented in EUR (000)	**31 December 2025**
Fair value change in the hedged item attributed to foreign currency risk	(37,263)
Fair value change in the hedging instrument	34,332
Ineffectiveness	(2,931)
Hedge effectiveness ratio	**92%**

Presented in EUR (000)	**31 December 2025**
Quantity of the hedged item that the Bank actually hedges	299,294
Quantity of the hedging instrument that the Bank actually uses to hedge	249,679
Hedge ratio	**83%**

c4.2 Fair value hedge accounting for foreign currency and interest rate risk to borrowings

The Bank uses cross currency interest rate swap (CCIRS) contracts to hedge the fair value risks arising from fixed-rate foreign currency borrowings that it is obligated to repay in the future under loan and issuance agreements signed for the purpose of financing its operations.

In this context, the fair value fluctuation arising from fixed-rate foreign currency debt instruments designated as the hedged item is eliminated by establishing an offsetting mechanism through the fair value changes of the cross currency interest rate swaps designated as the hedging instrument, in accordance with IFRS 9 hedge accounting principles (see Note 3.9.1)

Within the scope of the Bank's fair value risk management strategy related to foreign currency exchange and fixed interest rates, the Bank applies fair value hedge accounting in accordance with IFRS 9 principles. The Bank offsets the unrealized fluctuations arising from exchange rate and interest rate movements on the hedging instrument against the fair value changes resulting from exchange rate and interest rate (e.g. pay floating/receive fixed) movements on the hedged item, with the objective of presenting a more accurate and reliable income statement.

Under the established hedge accounting framework, the Bank aims to maintain a hedge ratio of c.a. 100% and hedge effectiveness within the range of 70% to 130%. As of 31 December 2025, the hedge ratio was calculated at 97% and the hedge effectiveness at 89%.

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Presented in EUR (000)	31 December 2025
Fair value change of the hedged item	14,790
Fair value change in the hedging instrument	(13,090)
Ineffectiveness	**1,700**
Hedge effectiveness ratio	**89%**

Presented in EUR (000)	31 December 2025
Quantity of the hedged item that the Bank actually hedges	425,251
Quantity of the hedging instrument that the Bank actually uses to hedge	411,269
Hedge ratio	**97%**

c4.3 Fair value hedge accounting for interest rate risk to Euro denominated debt instruments

Interest rate swap contracts (IRS) are used to hedge the fair value risk arising from fixed-rate Euro denominated debt instruments (e.g. issued bonds), that the Bank is obligated to repay in the future under borrowing issuance agreements signed for the purpose of financing the Bank's operations.

In this context, the fair value fluctuation arising from fixed-rate debt instruments designated as hedged item is eliminated by establishing an offsetting mechanism through the fair value changes of the interest rate swaps designated as the hedging instrument, in accordance with IFRS 9 hedge accounting principles (see Note 3.9.1).

Within the scope of the Bank's fair value risk management strategy related to fixed interest rates, the Bank applies fair value hedge accounting in accordance with IFRS 9 principles. The Bank offsets the unrealized fluctuations arising from interest rate movements on the hedging instrument against the fair value changes resulting from interest rate (e.g. pay floating/receive fixed) movements on the hedged item, with the aim of presenting a more accurate and reliable income statement.

Under the established hedge accounting framework, the Bank aims to maintain a hedge ratio of c.a. 100% and hedge effectiveness within a range of 70% to 130%. As of 31 December 2025, the hedge effectiveness ratio was calculated at 74% and hedge ratio at 100%.

Presented in EUR (000)	31 December 2025
Fair value change in the hedged item	3,321
Fair value change in the hedging instrument	(2,464)
Ineffectiveness	857
Hedge effectiveness ratio	**74%**

Presented in EUR (000)	31 December 2025
Quantity of the hedged item that the Bank actually hedges	120,000
Quantity of the hedged item that the Bank actually uses to hedge	120,000
Hedge ratio	**100%**

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c4.4 Fair value hedge accounting for interest rate risk to fixed Euro denominated loans

The Bank uses interest rate swap contracts to hedge the fair value risks arising from fixed-rate loans that it will collect in the future under lending agreements.

In this context, the fair value fluctuation arising from fixed-rate loans designated as the hedged item is eliminated by establishing an offsetting mechanism through the fair value changes of the interest rate swaps designated as the hedging instrument, in accordance with IFRS 9 hedge accounting principles.
Within the scope of its fair value risk management strategy related to fixed interest rates, the Bank applies fair value hedge accounting in accordance with IFRS 9 principles. It offsets the unrealized fluctuations arising from interest rate movements on the hedging instrument against the fair value changes resulting from interest rate movements on the hedged item, with the aim of presenting a more accurate and reliable profit and loss statement.

Under the established hedge accounting framework, the Bank aims to maintain a hedge ratio of c.a. 70% and hedge effectiveness within the range of 70% to 130%. As of 31 December 2025, the hedge ratio was calculated at 100%, and hedge effectiveness at 100%.

Presented in EUR (000)	**31 December 2025**
Fair value change in the hedged item	(1,015)
Fair value change in the hedging instrument	1,015
Ineffectiveness	-
Hedge effectiveness ratio	**100%**

Presented in EUR (000)	**31 December 2025**
Quantity of the hedged item that the Bank actually hedges	152,235
Quantity of the hedged item that the Bank actually uses to hedge	152,235
Hedge ratio	**100%**

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c4.5 Fair value hedge accounting summarized results

The amounts relating to items designated as hedging instruments and the related hedge accounting ineffectiveness for 2025 and 2024 are summarized as follows:

	31 December 2025						
Presented EUR (000)	**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 2025**	**Ineffectiveness recognized in profit or loss**	Line item in profit or loss that includes hedge ineffectiveness
		Assets	**Liabilities**				
Interest rate swaps – hedge of borrowings / loans	272,234	1,020	27,643	Derivative financial instruments – assets/liabilities	(1,449)	857	Unrealized fair value gains / (losses) on derivative instruments
Cross currency swaps/ Interest rate swaps – hedge of borrowings / loans	482,640	9,424	37,887	Derivative financial instruments – assets/liabilities	21,242	(1,231)	Unrealized net foreign exchange gains / (losses)
Total	**754,874**	**10,444**	**65,530**		**19,793**	**(374)**	

	31 December 2024						
Presented EUR (000)	**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)**	

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The amounts relating to items designated as hedge items for 2025 and 2024 and the related change in their fair value used to calculate hedge ineffectiveness, are summarized as follows:

	31 December 2025			
	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**
Presented in EUR (000)	**Assets**	**Liabilities**		
Loans in US dollar	299,293		Loans at amortized cost	(37,263)
Euro Notes issued		246,500	Borrowings	3,321
Loans in Euro	152,235		Loans at amortized cost	(1,015)
Other Notes Issued		166,532	Borrowings	14,790
Total	**451,528**	**413,032**		**(20,167)**

	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**
Presented in EUR (000)	**Assets**	**Liabilities**		
Euro Notes issued	-	120,000	Borrowings	3,976
Other Notes Issued	-	469,518	Borrowings	(26,818)
Total	**-**	**589,518**		**(22,842)**

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c4.6 Cash flow hedge accounting

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.

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.

On 31 December 2024 the Bank designated a pay fixed-receive fixed cross currency interest rate swap (USD: CHF) in cash flow hedge accounting relationship. The hedging instrument’s nominal amount was EUR 159.371 thousand, with the corresponding hedged item being Swiss franc notes issued (included under “Borrowings” in the Bank’s statement of financial position. In addition, another cash flow hedge relationship with nominal value EUR 4,813 thousand was designated with corresponding hedge item being a loan. For above the balance in the cash flow hedge reserve was EUR 4.561 thousand loss. As of 31 December 2025, the Bank had no cash flow hedge accounting relationships, since all active ones as of 2024 were discontinued in 2025.

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 2025 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 risk arising from its activities, systems and processes. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events, including legal risk. These risks can lead to financial loss, reputational damage or regulatory consequences. The Bank maintains a low tolerance for operational risk losses and is committed to maintaining a sound internal control environment to manage this risk.

The Bank’s operational risk management is governed by a comprehensive framework aligned with international best practices (including Basel Committee principles and the COSO Internal Control and Enterprise Risk Management frameworks). This framework consists of structured policies, procedures, methodologies, reporting mechanisms and governance arrangements to identify, assess, mitigate, monitor and report operational risks enterprise-wide. Oversight of operational risk is provided by the Operational Risk Management Department, as an independent second line of defense, while business units retain primary responsibility for managing risks in their day-to-day operations as the first line of defense. Independent assurance over the operational risk framework is provided by Internal Audit as the third line of defense. This three-lines-of-defense model ensures clear accountability and consistent application of operational risk management practices across the Bank.

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Operational risks are identified and evaluated through comprehensive, bottomup risk and control assessments conducted by business units in collaboration with the Operational Risk Management function. These assessments use a common risk taxonomy and standardized methodologies to evaluate the inherent risks in each area, the design and effectiveness of existing controls, and the resulting residual risk after controls. Where material risks are identified, management decides whether to strengthen controls and mitigate the risk or to formally accept the residual risk if it remains within the Bank's risk appetite and tolerance levels.
The sources of operational risk are varied. They include potential losses from business process failures, technology or infrastructure disruptions, human errors or misconduct (including internal fraud), non-compliance with applicable laws or regulations, or failure of third-party providers. Such events can result in financial losses, as well as reputational harm. The Bank focuses on proactive risk management, emphasizing preventive controls and continuous improvement of processes to reduce the likelihood and impact of operational risk incidents.

All significant operational risk events and control deficiencies are systematically captured, analyzed and reported. Root cause analysis is performed on incidents to understand why they occurred and to strengthen controls, reducing the chance of recurrence. The Bank regularly produces management information reports on operational risk, which track key risk indicators and exposures against defined tolerance levels. These reports provide senior management and the Board with insights into the Bank's operational risk profile and emerging risk trends, enabling timely and informed decision-making.

Information and communication technology (ICT) risk – including cybersecurity risk – is managed as part of the operational risk framework. The Bank employs a range of controls to protect its systems and data, such as up-to-date security software, regular data backups, strict access controls, network security monitoring, vulnerability assessments and penetration testing, as well as periodic disaster recovery testing. These measures help ensure the confidentiality, integrity and availability of the Bank's information systems and are regularly reviewed and enhanced in line with industry best practices and evolving cyber threats.

The Bank also maintains business continuity and disaster recovery plans to safeguard its critical operations in the event of severe disruptions. These plans are periodically reviewed and tested to confirm their effectiveness and to ensure the Bank can continue to operate and meet its obligations even under adverse conditions. Regular training and scenario exercises are conducted so that staff are prepared to respond effectively to operational disruptions, minimizing impact on the Bank's activities and stakeholders.

Overall, the Bank is committed to high standards of accountability, transparency and ethical conduct across all its operations. A strong operational risk management framework, supported by robust internal controls, clear governance arrangements and effective oversight, underpins the Bank's ability to identify, manage and mitigate operational risks. The Bank maintains contingency, business continuity and disaster recovery arrangements, designed to ensure the resilience and continuity of critical operations and to protect the interests of its key stakeholders, including member countries, bondholders and other creditors as well as employees and their families, in the event of significant operational disruptions.

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

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- **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.

The tables below identify the Bank's financial instruments measured at fair value and on a recurring basis at 31 December 2025 and 31 December 2024. Financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

	31 December 2025			
Presented in EUR (000)	Level 1	Level 2	Level 3	Carrying Amount
Derivative financial instruments – assets	-	19,670	-	**19,670**
Fair value through profit or loss:				
Loans	-	-	30,031	**30,031**
Fair value through other comprehensive income:				
Debt investment securities	111,472	-	-	**111,472**
Equity investments	-	-	6,914	**6,914**
Derivative financial instruments – liabilities	-	(94,607)	-	**(94,607)**
At 31 December 2025 on recurring basis	**111,472**	**(74,937)**	**36,945**	**73,480**

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.

	31 December 2024			
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**

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)	31 December 2025	31 December 2024
At 1 January	**20,308**	**10,827**
Disbursement	10,000	10,000
Total gains (losses) recognized in the income statement	(276)	(519)
At end of year on recurring basis	**30,031**	**20,308**

At 31 December 2025 the fair value of loans through profit or loss is calculated based on a discounted payment / cashflows approach using the applicable effective interest rate.

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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)	31 December 2025	31 December 2024
At 1 January	**6,625**	**10,665**
Disbursements	463	221
Repayments	(85)	(1,411)
Distribution of equity investment	-	(2,865)
Total gains (losses) recognized in other comprehensive income	172	261
Exit at fair value through other comprehensive income	(261)	(246)
At end of year on recurring basis	**6,914**	**6,625**

Disbursements include committed capital call or covering general costs, without increasing percentage of investment. Pursuant to the Bank's accounting policy for equity investments at fair value through other comprehensive income on 31 December 2025 an amount of EUR -261 thousand (2024: EUR -246 thousand) was exit of such financial assets and not recycled to the income statement (see Note 18).

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	30,031	1,501	(1,501)
Equity investments	NAV and EBITDA multiplies	6,914	346	(346)
31 December 2025		**36,945**	**1,847**	**(1,847)**

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	NAV and EBITDA multiplies	6,625	331	(331)
31 December 2024		**26,933**	**1,346**	**(1,346)**

As of 31 December 2025, loans at fair value through profit or loss comprise 3 subordinate loans (2024: 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 participation. NAV multiples are most 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.

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Financial Instruments not Measured at Fair Value

The table below classifies the Bank's financial instruments at 31 December 2025 and 31 December 2024 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.

	31 December 2025				
Presented in EUR (000)	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Assets					
Cash and due from banks	425,871	-	-	**425,871**	425,871
Deposits in margin accounts	80,370	-	-	**80,370**	80,370
Loans at amortized cost	272,288	-	1,104,703	**1,376,991**	1,427,151
Accrued/deferred income	-	-	28,698	**28,698**	28,698
Other assets	10,000	-	24,146	**34,146**	34,146
Total financial assets	**788,529**	**-**	**1,157,547**	**1,946,076**	**1,996,235**
Liabilities					
Borrowings	157,916	547,224	320,677	**1,025,817**	1,049,202
Margin accounts	3,160	-	-	**3,160**	3,160
Other and lease liabilities	-	-	26,692	**26,692**	26,692
Total financial liabilities	**161,076**	**547,224**	**347,369**	**1,055,669**	**1,079,054**

	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**

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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.

In May 2024, BoG of the Bank concluded a capital increase, according to which the total subscribed capital will rise by EUR 817 million to EUR 3.1 billion. The paid-in capital will increase by EUR 245 million through cash contribution to EUR 932 million, scheduled in the period 2027-2034.

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.

	2025			2024		
Presented in EUR (000)	**Lending**	**Treasury**	**Total**	**Lending**	**Treasury**	**Total**
Income statement						
Interest income	79,353	8,541	87,894	67,514	17,978	85,492
Net fees and commissions	1,895	0	1,895	1,809	182	1,991
Other income (losses)	701	(294)	407	429	(7,247)	(6,818)
Total segment revenues	**81,949**	**8,247**	**90,196**	**69,752**	**10,913**	**80,665**
Interest expense	(31,739)	(272)	(32,011)	(29,943)	(271)	(30,214)
Net interest income (expense) on derivatives	-	(11,602)	(11,602)	-	(18,891)	(18,891)
Gains (losses) on other financial instruments	486	21,074	21,560	(1,370)	(2,712)	(4,082)
Foreign exchange	-	(16,919)	(16,919)	-	28.377	28,377
Personnel and administrative expenses	(25,768)	(1,005)	(26,773)	(22,883)	(840)	(23,723)
Depreciation and amortization	(719)	(11)	(730)	(479)	(3)	(482)
Segment income before ECL	**24,209**	**(488)**	**23,721**	**15,077**	**16,573**	**31,650**
(Less): expected credit losses	4,344	(547)	3,797	(7,407)	(816)	(8,223)
Income for the year	**28,553**	**(1,035)**	**27,518**	**7,670**	**15,757**	**23,427**

	31 December 2025			31 December 2024		
Presented in EUR (000)	**Lending**	**Treasury**	**Total**	**Lending**	**Treasury**	**Total**
Financial position						
Segment assets	1,459,861	637,383	2,097,244	1,414,526	428,932	1,843,458
At end of year	**1,459,861**	**637,383**	**2,097,244**	**1,414,526**	**428,932**	**1,843,458**
Segment liabilities	1,079,054	94,607	1,173,661	839,991	112,442	952,433
Members' equity	-	-	923,583	-	-	891,025
At end of year	**1,079,054**	**94,607**	**2,097,244**	**839,991**	**112,442**	**1,843,458**

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 ended 31 December 2025	Year ended 31 December 2024
Albania, Bulgaria and Greece	17,356	16,858
Armenia, Azerbaijan, Georgia and Türkiye	35,800	27,505
Moldova Romania, Russian Federation and Ukraine	28,793	25,389
Treasury	8,247	10,913
Total segment revenues	**90,196**	**80,665**

7. INTEREST AND SIMILAR INCOME

Interest and similar income are analyzed as follows:

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
From loans at amortized cost	77,982	66,234
From banks	2,819	6,296
From debt securities at FVTOCI	5,722	11,682
Total interest income for financial instruments not measured at FVTPL	**86,523**	**84,212**
From loans at FVTPL	1,371	1,280
Interest and similar income	**87,894**	**85,492**

8. INTEREST AND SIMILAR EXPENSE

Interest and similar expenses are analyzed as follows:

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
From borrowed funds	7,658	6,292
From issued debt	24,081	23,651
From other charges	272	271
Interest and similar expense	**32,011**	**30,214**

9. NET INTEREST ON DERIVATIVES

Net interest on derivatives is analyzed as follows:

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
Interest on derivatives receivable	30,221	38,391
Interest on derivatives payable	(41,823)	(57,282)
Net interest income (expense) on derivatives	**(11,602)**	**(18,891)**

NOTES TO THE FINANCIAL STATEMENTS

10. NET FEES AND COMMISSIONS

Net fees and commissions are analyzed as follows:

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
Guarantee fees	1,220	147
Management fees	264	212
Administration fees	11	17
Surveillance fees	23	32
Participation	-	182
Prepayment / cancellation fees	-	1,214
Other fees	377	187
Net fees and commissions	**1,895**	**1,991**

11. GAINS (LOSSES) ON DERIVATIVE INSTRUMENTS

The net gains and losses, both realized and unrealized, from derivative financial instruments are summarized as follows:

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
Net realized gains (losses) on derivative instruments	7,240	(15,453)
Net unrealized fair value gains (losses) on derivative instruments	13,834	12,741

- In 2025 net realized gain (losses) on derivative instruments account comprises of profit EUR 8,594 thousand resulted from disposal of derivative in CHF minus losses EUR 1,354 thousand incurred from the maturity of other derivative instruments.

12. FOREIGN EXCHANGE GAINS (LOSSES)

Foreign exchange losses for the years 2025 and 2024 are as follows:

Presented in EUR (000)	31 December 2025	31 December 2024
Unrealized net foreign exchange gains (losses)	(22,411)	22,374
Realized net foreign exchange gains (losses)	5,492	6,003
Total net foreign exchange gain (loss)	**(16,919)**	**28,377**

Unrealized net foreign exchange gains (losses) in 2025 mainly include:

- Foreign exchange loss EUR 14.9 million resulted from loans and borrowings denominated in USD, which are not eligible for hedge accounting.
- Foreign exchange loss EUR 5.3 million from loans and borrowings, both denominated in currencies other than Euro, which are not yet categorized under the current hedge accounting models of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

- Net foreign exchange gain EUR 2.9 million from year-end measurement of ECL and related loans which are denominated in currencies other than Euro.

Realized foreign exchange gains have mainly been resulted from foreign exchange forward contract equal to EUR 5.3 million which matured in 2025.

13. PERSONNEL AND ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
Salaries and benefits	17,403	15,215
Staff retirement plans	2,891	2,983
Personnel expenses	**20,294**	**18,198**

Presented in EUR (000)	Year ended 31 December 2025	Year ended 31 December 2024
Professional fees and related expenses	1,854	1,466
Utilities and maintenance	1,580	1,806
Other administrative	3,045	2,253
Administrative expenses	**6,479**	**5,525**

The average number of staff employed during the year was 114 (2024: 113). The number of staff as at 31 December 2025 was 117 (2024: 111). Further analysis of the staff retirement plan is presented in note 28 “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 19).

14. EXPECTED CREDIT LOSSES ON LOANS

The movement of the Expected Credit Losses (ECLs) arise from Loans measured at amortized cost is summarized as follows:

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024	**1,940**	**35,391**	**58,901**	**96,232**
New loans originated	1,006	3,225	-	4,231
Release	(59)	(757)	(1,079)	(1,895)
Sale	(181)	-	-	(181)
Transfer	21	(21)	-	-
Impact in net remeasurement	126	(6,024)	(2,101)	(7,999)
Foreign exchange and other adjustments	(89)	(885)	(3,791)	(4,765)
At 31 December 2025	**2,764**	**30,929**	**51,930**	**85,623**

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.

On 31 December 2025 the accumulated ECL on loans was EUR 85,623 thousand (2024: EUR 96,232 thousand) resulting in a decrease by EUR 10,609 thousand, which is mainly attributable to remeasurement of loans and year-end valuation profits resulted from ECLs denominated in foreign currencies. However, the balance of ECLs continued to remain high and is 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.

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.

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As of 31 December 2025, the related amount included in other liabilities is EUR 1,059 thousand for loan commitments of EUR 110,551 thousand (2024: EUR 312 thousand for loan commitments of EUR 50,812 thousand).

Individual Assessments

For the loans for which impairment is assessed on an individual basis as per IFRS 9, the assessment is based on certain assumptions involving optimistic and pessimistic scenarios per the methodology currently applied by the Bank. As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty; therefore, the actual outcomes may be significantly different from those projected. The Bank considers these forecasts to represent the 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 tables below depict per stage the outstanding balance along with the expected credit loss, which excludes that of undrawn commitments, for the years ended 31 December 2025 and 2024 respectively of Russian and Ukrainian loans.

Country	**Status of receivable**	**31 December 2025** Presented in EUR (000)		
		Stage 2	**Stage 3**	**Total**
Russia	Outstanding balance	47,802	48,824	**96,626**
	Expected credit loss	526	18,300	**18,826**
Ukraine	Outstanding balance	151,063	38,608	**189,671**
	Expected credit loss	30,171	29,936	**60,107**

Country	**Status of receivable**	**31 December 2024** Presented in EUR (000)		
		Stage 2	**Stage 3**	**Total**
Russia	Outstanding balance	75,240	59,474	**134,714**
	Expected credit loss	142	22,735	**22,877**
Ukraine	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 supra- national status of the institution.

Similarly, the Bank is unambiguously exempted from any and all moratoria and other restrictions in all its Member States pursuant to fundamental articles in its ratified Establishing Treaty, including capital controls. In the latter respect, the authorities of the RF, though exempting the Bank from such controls, continue to require the borrowers themselves to apply for specific licenses from the appropriate Ministry, and/or Central Bank. In some instances, delays in the above process resulted in credit worthy and willing and able borrowers depositing certain instalments due in a special type of account under RF legislation, known as “S” banking account, until the RF authorities clear their removal. Such monies, for the avoidance of doubt, belong to the Bank.

NOTES TO THE FINANCIAL STATEMENTS

Stage Overrides Operations

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

The Bank performed an individual assessment on all these loans and where it was determined that based on the repayments performed by these borrowers, their respective creditworthiness and ability to serve their obligations that the Stage 3 criteria were not met, the Bank reclassified these loans to stage 2.

Total exposure of these loans amounted to EUR 198,865 thousand representing 13.9% of total outstanding loans at amortized cost as of 31 December 2025 and their respective ECL allowance was EUR 31,521 thousand, which includes that of undrawn commitments (2024: EUR 35,195 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.

15. DEBT INVESTMENT SECURITIES

Debt investment securities at fair value through other comprehensive income (OCI), are analyzed as follows:

Presented in EUR (000)	31 December 2025	31 December 2024
Gross balance at 1 January	**96,475**	**95,975**
Purchase of debt investment securities	1,945,608	2,135,556
Proceeds from debt investment securities	(1,928,169)	(2,127,809)
Participation in Ukraine government debt restructuring*	-	(7,247)
Gross balance debt investment securities	**113,914**	**96,475**
(Less): deferred income	(91)	(60)
(Less): expected credit losses	(2,351)	(1,805)
Debt investment securities at fair value through OCI	**111,472**	**94,610**
Analyzed by investment type		
Bonds	24,541	44,670
Commercial papers	86,931	49,940
Debt investment securities at fair value through OCI	**111,472**	**94,610**

- In 2024 the Bank accepted the restructuring of Ukrainian sovereign debt and as a result of this haircut incurred losses EUR 7,001 thousand.

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The movement of expected credit losses (ECLs) associated with these debt investment securities at fair value through other comprehensive income per each stage category for the year ended 31 December 2025, is as follows:

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2023	**32**	**-**	**957**	**989**
Charge	70	-	746	816
Release	-	-	-	-
At 31 December 2024	**102**	**-**	**1,703**	**1,805**
Charge	-	-	633	633
Release	(87)	-	-	(87)
At 31 December 2025	**15**	**-**	**2,336**	**2,351**

The total amount of expected credit losses on debt investment securities through other comprehensive income increased in 2025 as compared to 2024 by EUR 547 thousand, primarily due to increase for Stage 3 investment securities.

16. 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 2025		
	Notional amount of derivative contracts	**Fair Value**	
Presented in EUR (000)		**Assets**	**Liabilities**
<u>Derivatives held for hedging:</u>			
Derivatives designated and effective as hedging instruments carried at fair value hedges:			
Interest Rate Swaps	353,511	1,228	37,082
Cross Currency Swaps	401,363	9,216	28,448
Total Derivatives designated in fair value hedges:	**754,874**	**10,444**	**65,530**
Derivatives held for risk management purposes:			
Interest Rate Swaps	155,000	-	27,917
Cross Currency Swaps	273,198	9,226	1,160
Forwards	-	-	-
Total Derivatives held for risk management purposes:	**428,198**	**9,226**	**29,077**
Total	**1,183,072**	**19,670**	**94,607**

NOTES TO THE FINANCIAL STATEMENTS

Presented in EUR (000)	31 December 2024		
	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	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 held for risk management purposes:			
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**

In 2025, derivatives carrying value EUR 10,985 thousand (that was the hedging instrument of the cash flow hedge accounting) sold resulting in profit equal to EUR 8,594 thousand (see Note 11).

Derivatives held for risk management purposes in previous year were also sold in 2025, realizing total net profit equal to EUR 3,958 thousand, which is included in income statement as follows:

- Loss EUR -1,354 thousand in realized gains / losses on derivative instrument (see Note 11) and
- Profit EUR 5,312 resulted from USD forward contract in foreign exchange gains / (losses). This profit is included in income statement under foreign exchange (losses) / income account, since it was a pure foreign exchange instrument (see Note 11).

The Bank uses 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's 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

17. LOANS

The Bank offers a range of loan facilities directed to investments for both project and trade financing and are 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)	**31 December 2025**	**31 December 2024**
Loans at amortized cost:		
At 1 January	**1,454,982**	**1,622,815**
Disbursements	513,303	449,440
(Less): repayments	(403,075)	(622,539)
Movement of accrued/deferred income	(6,750)	(22,331)
Sale of loans	(38,298)	-
Foreign exchange and other movements	(64,314)	27,597
Outstanding balance	**1,455,848**	**1,454,982**
(Less): Expected credit losses	(85,623)	(96,232)
Loans at fair value through profit or loss	30,031	20,308
Loans (net carrying amount)	**1,400,256**	**1,379,058**

- In 2025 the Bank sold one loan at profit of EUR 1,023 thousand.
- In 2025 a new loan with nominal value EUR 10 million (fair value EUR 9,951 thousand) that is classified at fair value through profit or loss is disbursed (see Note 5.c5).
- In 2025 in "foreign exchange and other movements" is also included fair value hedge adjustment of EUR 1,015 thousand (see Note 5).

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

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Presented in EUR (000)	31 December 2025	31 December 2024
Stage 1		
Opening balance	**898,382**	**993,719**
New loans originated	288,365	368,940
Transfer / repayments / disbursements	(97,814)	(464,277)
(Less): expected credit losses	(2,764)	(1,940)
Carrying amount	**1,086,169**	**896,442**
Stage 2		
Opening balance	**447,701**	**469,147**
New loans originated	24,705	-
Transfer / repayments / disbursements	(202,382)	(21,446)
(Less): expected credit losses	(30,929)	(35,391)
Carrying amount	**239,095**	**412,310**
Stage 3		
Opening balance	**108,899**	**160,028**
Transfer / repayment / disbursements	(12,008)	(51,129)
(Less): expected credit losses	(51,930)	(58,901)
Carrying amount	**44,961**	**49,998**
Loans at fair value through profit or loss	30,031	20,308
Net carrying amount	**1,400,256**	**1,379,058**

Interest is generally based on Euro and US dollar reference 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

18. 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.

		31 December 2025		31 December 2024	
Presented in EUR (000)	% of Investment	Cost	Fair Value	Cost	Fair value
Access Bank, Azerbaijan	0.58	754	539	852	421
Emerging Europe Accession Fund	10.15	1,110	3,154	1,110	3,501
Rusal	0.01	4	226	4	167
ADM Ceecat Recovery Fund	-	-	-	261	6
Teamnet International	8.33	5,599	-	5,599	-
Natfood	37.98	-	-	-	-
EOS Hellenic Renaissance Fund I	2.01	1,944	2,603	2,029	2,505
EOS Hellenic Renaissance Fund II	2.28	433	304	57	25
SME Remedium CAP II Fund	0.01	88	88	-	-
Equity investments at fair value though other comprehensive income		**9,932**	**6,914**	**9,912**	**6,625**

The valuation of the above investments, which are not traded in listed markets, has been calculated using the most recent management accounts or the latest audited accounts as of 31 December 2025, 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 there was dissolution of ADM Ceecat Recovery fund the Bank realized net loss of EUR 261 thousand. 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, which for the year was nil (2024: EUR -246 thousand).

As of 31 December 2025, the Bank has committed EUR 14,682 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

19. OTHER ASSETS

Other assets are analyzed as follows:

Presented in EUR (000)	31 December 2025	31 December 2024
Advances and prepaid expenses	9,827	2,603
Accrued interest on derivatives	6,648	7,728
Clearing house on derivatives	1,418	1,604
Other receivables	267	371
Other prepayments	2,786	188
Staff loans (see Note 13)	3,153	3,333
Guarantee deposits and non-current	47	81
Government Grant – receivable from special fund	10,000	-
Other assets	**34,146**	**15,908**

20. PROPERTY AND EQUIPMENT

Property and equipment is analyzed as follows:

Presented in EUR (000)	Land	Buildings	Vehicles	Furniture and office accessories	Computers and office equipment	Under* construction	Total
Cost							
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
Additions	-	5,426	-	258	848	-	6,532
Transfer	2,300	9,103	-	-	-	(11,403)	-
Disposals	-	-	(44)	-	-	-	(44)
At 31 December 2025	**2,300**	**15,422**	**138**	**833**	**2,808**	**-**	**21,501**
Depreciation							
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
Charges	-	250	28	34	227	-	539
Disposals	-	-	(43)	-	-	-	(43)
At 31 December 2025	**-**	**1,141**	**63**	**585**	**1,678**	**-**	**3,467**
Net book value							
At 31 December 2025	**2,300**	**14,281**	**75**	**248**	**1,130**	**-**	**18,034**
At 31 December 2024	**-**	2	104	24	509	11,403	12,042
At 31 December 2023	-	6	137	24	165	-	332

The land and building are recognized at their fair value, which is the actual contribution paid, since 2025 is the first year of acquisition of these asses which are used to accommodate the Bank's central offices in Thessaloniki.

NOTES TO THE FINANCIAL STATEMENTS

Government grant

Presented in EUR (000)	**Total**
Financial position	
At 31 December 2023	-
Other (liabilities)	-
At 31 December 2024	-
Other (liabilities)	(10,000)
Deferred income	167
At 31 December 2025	**(9,833)**
Income statement	Total
At 31 December 2023	-
Deferred income	-
At 31 December 2024	-
Deferred income	167
Less: depreciation charge	(250)
Net P&L impact for the year	**(83)**

The government grant was contributed to the Bank's new permanent Headquarters Premises that was purchased and constructed to which the grant is non-refundable. During the year the Bank has fully relocated and therefore fully complied with contractual conditions based on which grant is received. Deferred income is recognized over a systematic basis over the useful life of the asset coinciding with the related depreciation charge from the building for which grant is received (see Note 23).

21. INTANGIBLE ASSETS

Intangible assets comprising computer software is analyzed as follows:

Presented in EUR (000)	**Total**
Cost	
At 31 December 2023	5,702
Additions	178
At 31 December 2024	5,880
Additions	487
At 31 December 2025	**6,367**
Accumulated amortization	
At 31 December 2023	5,150
Charges	349
At 31 December 2024	5,499
Charges	357
At 31 December 2025	**5,856**
Net book value	
At 31 December 2025	**511**
At 31 December 2024	**381**
At 31 December 2023	552

NOTES TO THE FINANCIAL STATEMENTS

22. 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.

			31 December 2025		31 December 2024	
Presented in EUR (000)	Average maturity (years)	Approx. average cost (%)	Amount used	Amount arranged	Amount used	Amount arranged
Borrowed by						
Amounts borrowed	3.42	3.06	1,039,394	1,337,451	815,311	1,060,694
Accrued interest payable	-	-	9,808	-	6,868	-
Total	**3.39**	**3.03**	**1,049,202**	**1,337,451**	**822,179**	**1,060,694**
Denomination by						
Euro	5.08	2.50	457,775	628,167	264,280	365,280
United States dollar	4.18	3.96	123,567	251,227	90,541	234,924
Swiss franc	1.25	0.35	161,078	161,078	159,439	159,439
Romanian lei	0.41	5.43	65,716	65,721	67,293	67,293
Pound sterling	3.62	2.03	57,205	57,205	60,170	60,170
Turkish lira	4.00	36.76	7,131	7,131	9,799	9,799
Georgian lari	2.00	8.08	42,537	42,537	46,066	46,066
Czech koruna	0.25	4.23	49,511	49,511	47,647	47,647
Japanese yen	0.41	0.65	27,142	27,142	30,643	30,643
Australian dollar	4.25	3.03	16,857	16,857	17,664	17,664
Polish zloty	0.75	2.12	16,584	16,584	16,374	16,374
New Zealand dollar	3.75	6.10	4,907	4,907	5,395	5,395
Philippine peso	4.75	6.60	9,384	9,384	-	-
Accrued interest payable	-	-	9,808	-	6,868	-
Total	**3.39**	**3.03**	**1,049,202**	**1,337,451**	**822,179**	**1,060,694**
Maturity by						
Short-term, within one year	0.42	3.94	187,072	187,072	12,489	12,489
Long-term, over one year	4.09	2.86	852,322	1,150,379	802,822	1,048,205
Accrued interest payable	-	-	9,808	-	6,868	-
Total	**3.39**	**3.03**	**1,049,202**	**1,337,451**	**822,179**	**1,060,694**

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 borrowed funds above.

NOTES TO THE FINANCIAL STATEMENTS

23. OTHER LIABILITIES

Other liabilities are analyzed as follows:

Presented in EUR (000)	**31 December 2025**	**31 December 2024**
Accrued interest on derivatives	13,518	15,455
Suppliers and other accrued expenses	1,711	1,717
Other provisions	1,630	312
Government grant (see Note 20)	9,833	-
Other liabilities	**26,692**	**17,484**

24. 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 2023	164
Renewal of lease term	831
Lease payments recognized in administrative expenses	(667)
Lease liability at 31 December 2024	**328**
Renewal of lease term	124
Lease payments recognized in administrative expenses	(452)
Lease liability at 31 December 2025	**-**

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.

During the year the Bank has completed and relocated to own new Headquarters Premises and no longer rents the above previous Headquarters Building.

NOTES TO THE FINANCIAL STATEMENTS

25. 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)	**31 December 2025**	**31 December 2024**
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:

	31 December 2025		
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**

** See Note 5 “Capital Management”

26. RESERVES

Reserves are analyzed as follows:

Presented in EUR (000)	General reserve	Revaluation reserve	Other reserves	Total
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**
Gains (losses) on revaluation of investments	-	1,368	-	1,368
Actuarial (losses) gains on defined benefit scheme	-	-	1,601	1,601
Gains (losses) on cash flow hedging instruments	-	-	2,071	2,071
Transferred from retained earnings	14,745	-	-	14,745
At 31 December 2025	**146,307**	**(28,286)**	**2,708**	**120,729**

NOTES TO THE FINANCIAL STATEMENTS

26.1 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 are normally built-up from those released impairment charges during the year. In 2025 the amount that is reclassified from retained earnings to the general reserve equals to EUR 14,745 thousand (2024: EUR 9,074 thousand).

26.2 Revaluation and Other Reserves

The revaluation reserve contains fair value movements recognized on the Bank's assets and liabilities that are recorded as other comprehensive income of EUR 1,368 thousand (2024: EUR 8,781 thousand).

Other reserves movements in 2025 are attributed to the following:

- EUR 1,601 thousand (2024: EUR 2,159 thousand), due to remeasurement of the defined benefit pension scheme of the Bank, as per actuarial valuation (see Note 28).

- The movement of the cash flow hedge reserve by EUR 2,071 thousand due to the discontinuation of cash flow hedge accounting in 2025.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is analyzed as follows:

Presented in EUR (000)	**31 December 2025**	**31 December 2024**
Cash on hand	6	16
Due from banks	425,865	224,317
Investments maturing up to 1 month:		
At fair value through other comprehensive income portfolio	78,385	49,940
Investment maturing from 1 month to 3 months:		
At fair value through other comprehensive income portfolio	8,511	-
Cash and cash equivalents	**512,767**	**274,273**

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

NOTES TO THE FINANCIAL STATEMENTS

28. 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 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 2025. The present value of the defined benefit obligation and current service cost was calculated using the projected unit credit method.

	31 December 2025	**31 December 2024**
Presented in EUR (000)		
Amounts recognized in the statement of financial position		
Present value of the defined benefit obligations	30,738	32,662
Fair value of plan assets	(33,336)	(32,768)
Net liability at end of the year	**(2,598)**	**(106)**
Amounts recognized in the income statement		
Service cost	1,430	1,505
Net interest on the net defined benefit liability/(asset)	(44)	52
Administration expense	51	50
Total included in personnel expenses	**1,437**	**1,607**
Remeasurements recognized in other comprehensive income		
At 31 December	11	(2,148)
Liability gain (loss) due to changes in assumptions	4,040	1,782
Liability experiences gain (loss) arising during the year	(2,731)	(1,380)
Return on plan assets excluding income statement amounts	292	1,757
Total amount recognized in OCI during the year	1,601	2,159
Cumulative in other comprehensive income (expense)	**1,612**	**11**
Principal actuarial assumptions used		
Discount rate	4.30%	3.51%
Expected return on plan assets	4.30%	3.51%
Future salary increase	1.00%	1.00%
Future pension increase	2.00%	2.00%
Average remaining working life of employees	8 years	7 years

NOTES TO THE FINANCIAL STATEMENTS

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 4.30% pa.

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

Presented in EUR (000)	**31 December 2025**	**31 December 2024**
Major categories of plan assets		
Cash instruments	6%	7%
Fixed interest	53%	54%
Equities	36%	36%
Other	5%	3%
Reconciliation of plan assets		
Market value at 1 January	32,768	28,160
Expected return	1,180	944
Contributions paid	2,327	2,361
Benefit pension and lump sum paid to pensioners	(3,180)	(404)
Expenses	(51)	(50)
Asset gain (loss)	292	1,757
Fair value of plan assets	**33,336**	**32,768**

NOTES TO THE FINANCIAL STATEMENTS

The actual investment return on assets of the Fund for the year was 5.10%. 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 2026 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)	2025	2024	2023	2022	2021
Defined benefit obligations	30,738	32,662	30,967	24,705	36,375
Plan assets	(33,336)	(32,768)	(28,160)	(24,084)	(27,691)
Plan deficit (surplus)	(2,598)	(106)	2,807	621	8,684
Net experience adjustments on plan liabilities (assets)	**2,731**	**1,380**	**3,002**	**1,631**	**225**

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.

	2025		2024	
Presented in EUR (000)	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(3,027)	3,027	(4,040)	4,040
Future salary growth (1% movement)	3,166	(3,166)	1,927	(1,927)

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.

Under the Defined Contribution Scheme

Upon separation, a staff member will be entitled to receive in cash the full balance standing on the credit of his/her individual account for the second and third pillars. The pension expense under this scheme was EUR 1,454 thousand (2024: EUR 1,350 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 nil (2024: 26 thousand) and is included in 'Personnel expense'.

NOTES TO THE FINANCIAL STATEMENTS

29. 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 1,874 thousand (2024: EUR 1,450 thousand), of which comprises salary and employee benefits of EUR 1,616 thousand (2024: EUR 1,239 thousand) and post-employment benefits of EUR 258 thousand (2024: EUR 211 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".

NOTES TO THE FINANCIAL STATEMENTS

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

The following table presents reconciliation of movements of liabilities to cash flows arising from financing activities

	2025						
	Liabilities			Equity			
	Borrowings	Accrued interest	Lease liabilities	Paid-in share capital	Reserves	Retained earnings	Total
Balance at 1 January 2025	**815,311**	**6,869**	**328**	**686,550**	**100,944**	**103,531**	**1,713,533**
Changes from financing cash flows:							
Proceeds from issue of debt securities	258,717	-	-	-	-	-	**258,717**
Repayment of debt securities	(15,089)	-	-	-	-	-	**(15,089)**
Interest expense paid	-	(26,496)	-	-	-	-	**(26,496)**
Payment of lease liability	-	-	(452)	-	-	-	**(452)**
Total changes from financing cash flows	**243,628**	**(26,496)**	**(452)**	**-**	**-**	**-**	**216,680**
The effect of changes in foreign exchange rates	**(22,660)**	**-**	**-**	**-**	**-**	**-**	**(22,660)**
Changes in fair values	**3,115**	**-**	**-**	**-**	**-**	**-**	**3,115**
Liability - related							
Leases	-	-	124	-	-	-	**124**
Interest accrued		2,939					**2,939**
Interest paid	-	26,496	-	-	-	-	**26,496**
Total liability-related other changes	**-**	**29,435**	**124**	**-**	**-**	**-**	**29,559**
Total equity related other changes	**-**	**-**	**-**	**-**	**19,785**	**12,773**	**32,558**
Balance at 31 December 2025	**1,039,394**	**9,808**	**-**	**686,550**	**120,729**	**116,304**	**1,972,785**

NOTES TO THE FINANCIAL STATEMENTS

	2024						
	Liabilities			Equity			
	Borrowings	Accrued interest	Lease liabilities	Paid-in share capital	Reserves	Retained earnings	Total
Balance at 1 January 2024	**1,168,008**	**6,475**	**164**	**686,550**	**83,163**	**89,423**	**2,033,783**
Changes from financing cash flows:							
Proceeds from issue of debt securities	112,528	-	-	-	-	-	**112,528**
Repayment of debt securities	(465,025)	-	-	-	-	-	**(465,025)**
Interest expense paid	-	(29,821)	-	-	-	-	**(29,821)**
Payment of lease liability	-	-	(672)	-	-	-	**(672)**
Total changes from financing cash flows	**(352,497)**	**(29,821)**	**(672)**	**-**	**-**	**-**	**(382,990)**
The effect of changes in foreign exchange rates	(200)	**-**	**-**	**-**	**-**	**-**	**(200)**
Changes in fair values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liability - related							
Interest expense	-	-	-	-	-	-	**-**
Interest paid	-	30,214	-	-	-	-	**30,214**
Lease term	-	-	836	-	-	-	**836**
Total liability-related other changes	**-**	**30,214**	**836**	**-**	**-**	**-**	**31,050**
Total equity related other changes	**-**	**-**	**-**	**-**	**17,781**	**14,108**	**31,889**
Balance at 31 December 2024	**815,311**	**6,868**	**328**	**686,550**	**100,944**	**103,531**	**1,713,532**

NOTES TO THE FINANCIAL STATEMENTS

31. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that would require disclosure in 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 on 31 December 2025.

The events below 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.

In February 2026 the Bank successfully raised USD 350 million through a new bond issuance under its EUR 2.5 billion Medium-Term Note (MTN) Program. The bond has a three-year maturity and carries a fixed coupon of 5.625%, payable semi-annually. The issuance bond attracted 6.7-times oversubscription over initially targeted USD 300 million size despite and drew significant demand from institutional investors with broad participation across Europe, the United States, Asia and the Middle East. The proceeds of the bond will be used to support the Bank's operations and development agenda in its member countries.

In March 2026 the Hellenic Government in an expression of support and demonstration of its continuous commitment to the Bank provided the second and final instalment to the new permanent Headquarters Premises of EUR 5 million against the Special Fund (see Note Summary of Special Funds), as such the Hellenic Government commitments to the Special Fund have been fulfilled and such terminated.

32. 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)	**31 December 2025**	**31 December 2024**
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**

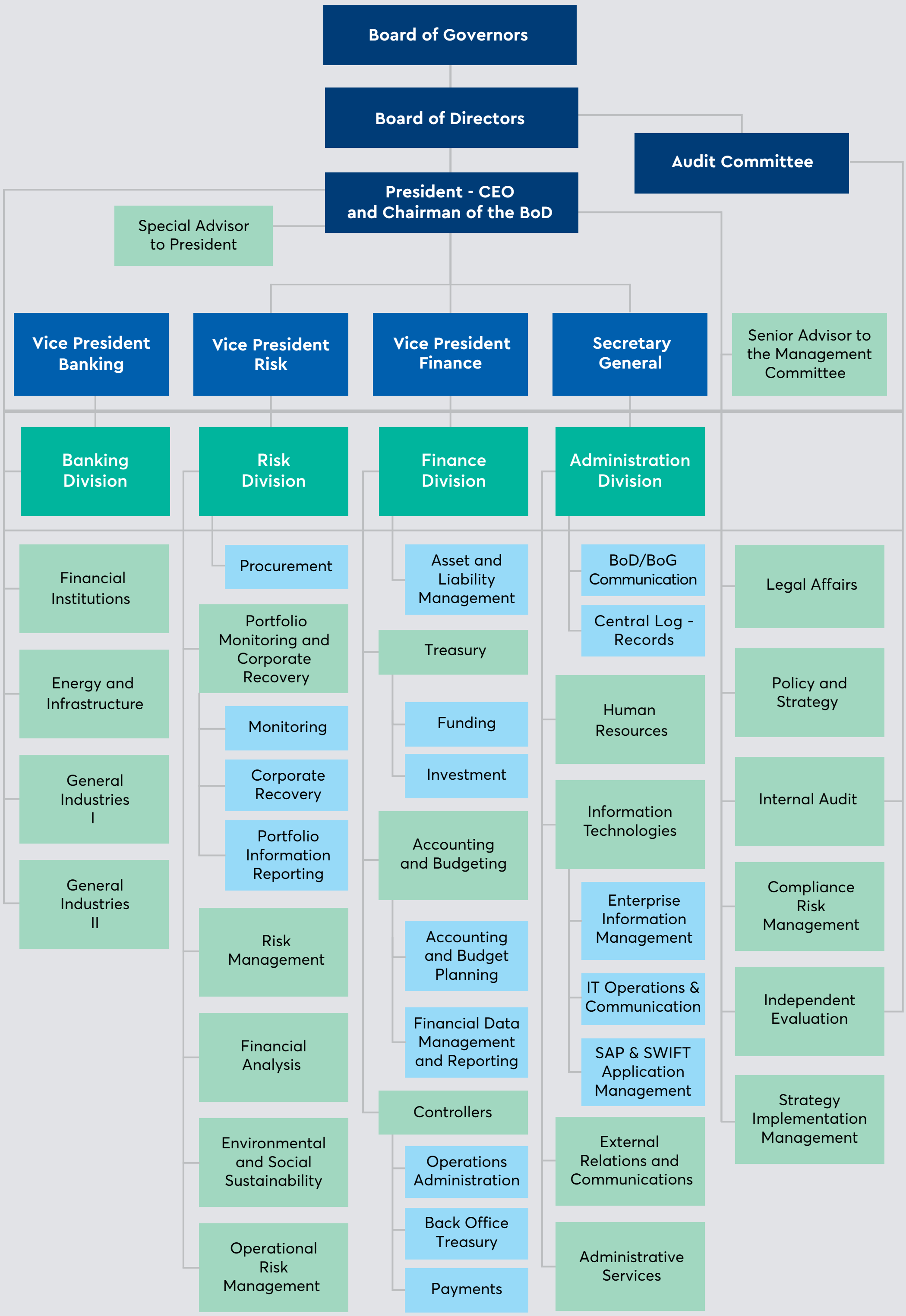
NOTES TO THE FINANCIAL STATEMENTS

New Permanent Headquarters of the Bank

The Hellenic Government in an expression of support and demonstration of its continuous commitment to the Bank has contributed in total EUR 10 million, one installment in 2024 and one in March 2026 for the acquisition of permanent premises for its Headquarters in Thessaloniki in the Hellenic Republic. The movement in the Fund is shown below.

Presented in EUR (000)	**31 December 2025**	**31 December 2024**
Statement of movements		
Balance brought forward	5,000	-
Contribution	-	5,000
Net income for the year	-	-
Less: disbursements	-	-
Balance of available funds	**5,000**	**5,000**
Financial position		
Placements with other financial institutions	5,000	5,000
Total Assets	**5,000**	**5,000**
Unallocated fund balance	5,000	5,000
Total Liabilities and Contributor Resources	**5,000**	**5,000**

Annex A
Organizational Chart



As of 31 December 2025

Annex B
Contact BSTDB

26th Oktovriou & 1 Limnou Street, 54627 Thessaloniki, Greece
+30 2310 290400 I +30 2310 286590
info@bstdb.org I www.bstdb.org

Dr. Serhat Köksal President Office: +30 2310 290560 op@bstdb.org	**Ziya Aliyev** Vice President Banking Office: +30 2310 290407 vp_banking@bstdb.org	**Dragoş Paul Ungureanu** Vice President Risk Office: +30 2310 290433 vp_risk@bstdb.org	**Valeriy Piatnytskyi** Vice President Finance Office: +30 2310 290444 vp_finance@bstdb.org	**Asterios Tsoukalas** Secretary General Office: +30 2310 290484 osg@bstdb.org
Legal Affairs Michalis Spanopoulos General Counsel edla@bstdb.org	**Financial Institutions** Larisa Manastirli Director edfi@bstdb.org	**Risk Management** George Pahinis Chief Risk Officer edrm@bstdb.org	**Accounting and Budget Planning** Nikolas Papavramides Director edab@bstdb.org	**Human Resources** Eduard Katmazowski Director edhr@bstdb.org
Policy and Strategy Panayotis Gavras Director edps@bstdb.org	**Energy and Infrastructure** Roman Matkiwsky Director edei@bstdb.org	**Financial Analysis** Faidon Chatzakis Director edfa@bstdb.org	**Controllers** Georgeta Buzica Financial Controller edco@bstdb.org	**Information and Communication Technology (ICT)** Christos Georgiou Director edit@bstdb.org
Strategy Implementation Altay Togay Director edps@bstdb.org	**General Industries, Transport and Tourism I** Leonid Sidorenko Director edg1@bstdb.org	**Portfolio Monitoring and Corporate Recovery** Alexander Mostovoy Director edpm@bstdb.org	**Treasury** Ivan Larin Treasurer edtr@bstdb.org	**External Relations & Communications** Cagatay Imirgi Director eder@bstdb.org
Internal Audit Pavlos Pavlides Director edia@bstdb.org	**General Industries, Transport and Tourism II** Orhan Aytemiz Director edq2@bstdb.org	**Environmental and Social Sustainability** Mircea Cojocaru Director edes@bstdb.org		**Administrative Services** Natasa Alhatzidou Director edas@bstdb.org
Independent Evaluation Todor Dimitrov Director eoie@bstdb.org		**Operational Risk** Artur Nakhshikyan Director edor@bstdb.org		
Compliance Risk Management Zaruhi Badalyan Acting Director edcr@bstdb.org				

26th Oktovriou & 1 Limnou Street, 54627 Thessaloniki, Greece
T: +30 2310 290400 I F: +30 2310 286590
info@bstdb.org
www.bstdb.org