The Economic Cooperation Organization Trade and Development Bank

Financial Statements
As at and For the Year Ended 31 December 2025
With Independent Auditor's Report Thereon

Shape the future
with confidence

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Report on the Audit of the Financial Statements

To the Board of Governors of The Economic Cooperation Organization Trade and Development Bank.

Opinion

We have audited the accompanying financial statements of The Economic Cooperation Organization Trade and Development Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2025, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the 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 (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Türkiye, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. The annual report is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

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

Bank Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the 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.

Those charged with governance are 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 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, we exercise professional judgment and maintain professional scepticism 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Tolga Özdemir.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of Ernst & Young Global Limited

Tolga Özdemir
Partner

İstanbul, Türkiye
9 July 2026

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THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

(Amounts expressed in thousands of ECO Unit (“EU”) unless otherwise indicated.)

	Notes	31 December 2025	31 December 2024
Assets			
Due from banks	13	100,062	132,231
Loans and advances to banks	14	164,166	109,270
Loans and advances to customers	15	207,185	205,613
Investment securities	16	58,229	52,282
Derivative financial instruments	12	439	2,519
Tangible and intangible assets	17	6,087	6,205
Other assets	18	115	132
Total assets		**536,283**	**508,252**
Liabilities			
Deposits from banks	19	22,986	23,880
Derivative financial instruments	12	1,317	342
Employee benefits	20	3,748	3,707
Other liabilities	21	1,570	1,377
Total liabilities		**29,621**	**29,306**
Equity			
Share capital	22.1	326,750	326,750
Reserves	22.2	152,207	123,042
Retained earnings		27,705	29,154
Total equity		**506,662**	**478,946**
Total liabilities and equity		**536,283**	**508,252**

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Notes	31 December 2025	31 December 2024
Profit or Loss			
Interest income	23	28,863	32,910
Interest expense	23	(1,186)	(1,697)
Net interest income before impairment for credit risks		**27,677**	**31,213**
Impairment (loss)/gain for credit risks, net	9.2.6	1,718	(328)
Net interest income after impairment for credit risks		**29,395**	**30,885**
Fee and commission income	24	567	525
Fee and commission expense	24	(16)	(14)
Net fee and commission income		**551**	**511**
Net trading (loss)/income		1,464	(341)
Other operating income	26	2	1,658
Total operating income		**31,412**	**32,713**
Personnel expenses	25	(2,998)	(2,838)
Other administrative expenses	25	(536)	(514)
Depreciation and amortization	17, 25	(163)	(153)
Other operating expenses	25	(10)	(54)
Total operating expenses		**(3,707)**	**(3,559)**
Net profit for the period		**27,705**	**29,154**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Re-measurement (loss)/gain on defined benefit plans	20.3	11	(70)
Other comprehensive income		**11**	**(70)**
Total comprehensive income		**27,716**	**29,084**

The accompanying notes form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Notes	Share Capital	Revaluation reserves	Other reserves	Retained earnings	Total
Balance at 1 January 2024		**326,750**	**(37)**	**101,198**	**21,951**	**449,862**
Total comprehensive income						
Profit for the period		-	-	-	29,154	29,154
Other comprehensive income						
Re-measurement gain/(loss) on defined benefit plans	20.3	-	(70)	-	-	(70)
Total comprehensive income		**-**	**(70)**	**-**	**29,154**	**29,084**
Transactions with members of the Bank						
Contributions and distributions						
Increase in paid-in share capital	22.1	-	-	-	-	-
Appropriation of profit		-	-	21,951	(21,951)	-
Total contributions and distributions		**-**	**-**	**21,951**	**(21,951)**	**-**
Balance at 31 December 2024		**326,750**	**(107)**	**123,149**	**29,154**	**478,946**
Balance at 1 January 2025		**326,750**	**(107)**	**123,149**	**29,154**	**478,946**
Total comprehensive income						
Profit for the period		-	-	-	27,705	27,705
Other comprehensive income						
Re-measurement gain/(loss) on defined benefit plans	20.3	-	11	-	-	11
Total comprehensive income		**-**	**11**	**-**	**27,705**	**27,716**
Transactions with members of the Bank						
Contributions and distributions						
Increase in paid-in share capital	22.1	-	-	-	-	-
Appropriation of profit		-	-	29,154	(29,154)	-
Total contributions and distributions		**-**	**-**	**29,154**	**(29,154)**	**-**
Balance at 31 December 2025		**326,750**	**(96)**	**152,303**	**27,705**	**506,662**

The accompanying notes form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Notes	31 December 2025	31 December 2024
Cash flows from operating activities			
Net profit for the period		27,705	29,154
Adjustments for:			
Depreciation and amortization	17, 25	163	153
Net impairment loss/(gain) on financial assets	9.2.6	(1,718)	328
Net impairment loss/(gain) on tangible assets		-	(1,647)
Accrued interest and expenses		943	(836)
Measurement of derivative financial instruments at fair value	12	3,055	(3,286)
Provision for employee benefit obligations		163	231
Other non-cash items		61	(1,676)
Cash flows from operating activities before changes in operating assets and liabilities		**30,372**	**22,421**
Changes in:			
Due from banks		44,728	(53,865)
Loans and advances to banks		(56,380)	11,399
Loans and advances to customers		(1,940)	(5,133)
Other assets		(66)	(57)
Employee benefits		(360)	(353)
Deposits from banks		(774)	(12,352)
Other liabilities		760	552
Net cash from/(used in) operating activities		**16,340**	**(37,388)**
Cash flows from investing activities			
Acquisition of investment securities	16	(12,622)	(724)
Proceeds from redemption/sale of investment securities	16	5,136	11,866
Acquisition of tangible and intangible assets	17	(45)	(104)
Net cash from/(used in) investing activities		**(7,531)**	**11,038**
Net increase/(decrease) in cash and cash equivalents		**8,809**	**(26,350)**
Cash and cash equivalents at 1 January		**40,596**	**67,190**
Effects of exchange-rate changes on cash and cash equivalents		**2,063**	**(244)**
Cash and cash equivalents at the end of the period	**11**	**51,468**	**40,596**

The accompanying notes form an integral part of these financial statements.

A. BASIS OF PREPARATION

NOTE 1 – REPORTING ENTITY

The Economic Cooperation Organization Trade and Development Bank ('the Bank' or 'ETDB') is a multilateral development finance institution established under the Articles of Agreement ('the Agreement') with the mission; to promote and facilitate private and public sector investment, cooperation, development and job creation in member states through joint programs, to foster the growth of intra-regional trade, to contribute to the economic and social development for the welfare of the people in member states and promote good governance and environment consciousness in all efforts and projects.

The status, privileges and immunities of the Bank and persons connected therewith in the Republic of Türkiye are defined in the Headquarters Agreement between the Bank and the Government of the Republic of Türkiye ('the Headquarters Agreement') signed on 27 December 2006. The Headquarters Agreement was ratified by the Grand National Assembly and the President of the Republic of Türkiye by Law No. 5638 and was published in Official Gazette dated 3 July 2007 with No. 26571.

The headquarters address of the Bank is "Cumhuriyet Mahallesi, Silahşör Caddesi, Yeniyol Sokak, No:8, Kat:14, 34380 Şişli, İstanbul, Türkiye".

As of 31 December 2025, the number of employees of the Bank is 29 (31 December 2024: 31).

NOTE 2 – BASIS OF ACCOUNTING

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS'). On a proposal from the Management Committee, the Board of Directors adopted the financial statements for the year ended 31 December 2025 on 9 July 2026, and authorised their submission to the Board of Governors for approval.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Details of the Bank's accounting policies, including changes during the year, are included in Notes 6 and 7.

NOTE 3 – FUNCTIONAL AND PRESENTATION CURRENCY

In accordance with Article 4 of the Agreement, the unit of account of the Bank is ECO Unit ('EU') that is equivalent to one Special Drawing Right ('SDR') of the International Monetary Fund ('IMF'). As per Article 11 of the Agreement, the Bank's foreign currency facilities shall be denominated and payable in the currencies of which the SDR is composed or in EU. Accordingly, the Bank's 'functional currency' is the SDR and all transactions are recorded in SDR. The Bank's 'presentation currency' is EU.

NOTE 4 – USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the Management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

4.1. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 7.5.2. – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.
- Note 7.5.7. – impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition, selection and approval of models used to measure expected credit losses ('ECL').

4.2. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is included in the following notes.

- Note 7.5.7. – impairment of financial instruments: determining inputs into the ECL measurement model.
- Note 7.16. – measurement of defined benefit obligations: key actuarial assumptions.
- Note 10. – determination of the fair values of financial instruments with significant unobservable inputs.

B. ACCOUNTING POLICIES

NOTE 5 – BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis, except for the derivative financial instruments which are measured with fair value.

NOTE 6 – CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements as at 31 December 2025 are consistent with those followed in the preparation of the financial statements of the prior period, except for the adoption of new standards effective as of 1 January 2025. Several amendments and interpretations apply for the first time in 2025, but do not have an impact on the financial statements of the Bank.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank consistently applied the following accounting policies to all periods presented in these financial statements.

7.1. Foreign currency

Foreign currency transactions are translated into the functional currency using the indicative exchange rates at the dates of the transactions announced by IMF and Central Banks.

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on the settlement of such transactions and translation are recognized under 'Net trading (loss)/income' in the statement of profit or loss and other comprehensive income.

Exchange rates used by the Bank at the reporting dates are as follows:

		31 December 2025	**31 December 2024**
1 EU (SDR) =	United States Dollar	1.3695	1, 3041
	Euro	1.1655	1. 2548
	Chinese Yuan	9.5761	9. 5191
	Japanese Yen	214.0530	204.2920
	British Pound	1.0178	1. 0395
	Turkish Lira	58,6786	46,0101

7.2. Interest

Effective interest rate

Interest income and interest expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired financial assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. For purchased or originated credit-impaired ('POCI') financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points 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.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Presentation

Interest income and interest expense calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes only interest on financial assets and financial liabilities measured at amortised cost.

7.3. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.3.1. Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analysing the borrowing cost over a similar term in the respective country.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets under 'Tangible and intangible assets' and lease liabilities under 'Other liabilities' in the statement of financial position.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

7.3.2. Bank acting as a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially the entire risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Rental income is included under 'Other operating income' and maintenance expenses are included under 'Other administrative expenses'.

7.4. Taxation

In Türkiye, according to Article 12 of the 'Headquarters Agreement', within the scope of its official activities the Bank, its property, movable and immovable, assets income, of whatever nature such as interests, capital gains, currency gains, profits as well as its operations and transactions, purchase of goods and services shall be exempt from all present and future, direct and indirect taxation and duties, including but not limited to value added tax, income tax, withholding tax, stamp duties, be it of a local or governmental nature.

7.5. Financial assets and financial liabilities

7.5.1. Recognition and initial measurement

The Bank initially recognizes 'Due from banks', 'Loans and advances to banks', 'Loans and advances to customers', and 'Deposits from banks' on the date on which they are originated. All other financial instruments such as 'Derivative financial instruments' and 'Investment securities' are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to its acquisition or issue.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.5.2. Classification

Financial liabilities

The Bank classifies its financial liabilities, other than loan commitments, as measured at amortised cost.

Financial assets

On initial recognition, a financial asset is classified as measured at:
- Fair value through profit or loss ('FVPL');
- Fair value through other comprehensive income ('FVOCI'); or
- Amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:
- the asset is held within a business model whose objective is to hold assets to collect 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 ('SPPI').

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Management. The information considered includes:
- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether the Bank's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key Management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's assessment of the business model is not performed on the basis of scenarios that are not reasonably expected to occur, such as so-called 'worst case' or 'stress case' scenarios.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual flows are SPPI, the Bank considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money.

The Bank assesses whether a loan secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral or not (non-recourse loans). The Bank applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

The Bank reclassifies financial assets when and only when its business model for managing financial assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and did not occur during the period.

7.5.3. Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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 derecognised asset) and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in other comprehensive income ('OCI') is recognized in profit or loss.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

7.5.4. Modifications of financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the modification of a financial asset measured at amortised cost or FVOCI does not result in de-recognition of the financial asset then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

7.5.5. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

7.5.6. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a financial liability with a demand feature (e.g. demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

7.5.7. Impairment

The Bank recognises loss allowances for expected credit losses on the following financial instruments that are not measured at FVPL:

- Due from banks;
- Loans and advances to banks;
- Loans and advances to customers;
- Debt investment securities; and
- Loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and its credit risk is continuously monitored by the Bank.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL are recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

Financial instruments for which a lifetime ECL are recognised and which are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Impairment and classification of financial instruments in Stage 2 and Stage 3 are accounted by considering the staging rules, which is in-line with the 30- and 90- days overdue criteria.

Significant increase in credit risk

The Bank monitors whether a financial instrument has experienced a significant increase in credit risk or not, on ad-hoc and regular basis as explained below.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank executes supervision and monitoring process individually for all of its loan exposures, at least once in a year. The aim of this practice is to follow implementation and to identify problems and changed circumstances as early as possible so that appropriate action may be applied on a timely basis to achieve the operation's objectives and to protect the Bank's investment. Apart from individual supervision and monitoring, Risk Management Department ('RMD') of the Bank is responsible for preparation of regular risk asset reviews for the Bank's loan portfolio at least once annually.

In normal course of business, the credit lines made available for treasury operations of the Bank are reviewed during the annual limit renewals of counterparties. Additionally, RMD also assesses whether the credit risk of a treasury asset has increased significantly or not.

Finally, at each reporting date the Bank assesses whether the credit risk of any financial instrument has increased significantly since initial recognition or not.

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.

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2, a combination of quantitative and qualitative risk metrics is used. All counterparties with a significant downgrade in Internal Credit Rating ('ICR') score since origination, and all financial assets for which the contractual payments are overdue between 31 and 90 days inclusive are transferred to Stage 2.

There is a rebuttable presumption that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. 30 days past due presumption can be rebutted if there is reasonable and supportable information, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

Definition of default

The Bank may consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

There is a rebuttable presumption that default occurs when contractual payments are more than 90 days past due. 90 days past due presumption can be rebutted if there is reasonable and supportable information available that demonstrates that even financial asset is more than 90 days past due this does not represent a default.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inputs used in assessing whether a financial instrument is in default, and their significance, may vary over time to reflect changes in circumstances.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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

Stage 1; includes performing exposures for which there has been no 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 Stage 2 or Stage 3. In this case, expected credit losses are recognized based on the probability of default within the next 12 months. At the reporting date, if the financial instrument has either low credit risk or the credit risk has not increased significantly since initial recognition, it is classified under Stage 1.

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. Lifetime expected credit losses are recognized for the financial instruments under Stage 2. The financial instruments which meet at least one of the criteria below fall under Stage 2:

- ICR score equal or above 6.5;
- 2-notch downgrade in ICR score;
- Overdue by more than 30 days; and
- Evidence of weakening which is subjective and is conducted on a case-by-case basis.

Stage 3; includes non-performing / credit-impaired exposures. Lifetime expected credit losses are recognized for the financial instruments under Stage 3. Non-performing operations are regarded as an expected loss. All operations overdue by more than 90 days are in this category.

Basic parameters, assumptions and techniques used for calculating ECL

The Expected Credit Losses are the product of the probability of default ('PD'), the exposure at default ('EAD'), and loss given default ('LGD'), defined as follows:

Probability of default

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Usual practices for deriving PD values for credit exposures often focus on mapping mechanisms to bank-wide master scales or external ratings. However, the Bank's credit exposure is with an overall good quality of borrowers and composed of high-volume-low-number transactions.

As the Bank does not have sufficient default experience over years, zero or close to zero PD estimates would not reflect the Bank's prudent risk management practice. In order to overcome this issue, the Bank benefitted from the results of the low-default portfolio research which is widely recognized as the industry best practice.

The Bank assigns credit rating to each financial instrument at inception based on the internal scorecard methodologies for financial institutions, corporates, and leasing sector. All borrowers are subject to annual credit review through supervision process. The ICR score of the borrower is the primary input to the PD which is calculated based on 'Pluto and Tasche Methodology', considering the Bank's portfolio to be of kind of zero default portfolio.

Exposure at default

EAD represents the sum of expected portion of the undrawn commitment that will be drawn down and the carrying amount of the financial instrument over the next 12 months as at reporting date, in fact total value that Bank is exposed to at the time of a borrower's default.

Loss given default

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability, and quality of collateral. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Taking into account the Bank's preferential treatment towards its member states and lower risk of loss in case of a default of a financial institution compared to a customer; the Bank calibrated different LGD estimates for sovereigns, financial institutions, and other clients. Based on the type and coverage of collateral, LGD is adjusted in order to reflect probable loss in case of default.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets reflects their fair value. However, the loss allowance is disclosed and recognized in the fair value reserve.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized, and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under 'Impairment (loss)/gain for credit risks, net' in the statement of profit or loss and OCI.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.6. Cash and cash equivalents

Cash and cash equivalents include cash and balances with banks repayable on demand and money market placements with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position (Note 11).

7.7. Derivatives

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The fair values of derivative financial instruments that are quoted in active markets are determined from quoted market prices in active markets including recent market transactions. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques, including discounted cash flow models. Where valuation techniques (for instance, models) are used to determine fair values, they are validated and periodically reviewed. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Derivative financial instruments are classified as held for trading (Note 12).

7.8. Due from banks

'Due from banks' in the statement of financial position are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method (Notes 13).

7.9. Loans and advances

'Loans and advances' in the statement of financial position are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method (Notes 14 and 15).

7.10. Investment securities

The 'Investment securities' in the statement of financial position are debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

7.11. Tangible and intangible assets

7.11.1. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Any gain and loss on disposal of an item of property and equipment is recognised within other operating income or other operating expenses in the statement of profit or loss and OCI.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. The estimated useful lives of significant items of property and equipment are as follows:

	Useful lives
Equipment	4-5 years
Motor vehicles	5 years
Furniture and fixture	10 years
Buildings (Shell and core)	50 years
Buildings (Interior fit-out)	15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate (Note 17).

7.11.2. Intangible assets

Intangible assets consist of computer software program and licenses. Intangible assets are measured at cost, less accumulated amortization and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of intangible assets for the current and comparative periods is four to five years. Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate (Note 17).

7.12. Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units ('CGU'). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash flows from other assets or group of assets.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised under other operating expenses in profit or loss. An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as other operating income in profit or loss (Notes 25 and 26).

7.13. Deposits

Deposits from banks are the Bank's source of debt funding. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

7.14. Provisions, commitments and contingencies

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank are not included in these financial statements and are treated as contingent assets or liabilities (Note 27).

7.15. Loan commitments

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument. The Bank has not issued loan commitments that are measured at FVPL. Liabilities arising from loan commitments are included within provisions.

7.16. Employee benefits

7.16.1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expense in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Bank pays contributions to Turkish State Social Security Plan on a mandatory basis for the local employees who are not participant to the first pillar of the Bank's pension plan. The Bank has no further payment obligations once the contributions have been paid.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.16.2. Pension plan

The Bank operates a pension plan implemented beginning from 1 October 2008, which includes first pillar as hybrid plan that is comprised of a defined benefit plan and defined contribution plan, second and third pillars as defined contribution plans. The employees who are not subject to Turkish State Social Security Plan are enrolled in the first pillar whereas participation in the second pillar is at their will. All employees are eligible to participate in the third pillar where participation in the first and/or second pillar is not a pre-requisite.

The requirements for the defined benefit part of the first pillar are attaining normal retirement age (which is 60 in accordance with the Pension Plan Policy of the Bank), participating in the second pillar and transferring at least the amount equal to 90% of the first pillar contributions from the second pillar account to the first pillar account. If these requirements are met then the (participant) employee shall be entitled to the following benefits:

- Immediate pension equal to the amount of 1% of the annual average net basic salary of the employee during his/her eligible service period multiplied by number of years in service of the Bank;
- One twelfth of the immediate pension according to the previous paragraph that shall be paid to the employee every month.

The benefit provided will be as a lump sum for an employee not fulfilling the requirements described above. The lump sum payment is equal to the amount of the employee's standing balance in the pension plan. In the event of death before reaching normal retirement age, the benefit will be provided to employee's legal beneficiary as a lump sum payment equal to the balance of employee's account.

According to the Pension Plan Policy, an employee shall become entitled to a disability pension from the first pillar if the employee suffers a disability before attaining normal retirement age. If such a disability occurs, the employee shall become entitled to disability pension in monthly amounts equals to 25% of the employee's last salary immediately before becoming disabled until the employee's normal retirement age. Nevertheless, the Bank shall continue its contribution for the first pillar for the disabled employee, until reaching normal retirement age on the basis of his/her last salary immediately before becoming disabled. After reaching the employee's normal retirement age the disability pension will cease and, upon the employee's choice it can be replaced by the pension benefits in accordance with the Pension Plan Policy. The time during which the disability pension has been paid will be included in the employee's service at the Bank when calculating the total pension benefits of the employee after reaching normal retirement age.

The pension plan is funded by contributions from employees and by the Bank depending on the type of the plan and with respect to the provisions of the Pension Plan Policy. Contribution rates to the pension plan are as follows:

Pension contributions of basic salary	**Bank %**	**Employee %**
First pillar	12	-
Second pillar (1)	up to 7	up to 7
Third pillar	-	up to 10

(1) The Bank contributes to the second pillar if and only if employee contributes but at the same matching rate up to 7%.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the defined benefit part of the hybrid plan and disability pension, the pension liability is calculated by using the 'projected unit credit method'. Under this method, the cost of providing pensions is charged to the statement of profit or loss and OCI so as to spread the regular cost over the service lives of employees.

Actuarial valuations for the pension plan have been performed by an independent actuarial firm in accordance with the methods and estimations determined in International Accounting Standard for Employee Benefits ('IAS 19'). The pension liability is measured at the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximately the terms of the related liability. All actuarial gains and losses are recognized in statement of profit or loss and OCI over the average remaining service lives of the employees. Accounting has been made according to appraisals in the actuarial report as of 31 December 2025 (Note 20.1).

The Bank keeps; assets of the pension plan under its treasury investment portfolio and liabilities related to first, second, and third pillars separately for each participant under employee benefits (Note 20.1). The Bank accrues interest on its liabilities to the pension plan which is calculated using the average return of the Bank's treasury investment portfolio and investments made on behalf of the pension plan (Note 23).

7.16.3. Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank provides annual leave pay provision for the employees. Full-time professional staff members are entitled to an annual leave of fifteen workdays per year with service of less than and including ten years and twenty workdays per year with service after ten years and more. New employees are eligible for annual leave after six months of service (Note 20.2).

7.16.4. Reserve for employee severance indemnity – Defined benefit plan

Provision for employee severance indemnity represents the present value of the estimated total provision of the future probable obligation arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with Labour Law in Türkiye, entities are required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service.

Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. Actuarial gains/losses are recognized under other comprehensive income (Note 20.3).

7.17. Earnings per share

Since the Bank's shares are not traded in a public market and the Bank's financial statements are not filed or not in the process of filing with a securities commission or other regulatory organization for the purpose of issuing shares in a public market, the Bank is not required to disclose basic earnings per share information in accordance with IAS 33 Earnings Per Share.

NOTE 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.18. Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the other components of the Bank. All operating segments' operating results are regularly reviewed by the Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (Note 28).

7.19. Comparatives

Comparative figures are reclassified, where necessary, to conform to the current period's presentation of the financial statements. No reclassifications were made in the financial statements as at 31 December 2025.

NOTE 8 – THE NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted in preparation of the financial statements as of 31 December 2025 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2025 and thereafter. The effects of these standards and interpretations on the Bank's financial position and performance have been disclosed in the related paragraphs.

8.1. The new standards, amendments and interpretations which are effective as of 1 January 2025

Amendments to IAS 21 - Lack of exchangeability

In August 2023, the Board issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. When applying the amendments, an entity cannot restate comparative information.

The amendments did not have a significant impact on the financial position or performance of the Bank.

8.2. Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Bank will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Bank expects no significant impact on its balance sheet and equity.

NOTE 8 – THE NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

In December 2024, the Board issued Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). The amendment clarifies the application of the "own use" requirements and permits hedge accounting if these contracts are used as hedging instruments. The amendment also adds new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendment will be effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted but will need to be disclosed. The clarifications regarding the 'own use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application.

The Bank expects no significant impact on its balance sheet and equity.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

In May 2024, the Board issued amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7). The amendment clarifies that a financial liability is derecognized on the 'settlement date'. It also introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendment also clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features as well as the treatment of non-recourse assets and contractually linked instruments. Additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income are added with the amendment. The amendment will be effective for annual periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later. The new requirements will be applied retrospectively with an adjustment to opening retained earnings.

The Bank expects no significant impact on its balance sheet and equity.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter: These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.
- IFRS 7 Financial Instruments: Disclosures – Gain or Loss on Derecognition: The amendments update the language on unobservable inputs in the Standard and include a cross reference to IFRS 13.

NOTE 8 – THE NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

- IFRS 9 Financial Instruments – Lessee Derecognition of Lease Liabilities and Transaction Price: IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply derecognition requirement of IFRS 9 and recognise any resulting gain or loss in profit or loss. IFRS 9 has been also amended to remove the reference to 'transaction price".
- IFRS 10 Consolidated Financial Statements – Determination of a 'De Facto Agent': The amendments are intended to remove the inconsistencies between IFRS 10 paragraphs.
- IAS 7 Statement of Cash Flows – Cost Method: The amendments remove the term of "cost method" following the prior deletion of the definition of 'cost method'.

Improvements are effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted for all.

The Bank expects no significant impact on its balance sheet and equity.

IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34. IFRS 18 and the related amendments are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted. IFRS 18 will be applied retrospectively.

The Bank expects no significant impact on its balance sheet and equity.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

In May 2024, the Board issued IFRS 19, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity that is a subsidiary, does not have public accountability and has a parent (either ultimate or intermediate) which prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards may elect to apply IFRS 19. IFRS 19 is effective for reporting periods beginning on or after 1 January 2027 and earlier adoption is permitted. If an eligible entity chooses to apply the standard earlier, it is required to disclose that fact. An entity is required, during the first period (annual and interim) in which it applies the standard, to align the disclosures in the comparative period with the disclosures included in the current period under IFRS 19.

The standard is not applicable for the Bank.

C. FINANCIAL RISK REVIEW AND FAIR VALUE

NOTE 9 – FINANCIAL RISK REVIEW

This section provides details of the Bank's exposure to risk and describes the methods used to manage those risks. The most important types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk, and compliance and operational risk.

9.1. Risk management framework

The Bank is committed to actively identify and manage all risks inherent in its activities in order to support its sustainable profitability objective and safeguard its capital base. The Bank pays particular attention to managing credit risk in the course of its core activities and treasury operations, liquidity risk, market risk as well as compliance and operational risk in its organisation and activities.

By virtue of its mandate, the credit risk inherent in the Bank's ordinary operations is relatively high, due to the geographic concentration of its operational portfolio and the nature of the Bank's involvement in the projects it undertakes in conformity with the Agreement. The application of sound banking principles in the Bank's credit process seeks to ensure that these significant credit risks are properly identified and managed while other risks resulting from its ordinary operations should be mitigated to the extent possible. Since the Bank's ordinary operations are inherently relatively risky, the management of treasury activities is conservative. A comprehensive risk management framework for treasury activities, particularly addressing credit, liquidity, and market risk are established.

The Bank's risk management policies are established for the identification and assessment of the risks, which the Bank may be exposed to and also to set appropriate risk limit controls for monitoring the same. The Financial Policies of the Bank approved by the Board of Directors establish the guiding principles for sound financial management and provide the framework within which the Bank pursues its business objectives.

Audit Committee of the Bank is composed of three members from the different member countries, appointed by the Board of Governors. Audit Committee's purpose is to assist Board of Governors in fulfilling its oversight responsibilities.

The Board of Directors has established the Credit Committee which is responsible to guide the lending departments through the approval process from Concept Clearance to Final Review stages, in conformity with the Bank's Operations Cycle Policy. It considers all matters related to the lending operations of the Bank and expresses opinions with respect to the appropriateness of the due diligence and appraisal process.

The Board of Directors has established Asset and Liability Management Committee ('ALCO') which is responsible for setting strategic direction in market risk management and transfer pricing. ALCO establishes specific numerical limits, targets, and guidelines within which tactical and operational asset and liability management decision-making must take place.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

9.2. Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from due from banks, loans and advances, investment securities and derivatives. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country risk, and sector risk.

9.2.1. Management of credit risk

The Bank's primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of these assets on the statement of financial position. In view of the Bank's philosophy of prudent lending, the function of credit risk management is a critical fulcrum of the Bank's long-term vision and success. Credit analysis is conducted by using various information sources and applying qualitative and quantitative methodologies.

The Bank reviews lending operations and manages the main areas of credit risk which are inherent to the lending activities in order to ensure that decisions are made in line with the Bank's strategy and that loan applications are prudently reviewed. Lending decisions are made to clients by following the guidelines laid down in various policies and through coordination with other business units to ensure that the loans are made in line with the Bank's overall risk appetite and strategy. All credit applications are evaluated by the Credit Committee which in case of approval elevates the same to the Board of Directors for final approval.

In addition to compliance function, the Bank's Management also provides oversight and direction to the activities of risk management to ensure that the Bank's risk profile is in line with its strategy and operating environment, in a manner which ensures protection to the shareholders.

9.2.2. Exposure to credit risk

The following table shows the exposure to credit risk:

	31 December 2025	31 December 2024
Loans and advances to customers	207,185	205,613
Loans and advances to banks	164,166	109,270
Due from banks	100,062	132,231
Investment securities	58,229	52,282
Derivative financial instruments	439	2,519
Total	**530,081**	**501,915**

As of 31 December 2025, the Bank has no assets held for resale (31 December 2024: None).

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

9.2.3. Segment analysis of credit risk exposures

The following table shows the segment distribution of credit risk exposures.

	31 December 2025	31 December 2024
Treasury portfolio		
Due from banks	100,062	132,231
Investment securities	58,229	52,282
Derivative financial instruments	439	2,519
Total treasury portfolio	**158,730**	**187,032**
Loan portfolio		
Project finance	124,034	118,234
Financial institutions-SME support program	110,368	39,200
Customers-Trade/Corporate finance	83,151	87,379
Financial institutions-Trade finance	53,798	70,070
Total loan portfolio	**371,351**	**314,883**
Total	**530,081**	**501,915**

9.2.4. Credit quality analysis

The Bank uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Bank assigns its internal risk rating to all counterparties including borrowers and sovereigns in the loan and treasury portfolios, and reflects the credit worthiness of counterparties.

The Bank's internal risk rating depicts the credit worthiness of borrowers on a scale of 1 to 10 with a score of 1 denoting the lowest expectation of default while a score of 10 denotes non-performing. The table below shows the Bank's internal risk ratings, definitions and respective categories.

ETDB risk Rating category	Broader category	ETDB definition	ETDB risk rating
1	Standard	Excellent	1.00
2	Standard	Very strong	1.01 to 2.40
3	Standard	Strong	2.41 to 3.40
4	Standard	Good	3.41 to 4.40
5	Standard	Fair	4.41 to 5.40
6	Watch	Weak	5.41 to 6.50
7	Sub-standard	Special attention	6.51 to 7.40
8	Sub-standard	Expected loss/Impaired	7.41 to 7.60
9	Doubtful	Expected loss/Impaired	7.61 to 8.60
10	Non-performing	Expected loss/Impaired	8.61 to 10.00

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The following table shows the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 7.5.7.

	31 December 2025				31 December 2024
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Due from banks					
2: Very strong	-	-	-	-	27,955
3: Strong	41,660	-	-	41,660	13,688
4: Good	58,774	-	-	58,774	92,662
	100,434	-	-	100,434	134,305
Loss allowance	(372)	-	-	(372)	(2,074)
Carrying amount	**100,062**	**-**	**-**	**100,062**	**132,231**
Loans and advances to banks at amortised cost					
2: Very strong	-	-	-	-	16,309
3: Strong	99,377	-	-	99,377	20,132
4: Good	54,485	-	-	54,485	71,743
5: Fair	12,619	-	-	12,619	2,791
	166,481	-	-	166,481	110,975
Loss allowance	(2,315)	-	-	(2,315)	(1,705)
Carrying amount	**164,166**	**-**	**-**	**164,166**	**109,270**
Loans and advances to customers at amortised cost					
1: Excellent	188,112	-	-	188,112	184,234
4: Good	5,492	-	-	5,492	9,908
5: Fair	10,210	-	-	10,210	12,720
7: Special attention	-	4,416	-	4,416	-
	203,814	4,416	-	208,230	206,862
Loss allowance	(1,044)	(1)	-	(1,045)	(1,249)
Carrying amount	**202,770**	**4,415**	**-**	**207,185**	**205,613**
Debt investment securities at amortised cost					
1: Excellent	19,315	-	-	19,315	12,804
3: Strong	24,154	-	-	24,154	40,130
4: Good	14,990	-	-	14,990	-
	58,459	-	-	58,459	52,934
Loss allowance	(230)	-	-	(230)	(652)
Carrying amount	**58,229**	**-**	**-**	**58,229**	**52,282**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The following table shows the overdue status of loans and advances to banks and loans and advances to customers in Stages 1, 2 and 3.

	31 December 2025				31 December 2024
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to banks at amortised cost					
Current	166,481	-	-	166,481	110,975
Overdue ≤30 days	-	-	-	-	-
Overdue <60 days	-	-	-	-	-
Overdue ≤90 days	-	-	-	-	-
Overdue > 90 days	-	-	-	-	-
Total	**166,481**	**-**	**-**	**166,481**	**110,975**
Loans and advances to customers at amortised cost					
Current	203,814	-	-	203,814	204,445
Overdue ≤30 days	-	-	-	-	2,417
Overdue <60 days	-	-	-	-	-
Overdue ≤90 days	-	4,416	-	4,416	-
Overdue > 90 days	-	-	-	-	-
Total	**203,814**	**4,416**	**-**	**208,230**	**206,862**

9.2.5. Collateral held and other credit enhancements

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a sovereign guarantee issued by a member state, bank guarantee, first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank routinely monitors the collateral held against loans to customers where applicable. Valuation of the collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

Sovereign guarantees are held as collateral against loans to customers that are classified under Stage 2.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The following table shows the percentage of total exposure that is secured with different types of collaterals.

	31 December 2025		31 December 2024	
	Customers-Trade/Corporate finance	Project finance	Customers-Trade/Corporate finance	Project finance
Sovereign loans	95%	87%	92%	80%
Sovereign guarantee	-	4%	-	7%
Corporate guarantee	5%	-	8%	-
Stand by letter of credit	-	9%	-	13%
Total	**100%**	**100%**	**100%**	**100%**

9.2.6. Amounts arising from ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Due from banks

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2,074	-	-	2,074
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	-	-	-	-
New financial assets originated	372	-	-	372
Financial assets that have been derecognised	(2,074)	-	-	(2,074)
Balance at period end	**372**	**-**	**-**	**372**

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,265	-	-	1,265
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	-	-	-	-
New financial assets originated	2,074	-	-	2,074
Financial assets that have been derecognised	(1,265)	-	-	(1,265)
Balance at period end	**2,074**	**-**	**-**	**2,074**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

Loans and advances to banks at amortised cost

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	1,705	-	-	1,705
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	(122)	-	-	(122)
New financial assets originated	1,872	-	-	1,872
Financial assets that have been derecognised	(1,140)	-	-	(1,140)
Balance at period end	**2,315**	**-**	**-**	**2,315**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	1,503	-	-	1,503
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	(24)	-	-	(24)
New financial assets originated	1,211	-	-	1,211
Financial assets that have been derecognised	(985)	-	-	(985)
Balance at period end	**1,705**	**-**	**-**	**1,705**

Loans and advances to customers at amortised cost

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	1,249	-	-	1,249
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	(122)	-	-	(122)
New financial assets originated	130	-	-	130
Financial assets that have been derecognised	(212)	-	-	(212)
Balance at period end	**1,044**	**1**	**-**	**1,045**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	457	-	1,495	1,952
Transfer to Stage 1	1,495	-	(1,495)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	(1,539)	-	-	(1,539)
New financial assets originated	893	-	-	893
Financial assets that have been derecognised	(57)	-	-	(57)
Balance at period end	**1,249**	**-**	**-**	**1,249**

Investment securities at amortised cost

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	652	-	-	652
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	(443)	-	-	(443)
New financial assets originated	36	-	-	36
Financial assets that have been derecognised	(15)	-	-	(15)
Balance at period end	**230**	**-**	**-**	**230**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	632	-	-	632
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	160	-	-	160
New financial assets originated	7	-	-	7
Financial assets that have been derecognised	(147)	-	-	(147)
Balance at period end	**652**	**-**	**-**	**652**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

9.2.7. Concentration of credit risks

The Bank monitors concentration of credit risk by geographic location and by sector. Analyses of concentrations of credit risk by geographic location and sector are shown below.

Concentration by sector

	31 December 2025		31 December 2024	
	Outstanding	**Undrawn commitments**	**Outstanding**	**Undrawn commitments**
Financial sector				
Financial institutions-SME SP	110,368	-	39,200	-
Due from banks	100,062	-	132,231	-
Financial institutions-Trade finance	53,798	-	70,070	-
Investment securities	38,960	-	39,514	-
Derivative financial instruments	439	-	2,519	-
	303,627	**-**	**283,534**	**-**
Industry and Trade				
Customers-Trade/Corporate finance	79,557	-	77,528	-
	79,557	**-**	**77,528**	**-**
Health and Social Protection				
Project finance	64,941	-	65,376	-
Customers-Trade/Corporate finance	-	-	2,985	-
	64,941	**-**	**68,361**	**-**
Public sector management				
Project finance	28,192	-	29,961	-
Investment securities	19,269	-	12,768	-
	47,461	**-**	**42,729**	**-**
Agriculture, natural resources, and Rural development				
Project finance	14,973	-	-	-
	14,973	**-**	**-**	**-**
Energy				
Project finance	11,513	-	16,012	-
	11,513	**-**	**16,012**	**-**
Water, Sanitation, Flood Protection and other Urban Infrastructure Services				
Project finance	4,415	-	6,885	-
	4,415	**-**	**6,885**	**-**
Transportation				
Customers-Trade/Corporate finance	3,594	-	6,866	-
	3,594	**-**	**6,866**	**-**
Total	**530,081**	**-**	**501,915**	**-**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

Concentration by geographic location:

	31 December 2025		31 December 2024	
	Outstanding	**Undrawn commitments**	**Outstanding**	**Undrawn commitments**
Türkiye				
Treasury portfolio	150,791	-	170,969	-
Loan portfolio	215,744	-	176,011	-
	366,535	**-**	**346,980**	**-**
Pakistan				
Treasury portfolio	6,467	-	2,897	-
Loan portfolio	135,175	-	121,341	-
	141,642	**-**	**124,238**	**-**
Iran				
Treasury portfolio	1	-	8	-
Loan portfolio	4,415	-	7,918	-
	4,416	**-**	**7,926**	**-**
Azerbaijan				
Loan portfolio	16,017	-	9,613	-
	16,017	**-**	**9,613**	**-**
Kyrgyzstan				
Treasury portfolio	1,454	-	-	-
	1,454	**-**	**-**	**-**
Other				
Treasury portfolio	17	-	13,158	-
	17	**-**	**13,158**	**-**
Total treasury portfolio	158,730	-	187,032	-
Total loan portfolio	371,351	-	314,883	-
Total	**530,081**	**-**	**501,915**	**-**

9.3. Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

9.3.1. Management of liquidity risk

Liquidity risk is managed by Treasury Department under the guidelines provided by ALCO which are in line with the policies approved by the Board of Directors. According to the ALCO approved procedures at all times, the Bank has at its disposal a liquidity pool large enough to finance new assets or refinance existing assets. Under stressed conditions, liquidity risk is managed within the contingency liquidity plan framework approved by ALCO.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The Bank's approach to managing liquidity risk is to maintain sufficient liquidity to meet its obligations as they fall due under both normal and stressed conditions, without incurring unacceptable losses or exposing the Bank to reputational risk. The key elements of the Bank's liquidity strategy are as follows:

- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Minimizing maturity mismatches; and
- Stress testing of the Bank's liquidity position against various exposures.

Treasury Department receives information from other business units regarding the liquidity profile of their financial assets and details of other projected cash flows arising from projected future business. Treasury Department then maintains a portfolio of short-term liquid assets, largely made up of money market placements, to ensure that sufficient liquidity is maintained.

Daily liquidity stress testing is conducted under stress testing scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account payment defaults on assets.

9.3.2. Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to net cash requirements (including projected loan disbursements). Ratios are maintained at a minimum of;

- 100% for the next 1 month,
- 100% for the next 3 months, and
- 75% for the next 12 months.

Details of the reported ratio of liquid assets to net cash requirements for the next 12 months at the reporting date and during the reporting period were as follows.

	31 December 2025	31 December 2024
At period end	199%	998%
Average for the period	1608%	425%
Maximum for the period	7454%	1255%
Minimum for the period	160%	112%

ALCO monitors the Bank's liquidity on a weekly basis.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

9.3.3. Maturity analysis for financial liabilities and financial assets

The amounts in the following tables have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments
Undrawn loan commitments	Earliest possible contractual maturity.
Derivative financial liabilities and Derivative financial assets	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps).

The following table shows the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	31 December 2025						
	Carrying Amount	Gross Nominal inflow/ (outflow)	Less Than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Financial liability by type							
Non-derivative liabilities							
Deposits from banks	22,986	(23,213)	(4,312)	(1,173)	(17,728)	-	-
Unrecognized loan commitments		-	-	-	-	-	-
- Banks		-	-	-	-	-	-
- Customers		-	-	-	-	-	-
Total	**22,986**	**(23,213)**	**(4,312)**	**(1,173)**	**(17,728)**	**-**	**-**
Derivative liabilities							
Trading FX derivatives	1,317						
- Outflow		(129,895)	(48,676)	(81,219)	-	-	-
- Inflow		128,697	48,129	80,568	-	-	-
Total	**1,317**	**(1,198)**	**(547)**	**(651)**	**-**	**-**	**-**
Financial asset by type							
Non-derivative assets							
Due from banks	100,062	101,596	33,840	31,029	36,727	-	-
Loans and advances to banks	164,166	181,837	-	132	69,158	112,547	-
Loans and advances to customers	207,185	231,068	-	33,597	73,626	76,506	47,339
Investment securities	58,229	62,327	13,643	16,491	16,645	15,548	-
Total	**529,642**	**576,828**	**47,483**	**81,249**	**196,156**	**204,601**	**47,339**
Derivative assets							
Trading FX derivatives	439						
- Outflow		(72,061)	(6,794)	(65,267)	-	-	-
- Inflow		72,596	6,863	65,733	-	-	-
Total	**439**	**535**	**69**	**466**	**-**	**-**	**-**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

	31 December 2024						
	Carrying Amount	**Gross Nominal inflow/ (outflow)**	**Less Than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**
Financial liability by type							
Non-derivative liabilities							
Deposits from banks	23,880	(24,195)	(3,825)	(4,463)	(15,907)	-	-
Unrecognized loan commitments		-	-	-	-	-	-
- Banks		-	-	-	-	-	-
- Customers		-	-	-	-	-	-
Total	**23,880**	**(24,195)**	**(3,825)**	**(4,463)**	**(15,907)**	**-**	**-**
Derivative liabilities							
Trading FX derivatives	342						
- Outflow		(34,180)	(7,219)	(26,961)	-	-	-
- Inflow		33,820	7,182	26,638	-	-	-
Total	**342**	**(360)**	**(37)**	**(323)**	**-**	**-**	**-**
Financial asset by type							
Non-derivative assets							
Due from banks	132,231	136,028	41,756	43,280	50,992	-	-
Loans and advances to banks	109,270	117,449	11,118	8,224	69,615	28,492	-
Loans and advances to customers	205,613	232,740	172	35,347	71,870	74,784	50,567
Investment securities	52,282	57,500	809	527	7,099	49,065	-
Total	**499,396**	**543,717**	**53,855**	**87,378**	**199,576**	**152,341**	**50,567**
Derivative assets							
Trading FX derivatives	2,519						
- Outflow		(164,596)	(42,584)	(122,012)	-	-	-
- Inflow		167,389	44,077	123,312	-	-	-
Total	**2,519**	**2,793**	**1,493**	**1,300**	**-**	**-**	**-**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The following table shows the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	31 December 2025	31 December 2024
Financial assets		
Due from banks	100,062	132,231
Loans and advances to banks	60,831	99,084
Loans and advances to customers	101,383	149,577
Investment securities	45,077	538
Total	**307,353**	**381,430**
Financial liabilities		
Deposits from banks	22,986	23,880
Total	**22,986**	**23,880**

The following table shows the carrying amounts of non-derivative financial assets expected to be recovered or settled more than 12 months after the reporting date (Financial liabilities: None).

	31 December 2025	31 December 2024
Financial assets		
Loans and advances to banks	103,335	10,186
Loans and advances to customers	105,802	56,036
Investment securities	13,152	51,744
Total	**222,289**	**117,966**

9.3.4. Liquidity reserves

The following table shows the components of the Bank's liquidity reserves.

	31 December 2025		31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Demand deposits	2,671	2,671	450	450
Money market placements	97,391	97,449	131,781	131,886
Investment securities	58,229	59,035	52,282	52,909
Total	**158,291**	**159,155**	**184,513**	**185,245**

As of 31 December 2025, the Bank does not have any financial asset recognised in the statement of financial position that had been pledged as collateral for liabilities (31 December 2024: None).

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

9.4. Market risk

Market risk is defined as the risk that changes in market prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's sustainability while optimising the return on risk. Since the Bank's ordinary operations are inherently relatively risky, a conservative and comprehensive risk management framework addressing market risk has been established.

9.4.1. Currency risk

Currency risk is defined as the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's risk management policies do not allow holding of significant foreign currency positions.

The main measurement currencies of the Bank's operations are SDR basket currencies namely; Euro, US Dollar, Chinese Yuan, British Pound, and Japanese Yen. As the functional currency of the Bank is SDR, the financial statements are affected by currency exchange rate fluctuations against SDR.

Considering the appetite of clients in the member countries only for US Dollar and Euro in loan and treasury operations, the Bank mostly invests in these two currencies. To provide liquidity in US Dollar and/or Euro, currency swap and forward transactions are held against Chinese Yuan, British Pound and Japanese Yen.

By policies in place, the Bank monitors the current status of its assets and liabilities in contrast to SDR in order to ensure that it takes currency risk within the approved limits. For each currency, ALCO set a limit of ±1.0% of the equity for currency open positions. Treasury department is duly responsible to constantly monitor, to regularize any breach of the aforesaid limit and to report to ALCO on a weekly basis.

In order to monitor the foreign currency exposures, net foreign currency position figures are adjusted by the currency neutral position amounts for Euro, US Dollar, Chinese Yuan, British Pound, and Japanese Yen which is calculated based on their respective weights in SDR basket as of reporting date.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The following table shows the foreign currency position of the Bank:

	31 December 2025					
	US Dollar	Euro	Other	Total foreign currency	SDR ('EU')	Total
Assets						
Due from banks	27,537	72,300	225	100,062	-	100,062
Loans and advances to banks	-	164,166	-	164,166	-	164,166
Loans and advances to customers	53,340	153,845	-	207,185	-	207,185
Investment securities	58,229	-	-	58,229	-	58,229
Derivative financial instruments	-	-	-	-	439	439
Tangible and intangible assets	-	-	-	-	6,087	6,087
Other assets	45	37	33	115	-	115
Total assets	**139,151**	**390,348**	**258**	**529,757**	**6,526**	**536,283**
Liabilities and Equity						
Deposits from banks	-	22,986	-	22,986	-	22,986
Derivative financial instruments	-	-	-	-	1.317	1,317
Employee benefits	3,553	-	195	3,748	-	3,748
Other liabilities	718	826	26	1,570	-	1,570
Equity	-	-	(96)	(96)	506,758	506,662
Total liabilities and Equity	**4,271**	**23,812**	**125**	**28,208**	**508,075**	**536,283**
Net balance sheet position	**134,880**	**366,536**	**133**	**501,549**	**(501,549)**	**-**
Off-balance sheet derivative instruments net notional position (1)	75,381	(201,956)	125,912	(663)	-	(663)
Net foreign currency position	**210,261**	**164,580**	**126,045**	**500,886**	**(501,549)**	**(663)**
Currency neutral position	**(211,739)**	**(160,857)**	**(128,953)**	**(501,549)**	**501,549**	**-**
FX exposure in notional Ccy (2)	**(1,478)**	**3,723**	**(2,908)**	**(663)**	**-**	**(663)**

(1) Off-balance sheet derivative instruments net notional position in Chinese Yuan, British Pound and Japanese Yen are EU 56,185 thousand, EU 39,054 thousand and EU 30,673 thousand, respectively.

(2) The total foreign currency exposure in Chinese Yuan, Japanese Yen and British Pound are EU (1,190) thousand, EU (848) thousand, and EU (898) thousand, respectively.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

	31 December 2024					
	US Dollar	**Euro**	**Other**	**Total foreign currency**	**SDR ('EU')**	**Total**
Assets						
Due from banks	38,814	93,408	9	132,231	-	132,231
Loans and advances to banks	-	109,270	-	109,270	-	109,270
Loans and advances to customers	43,179	162,434	-	205,613	-	205,613
Investment securities	52,282	-	-	52,282	-	52,282
Derivative financial instruments	-	-	-	-	2,519	2,519
Tangible and intangible assets	-	-	-	-	6,205	6,205
Other assets	100	1	31	132	-	132
Total assets	**134,375**	**365,113**	**40**	**499,528**	**8,724**	**508,252**
Liabilities and Equity						
Deposits from banks	-	23,880	-	23,880	-	23,880
Derivative financial instruments	-	-	-	-	342	342
Employee benefits	3,486	-	221	3,707	-	3,707
Other liabilities	664	659	54	1,377	-	1,377
Equity	-	-	(107)	(107)	479,053	478,946
Total liabilities and Equity	**4,150**	**24,539**	**168**	**28,857**	**479,395**	**508,252**
Net balance sheet position	**130,225**	**340,574**	**(128)**	**470,671**	**(470,671)**	**-**
Off-balance sheet derivative instruments net notional position (1)	79,728	(198,776)	121,481	2,433	-	2,433
Net foreign currency position	**209,953**	**141,798**	**121,353**	**473,104**	**(470,671)**	**2,433**
Currency neutral position	**(208,586)**	**(140,161)**	**(121,924)**	**(470,671)**	**470,671**	**-**
FX exposure in notional Ccy (2)	**1,367**	**1,637**	**(571)**	**2,433**	**-**	**2,433**

(1) Off-balance sheet derivative instruments net notional position in Chinese Yuan, British Pound and Japanese Yen are EU 54,784 thousand, EU 37,390 thousand and EU 29,307 thousand, respectively.

(2) The total foreign currency exposure in Japanese Yen, Chinese Yuan, and British Pound are EU (1,675) thousand, EU 446 thousand, and EU 787 thousand, respectively.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

Sensitivity analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies.

The value of the SDR is determined by summing the US Dollar equivalents of predetermined amounts of the US Dollar, Euro, Japanese Yen, British Pound, and Chinese Yuan using prevailing market exchange rates. Accordingly, any change in the US Dollar parity against the other basket currencies affects the SDR parities of all basket currencies. In this context, foreign currency sensitivity is calculated based on a 10 percent appreciation/depreciation of the US Dollar against the other SDR basket currencies. Such movement would have increased/(decreased) equity and profit or loss by the amounts presented below. This analysis assumes that all other variables, particularly interest rates, remain constant.

	31 December 2025		31 December 2024	
	Appreciation	**Depreciation**	**Appreciation**	**Depreciation**
US Dollar	11,655	(12,687)	11,191	(12,228)
Euro	(6,695)	7,219	(6,051)	6,544
Chinese Yuan	(2,170)	2,608	(2,405)	2,448
British Pound	(1,583)	1,722	(1,587)	1,734
Japanese Yen	(1,298)	1,289	(1,275)	1,329
Total	**(91)**	**151**	**(127)**	**(173)**

9.4.2. Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Bank is exposed to the interest rate risk to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different time periods or in different amounts. Interest rate risk is managed principally through monitoring interest rate gaps. The goal of interest rate risk management is to reduce the effect of interest rate change on its Net Interest Income ('NII').

ALCO is the monitoring body for the interest rate risk and is assisted by Treasury Department in its periodical monitoring activities which is reviewed and discussed by ALCO during its monthly meetings and, if necessary, emergency ALCO Meetings which could be held at very short notice.

The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

The following table shows the interest rate gap position of the Bank:

	31 December 2025					
	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Carrying amount
Assets						
Due from banks	33,721	30,787	35,554	-	-	100,062
Loans and advances to banks	-	4,303	159,863	-	-	164,166
Loans and advances to customers	-	67,499	139,686	-	-	207,185
Investment securities	13,592	16,192	15,353	13,092	-	58,229
Derivative financial assets	-	-	-	-	439	439
Tangible and intangible assets	-	-	-	-	6,087	6,087
Other assets	-	-	-	-	115	115
Total assets	**47,313**	**118,781**	**350,456**	**13,092**	**6,641**	**536,283**
Liabilities						
Deposits from banks	4,308	1,166	17,512	-	-	22,986
Derivative financial liabilities	-	-	-	-	1,317	1,317
Employee benefits	-	3,392	-	-	356	3,748
Other liabilities	-	-	-	-	1,570	1,570
Total Liabilities	**4,308**	**4,558**	**17,512**	**-**	**3,243**	**29,621**
Net repricing gap	**43,005**	**114,223**	**332,944**	**13,092**	**3,398**	**506,662**

	31 December 2024					
	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Carrying amount
Assets						
Due from banks	41,032	42,310	48,889	-	-	132,231
Loans and advances to banks	10,898	8,041	90,331	-	-	109,270
Loans and advances to customers	-	73,046	132,567	-	-	205,613
Investment securities	768	350	5,262	45,902	-	52,282
Derivative financial assets	-	-	-	-	2,519	2,519
Tangible and intangible assets	-	-	-	-	6,205	6,205
Other assets	-	-	-	-	132	132
Total assets	**52,698**	**123,747**	**277,049**	**45,902**	**8,856**	**508,252**
Liabilities						
Deposits from banks	3,822	4,434	15,624	-	-	23,880
Derivative financial liabilities	-	-	-	-	342	342
Employee benefits	-	3,294	-	-	413	3,707
Other liabilities	-	-	-	-	1,377	1,377
Total Liabilities	**3,822**	**7,728**	**15,624**	**-**	**2,132**	**29,306**
Net repricing gap	**48,876**	**116,019**	**261,425**	**45,902**	**6,724**	**478,946**

(Amounts expressed in thousands of ECO Unit (“EU”) unless otherwise indicated.)

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank’s financial assets and financial liabilities to various interest rate scenarios. For the assessment of the interest rate sensitivity of the Bank, ±0.25% shift in the market interest rates were applied to the statement of financial position items which are subject to calculation.

As of reporting date, 0.25% shock is applied for US Dollar and Euro for the assessment of the changes in the fair value of balance sheet items which are subject to calculation. It is assumed that the interest rates are shifted. Hence, the calculated figures do not reflect the effect on current profit or loss and equity if the interest rates during the period would have been different.

		31 December 2025		31 December 2024	
	Applied shock	**Profit or loss**	**Equity (1)**	**Profit or loss**	**Equity (1)**
US Dollar	-0.25%	(76)	(76)	(56)	(56)
US Dollar	0.25%	76	76	56	56
Euro	-0.25%	(261)	(261)	(260)	(260)
Euro	0.25%	261	261	259	259
Total (for negative shocks)		**(337)**	**(337)**	**(316)**	**(316)**
Total (for positive shocks)		**337**	**337**	**315**	**315**

(1) Includes the profit or loss effect.

9.5. Compliance and Operational risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss to reputation that the Bank may suffer. Usually, this is the result of failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to banking activities. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.

The Management Committee of the Bank is responsible for the effective management of the Bank’s compliance risk in care of the Bank’s Policy and Compliance Department (‘PCD’) and operational risk under comprehensive risk management perspective. The PCD assists the Management Committee in effectively supervising and managing the compliance risk that the Bank can face. To this end, PCD identifies, assesses, and advises on; reviews and reports accordingly on the Bank’s potential compliance risks.

Appropriate measures are taken by the Bank to achieve a high level of operational risk awareness and to enhance the operational risk management. The Bank adopts market best practices and methods to monitor and manage its operational risks. Key processes for the management of operational risk include, amongst others; establishing the necessary internal controls such as the ‘four eyes principle’ and proper segregation of duties within the Bank’s departments; the purchase of corporate and property insurance policies to confront potential losses which may occur as a result of various events and natural disasters; and the approval process of new products to identify and assess the operational risk related to each new product, activity, process, and system.

NOTE 9 – FINANCIAL RISK REVIEW (Continued)

9.6. Capital management

As a multilateral financial institution, the Bank is not subject to regulatory capital requirements. However, the Bank preserves an actively managed capital to prudently cover risks in its activities. In this respect, the Bank follows sound standards as benchmarks for risk management and capital framework.

As per Article 7 of the Agreement, the total amount of equity investment of the Bank shall not exceed 20 percent of the paid-in capital of the Bank.

The principal sources of capital increase are through payments of the subscribed capital by the shareholders and the retention of the undistributed element of the profit. Pursuant to Article 4 of the Agreement, the capital stock of the Bank can be increased by the vote of the Board of Governors. In accordance with Article 27 of the Agreement, the Board of Governors determine annually what part of the net income of the Bank from ordinary capital operations shall be allocated to reserves, provided that no part of the net income 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 25 percent of the subscribed capital.

In substance, the primary objective of the Bank's capital management is to ensure adequate capital is available to expand the Bank's operations.

NOTE 10 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; 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.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

NOTE 10 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The Bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt securities and simple derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Bank uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for the selection of appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of the counterparty default and prepayments, determination of expected volatilities and correlations, and selection of appropriate discount rates.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

- The fair values of demand deposits denominated in other than presentation currency, which are translated at period-end exchange rates, are considered to approximate carrying values.
- The fair value of derivative financial instruments is estimated as the present value of future cash flows, using benchmark interest rates and yield curves.
- The fair values of due from banks are determined by discounting contractual cash flows with the sum of original spread and the respective benchmark interest rate as of the reporting date.
- The fair values of loans and advances are determined by discounting contractual cash flows with the sum of original spread and the respective benchmark interest rate as of the reporting date.
- The fair value of investment securities is estimated using the bid prices quoted as of the reporting date.
- The fair values of deposits from banks are determined by discounting contractual cash flows with the sum of original spread and the respective benchmark interest rate as of the reporting date.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 10 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following table presents the carrying amounts and fair values of financial instruments, classified by the level of the fair value hierarchy in which each fair value measurement is categorised:

	31 December 2025				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets not measured at fair value					
Due from banks	-	-	100,120	100,120	100,062
Loans and advances to banks	-	-	164,145	164,145	164,166
Loans and advances to customers	-	-	207,468	207,468	207,185
Investment securities	59,035	-	-	59,035	58,229
Financial assets measured at fair value					
Derivative financial instruments	-	439	-	439	439
Total financial assets	**59,035**	**439**	**471,733**	**531,207**	**530,081**
Financial liabilities not measured at fair value					
Deposits from banks	-	-	22,972	22,972	22,986
Financial liabilities measured at fair value					
Derivative financial instruments	-	1,317	-	1,317	1,317
Total financial liabilities	**-**	**1,317**	**22,972**	**24,289**	**24,303**

	31 December 2024				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets not measured at fair value					
Due from banks	-	-	132,336	132,336	132,231
Loans and advances to banks	-	-	109,489	109,489	109,270
Loans and advances to customers	-	-	206,258	206,258	205,613
Investment securities	52,909	-	-	52,909	52,282
Financial assets measured at fair value					
Derivative financial instruments	-	2,519	-	2,519	2,519
Total financial assets	**52,909**	**2,519**	**448,083**	**503,511**	**501,915**
Financial liabilities not measured at fair value					
Deposits from banks	-	-	23,947	23,947	23,880
Financial liabilities measured at fair value					
Derivative financial instruments	-	342	-	342	342
Total financial liabilities	**-**	**342**	**23,947**	**24,289**	**24,222**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

D. ASSETS

NOTE 11 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and balances with banks repayable on demand and money market placements with original maturities of less than three months. The following table shows the cash and cash equivalents included in the accompanying statement of cash flows:

	31 December 2025	31 December 2024
Due from banks-demand	2,671	450
Due from banks-time (gross)		
(with original maturity less than three months)	48,584	40,652
Interest accrual	289	134
Less: Allowance for ECL	(76)	(640)
Total	**51,468**	**40,596**

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments mainly consist of foreign currency swaps and foreign currency forward contracts.

Foreign currency forwards represent commitments to purchase or sell currency, including undelivered spot transactions.

Foreign currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economical exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Bank's risk is represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

	31 December 2025		31 December 2024	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading:				
Currency swaps	439	(1,317)	2,519	(342)
Currency forwards	-	-	-	-
Total	**439**	**(1,317)**	**2,519**	**(342)**

The notional amounts of derivative transactions are explained in detail in Note 27.1.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 13 – DUE FROM BANKS

	31 December 2025	31 December 2024
Demand deposits	2,671	450
Money market placements	97,763	133,855
Due from banks, gross	100,434	134,305
Less: Allowance for ECL	(372)	(2,074)
Due from banks at amortised cost, net	**100,062**	**132,231**

NOTE 14 – LOANS AND ADVANCES TO BANKS

	31 December 2025	31 December 2024
SME support program	112,211	39,820
Trade finance	54,270	71,155
Loans and advances to banks, gross	166,481	110,975
Less: Allowance for ECL	(2,315)	(1,705)
Loans and advances to banks at amortised cost, net	**164,166**	**109,270**

NOTE 15 – LOANS AND ADVANCES TO CUSTOMERS

	31 December 2025	31 December 2024
Project finance	124,563	118,647
Trade/Corporate finance	83,667	88,215
Loans and advances to customers, gross	208,230	206,862
Less: Allowance for ECL	(1,045)	(1,249)
Loans and advances to customers at amortised cost, net	**207,185**	**205,613**

NOTE 16 – INVESTMENT SECURITIES

	31 December 2025	31 December 2024
Bonds issued by financial institutions	39,144	40,131
Government bonds	19,315	12,803
Debt investment securities, gross	58,459	52,934
Less: Allowance for ECL	(230)	(652)
Debt investment securities at amortised cost, net	**58,229**	**52,282**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 16 – INVESTMENT SECURITIES (Continued)

Movements in the investment securities are as follows:

	31 December 2025	31 December 2024
Balance at 1 January	52,282	61,371
Purchases during the year	12,622	724
Disposals through sales and redemption	(5,136)	(11,866)
ECL provision	422	(20)
Income accruals and rediscount	658	521
Foreign exchange movements	(2,619)	1,552
Balance at period end	**58,229**	**52,282**

NOTE 17 – TANGIBLE AND INTANGIBLE ASSETS

	31 December 2025	31 December 2024
Cost	8,773	8,728
Less: Accumulated depreciation	(2,085)	(1,922)
Less: Accumulated impairment loss	(601)	(601)
Net book value	**6,087**	**6,205**

Movements in tangible and intangible assets are as follows:

	Land and Buildings (1)	Motor vehicles	Furniture, fixture and equipment	Intangible assets	Total
31 December 2025					
Net book value at 1 January	6,027	61	67	50	6,205
Additions	-	-	5	40	45
Disposals	-	-	(1)	-	(1)
Accumulated depreciation and impairment of disposals	-	-	1	-	1
Reversal of impairment	-	-	-	-	-
Depreciation and amortization	(92)	(29)	(28)	(14)	(163)
Net book value at period end	**5,935**	**32**	**44**	**76**	**6,087**
31 December 2024					
Net book value at 1 January	4,434	90	76	8	4,608
Additions	38	-	17	49	104
Disposals	-	-	(4)	-	(4)
Accumulated depreciation and impairment of disposals	-	-	3	-	3
Reversal of impairment	1,647	-	-	-	1,647
Depreciation and amortization	(92)	(29)	(25)	(7)	(153)
Net book value at period end	**6,027**	**61**	**67**	**50**	**6,205**

(1) 'Land and buildings' includes the asset usage rights of the real estates rented under the IFRS 16. As of 31 December 2025, net book value of asset usage rights is EU 12 thousand (31 December 2024: EU 28 thousand).

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 17 – TANGIBLE AND INTANGIBLE ASSETS (Continued)

Property and equipment

As of 31 December 2025, property and equipment excluding the motor vehicles were insured against fire, theft and damage to the extent of EU 1,879 thousand. Motor vehicles are insured against accident to the extent of their acquisition cost.

As of 31 December 2025, total impairment losses regarding the headquarters building of the Bank amount to EU 601 thousand (31 December 2024: EU 601 thousand).

As of 31 December 2025, there were no capitalised borrowing costs related to the acquisition of property and equipment (31 December 2024: None).

The Bank leases real estates for its representative offices in Iran and Pakistan. The leases typically run for a period of 1-3 years and do not contain extension options exercisable by the Bank. Movements in right-of-use assets are as follows:

	31 December 2025	**31 December 2024**
Net book value at 1 January	28	6
Addition	-	38
Depreciation charge	(16)	(16)
Net book value at period end	**12**	**28**

NOTE 18 – OTHER ASSETS

	31 December 2025	**31 December 2024**
Pre-paid expenses	41	43
Receivables from customers	37	52
Personnel advances	25	26
Other	12	11
Total	**115**	**132**

E. LIABILITIES AND EQUITY

NOTE 19 – DEPOSITS FROM BANKS

	31 December 2025	**31 December 2024**
Money market deposits	22,986	23,880
Total	**22,986**	**23,880**

As of 31 December 2025, the Bank's money market deposits were entirely denominated in Euro, bearing a weighted average interest rate of 3.36%, with maturities ranging from two to twelve months.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 20 – EMPLOYEE BENEFITS

	31 December 2025	31 December 2024
Pension plan liabilities	3,451	3,390
Reserve for employee severance indemnity	194	221
Annual leave pay liability	103	96
Total	**3,748**	**3,707**

20.1. Pension plan liabilities

The following table shows the pension plan liabilities:

	31 December 2025	31 December 2024
First pillar	1,479	1,238
Second pillar	849	895
Third pillar	65	175
Investment returns	1,025	1,014
Actuarial (gain)/loss	33	68
Total	**3,451**	**3,390**

Movements in the pension plan liabilities are as follows:

	31 December 2025	31 December 2024
Balance at 1 January	3,390	3,191
Increase during the year	893	594
Benefits paid	(643)	(493)
Actuarial (gain)/loss	(32)	10
Foreign exchange movements	(157)	88
Balance at period end	**3,451**	**3,390**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 20 – EMPLOYEE BENEFITS (Continued)

The movements in the actuarial loss due to defined benefit obligation (disability pension liability) over the period are as follows:

	31 December 2025	31 December 2024
Balance at 1 January	68	57
Current service cost	6	7
Interest cost	3	3
Actuarial (gain)/loss	(41)	-
Foreign exchange movements	(3)	1
Balance at period end	**33**	**68**

The principal actuarial assumptions used were as follows (denominated in US Dollar):

	31 December 2025 (%)	31 December 2024 (%)
Discount rate	5.50	5.26
Price inflation	2.40	2.30
Pay increase	3.60	3.50

Mortality rate:

EVK00 standard mortality rates for males and females are used for pre and after retirement mortality. The average life expectancy in years of a pensioner after retiring at age 60 for both men and women on the reporting date are as follows:

	31 December 2025	31 December 2024
Male	19.90	19.90
Female	22.40	22.50

The sensitivity analysis of defined benefit obligation of excess liabilities as of 31 December 2025 is as follows:

Assumption change	Pension excluding in-service disability	Salary continuation
Discount rate +1%	(13.6%)	(6.3%)
Discount rate -1%	16.8%	6.9%

20.2. Annual leave pay liability

The Bank's liability is the sum of the monetary values of each employee's annual leave entitlement which is calculated based on the monthly basic salaries. Movements in the annual leave pay liability are as follows:

	31 December 2025	31 December 2024
Balance at 1 January	96	86
Provision for the period, (net)	7	10
Balance at period end	**103**	**96**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 20 – EMPLOYEE BENEFITS (Continued)

20.3. Reserve for employee severance indemnity

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2025	31 December 2024
Discount rate (%)	4.10	3.35
Price inflation (%)	22.10	23.03
Pay increase (%)	30.00	30.00
Turnover rate to estimate the probability of retirement (%)	97.33	95.76

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the lower of maximum amount of TL 53,920 (31 December 2024: TL 41,828) and gross monthly income of the staff member has been taken into consideration in calculating the reserve for employee termination benefits.

Movements in the reserve for employment termination benefits are as follows:

	31 December 2025	31 December 2024
Balance at 1 January	221	148
Current service cost	15	21
Benefits paid	(33)	(28)
Interest cost	47	31
Actuarial (gain)/loss	(11)	70
Foreign exchange movements	(45)	(21)
Balance at period end	**194**	**221**

NOTE 21 – OTHER LIABILITIES

	31 December 2025	31 December 2024
Unearned income (1)	973	758
Provisions (2)	238	249
Payables	88	64
Lease liabilities	7	20
Other (3)	264	286
	1,570	**1,377**

(1) The Bank defers the income from front-end commissions during the tenor specified in the loan agreements.
(2) The provision relates to the on-going labour law related cases.
(3) Transitory liabilities amount to EU 255 thousand (31 December 2024: EU 268 thousand).

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 21 – OTHER LIABILITIES (Continued)

Lease liabilities

Lease liabilities relate to the leased real estates that are presented within tangible and intangible assets (see Note 17). Movements in the lease liabilities are as follows:

	31 December 2025	31 December 2024
Net book value at 1 January	20	-
Addition	-	38
Accretion of interest	3	2
Payments	(15)	(17)
Foreign exchange movements	(1)	(3)
Net book value at period end	**7**	**20**

NOTE 22 – EQUITY

22.1. Share capital

	31 December 2025	31 December 2024
Authorized share capital	1,089,100	1,089,100
Less: unallocated share capital	-	-
Subscribed share capital	**1,089,100**	**1,089,100**
Less: callable share capital	(762,350)	(762,350)
Paid-in share capital	**326,750**	**326,750**

There is no share capital paid-in during the period (2024: None).

The following table shows the number of shares, the amount subscribed by each member, including their respective callable and payable as well as the amount paid-in:

	Shares	Subscribed	Callable	Payable	Paid-in
Islamic Republic of Iran (1)	3,333	333,333	233,333	-	100,000
Islamic Republic of Pakistan (1)	3,333	333,333	233,333	-	100,000
Republic of Türkiye (1)	3,333	333,333	233,333	-	100,000
Islamic Republic of Afghanistan	500	50,000	35,000	-	15,000
Republic of Azerbaijan	325	32,500	22,750	-	9,750
Kyrgyz Republic	66	6,600	4,600	-	2,000
	10,891	**1,089,100**	**762,350**	-	**326,750**

(1) Total number of shares, subscribed capital and callable capital of the three founding members are equal and 10,000; EU 1,000,000 thousand and EU 700,000 thousand, respectively.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 22 – EQUITY (Continued)

Out of the subscribed capital, EU 762,350 thousand may become payable (31 December 2024: EU 762,350 thousand), upon a unanimous decision of the Board of Governors, by the member countries in such manner and on such terms as deemed fit by the Board of Governors. The paid-in capital of EU 326,750 thousand (31 December 2024: EU 326,750 thousand) is reflected at its cost.

22.2. Reserves

	31 December 2025	31 December 2024
General reserves	152,303	123,149
Actuarial reserves	(96)	(107)
Total	**152,207**	**123,042**

In accordance with Article 27 of the Agreement, the Board of Governors determine annually what part of the net income of the Bank from ordinary capital operations shall be allocated to reserves, provided that no part of the net income 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 25% of the subscribed capital.

F. PERFORMANCE FOR THE PERIOD

NOTE 23 – NET INTEREST INCOME

	31 December 2025	31 December 2024
Interest income		
Due from banks	8,055	6,439
Loans and advances to banks	6,074	7,922
Loans and advances to customers	10,702	14,626
Investment securities at amortised cost	4,032	3,923
Total interest income	**28,863**	**32,910**
Interest expense		
Deposits from banks	(923)	(1,431)
Pension plan liabilities (1)	(260)	(264)
Other	(3)	(2)
Total interest expense	**(1,186)**	**(1,697)**
Net interest income	**27,677**	**31,213**

(1) The Bank keeps the assets of the pension plan under its treasury investment portfolio and accrues interest on the liabilities to the pension plan (Note 7.16.2).

The amounts reported above are calculated using the effective interest method.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 24 – NET FEE AND COMMISSION INCOME

	31 December 2025	31 December 2024
Fee and commission income		
Front-end fees from customers	512	470
Front-end fees from banks	55	44
Pre-payment fees from customers	-	10
Commitment fees from customers	-	1
Total fee and commission income	**567**	**525**
Fee and commission expense	**(16)**	**(14)**
Net fee and commission income	**551**	**511**

NOTE 25 – OPERATING EXPENSES

	31 December 2025	31 December 2024
Personnel expenses		
Salaries and benefits	2,515	2,384
Contributions to defined contribution/benefit plans (1)	345	378
Other contributions (2)	90	72
Staff development expenses	45	4
Other personnel expenses	3	-
Total personnel expenses	**2,998**	**2,838**
Other administrative expenses		
Travel and accommodation expenses	106	111
Consultant and third-party fees	109	103
Operational subscriptions expenses	91	89
Office occupancy expenses	102	88
Equipment, maintenance and support	32	28
Other	96	95
Total other administrative expenses	**536**	**514**
Depreciation and amortization	**163**	**153**
Other operating expenses	**10**	**54**
Total operating expenses	**3,707**	**3,559**

(1) Contributions are comprised of the contributions made by the Bank on behalf of the employees for the Bank's Pension Plan (Note 7.16.2) and Turkish State Social Security Plan (Note 7.16.1).

(2) Other contributions are comprised of life insurance and health insurance contributions made by the Bank on behalf of the employees, as well as income tax on emoluments.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 26 – OTHER OPERATING INCOME

	31 December 2025	31 December 2024
Reversal of impairment loss [(1)]	-	1,647
Gain from sale of tangible assets	-	-
Other	2	11
Total other operating income	**2**	**1,658**

(1) The Bank reversed impairment losses regarding the headquarters building of the Bank.

G. OTHER INFORMATION

NOTE 27 – COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements.

27.1. Commitments under derivative instruments

The following table shows a breakdown of notional amounts of derivative transactions:

	31 December 2025					
	US Dollar	Euro	Chinese Yuan	British Pound	Japanese Yen	Total
Derivatives held for trading						
Currency swaps	75,381	-	56,185	39,054	30,673	201,293
Currency forwards	-	-	-	-	-	-
Total purchases	**75,381**	**-**	**56,185**	**39,054**	**30,673**	**201,293**
Derivatives held for trading						
Currency swaps	-	(201,956)	-	-	-	(201,956)
Currency forwards	-	-	-	-	-	-
Total sales	**-**	**(201,956)**	**-**	**-**	**-**	**(201,956)**
Off-balance sheet net notional position	**75,381**	**(201,956)**	**56,185**	**39,054**	**30,673**	**(663)**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 27 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

	31 December 2024					
	US Dollar	**Euro**	**Chinese Yuan**	**British Pound**	**Japanese Yen**	**Total**
Derivatives held for trading						
Currency swaps	79,728	-	54,784	37,390	29,307	201,209
Currency forwards	-	-	-	-	-	-
Total purchases	**79,728**	**-**	**54,784**	**37,390**	**29,307**	**201,209**
Derivatives held for trading						
Currency swaps	-	(198,776)	-	-	-	(198,776)
Currency forwards	-	-	-	-	-	-
Total sales	**-**	**(198,776)**	**-**	**-**	**-**	**(198,776)**
Off-balance sheet net notional position	**79,728**	**(198,776)**	**54,784**	**37,390**	**29,307**	**2,433**

27.2. Credit related and other commitments

The Bank has no commitments related to loan agreements (31 December 2024: None). Other commitments amount to EU 37 thousand (31 December 2024: EU 30 thousand).

NOTE 28 – RELATED PARTY TRANSACTIONS

For the purpose of this report, the Bank's key management personnel are referred to as related parties. The Bank's key management personnel are comprised of the President and two Vice Presidents. They are entitled to a staff compensation package that includes salary, medical and life insurance, participation in the Bank's pension plan, and other short-term benefits.

The total remuneration paid to key management personnel amount to EU 721 thousand (31 December 2024: EU 669 thousand). This comprises salary and employee benefits of EU 628 thousand (31 December 2024: EU 584 thousand) and contributions made by the Bank on behalf of the management personnel of EU 93 thousand (31 December 2024: EU 85 thousand). Key management personnel do not receive post-employment benefits like termination benefits, any share-based payments or other long-term benefits, except lump sum pension payment.

The members of the Board of Directors are not personnel of the Bank and do not receive any fixed term salaries nor any staff benefits.

NOTE 29 – SEGMENT ANALYSIS

The Bank is a multilateral financial institution dedicated to promoting and facilitating private and public sector investments, cooperation and development in member states and fostering the growth of intra-regional trade. The Bank operates in a specific geographical area and the primary reporting format for business segments includes Banking and Treasury operations. Banking activities represent loans to financial institutions for SME support and trade finance, loans to customers for projects, trade and corporate finance. Treasury activities include raising debt finance, investing surplus liquidity, managing the Bank's market risk.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 29 – SEGMENT ANALYSIS (Continued)

The following table shows an analysis of the income statement, total assets and liabilities:

31 December 2025	**Banking**	**Treasury**	**Total**
Interest income	16,776	12,087	28,863
Fee and commission income	567	-	567
Total segment revenues	**17,343**	**12,087**	**29,430**
Interest expense	(709)	(477)	(1,186)
Fee and commission expense	(8)	(8)	(16)
Net trading income/(loss)	-	1,464	1,464
Other operating income	1	1	2
Operating expenses	(2,658)	(1,049)	(3,707)
Segment income before impairment	**13,969**	**12,018**	**25,987**
Net impairment (loss)/reversal	(406)	2,124	1,718
Net income for the period	**13,563**	**14,142**	**27,705**
Segment assets	**375,486**	**160,797**	**536,283**
Segment liabilities	**18,172**	**11,449**	**29,621**

31 December 2024	**Banking**	**Treasury**	**Total**
Interest income	22,548	10,362	32,910
Fee and commission income	525	-	525
Total segment revenues	**23,073**	**10,362**	**33,435**
Interest expense	(502)	(1,195)	(1,697)
Fee and commission expense	(6)	(8)	(14)
Net trading income/(loss)	-	(341)	(341)
Other operating income	1,105	553	1,658
Operating expenses	(2,572)	(987)	(3,559)
Segment income before impairment	**21,098**	**8,384**	**29,482**
Net impairment (loss)/reversal	501	(829)	(328)
Net income for the period	**21,599**	**7,555**	**29,154**
Segment assets	**319,108**	**189,144**	**508,252**
Segment liabilities	**16,040**	**13,266**	**29,306**

NOTE 30 – SUBSEQUENT EVENTS

None.
