A shared heritage,
a connected future

ECO Trade and Development Bank

ANNUAL REPORT 2024

ECO Trade and Development Bank

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Main Fields of Activity

ENERGY | INDUSTRY | MICRO FINANCE

AGRICULTURE | TRANSPORT

A Shared Heritage, A Connected Future

The visuals featured throughout this report showcase selected images reflecting the natural, historical, and cultural richness of the ECO Trade and Development Bank's shareholder countries. Together, they celebrate the shared heritage that has connected the region for centuries while highlighting the diversity that enriches its collective identity.

Guided by the theme "A Shared Heritage, A Connected Future," these images symbolize ETDB's commitment to strengthening regional cooperation, economic integration, and sustainable development.

By bringing together the distinctive landscapes, landmarks, and cultural legacies of its member countries, the report illustrates how a common heritage continues to inspire stronger partnerships, deeper connectivity, and a more prosperous future across the ECO region.

BOARD OF GOVERNORS

As of 31 December 2024

Chairman, Board of Governors (Appointed 18 July 2024 for one year): Governor of the Kyrgyz Republic

Islamic Republic of Afghanistan

Governor:
Mr. Noor Ahmad Agha, Acting Governor, Central Bank of the Islamic Republic of Afghanistan

Alternate Governor:
Mr. Sadequllah Khalid, First Deputy Governor, Central Bank of the Islamic Republic of Afghanistan

Republic of Azerbaijan

Governor:
Mr. Mikayil Jabbarov, Minister of Economy, Republic of Azerbaijan

Alternate Governor:
Mr. Azer Bayramov, Deputy Minister of Finance, Republic of Azerbaijan

Islamic Republic of Iran

Governor:
Dr. Mohsen Karimi, Vice Governor for International Relations, Central Bank of the Islamic Republic of Iran

Alternate Governor:
Mr. Mostafa Movafagh, Central Bank of the Islamic Republic of Iran

Kyrgyz Republic

Governor:
Mr. Daniyar Amangeldiev, Minister of Economy and Commerce of Kyrgyz Republic

Alternate Governor:
Mr. Almaz Baketaev, Minister of Finance of Kyrgyz Republic

Islamic Republic of Pakistan

Governor:
Mr. Jameel Ahmad, Governor, State Bank of Pakistan

Alternate Governor:
Mr. Imdad Ullah Bosal, Secretary, Finance Division, Government of Pakistan

Republic of Türkiye

Governor:
Mr. Osman Çelik, Deputy Minister of Treasury and Finance, Republic of Türkiye

Alternate Governor:
Mr. Kerem Dönmez, Director General for Foreign Economic Relations, Ministry of Treasury and Finance, Republic of Türkiye

BOARD OF DIRECTORS

As of 31 December 2024

Islamic Republic of Afghanistan

Director:
Mr. Ahmad Jawad Sadad, Director General, Monetary Policy Dept., Central Bank of the Islamic Republic of Afghanistan

Deputy Director:
Mr. Ahmad Rahimi, Deputy Director General, Monetary Policy Dept., Central Bank of the Islamic Republic of Afghanistan

Republic of Azerbaijan

Director:
Ms. Könül Aliyeva, Deputy Director, Department for Cooperation with International Organizations, Ministry of Economy of the Republic of Azerbaijan

Alternate Director:
Mr. Famil Ismayilov, Deputy Head, International Relations Department, Ministry of Finance of the Republic of Azerbaijan

Islamic Republic of Iran

Director:
Mr. Farshad Mohammadpour, Vice Governor for Banking Supervision Affairs, Central Bank of the Islamic Republic of Iran

Alternate Director:
Mr. Arash Shahraeeni, Director of International Finance Department, Central Bank of the Islamic Republic of Iran

Kyrgyz Republic

Director:
Mr. Sanzharbek Bolotov, Deputy Minister of Economy and Commerce of the Kyrgyz Republic

Alternate Director:
Ms. Begimai Toktorbaeva, Head of the External Assistance Department of the Ministry of Economy and Commerce of Kyrgyz Republic

Islamic Republic of Pakistan

Director:
Ms. Nasheeta Mohsin, Special Secretary Finance, Finance Division, Government of Pakistan

Alternate Director:
Mr. Nadeem Ahsan, Joint Secretary (EF-P) Finance Division, Government of Pakistan

Republic of Türkiye

Director:
Ms. Bengü Aytekin, Deputy General Director of Foreign Economic Relations, Ministry of Treasury and Finance of the Republic of Türkiye

MANAGEMENT COMMITTEE

As of 31 December 2024

Dr. Mohammad Hashem Botshekan
President & Chairman of the Board of Directors

Mr. Ahmet Tutal
Vice President (Credits)

Mr. Aamir Nazir Gondal
Vice President (Finance)

AUDIT COMMITTEE

As of 31 December 2024

Mr. Hossein Sedghi
(Chairman of the AC)
Director General, Banking Supervision Department, Central Bank of I.R. of Iran

Mr. Akif Bülent Boyacıoğlu
Vice Chairman of Board of Treasury Controllers, Ministry of Treasury and Finance of Republic of Türkiye

Ms. Mariam Kayani
Joint Secretary External Finance, Ministry of Finance and Revenue, Government of Pakistan.

TO THE BOARD OF GOVERNORS

H.E The Chairman,
Board of Governors of the
Economic Cooperation Organization (ECO) Trade and Development Bank

Dear Mr. Chairman,

In accordance with Article 26 (2) of the Agreement Establishing the ECO Trade and Development Bank and Section 10 of its By-Laws, I have the honour to submit for the kind attention of the esteemed Board of Governors, the Bank's Annual Report for 2024 as endorsed by the Board of Directors. The report covers the activities of the Bank including audited financial statements for 2024.

Please accept, Mr. Chairman, the assurances of my highest consideration

Dr. Mohammad Hashem Botshekan

Chairman of the Board of Directors
President

ECO Trade and Development Bank

INTRODUCTION

Vision

To become the financial pillar of economic cooperation among ECO member states by fostering sustainable economic development and integration

Mission

- Promote and facilitate private and public sector investment, cooperation, development and job creation in member states through joint programs
- Foster the growth of intra-regional trade
- Contribute to the economic and social development for the welfare of the people in member states
- Promote good governance and environment consciousness in all efforts and projects

Core Values

- Development orientation
- Efficiency & Flexibility
- Transparency & Accountability
- Innovation
- Teamwork
- Additionality
- Effective Corporate Governance
- Sustainability

Establishment

The Economic Cooperation Organization (ECO) Trade and Development Bank (ETDB) was established by the decision of the Council of Ministers of ECO member states as a Multilateral Development Bank (MDB) for the purposes of initiating, promoting and providing financial facilities to expand intra-regional trade as well as accelerating economic development. The Bank is structured and operating under prudent policies, rules and regulations which are similarly adopted by other MDBs.

The Articles of Agreement establishing the Bank became effective on 3 August 2005, following the parliamentary approvals of the founding members of the Bank namely the Islamic Republic of Iran, the Islamic Republic of Pakistan and the Republic of Türkiye. The Articles of Agreement was registered at the United Nations (UN) under the number 44939 on 19 May 2008.

The Headquarters Agreement of the Bank was ratified by the Republic of Türkiye in July 2007 and the Bank started its credit operations as of December 2008. The Headquarter of the Bank is located in Istanbul (Türkiye) and representative offices are in Karachi (Pakistan) and Tehran (Iran). The Bank is staffed with 31 employees from member states as end of December 2024.

The main functions and activities of the Bank inter alia include:

- Financing development projects and intra-regional trade activities
- Supporting private and public sector investments
- Cooperating with national and international financial institutions
- Mobilizing resources and providing other banking services as may be necessary for the advancement of its purposes

The Bank's core mission is to promote sustainable growth across the ECO region. To this end, it aims to strengthen its position as a provider of development finance and related services. The Bank remains responsive to the evolving needs of the region by supporting priority projects and trade activities. In light of the region's development challenges, the Bank is committed to reducing risk perceptions both of individual member states and the region as a whole while fostering deeper regional cooperation. Its financial services are strategically designed to position the Bank as a strong and reliable partner in advancing economic growth among its member states.

The Bank's products are tailored to meet specific financial needs including project, corporate, and trade financing enabling clients to benefit from advanced financial techniques available in the market. The Bank focuses on supporting development programs and projects at reasonable costs and under favorable repayment terms. All transactions are development-oriented and subject to approval by the Board of Directors.

Loan tenors typically extend up to 10 years, with longer terms considered in exceptional cases. The Bank bases its lending decisions solely on the merits of each project and its developmental impact on member states. Some projects have a regional scope, benefiting multiple member countries and fostering economic integration. Both public and private sector entities operating within member states are eligible to benefit from the Bank's resources. The Bank may finance up to 50% of a project's total cost. For corporate and trade finance, funding may reach up to 100% of the requirements, provided that the total loan amount remains within the Bank's internal operational limits.

All operations must comply with the criteria outlined in the Negative List of Products Policy, anti-money laundering regulations, and the Bank's procurement and environmental policies. The main products and services offered by the Bank include, inter alia:

- Project Finance
- Corporate Finance
- Trade Finance
- M-SMEs Finance
- Equity Investments
- Co-financing and Syndication
- Guarantees
- Soft Loans
- Technical & Advisory Services

The primary objective of the ETDB is to finance programs and projects across a broad spectrum of socio-economic activities aligned with national development plans. Guided by its Business Plan and country-specific partnership strategies, the Bank primarily focuses on the following sectors:

- Manufacturing
- Energy
- Trade
- Industry
- Infrastructure
- Finance
- Tourism
- Transport and logistics
- Agriculture and food production

Operational Principles

The Bank conducts its activities in accordance with its Operation Cycle Policy and the guiding principles established by the Board of Governors and the Board of Directors. All operations must be technically, economically, financially, legally, and environmentally sound, aligned with Bank policies, and represent an acceptable level of risk. Ensuring financial viability is essential for the Bank to fulfill its mandate sustainably and without compromising its capital base.

In all its operations, the Bank ensures, to the greatest extent possible, compliance with applicable procurement regulations, the national laws of its member states, and the provisions of international conventions, treaties, and agreements. These include those that restrict, prohibit, or discourage the financing of activities involving goods and services that pose a threat to human health, public safety, biodiversity, or the environment at large.

To uphold its commitment to responsible financing, the Bank maintains a Negative List of Products Policy– including an Environmental Exclusion List–covering goods and services that are strictly excluded from financing. These include items that may be misused for illegal purposes or pose significant risks to health, safety, security, or the environment due to their production, handling, storage, or trade. The exclusion list includes, among others: weaponry, ammunition, military-related goods, tobacco, alcohol, narcotic drugs, psychotropic substances, wildlife products, and radioactive materials, including radioactive waste. Every transaction at the Bank is closely monitored to ensure strict adherence to internal policies and external regulations, including full compliance with Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT), and Know Your Customer (KYC) requirements. The primary goal is to create and safeguard value for shareholders and stakeholders through ethical, transparent, and fair business practices.

Governance Structure

The Bank is committed to maintaining the highest standards of corporate governance to ensure transparency, accountability, and effective checks and balances across its activities. As a multilateral development institution, the Bank operates independently of any national supervisory authority. Its governance structure, defined by the Articles of Agreement establishing the ETDB, is overseen through clearly assigned responsibilities among the Board of Governors (BoGs), Board of Directors (BoDs), and Management Committee. The corporate governance principles and standards adopted by the BoGs have been developed with careful reference to best practices followed by peer institutions.

In line with its Corporate Governance Policy, the Bank prioritizes transparency and accountability in all its operations. It is fully committed to adhering to widely recognized global corporate governance principles and frameworks. The Bank's Corporate Governance Policy, Code of Conduct, and Staff Regulations define the principles and practices guiding its activities. A key element of effective governance is the clear delineation of responsibilities among the Board of Governors, Board of Directors, and management, supported by targeted reporting to ensure proper execution of their respective roles.

The Bank's Management Committee, along with key business committees such as the Credit Committee and Asset and Liabilities Committee, operate fully to mitigate risks and maintain operational efficiency. This governance framework is supported by thorough internal and external audits, as well as robust financial and management reporting.

Islamic Republic of Afghanistan

Bamiyan Valley

The Audit Committee functions under a clearly defined mandate outlining its responsibilities, authority, scope, and reporting procedures to the Board of Governors. Acting in an advisory role to the Board, the Committee ensures the safeguarding of the Bank's assets, the effectiveness of internal controls, and the proper management of material risks.

The Bank's Annual Report includes financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Additionally, the Bank maintains a comprehensive Management Information System to report to the Board of Directors, particularly regarding its operations, investments, and financial performance. The Bank's reporting aims to provide relevant and transparent information on the risks and performance of its activities. Its reporting practices continue to evolve, guided by industry best practices.

The Board of Governors (BoGs)

All powers of the Bank are vested in the BoGs, which consists of one governor and one alternate governor appointed by each member country, who are mostly high dignitaries/senior officials (Ministers/ Governors of Central Banks) of the member states. With the exception of powers specifically reserved to it under the Articles of Agreement of the Bank including increasing the Bank's capital, admitting new members, appointing the President of the Bank, appointing external auditors for the audit of its accounts, approval of the Bank's financial accounts, allocation of net profit, and interpretation and amendment of the Articles of Agreement, etc.; the BoGs has delegated its other powers to the Board of Directors, whose members are also appointed by each member state. The BoGs hold an annual meeting and such other meetings deemed necessary.

The Board of Directors (BoDs)

The BoDs is composed of representatives of the member states and responsible for the direction of the Bank's general operations, exercising all powers delegated to it by the BoGs. The powers of the BoDs inter alia include the following:

i. take decisions concerning the business of the Bank and its operations in conformity with the general directions of BoGs;
ii. submit the accounts for each financial year for the approval of the BoGs at each annual meeting; and
iii. approve the budget of the Bank;
iv. propose to the BoGs any amendment to the Articles of Agreement
v. establish such branches, subsidiaries and representative offices as may be necessary or appropriate to conduct the business of the Bank

The Directors hold office for a term of three (3) years and may be reappointed. The BoDs are non-resident and meet as often as the business of the Bank may require but not less than six times a year.

The President

The legal representative and Chief Executive Officer of the Bank is the President. The President is appointed by the BoGs for a four (4) year term and also serves as the Chairman of the BoDs. The President is responsible for management of the business of the Bank in accordance with the Bank's rules and regulations and in line with the directives of the BoGs and the BoDs.

The Management Committee

The Committee is composed of the President, who serves as Chairman, and the Vice Presidents. It is mandated to consider all matters related to the Bank's strategy, structure, operations, risk management, and performance, in accordance with the directives of the Board of Governors and the Board of Directors.

Capital Structure

The unit of account of the Bank is ECO Unit (EU). Each EU is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF). The initial authorized capital of the Bank was SDR 1 billion and paid-in capital was SDR 300 million, which was equally paid-in by Türkiye, Pakistan and Iran. The membership and capital base of the Bank was expanded as the other ECO member states joined the Bank. In this respect, the Islamic Republic of Afghanistan with paid-in capital contribution of SDR 15 million, the Republic of Azerbaijan with SDR 9.75 million paid-in capital contribution and the Kyrgyz Republic with paid-in capital contribution of SDR 2 million became the new members of the Bank. Accordingly, the authorized capital of the Bank increased to SDR 1,089,100 thousand and the size of the paid-in capital amounted to SDR 326,750 thousand. The remaining four ECO member states namely Kazakhstan, Tajikistan, Uzbekistan and Turkmenistan are also expected to become the member of the Bank soon.

As common feature of the MDB's capital structure, the ETDB has a share of its capital that is callable; an unconditional and full- faith obligation of each member country to provide additional capital whenever required. Out of the said authorized capital SDR 762,350 thousand may become payable, upon a unanimous decision of the Board of Governors. Upon completion of the subscriptions by the new members, Türkiye, Iran and Pakistan continued to be largest shareholders of the Bank with 30.60 percent stake each, followed by Afghanistan with 4.59 percent, Azerbaijan with 2.98 percent and Kyrgyzstan with 0.61 percent. As of 31 December 2024, the share capital structure of the Bank showing the number of shares, the amount subscribed by each member, including their respective callable and payable as well as the amount paid-in is as follows:

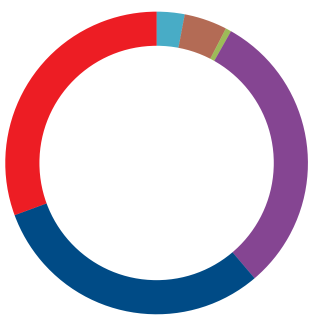
Table-1: Share capital structure of the Bank (thousands, SDR)

	Shares	Subscribed	Callable	Payable	Paid-in
Islamic Republic of Iran(*)	3,333	333,333	233,333	-	100,000
Islamic Republic of Pakistan(*)	3,333	333,333	233,333	-	100,000
Republic of Türkiye(*)	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
Total	10,891	1,089,100	762,350	-	326,750

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

Compared to the previous year, the Bank's total equity grew by 6.4%, reaching SDR 478,946 thousand by the end of 2024. This increase includes SDR 29,154 thousand from retained earnings for the year. Within total equity, reserves and retained earnings amounted to SDR 152,196 thousand, of which SDR 123,042 thousand were reserves. Equity represents approximately 94% of the total balance sheet, highlighting the Bank's strong capital base.

Figure 1: Shareholder Structure (percent)



Azerbaijan	2.98%
Afghanistan	4.59%
Kyrgyzstan	0.61%
Pakistan	30.6%
Iran	30.6%
Türkiye	30.6%

	Thousand SDR
Authorized Capital	1,089,100
Callable Capital	762,350
Paid-in Capital	326,750

According to the "Articles of Agreement" establishing the Bank, the membership is open to all ECO member states. The current membership structure of the ETDB increased to six members namely Türkiye, Iran, Pakistan, Afghanistan, Azerbaijan and Kyrgyzstan covering majority of the ECO member states. The prospect is to have all ECO member states as the member of the Bank and benefit from its activities. Accession of new members would help the ETDB to strengthen its regional scope, enrich value proposition, reinforce diversity and enlarge the capital base to further expand its operations.

While the Bank's current financial resources remain modest compared to other Multilateral Development Banks (MDBs) and even some commercial banks within the region, the potential for recapitalization presents a clear path for accelerated growth. Strategic capital increases–aligned with operational needs and supported by an expanding membership–are expected to enhance the Bank's ability to contribute meaningfully to the sustainable development of its member countries.

The Bank is committed to the efficient use of its resources, aiming to optimize fund allocation across various asset classes within member states while staying true to its mission and objectives. With enhanced prospects for dynamic growth, the Bank is well-positioned to further contribute to the sustainable development of its member states in the coming years.

PRESIDENT'S MESSAGE

Dr. Mohammad Hashem Botshekan
President

In accordance with prevailing global economic trends, the ECO region experienced a moderation in economic activity in 2024, with real GDP growth slowing to 3.6 percent from 4.0 percent in the previous year.

This deceleration reflects ongoing challenges such as supply chain disruptions, geopolitical tensions, and tightening monetary policies, as most central banks in the region raised interest rates to address inflationary pressures.

The year 2024 unfolded in a complex global economic environment shaped by persistent geopolitical tensions, inflationary pressures, and shifting trade dynamics. According to the IMF, global GDP growth moderated slightly to 3.3%, down from 3.5% in 2023, with projections pointing to a further slowdown to 2.8% in 2025 before a modest recovery to 3.0% in 2026. These trends reflect declining productivity, the impact of new trade measures, geopolitical uncertainties, and weakening global business sentiment.

In accordance with prevailing global economic trends, the ECO region experienced a moderation in economic activity in 2024, with real GDP growth slowing to 3.6 percent from 4.0 percent in the previous year. This deceleration reflects ongoing challenges such as supply chain disruptions, geopolitical tensions, and tightening monetary policies, as most central banks in the region raised interest rates to address inflationary pressures. To sustain growth, ECO member countries are encouraged to adopt well-designed, cost-effective policies that foster innovation, improve efficiency, and deepen regional cooperation. Building resilient economies requires strong domestic capacity, vibrant private sectors, and enhanced connectivity across the region.

Amid these conditions, the Bank remained firmly committed to fulfilling its core development mandate and the strategic priorities set out in the Business Plan (2023–27). Our efforts focused on strengthening institutional capacity through clear objective-setting and performance management frameworks that support good governance, operational excellence, and delivery of our strategic goals. The Bank's outstanding loan portfolio reached SDR 315 million by year-end, underscoring our continued commitment to financing impactful, well-structured operations across member states. Looking ahead, we aim to further diversify our portfolio by country and sector while developing new instruments such as guarantees, equity investments, special funds, and local currency financing.

A major milestone in 2024 was the Bank's successful attainment of its first external credit rating of 'BB' from an international rating agency, significantly enhancing our transparency, credibility, and positioning in international capital markets. Building on this achievement, we are carefully preparing for fundraising activities designed to expand our balance sheet in order to meet the region's growing financing needs, while maintaining prudent financial management and robust risk mitigation.

Since launching operations in 2008, the Bank has disbursed SDR 2,098 million (USD 3 billion) in loans across the region. These funds have supported a diverse range of projects in areas such as renewable energy, metro systems, healthcare, education, agriculture, and food security. We also continued to strengthen our support for trade finance and Micro, Small, and Medium-Sized Enterprises (M-SMEs), aligning our operations with environmental, social, and governance (ESG) principles and driving inclusive, sustainable development. The Bank has focused on optimizing its modest resources and has achieved promising results.

Institutionally, ETDB demonstrated continued resilience and sound financial performance. In 2024, we recorded a 33% increase in net profit, reaching SDR 29.2 million, with no non-performing loans. Total assets rose to SDR 508 million, while total reserves and retained earnings increased to SDR 152 million by year-end. These results reflect prudent financial management, disciplined risk practices, and a commitment to maintaining a strong balance sheet.

Since launching operations in 2008, the Bank has disbursed SDR 2,098 million (USD 3 billion) in loans across the region.

These funds have supported a diverse range of projects in areas such as renewable energy, metro systems, healthcare, education, agriculture, and food security.

Notably, expanding the Bank's membership and implementing a capital increase remain strategic priorities. The accession of the remaining ECO member countries would significantly enhance the Bank's development impact, foster broader regional integration, and promote shared prosperity across the ECO region.

As development needs in the region continue to grow, we are committed to mobilizing and optimizing financial resources, delivering high-impact solutions, and cultivating long-term partnerships. The Bank is prepared to respond with agility, innovation, and a strong sense of purpose. In all our operations, the Bank takes utmost caution to mitigate risks that could damage its reputation. We adhere to stringent due diligence processes, maintain transparency in our dealings, and uphold the highest standards of governance and ethics to safeguard the trust placed in us by our stakeholders.

In closing, I would like to express my sincere gratitude to the esteemed members of the Board of Governors and Board of Directors for their continued support, trust, and engagement. It is through their guidance and partnership that ETDB is able to evolve, grow, and better serve the development needs of the region.

I also extend my heartfelt appreciation to the dedicated staff of ETDB. The dedication and collaborative spirit of our team have been fundamental to the Bank's achievements, with their teamwork driving innovation, efficiency, and sustained success. The recent adoption of clear objective-setting and performance management frameworks has further strengthened our organizational effectiveness and focus.

Together, we can move forward with confidence, deepen regional solidarity, and build a more prosperous future for the ECO region.

Dr. Mohammad Hashem Botshekan
President

EXECUTIVE SUMMARY

The Bank's vision is to become the financial pillar of economic cooperation among its members.

As of the end of 2024, its equity stands at SDR 479 million. The Bank operates in accordance with internationally accepted financial standards and prudent policies and procedures closely aligned with those of other MDBs.

The ETDB was established as a regional multilateral development bank (MDB) and began its credit operations in December 2008. It has a clear mandate to foster socio-economic development and promote intra-regional trade among ECO member states. The Bank's vision is to become the financial pillar of economic cooperation among its members. Headquartered in Istanbul, Türkiye, the Bank employs 31 staff members from various member states. As of the end of 2024, its equity stands at SDR 479 million. The Bank operates in accordance with internationally accepted financial standards and prudent policies and procedures closely aligned with those of other MDBs.

The Bank's representative offices in Tehran (Iran) and Karachi (Pakistan) play a key role in identifying and coordinating its operations within their respective member states. The Bank has developed an efficient organizational structure and established a robust internal regulatory framework to enhance its operations. Committed to the highest standards of corporate governance, the Bank ensures transparency, accountability, and effective checks and balances across its activities.

Although operating with modest capital, the Bank maintains realistic business goals. It offers sustainable medium- and long-term financing to both private and public sector clients on competitive market terms, complementing commercial lending. Its financial products and services include corporate and sovereign loans, loans to municipalities, financing for public-private partnerships, programs supporting Micro, Small, and Medium Enterprises (M-SMEs), trade finance, and investments in project and structured finance within member countries.

In December 2024, the Bank celebrated the sixteenth anniversary of its operations. The knowledge and experience gained through internationally accepted practices continue to strengthen the Bank's ability to fulfil its mandate while maintaining financial viability.

Despite some stability, global growth continues to underperform relative to its potential. According to the latest IMF estimates, global GDP growth slowed slightly to 3.3% in 2024, down from 3.5% in the previous year. Projections indicate further deceleration, with growth expected to fall to 2.8% in 2025 and 3.0% in 2026 which is below the historical average of 3.7% (2000–2019). These downgrades are broad-based across countries and largely reflect declining productivity growth, the direct impact of new trade measures, spillover effects through global trade linkages, rising geopolitical tensions and weakening business sentiment.

Republic of Azerbaijan

Baku Old City (Icheri sheher)

EXECUTIVE SUMMARY

The post-pandemic growth spurt in the ECO region failed to gain lasting momentum, with growth weakening over the past few years. In line with global trends, the region experienced a slowdown in economic activity in 2024, as real GDP growth eased to 3.6%, down from 4.0% in the previous year. This deceleration reflects the lingering effects of pandemic-era supply chain disruptions, ongoing geopolitical tensions, and tighter financial conditions, as most central banks across the region raised policy interest rates to combat inflationary pressures.

ECO region's nominal GDP stood at USD 2.7 trillion in 2024 compared to USD 2.4 trillion recorded in the previous year, registering a growth of 12.5%. The nominal GDP was equivalent to 2.4% of the global output. A better gauge of the region's output trends is captured by observing GDP measured in terms of purchasing power parity (PPP). GDP (PPP-based) in 2024 stood at USD 8.4 trillion compared to USD 8.1 trillion last year which translates to a growth print of 3.7% in nominal terms. Estimated GDP per capita (PPP-based) for the ECO region in 2024 stood at USD 15,140 compared to USD 14,966 last year which amounted to a growth rate of 1.2%.

The adverse effects of ongoing geopolitical tensions, rising trade conflicts, supply-chain disruptions are expected to pose significant challenges to the sustainable development efforts of member states. Raising total factor productivity is essential for long-term growth and can be achieved by addressing deep-rooted structural constraints that hinder innovation, as well as by leveraging technological advancements. Recent developments in generative artificial intelligence (AI) present a significant opportunity in this regard and countries should invest in digital infrastructure and skills to harness its benefits responsibly.

ECO region's nominal GDP stood at USD 2.7 trillion in 2024 compared to USD 2.4 trillion recorded in the previous year, registering a growth of 12.5%.

The nominal GDP was equivalent to 2.4% of the global output. A better gauge of the region's output trends is captured by observing GDP measured in terms of purchasing power parity (PPP).

In response to these global dynamics and specific country conditions, the Bank's 4th Five-Year Business Plan (2023–2027) was approved by the Board of Governors in June 2023. The new Plan outlines a results-oriented approach to strengthening the Bank's institutional effectiveness. Under scenarios of increased resources, the Bank will continue to identify and capitalize on new opportunities to meet the financing needs of both public and private sector entities. The capital increase, as outlined in the alternative scenarios of the new Business Plan, is being pursued during the business plan period and is under consideration by the member countries.

The Country Partnership Strategy (CPS) documents, which are periodically updated and approved by the Board of Directors, serve as the Bank's primary analytical and strategic planning tools. They provide a structured framework for identifying, assessing, and guiding investment opportunities in the member states.

Overall, the Bank's outstanding loan portfolio reached SDR 315 million by the end of 2024, remaining slightly below the business plan target of SDR 322 million. Under the base-case funding scenario of the Business Plan, total assets were projected at SDR 498 million for year-end 2024. Surpassing this projection, the Bank's actual total assets amounted to SDR 508 million, representing a 3.2% increase compared to the previous year.

The Bank continued to achieve positive income levels, maintained a loan portfolio free of non-performing loans (NPLs), and upheld a strong focus on developmental impact. This robust financial performance reflects the Bank's effective management and operational efficiency amid a challenging economic environment. In alignment with the objectives outlined in the current Business Plan and Country Strategy Reports, the Bank's key achievements in 2024 are summarized as follows:

- Since the commencement of its credit operations in 2008, the Bank has disbursed a total of SDR 2,098 million to various operations across its member states as of end-December 2024. In alignment with its mandate to promote intra-regional trade, approximately 70 percent of the total disbursed funds have been allocated to trade finance activities, reflecting the Bank's inclusive and impactful role in supporting the region's trade development.

- Good asset quality was maintained throughout the year, supported by ongoing efforts to diversify the loan portfolio across products, countries, and sectors. By the end of 2024, the weighted average internal credit rating of the outstanding loan portfolio improved to 2.2 points, compared to 2.8 points in 2023, reflecting a sound risk level on a scale of 1 to 10. The Bank continued to integrate strong financial, social, and environmental safeguards into its operations while pursuing sustainable growth. The outstanding loan portfolio reached SDR 315 million as of end-2024.

- During 2024, total loan disbursements amounted to SDR 187 million, remaining broadly in line with the level recorded in the previous year.

- The Micro, Small and Medium-Sized Enterprises (M-SME) Support Program and the Trade Finance Facility, implemented through selected financial intermediaries, continued to generate positive developmental outcomes. Trade finance activities remained focused on enhancing trade relations among ECO member countries. Sub-borrower SMEs were engaged in key sectors such as agriculture, retail trade, construction, food, energy, transportation, and textiles, thereby contributing to economic development and job creation across the region.

- The Bank demonstrated strong responsiveness to natural disasters such as floods and earthquakes in member states, providing immediate soft loan support to assist recovery and rehabilitation efforts. This commitment aligns with the Bank's mission to promote sustainable economic development and social resilience.

- The Bank has made significant progress in strengthening its risk management framework, enhancing the internal credit rating system, and improving compliance procedures.

- As of 31 December 2024, all financial assets were classified under Stage 1, with no exposures falling under Stage 3. Delays in repayments were actively managed and successfully resolved. The Bank recorded an expected credit loss (ECL) expense of SDR 328 thousand in 2024, reflecting a prudent and cautious approach to credit risk assessment. This compares to a reversal of SDR 252 thousand recorded in 2023.

- The total assets of the Bank amounted to SDR 508 million by the end of 2024 (2023: SDR 492 million).

- In 2024, the Bank posted a net profit of SDR 29,154 thousand, a historically high figure representing a 33% increase compared to SDR 21,951 thousand in 2023.

Islamic Republic of Iran

Isfahan (Naqsh-e Jahan Square)

EXECUTIVE SUMMARY

- The Bank's total reserves and retained earnings amounted to SDR 152 million by the end of 2024, reflecting a 23 percent increase compared to the end of 2023.
- As of 31 December 2024, the Return on Assets (RoA) was 5.8 percent, and the Return on Equity (RoE) stood at 6.3 percent, both higher than the year-end 2023 figures (RoA: 4.6 percent; RoE: 5.0 percent), reflecting improved profitability and more efficient asset utilization.
- Treasury operations continued to optimize fund utilization while maintaining an adequate liquidity cushion, actively managing risks to avoid any unhedged positions.
- In 2024, after 16 years of operational history, the Bank received its first-ever external credit rating, assigned at 'BB' by the Capital Intelligence Ratings (CI Ratings or CI). This landmark achievement enhances the Bank's transparency and credibility by providing an independent evaluation of its creditworthiness. It also positions the Bank to access capital markets more effectively, supporting diversification of its funding sources. The Bank is carefully assessing the optimal timing to issue debt instruments, with particular focus on green and social bonds.
- The first tranche of membership expansion was successfully completed with the accession of Azerbaijan, Afghanistan, and Kyrgyzstan, bringing the Bank's current membership to include six ECO member states. An inclusive and principled approach was maintained in the ongoing efforts to encourage the remaining four ECO countries namely Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan to apply for membership.
- The Bank continued to strengthen its IT infrastructure by integrating advanced technological enhancements to support and streamline its business operations.
- The Bank continued to prepare regular supervision and monitoring reports to mitigate risks in specific operations and maintain the robust quality of the loan portfolio.
- The Bank continued its dialogue with multilateral development banks, national financial institutions, and other peer institutions, aiming to capitalize on available avenues to enhance future co-financing opportunities.
- The Bank continued its review of internal regulatory policy documents and regulations, implementing necessary updates and adjustments to ensure alignment with evolving operational needs, compliance requirements, and international best practices.

Despite prevailing business challenges, the Bank successfully maintained smooth operational performance by adopting appropriate and adaptive strategies. This resilience was supported by a comprehensive risk management framework, strengthened internal controls, sound corporate governance, and prudent financial planning, enabling the Bank to remain well-positioned to expand and enhance its operations.

ECONOMIC OVERVIEW

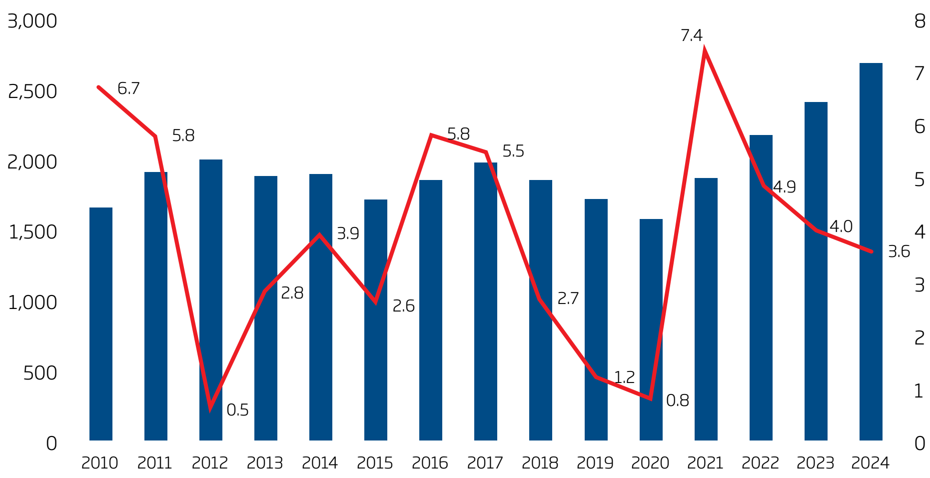
ECO region, similar to the global economy, witnessed slowdown in economic activity in 2024 with real GDP growth moderating to 3.6% down from 4% last year.

The slowdown in growth reflected the underlying lingering effects of pandemic era supply chain bottleneck, ongoing geo-political tensions, tightening of financial conditions as most central bank across the region raised policy interest rates to curb inflationary pressures.

According to the latest estimates by IMF, global GDP growth slowed down in 2024 registering growth of 3.3% down from 3.5% in the previous year. The subdued growth is attributed to several factors including tightened financial conditions, fiscal consolidation, lingering effects of pandemic, weak global trade recovery, China's sluggish recovery, policy uncertainty, and geopolitical fragmentation. The projected global growth of 2.8% in 2025 and 3% in 2026 reflects a pronounced slowdown compared to historical average of 3.2% over 2014-2024 period. This indicates a period of below trend expansion for the global economy.

The post pandemic growth spurt across the ECO region failed to gain a solid footing with growth faltering over the last few years. ECO region, similar to the global economy, witnessed slowdown in economic activity in 2024 with real GDP growth moderating to 3.6% down from 4% last year. The slowdown in growth reflected the underlying lingering effects of pandemic era supply chain bottleneck, ongoing geo-political tensions, tightening of financial conditions as most central bank across the region raised policy interest rates to curb inflationary pressures (Figure 2).

Figure 2: ECO Region-Growth Trend



Source: ETDB staff estimates

Growth (%) -RHS
GDP ($ trl) -LHS

Despite multiple headwinds stemming from Russia-Ukraine war and sluggish recovery in China, the Central Asian economies demonstrated strong resilience with the region witnessing significant economic expansion. Growth was supported by healthy remittances, inflows of capital and migrants from Russia, and increase in trade via new transit corridors and growth of re-export hubs.

Pakistan's economy grew by 2.5% in 2024 recovering from the devastating flood supply shock from last year. The subdued growth was supported by strong recovery witnessed in agriculture with modest contribution from industry and services. The commencement of IMF's USD 3 billion Stand-By Arrangement's implementation brought economic stability and eased external pressures.

Türkiye's economic growth slowed to 3.2% in 2024, down from 5% the previous year, as domestic demand eased amid tighter financial conditions resulting from the central bank's interest rate hikes aimed at curbing high inflation. Sluggish economic growth in European countries led to a decline in external demand, resulting in weaker exports from Türkiye resulting in diminished role of exports in enhancing growth. Fiscal consolidation, structural economic challenges, currency depreciation and rising external imbalances also weighed down on growth.

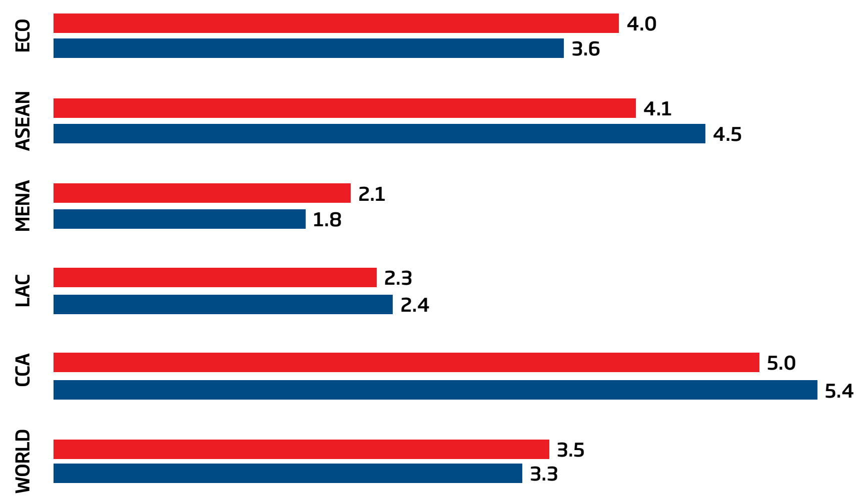
Iranian economy grew by 3.5% in 2024 down from 5% last year, demonstrating resilience despite stringent US and international sanctions. Growth was primarily supported by the oil sector with moderate contribution from manufacturing, and services sector. Growth faltered due to structural challenges faced by manufacturing and services sector due to energy deficit, high inflation, and currency depreciation. Surge in oil exports, economic diversification, and adaptation to sanctions helped the economy to maintain the growth momentum.

ECO region's nominal GDP stood at USD 2.7 trillion in 2024 compared to USD 2.4 trillion recorded in the previous year, registering a growth of 12.5%. The nominal GDP was equivalent to 2.4% of the global output. A better gauge of the region's output trends is captured by observing GDP measured in terms of purchasing power parity (PPP). GDP (PPP-based) in 2024 stood at USD 8.4 trillion compared to USD 8.1 trillion last year which translates to a growth print of 3.7% in nominal terms.

Living standard as measured by average nominal GDP per capita income metric was estimated at USD 4,953 for the ECO region in 2024 rising from USD 4,463 recorded last year. A more nuanced approach is to look at GDP per capita measured on PPP-basis to grasp a better appreciation of the change in living standards in the region. Estimated GDP per capita (PPP-based) for the ECO region in 2024 stood at USD 15,140 compared to USD 14,966 last year which amounted to a growth rate of 1.2%.

ECO region's economic performance was comparable to or outperformed other regional blocks in 2024 (Figure 3).

Figure 3: Real GDP Growth Rates-Selected Regions*



Source: IMF * MENA (Middle East & North Africa), ASEAN (Association of Southeast Asian Nations), LAC (Latin American Countries), CCC (Caucasus & Central Asian).

Developments in headline inflation varied across the ECO region with the region as a whole registering moderation in inflation which fell to 36.1% in 2024 compared to 39.2% print last year (Table 2). Inflation fell amid efforts by central banks in the region to hike interest rates to curb inflation. Inflation fell in all countries in the region except Türkiye, which witnessed an increase in inflation which hit 58.5% in 2024 up from 53.9% last year.

In 2024, the government fiscal balances across the ECO region showed a mixed picture, with some member countries facing widening deficits, others managing to reduce their fiscal shortfalls, and a few experiencing a decline in their fiscal surpluses. Fiscal deficit widened in Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic and Tajikistan amid rise in government spending, faltering economic activity and a rise in interest rates. Fiscal deficit fell in Pakistan, Türkiye and Uzbekistan on account of fiscal consolidation, and enhanced revenues mobilization. The regional fiscal deficit to GDP ratio in 2024 escalated to 4.3% unchanged from last year (Table 2).

Kyrgyz Republic

Issyk-Kul Lake

ECONOMIC OVERVIEW

In 2024, ECO region's overall current account (CA) balance in 2024 narrowed to a deficit of USD 7 billion down from USD 43.4 billion last year, equivalent to 0.3% of GDP compared to 1.8% last year (Table 2). A few member countries witnessed improvement in their CA deficits, especially Türkiye, which saw its external deficit contracting significantly to 0.8% of GDP from 3.6%. Kyrgyz Republic recorded a significant shrinkage in its CA surplus due to resumption of gold exports, increase in remittance, and more accurate recording of re-exports. Current account deficits across the region deteriorated due to trade disruptions, a fall in remittances, strong domestic demand, and contraction in global economic output.

In the table listed below key economic indicators of the ECO region and member countries for 2024 are presented.

Table 2: Key Economic Indicators by ECO Region and Member Countries-2024

	Real GDP Growth (percent)	Average Consumer Inflation (percent)	Central Gov. Budget Balance/GDP (percent)	Current Account Balance/GDP (percent)
Afghanistan	2.5	NA	NA	NA
Azerbaijan	4.1	4.9	3.2	7.8
Iran	3.5	32.6	-4.1	2.7
Kazakhstan	4.7	8.7	-1.6	-1.3
Kyrgyzstan	9.0	5.0	2.7	-31.1
Pakistan	2.5	23.4	-6.7	-0.4
Tajikistan	8.3	3.5	-1.8	4.7
Türkiye	3.2	58.5	-5.2	-0.8
Turkmenistan	2.3	4.8	0.3	3.1
Uzbekistan	6.5	9.6	-2.2	-4.9
ECO	3.6	36.1	-4.3	-0.3

Source: National statistical offices, IMF & ETDB staff estimates

The general gross government debt to GDP ratio decreased moderately across the ECO region. Gross government debt to GDP ratio fell due to a decrease in the fiscal expenditures and reduction in domestic debt issuance amid fiscal consolidation and rise in interest rates. The total public debt of the region reached USD 890 billion with regional public debt to GDP ratio falling to 33.3% from 35.3% last year.

Future Outlook

IMF in its latest projection anticipates global growth to reach 2.8% in 2025 and 3% in 2026 marking a pronounced slowdown compared to historical averages. This weaker outlook is driven by several factors including escalating trade tensions, which are further weakening already sluggish global trade, increased policy uncertainty, expectations of resurfacing of inflationary pressures due to elevated tariffs, and tighter financial conditions.

Similarly, ECO region is projected to face multiple headwinds from rising trade barriers, geopolitical tensions, volatility in commodity prices, capital outflows, currency volatility, and elevated debt burdens. As a result, economic growth is projected to moderately slowdown across the region and the respective economies.

OPERATIONS

1. Business strategy and balance sheet items

The Bank's operations in 2024 continued to advance its mandate of supporting the sustainable development of member countries. Special attention has been given to optimizing the use of the Bank's limited resources. During the year, total loan disbursements amounted to SDR 187 million, remaining broadly in line with the level recorded in the previous year. The Bank remains focused on supporting investments in key sectors such as health, education, food, energy, and agricultural infrastructure. It has also prioritized enhancing credit lines through financial institutions to address the financing needs of micro, small, and medium-sized enterprises (M-SMEs), and facilitating trade finance with particular emphasis on raw materials, intermediary goods, health-related items, agricultural, and food products.

Moreover, the Bank has been responsive to the emergency needs of member states, providing emergency soft loans to support rehabilitation and recovery efforts following earthquakes and floods. Guided by the development priorities of its member countries, the Bank's operational strategy is anchored on the principles of effectiveness, financial viability, and accountability. Since commencing operations in 2008, the Bank has disbursed a total of SDR 2,098 million in loans to various projects across member states as of December 31, 2024.

The Bank's fourth Five-Year Business Plan (2023-2027) was approved by the Board of Governors in June 2023. This Business Plan outlines ETDB's strategic path toward becoming a more results-oriented and effective institution.

Under scenarios of increased resources, the Bank aims to capitalize on emerging opportunities to meet the financing needs of both public and private sector entities.

The Bank's fourth Five-Year Business Plan (2023-2027) was approved by the Board of Governors in June 2023. This Business Plan outlines ETDB's strategic path toward becoming a more results-oriented and effective institution. Under scenarios of increased resources, the Bank aims to capitalize on emerging opportunities to meet the financing needs of both public and private sector entities. The Bank's business model, impact measurement frameworks, and project execution capacity provide significant advantages in fulfilling its development mandate with enhanced resources. Marketing initiatives, including direct engagement with potential clients, will continue to identify new opportunities and expand the Bank's loan portfolio.

The Bank maintained a consolidated and manageable loan portfolio with strong credit quality. ETDB's portfolio credit risk remains robust, reflecting the Bank's prudent risk management approach. By the end of 2024, the weighted average internal credit rating of the total outstanding loan portfolio improved to 2.2 points, compared to 2.8 points in 2023, indicating a sound risk level on a scale of 1 to 10.

The Bank offers a range of short- to long-term loan products to both private and public sector entities. The average tenure of the loan portfolio is closely monitored to ensure a steady pipeline of new operations in the coming years. The average remaining tenor of the Bank's loan portfolio remained stable at two years as of the end of 2024, consistent with the previous year. The Bank applies viable interest rates, including margins and fees, to its credit facilities to maintain competitiveness in the market.

The Bank successfully completed the transition from LIBOR to alternative reference rates, aligning with global financial market reforms. Loans are typically provided under sovereign or bank guarantees, although the Bank may accept unsecured positions when consistent with sound banking principles.

The current membership of ETDB comprises six ECO member states: Türkiye, Iran, Pakistan, Afghanistan, Azerbaijan, and Kyrgyzstan, representing the majority of ECO countries. In accordance with the Bank's Articles of Agreement, membership is open to all ECO member states. Throughout 2024, in collaboration with the ECO Secretariat, the Bank actively engaged with the remaining four ECO member states–Kazakhstan, Tajikistan,

Turkmenistan, and Uzbekistan–to encourage their accession and promote the benefits of ETDB's services. The inclusion of new members would not only enhance the Bank's resource base but also enable it to expand its operations and influence across the region.

With the anticipated expansion of its business and geographic reach following new member accession, the Bank is intensifying efforts to enhance its risk management framework. Adequate resources are dedicated to managing credit, market, and operational risks effectively. The critical importance of a robust risk management system has been underscored by recent financial market turbulences. To mitigate concentration risk, the Bank has maintained a well-diversified portfolio across member states and sectors. Additionally, the internal rating model has recently been enhanced with sensitivity analysis practices. Overall, the Bank upholds prudent risk management principles and sound business processes to sustain a balanced loan portfolio size and risk profile.

The Bank is making concerted efforts to enhance co-financing operations with partner financial institutions to mobilize additional resources for prospective projects in member states. Its operations are conducted under sound corporate governance and operational policies to ensure responsibility, transparency, and accountability. All activities strictly comply with the criteria set forth in the Negative List of Products Policy, anti-money laundering regulations, and the Environmental Policy.

Building on past experiences, the country partnership strategy reports, approved by the Board of Directors, evaluate operations in each member state, identify potential investment needs, and emphasize the importance of strengthening operational dialogue with public and private sector stakeholders. The Bank has successfully launched credit operations in Azerbaijan and is preparing to capitalize on additional investment opportunities. Efforts are also underway to initiate operations in Afghanistan and Kyrgyzstan.

Islamic Republic of Pakistan

Skardu & Karakoram Mountains

OPERATIONS

Supervision and monitoring practices have been continuously maintained to strengthen compliance and enable the Bank to identify and proactively address issues impacting Bank-financed projects. Special attention was devoted to projects vulnerable to challenges, with timely implementation of appropriate remedial measures and turnaround strategies. In alignment with the Business Plan and country strategy reports, the Bank has sustained the following key business approaches:

- Maintaining a diversified loan portfolio,
- Effective management of the loan disbursement and repayment operations,
- Obtaining an external credit rating score and attainment of second credit rating from an international rating agency.
- Maintaining a robust project pipeline in close cooperation with the partners,
- Strengthening correspondent banking network
- Raising medium and long-term external financing at reasonable cost,
- Increase emphasis on supporting medium sized companies and second-tier high growth potential firms,
- Identifying new products to further support economic and trade activities in member countries,
- Increasing the membership base,
- Enhancing co-financing arrangements with relevant partners,
- Strengthening the enterprise-wide risk management perspective,
- Improving policy and procedural documents of the Bank in order to secure a robust operational and regulatory framework,
- Maintaining an efficient IT infrastructure to ensure reliable and efficient functioning of business processes,
- Enhancing the human resources and technical capabilities on need basis,
- Adhering to prudent banking practices notably in view of new developments in the field of Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT) and KYC requirements.

OPERATIONS

During 2024, economic activities in the member states were primarily directed toward advancing development objectives and mitigating external risks, including inflationary pressures, supply chain disruptions, and tightening global financial conditions. Despite facing certain operational challenges, the Bank delivered a promising performance in relation to its operational targets set out in the Business Plan. The Bank's outstanding loan portfolio stood at SDR 315 million at year-end, slightly below the Business Plan target of SDR 322 million and under the 2024 budget projection of SDR 388 million. Operational constraints and economic challenges in certain member countries contributed to the shortfall, limiting the Bank's ability to initiate or expand its lending operations. Nevertheless, the Bank's total assets reached SDR 508 million by the end of 2024, exceeding the Business Plan's base case projection of SDR 498 million and marking a 3.2% increase compared to the previous year.

The Bank has consistently maintained positive income levels, reflecting its sound financial management and prudent operational strategy.The Bank reported a net profit of SDR 29,154 thousand for the year ended 31 December 2024, reflecting a 33% increase from SDR 21,951 thousand in 2023. This performance also exceeded the Business Plan target of SDR 22 million. This growth was primarily driven by a continued increase in interest and fee income, which reached SDR 33,435 thousand in 2024, up from SDR 27,789 thousand in the previous year.

(i) Balance Sheet

The Bank's financial position remained robust. As of 31 December 2024, the Bank's total assets reached SDR 508,252 thousand, representing a 3.2% increase from SDR 492,286 thousand as of 31 December 2023. This growth reflects the Bank's ongoing efforts to strengthen its financial position through prudent asset allocation and effective balance sheet management.

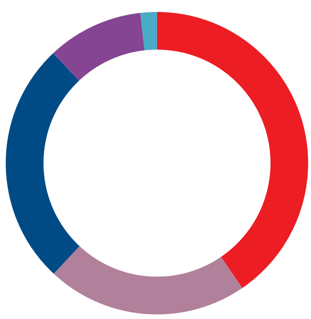
The Bank's loan portfolio continues to be a key component of its asset structure. Loans to customers amounted to SDR 205,613 thousand, increasing by 2.9% compared to SDR 199,887 thousand in the previous year. Loans to banks totalled SDR 109,270 thousand, representing a decline from SDR 120,266 thousand in 2023. Due from banks rose to SDR 132,231 thousand, up from SDR 105,409 thousand, and accounted for approximately 26% of total assets. Investment securities stood at SDR 52,282 thousand, while other assets amounted to SDR 8,856 thousand.

On the liabilities and equity side, total equity increased to SDR 478,946 thousand as of year-end 2024, up 6.5% from SDR 449,862 thousand in 2023. Equity now constitutes approximately 94% of the total balance sheet, underscoring the Bank's strong capital base. Within total equity, reserves and retained earnings amounted to SDR 152,196 thousand, of which SDR 123,042 thousand were reserves. This strong capital position provides the Bank with a solid foundation for future growth and resilience against potential risks.

Total liabilities declined to SDR 29,306 thousand, down from SDR 42,424 thousand in the previous year. This reduction was primarily driven by a decrease in deposits from banks, which stood at SDR 23,880 thousand, compared to SDR 35,956 thousand in 2023. Other liabilities totalled SDR 5,426 thousand.

In summary, the Bank's balance sheet remains robust and well-capitalised, supported by a high equity ratio, diversified asset composition, and a conservative funding structure. These attributes position the Bank to maintain financial stability and pursue sustainable development in the coming periods.

Figure 4: Composition of Assets (31 December 2024)



Loans to customers	40%
Loans to banks	22%
Due from banks	26%
Investment securities	10%
Other assets	2%

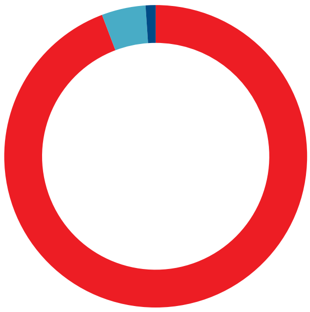
The Bank's financial management is focused on safeguarding financial sustainability, thereby enabling the Bank to fulfil its mandate in a prudent and effective manner. By preserving the integrity of its capital base and applying sound financial principles, the Bank positions itself to progressively advance toward operational self-sufficiency and to meet the growing financing demands of its member states in a sustainable and responsible manner.

(ii) Loan Portfolio

The Bank commenced its loan operations in December 2008. Since inception, total board-approved operations, encompassing SME finance to financial intermediaries, trade and corporate finance, and project finance to customers, have reached SDR 2,266 million as of 2024, reflecting a moderate increase compared to SDR 2,153 million in 2023.

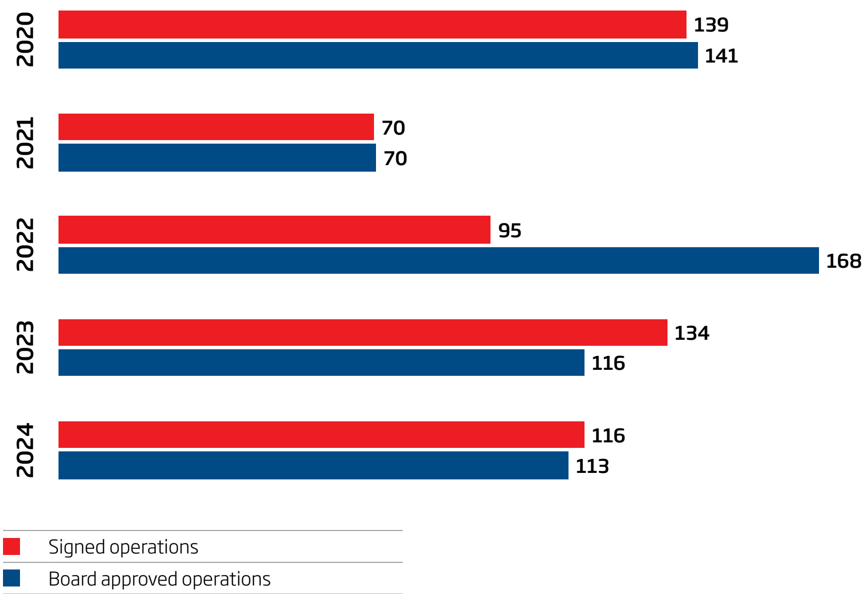
Within this period, signed agreements under these limits amounted to SDR 1,325 million in 2024, up from SDR 1,208 million in the previous year.

Figure 5: Composition of Liabilities & Equity (31 December 2024)



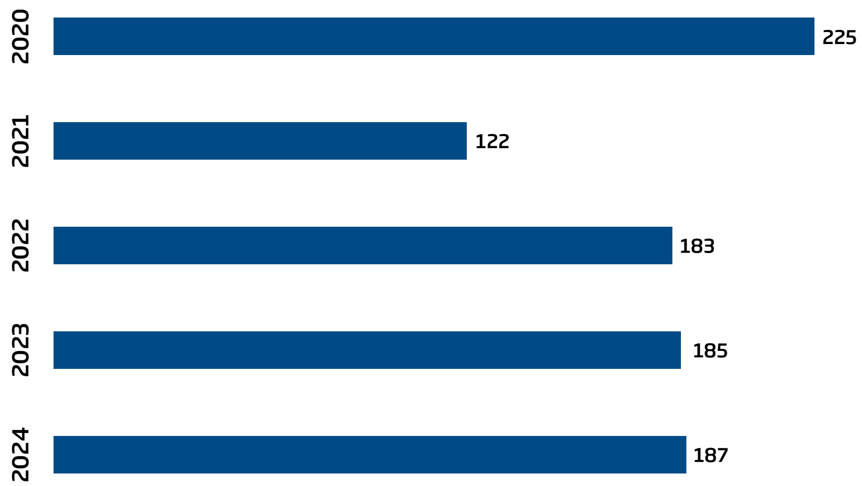
Total equity	94%
Deposits from banks	5%
Other liabilities	1%

Figure 6: Signed operations vs. Board approvals 2020-24 (SDR million)



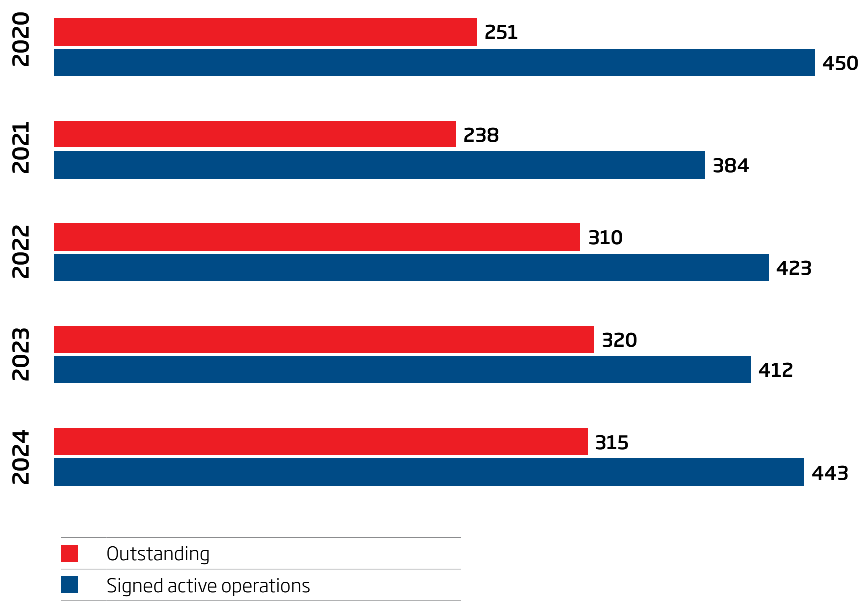
Total disbursements for these operations increased to SDR 1,248 million by the end of 2024, compared to SDR 1,132 million in 2023. Additionally, short-term trade finance loans disbursed to banks in member countries accounted for SDR 850 million. Consequently, total disbursements reached SDR 2,098 million by the end of 2024, up from SDR 1,911 million in 2023.

Figure 7: Annual loan disbursements 2020-2024 (SDR million)



As of 31 December 2024, the Bank's outstanding loan portfolio stood at SDR 315 million, slightly lower than SDR 320 million at the end of 2023.

Figure 8: Portfolio development 2020-2024 (SDR million)



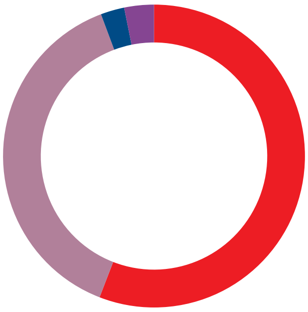
Outstanding loans were primarily concentrated in Türkiye (SDR 176 million) and Pakistan (SDR 121 million), with Iran and Azerbaijan accounting for SDR 8 million and SDR 10 million respectively. The allocation of outstanding loan portfolio among member countries as of 31 December 2024 was as follows:

Republic of Türkiye

Hagia Sophia

OPERATIONS

Figure 9: Outstanding loans by country- 31 December 2024 (SDR million, percentage)

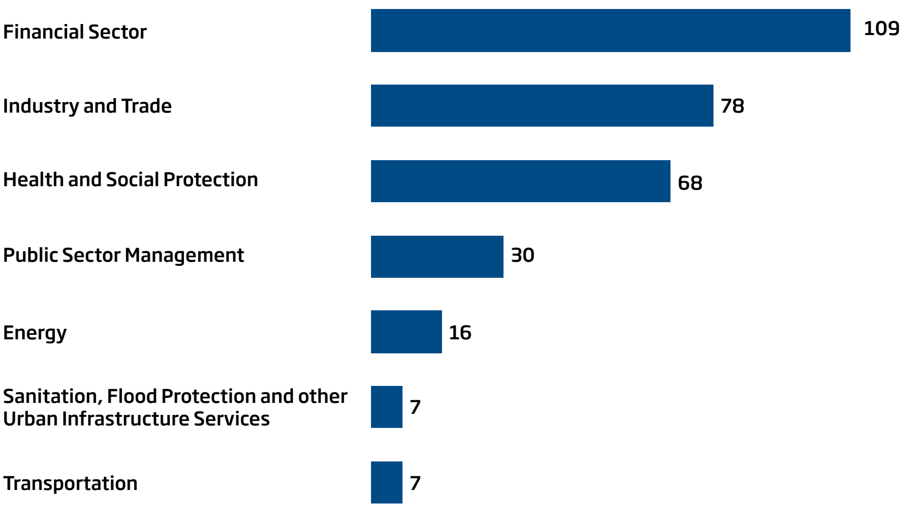


	SDR million	%
Türkiye	176	56
Pakistan	121	38
Iran	8	3
Azerbaijan	10	3

In terms of sector allocation, the outstanding loan portfolio was diversified across the financial sector (SDR 109 million), industry and trade (SDR 78 million), health and social protection (SDR 68 million), public sector management (SDR 30 million), energy (SDR 16 million), water, sanitation, flood protection, and other urban infrastructure services (SDR 7 million), and transportation (SDR 7 million). The concentration of operations in finance sector emanates from the twin objectives of the Bank to support development of local financial institutions and enhance operations in financing trade and development of M-SMEs.

These figures underscore the Bank's sustained commitment to fostering economic development and supporting key sectors across its member countries through targeted financing initiatives. The breakdown of the Bank's loan portfolio by industry sectors as of 31 December 2024 was as follows:

Figure 10: Outstanding Loans by sectors-31 December 2024 (SDR thousand)



(iii) Revenues

Interest income from lending activities increased to SDR 22,548 thousand in 2024, up from SDR 18,698 thousand in 2023. Of this amount, SDR 14,626 thousand was derived from loans to customers (2023: SDR 11,088 thousand), while SDR 7,922 thousand originated from loans to banks (2023: SDR 7,610 thousand). In addition, treasury operations contributed SDR 10,362 thousand in interest income (2023: SDR 8,548 thousand), comprising SDR 6,439 thousand from money market placements and SDR 3,923 thousand from investment securities.

The Bank recorded an expected credit loss charge of SDR 328 thousand in 2024, compared to a gain of SDR 252 thousand in 2023. Net fee and commission income totalled SDR 511 thousand (2023: SDR 533 thousand), while net trading operations resulted in a loss of SDR 341 thousand (2023: loss of SDR 406 thousand) mainly due to the valuation impact of swap positions. Other operating income significantly increased to SDR 1,658 thousand in 2024 (2023: SDR 1 thousand) primarily as a result of the revaluation of the Bank's headquarters premises.

Consequently, total operating income reached SDR 32,713 thousand in 2024, representing a 26% increase from SDR 25,931 thousand in 2023.

(iv) Expenses

Despite rising income levels, the Bank maintained its prudent approach to cost control. Total expenses declined to SDR 5,939 thousand, compared to SDR 6,091 thousand in the previous year, reflecting efficiency improvements across the Bank's operations. Interest expense remained relatively stable at SDR 1,697 thousand in 2024 (2023: SDR 1,695 thousand).

General and administrative expenses decreased to SDR 3,505 thousand (2023: SDR 3,976 thousand), includingSDR 2,838 thousand in personnel expenses (2023: SDR 3,326 thousand), SDR 322 thousand in operational expenses (2023: SDR 343 thousand), and SDR 192 thousand in administrative expenses (2023: SDR 158 thousand). Depreciation charges totalled SDR 153 thousand (2023: SDR 149 thousand).

Other operating expenses amounted to SDR 54 thousand (2023: SDR 4 thousand), bringing total operating expenses to SDR 3,559 thousand (2023: SDR 3,980 thousand). These results reflect the Bank's continued emphasis on budgetary discipline and operational efficiency.

(v) Net Income

The Bank's profitability benefited from sustained momentum in treasury placements and steady performance of its loan portfolio. The Bank reported a substantial increase in net profit amounting to SDR 29,154 thousand for the year ended 31 December 2024, an increase of 33% from SDR 21,951 thousand in 2023. This growth was primarily driven by a continued increase in interest and fee income, which reached SDR 33,435 thousand in 2024, up from SDR 27,789 thousand in the previous year.

The Bank's profitability benefited from sustained momentum in treasury placements and steady performance of its loan portfolio.

The Bank reported a substantial increase in net profit amounting to SDR 29,154 thousand for the year ended 31 December 2024, an increase of 33% from SDR 21,951 thousand in 2023.

(vi) Reserves

Reserves represent the internally generated capital of the Bank, accumulated through the retention of earnings. In accordance with the Bank's financial policies, these reserves serve as the primary buffer to protect the Bank's share capital against potential impairments resulting from credit losses in excess of provisions or from adverse impacts related to market, operational, or compliance risks.

Pursuant to the Bank's Articles of Agreement, retained earnings are allocated to reserves until they reach 25% of the subscribed share capital. As of 31 December 2024, the Bank's reserves amounted to SDR 123,042 thousand, corresponding to approximately 11% of the subscribed capital.

Table 3: Financial results (2020-24)

Thousands of SDR	2024	2023	2022	2021	2020
Assets	508,252	492,286	470,849	464,692	467,926
Treasury investments	184,513	166,780	154,773	221,025	211,552
Loan portfolio	314,883	320,153	310,477	238,265	250,791
Other assets	8,856	5,353	5,599	5,402	5,583
Liabilities	29,306	42,424	42,920	52,244	64,534
Borrowings	23,880	35,956	36,473	48,108	59,145
Other liabilities	5,426	6,468	6,447	4,136	5,389
Members' equity	478,946	449,862	427,929	412,448	403,392
Income	35,093	28,042	20,040	12,980	13,885
Interest and fees	33,435	27,789	16,584	11,605	13,433
Other income	1,658	253	3,456	1,375	452
Expenses	-5,939	-6,091	-4,544	-3,926	-6,128
Interest and fees	-1,711	-1,705	-723	-486	-748
Administrative	-3,505	-3,976	-3,104	-3,315	-3,565
Other expenses	-723	-410	-717	-125	-1,815
Net profit	29,154	21,951	15,496	9,054	7,757

OPERATIONS

The Bank's performance in 2024 is reflected in key financial indicators, demonstrating continued growth, improved efficiency, and prudent risk management.

The expansion of the banking portfolio, disciplined cost management, and enhanced revenue generation have collectively contributed to these positive outcomes.

(vii) Provisioning
In line with IFRS 9 – Financial Instruments, the Bank applies a three-stage impairment model that categorizes financial assets based on changes in credit quality subsequent to initial recognition:

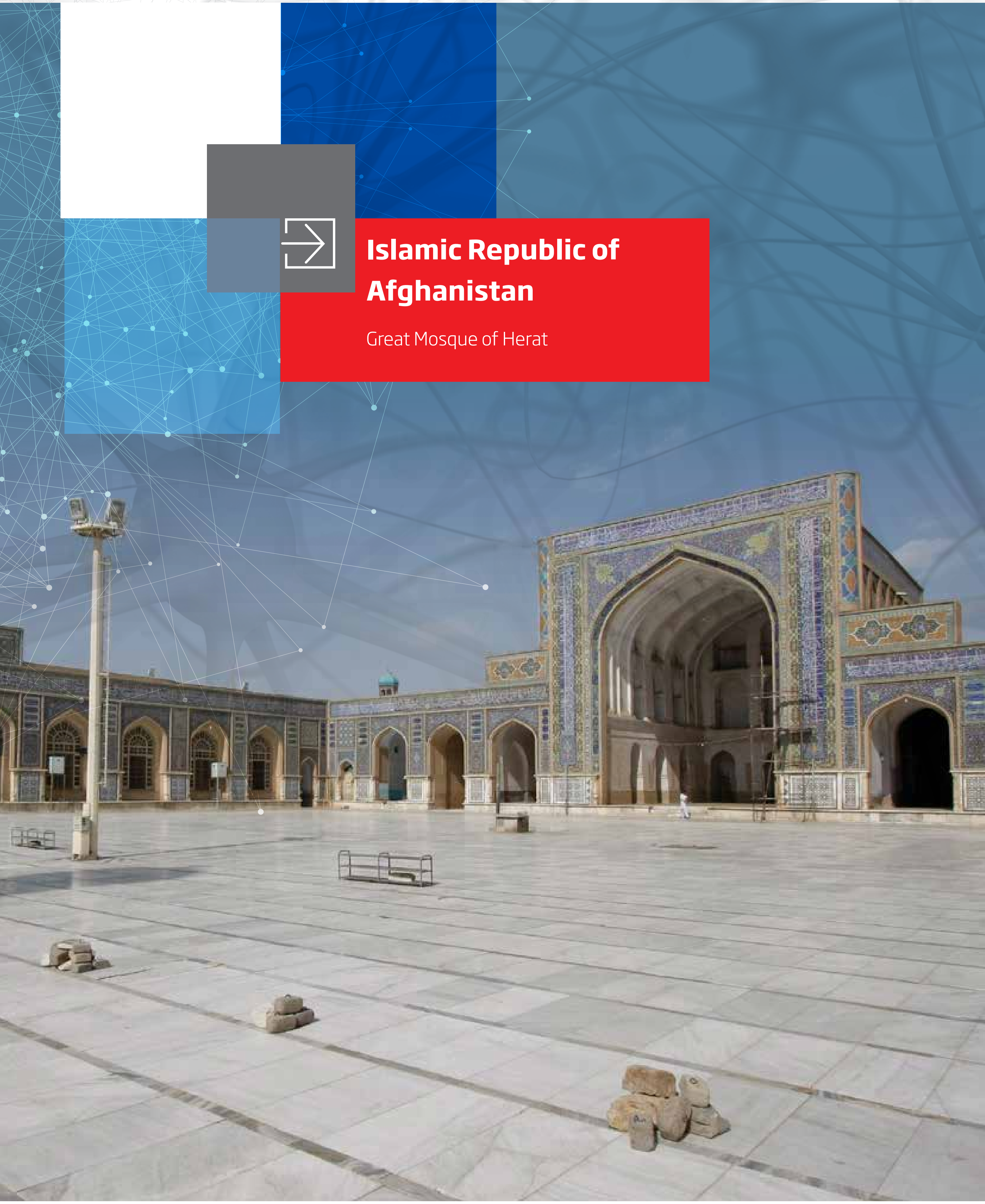
- Stage 1: Assets with no significant increase in credit risk or financial assets having low credit risk; subject to 12-month expected credit loss provisions.
- Stage 2: Assets with a significant increase in credit risk, but without objective evidence of impairment; lifetime expected credit losses are recognized.
- Stage 3: Assets that show objective evidence of impairment; lifetime expected credit losses are recognized.

As of 31 December 2024, all financial assets were classified under Stage 1, with no exposure in Stage 3. The Bank recorded an expected credit loss expense of SDR 328 thousand in 2024, reflecting a cautious credit risk assessment, compared to a reversal of SDR 252 thousand in 2023.

(viii) Key financial indicators (2020-2024)
The Bank's performance in 2024 is reflected in key financial indicators, demonstrating continued growth, improved efficiency, and prudent risk management. The expansion of the banking portfolio, disciplined cost management, and enhanced revenue generation have collectively contributed to these positive outcomes. The Bank remains committed to fulfilling its mandate efficiently, ensuring optimal capital utilization while maintaining credit, liquidity, and market risks within approved limits.

Islamic Republic of Afghanistan

Great Mosque of Herat



OPERATIONS

In 2024, the return on members' equity reached 6.3%, marking a significant improvement compared to 5.0% in 2023. Return on assets also increased to 5.8% in 2024 from 4.6% in 2023, reflecting enhanced profitability and effective asset utilization.

Interest income as a percentage of interest-bearing assets improved to 6.7% in 2024, up from 5.7% in 2023, underscoring the Bank's ability to generate higher returns on its interest-earning assets. The net interest margin remained steady at 1.9% in 2024, consistent with the previous year's performance, reflecting stable management of interest income relative to interest expenses.

The Bank's commitment to operational efficiency is evident in the reduction of general and administrative expenses to revenues, which decreased substantially to 10.5% in 2024 from 14.3% in 2023. This decline demonstrates ongoing cost control and enhanced productivity.

Leverage, as measured by the ratio of total debt to members' equity, further improved to 5.0% in 2024, continuing the downward trend from 8.0% in 2023. This reduction is due to the maturity of deposits from Banks which reflects a strengthened capital position.

Table 4: Financial ratios (Percentage) 2020-2024

	2024	2023	2022	2021	2020
Financial performance					
Return on members' equity	6.3	5.0	3.7	2.2	1.9
Return on assets	5.8	4.6	3.3	1.9	1.7
Interest income / interest bearing assets	6.7	5.7	3.5	2.4	2.7
Net interest margin	1.9	1.8	2.3	1.8	1.9
Efficiency					
Gen. & Administrative expenses / revenues	10.5	14.3	18.7	28.6	26.5
Leverage					
Total debt / members' equity	5.0	8.0	8.5	11.7	14.7

SDR

2,098

million

Since the commencement of its credit operations in 2008, the Bank has disbursed a total of SDR 2,098 million in loans across various operations as of the end of 2024.

2. Business Activities

As a development finance institution, the Bank operates under a dynamic business model aimed at enhancing regional trade, supporting the development of micro, small, and medium-sized enterprises (M-SMEs), and addressing the financing and technical assistance needs of corporates and projects across member countries. Despite prevailing operational challenges in certain member states, the ETDB has continued to actively pursue its operations to foster growth and economic prosperity throughout the region.

The funds available for the Bank's lending operations have been extended on favorable terms. While loans are generally provided under sovereign or bank guarantees, the Bank may consider unsecured exposures if deemed consistent with a prudent risk perspective. The selection of projects and operations is guided by assessments of additionality and development impact. Key factors in credit decisions include the financial structure of the transaction, the financial strength of sponsors, applied technology, available collateral, loan tenor, and the specific sector. Development impact, in particular, serves as a guiding principle in prioritizing projects that present an optimal risk-return profile. Since the commencement of its credit operations in 2008, the Bank has disbursed a total of SDR 2,098 million in loans across various operations as of the end of 2024.

Table 5: Loan disbursements during 2008-2024 as per country (millions of SDR)

	Iran	Pakistan	Türkiye	Azerbaijan	Total
SME/M-SME Dev. Loans	34	43	255	2	334
Short term trade finance	64	111	665	10	850
Trade/Corporate finance	60	530	77	8	675
Project finance	64	78	97	-	239
Total	222	762	1,094	20	2,098

Since its establishment, the Bank has invested over SDR 1.184 billion through financial intermediaries to promote intra-regional trade and accelerate economic development within the ECO region. Aligned with its mandate to foster regional trade and sustainable growth, the ETDB utilizes a sound network of financial intermediaries to reach final beneficiaries, particularly in the micro, small and medium-sized enterprise (M-SME) segment and trade finance.

These intermediaries–comprising selected commercial and investment banks, microfinance and SME finance institutions, and leasing companies–are carefully chosen based on rigorous appraisal and due diligence procedures in line with the Bank's policies and guidelines. Limits are allocated to partner institutions based on their financial soundness, reliability, and alignment with sectoral disbursement objectives.

Looking ahead, the Bank aims to further expand its network of financial intermediaries across member countries and introduce new products to enhance diversification by geography and customer base.

(i) Bank and Non-Bank Financial Institutions Operations

ETDB offers development finance and trade finance facilities to selected financial intermediaries in member countries. Financial intermediaries assist the Bank in servicing specific market segments more efficiently or effectively.

These specific market segments are "M-SME Finance" and "Trade Finance". Product line diagram for loans through financial intermediaries is as follows:

M-SME Development Loans (Medium-Long Term)	Trade Finance Loans (Medium-Short Term)
· SME Loans - Senior Conventional SME Loans - Subordinated SME Loans - Islamic SME Facilities	· Export Finance Loans - Pre-Export Loans - Supplier Credit - Export Finance Guarantee
· Microfinance Loans · Equity Investments	· Import Finance Loans - Buyer Credit - Import Finance Guarantee · Short Term Trade Finance Program

Since inception of the Bank, 32 FIs have been provided funding under the above-mentioned facilities in the total cumulative amount of USD 1.6 billion loans to FIs.

Since its establishment, the Bank has invested over SDR 1.184 billion through financial intermediaries to promote intra-regional trade and accelerate economic development within the ECO region.

Aligned with its mandate to foster regional trade and sustainable growth, the ETDB utilizes a sound network of financial intermediaries to reach final beneficiaries, particularly in the micro, small and medium-sized enterprise (M-SME) segment and trade finance.

Republic of Azerbaijan

Maiden Tower

OPERATIONS

Medium term M-SME Development Loan is developed to encourage intermediary banks and leasing companies to expand their M-SME financing operations in the member states.

In line with ETDB's commitment to improve the access of SMEs to the financial services, the Bank has been offering SME finance facilities through its financial intermediaries since 2009.

M-SME Development Loans

SME Loans: SMEs are seen as the most important driver of economic growth and play a significant role in employment creation.

One of the priorities of ETDB is to support M-SMEs which are critical for the economic and social development in the ECO Region. They play a major role in creating jobs, alleviate poverty and enhancing the income distribution pattern. However, their development is constrained by limited access to finance. Medium term SME finance facilities aim to increase the access of M-SMEs to financial services.

Medium term M-SME Development Loan is developed to encourage intermediary banks and leasing companies to expand their M-SME financing operations in the member states.

In line with ETDB's commitment to improve the access of SMEs to the financial services, the Bank has been offering SME finance facilities through its financial intermediaries since 2009.

As of year-end 2024, SME development loan portfolio to financial intermediaries amounted to USD 55 million. 84 new SMEs benefitted from ETDB loans throughout 2024, and total number of SME sub-borrowers getting funding from ETDB resources reached to 282 (from 211 of the previous year).

New SME sub-loans provided amounted to USD 26 million during 2024, which shows a healthy 50% turnover ratio of the ETDB SME funds considering that the sub-loans' average tenure has been 35 months. In Türkiye, such funding tenure is considered as long-term and it is difficult to get for an SME due to low-risk appetite of Turkish banks for SMEs as well as unavailability of long-term funding sources in the Turkish financial markets. Turkish banks rather prefer low-risk corporate customers over SMEs for their long term-lending with their scarce long-term funding sources. Thus, through ETDB funding the SMEs were supported to reach to long term funding for their investments.

Sub-borrower SMEs have been operating in agriculture, retail trade, construction, food, energy, transportation and textile sectors with around 55 employee per SME.

Going forward, ETDB will emphasize green finance for SME lending in order to develop environmental conscious growth in the SME segment. Green finance is the financing of investments that provide environmental benefits in the broader context of environmentally sustainable development.

OPERATIONS

Microfinance Loans: Population in the lowest income segments does not have bank accounts and cannot get loans, making it hard to start or grow a business. This creates a negative impact for the economy. Microfinance supports the lowest income segment in launching, developing or maintaining a revenue generating economic activity.

ETDB pays specific attention to people who are facing difficulties entering or re-entering to the labor market, who are threatened by social exclusion, or who are otherwise in a disadvantaged position in the conventional credit market. In this regard, ETDB launched its microfinance facilities in 2013.

Going forward, women-led micro businesses will be a new point of focus as a microfinance sub-segment for ETDB.

Societal and cultural barriers impede the access to finance for women-led and managed micro businesses. While getting access to financial services has been a problem for micro companies in general, it is disproportionately impacting women. To address this significant market gap, ETDB would co-operate with local organizations to help women-owned businesses.

M-SMEs' operations and sector shouldn't be among the negative list of products and sectors and M-SMEs shall comply with the environmental policy of ETDB.

After receiving the loan, financial intermediary allocates the loan to its customers without getting consent of ETDB as long as the end-borrowers comply with the eligibility criteria as defined above.

Structure of the M-SME Development Loans:
M-SME loans are offered to financial intermediaries both in conventional as well as Islamic finance structures.

The tenor of the M-SME loans range between 2-5 years, except for the subordinated (tier II) M-SME loans whose tenor may go up to 10 years.

Financial intermediaries can use M-SME Development Loans to fund the «Investment» or «Working Capital» needs of their clients that are domiciled in the territory of ETDB member states and that fall under the definition of micro and SME company definition as shown below:

M-SMEs' operations and sector shouldn't be among the negative list of products and sectors and M-SMEs shall comply with the environmental policy of ETDB.

After receiving the loan, financial intermediary allocates the loan to its customers without getting consent of ETDB as long as the end-borrowers comply with the eligibility criteria as defined above. The risk of end-beneficiaries (M-SMEs) is taken by the financial intermediary.

Financial intermediaries periodically report to ETDB about their financial standing and about the sub-loan portfolio to M-SMEs.

Client Category	Headcount	Annual Turnover
Micro	<50	<EUR 50.000
SME	51-250	EUR 51.000 - EUR 15.000.000

In order to provide access to longer tenor financing to the M-SMEs, the minimum tenor that the financial intermediary provides to the M-SMEs is required to be longer than 6 months.

All commercial banks, leasing companies and microfinance banks that are located in ETDB Member Countries can apply to ETDB to be an intermediary bank for the M-SME Development Loan.

Upon finalization of credit review, establishment of a credit limit and signing of the relevant loan agreement; financing will be available for the intermediary bank for their use.

M-SMEs should apply not to ETDB but to one of the intermediary banks or financing institutions. For M-SMEs, the requirements for application may vary according to the respective intermediary institution.

Trade Finance Loans
ETDB focuses on two main targets in trade finance area:

a) Improving trade relations between ECO member countries.

b) Enabling the continued flow of trade credit at times when imports may be critical and the member country's exports can generate much-needed foreign exchange.

In this context, ETDB offers trade finance facilities through selected financial intermediaries.

Export Finance Facilities are developed to provide financing to exporters of ECO member countries to produce manufactured goods, commodities and agricultural products for exportation.

Import Finance Facilities are developed to finance importation of capital equipment (machinery and relevant spare parts), raw material and intermediary goods in order to enhance productivity and thus to contribute to the economic development of the member countries.

ETDB allocates trade finance loans to its financial intermediaries to be on-lent to their customers as exporters or importers.

Total trade finance portfolio of BNFI amounted to USD 96 million as of year-end 2024.

64 trade finance transactions have been financed during 2024, out of which

- 43 transactions financed the exports from the member countries to non-member countries,
- 14 transactions financed capital and intermediary goods' import to member countries and
- 7 transactions financed intra-regional trade whereby both exporters and importers were in the member countries.

For the exports, final beneficiaries have been corporates operating in the food, textile, medical equipment, iron and steel and automobile spare parts production, while for the intra-regional trade, cotton, construction materials, medical equipment and electrical energy have been the traded goods.

In terms of amounts, exporters in member countries received 73% of ETDB's trade finance facilities through financial intermediaries, while 13% of the portfolio financed the capital and intermediary goods' imports into the member countries. Finally, 12% of the indirect trade finance went to intra-regional trade in 2024.

Going forward, the bank will focus more to intra-regional trade finance by giving more competitive rates for such trade transactions.

Structure of the trade Finance Loans:
Financial intermediaries can use trade finance facilities for the below mentioned types of transactions:

i. exports from any of the ETDB Member Countries to any country,

ii. imports to any of the ETDB Member Countries from any of the ECO Member Countries, or

iii. imports of capital equipment, raw material and intermediary goods to any of the ETDB Member Countries from any country provided the financed items preferably enhance competitive advantage or greater exports, intra-regional trade and job creation. ETDB finances up to 85% of the value of any transaction under this category- except for the importation of health sector products that can be financed up to 100% of the invoice amount.

Trade finance loans may cover both pre-shipment and/or the post-shipment periods of a trade transaction. The facility can only be allocated by the financial intermediary to the exporters/importers which comply with ETDB's Negative List of Products. All commercial banks located in ECO Bank Member Countries can apply to ETDB to be an intermediary bank for ETDB trade finance facilities. The tenor of loans for trade finance to financial intermediaries is between 6 months and 2 years.

Islamic Republic of Iran

Shiraz (Persopolis ancient city)

OPERATIONS

In 2024, the Bank reaffirmed its commitment to promoting sustainable and inclusive economic development across its Member States.

The CPF portfolio continued to support renewable energy initiatives, with ongoing transactions contributing to the generation of 170.8 MW of wind power and 18 MW of solar power.

(ii) Corporate and Project Finance
In 2024, the Corporate and Project Finance (CPF) Department focused on expanding its pipeline of transactions by engaging with potential new clients and identifying opportunities that support the Bank's development mandate. The Department also explored possibilities of working with other Multilateral Financial Institutions to explore co-financing arrangements, aiming to expand available resources and increase impact across Member States. In addition, CPF continued to manage and monitor the Bank's active portfolio, envisaging that the transactions continued to be aligned with institutional objectives.

Owing to the demand from our client and given the operating environment, the support for Oil & Gas Trade Finance for Ministry of Finance, Government of Pakistan continued during 2024, where the facilities for trade transactions continued augmenting the member country's energy sector, and as a result our bank's direct support to the Government of Pakistan for financing incremental import shipments of oil/gas soared to approximately USD 517.00 million since 2014.

Throughout 2024, CPF diligently pursued new initiatives in Member States, identifying opportunities such as railway/highway renovations in Azerbaijan and steel/iron manufacturing and export in Pakistan, aligning with the bank's strategic objectives. As a first CPF transaction in Azerbaijan, a new corporate finance of EUR 9.40 million was initiated to finance client's procurement requirements pertaining to highway upgradation projects in Azerbaijan.

In 2024, the Bank reaffirmed its commitment to promoting sustainable and inclusive economic development across its Member States. The CPF portfolio continued to support renewable energy initiatives, with ongoing transactions contributing to the generation of 170.8 MW of wind power and 18 MW of solar power. The CPF Department placed strong emphasis on risk and portfolio management, undertaking close supervision and post-completion monitoring of operations to ensure performance and mitigate potential risks.

Country-level performance in 2024 reflected the Bank's continued commitment to addressing diverse development needs across its Member States. In Pakistan, approved facilities totaled USD 163.45 million, directed primarily toward solar energy initiatives, oil and gas imports, and disaster relief efforts.

OPERATIONS

In Iran, the Bank maintained its focus on existing portfolio related to development of environmental infrastructure, with EUR 9.775 million financing supporting wastewater management and electricity distribution projects. No new financing transactions were appraised during 2024.

In Türkiye, the Bank extended a new soft loan of EUR 30.00 million to help the country recover from the severe earthquake that impacted 11 provinces, causing significant loss of life and infrastructure damage. As a result, the CPF portfolio in Türkiye reached a total of USD 97.33 million, with disbursements allocated to seismic risk mitigation, earthquake response activities, Covid Relief and investments in wind/ sustainable energy projects. All in all, the total portfolio of CPF operations reached USD 256.37 M as at the year end.

3. Treasury Operations

ETDB Treasury has two functions: a) cash flow management; b) market and liquidity risk management;

a) Cash Flow Management:
Treasury Department is in charge of managing the Bank's cash flow. The Department engages in borrowings and placements through money market and capital market transactions and ensures effective management of the Bank's short-term funds.

b) Market and Liquidity Risk Management:
The market risks- namely currency and interest rate risks and the liquidity risk are daily monitored and managed by the Treasury Department under the supervision of the Asset Liability Committee of the Bank (ALCO). ALCO sets the market and liquidity risk limits and defines the guidelines for managing these risks. Additionally, in the context of "enterprise risk on macro level"; the Risk Management Department oversees the Bank's compliance with the liquidity and the market risk limits. Risk Management Department monitors the interaction of the liquidity and market risks with the credit risk. The Bank's market risk and liquidity risk policies are more conservative as compared to the general banking practices.

Currency Risk Management:
As a development bank denominated in SDR, the Bank mitigates the currency risk by using the appropriate on and off balance sheet hedging instruments. Currency risk VaR calculations and daily open position reporting are used as monitoring tools for the currency risk.

Interest Rate Risk Management:
Rather than using derivative off balance sheet hedging instruments; the interest rate risk is managed on balance sheet by matching the maturity structure of the assets and liabilities in terms of tenor and currency.

Liquidity Risk Management:
The Bank follows highly conservative liquidity risk policy by keeping its liquidity coverage ratio (liquid assets to net cash requirement ratio) at 100% at all times. This ratio is monitored daily for the cash flow management. Additionally, ALCO defines and monitors the liquidity level limit as a percentage of the liquid assets to selected balance sheet items. Also, stress test scenarios are applied to keep the liquidity coverage ratio at adequate levels.

While achieving the three major functions stated above, TD has performed 293 operations (deals) in the total turnover of USD 2.3 billion during 2024:

- USD 1,236 million in Money Market and Capital market,
- USD 1,005 million in FX swaps,
- USD 30.5 million in FX.

As of 31.12.2024, Treasury assets stood around SDR 181.7 million (USD 236.9 million).

SDR
181.7
million

As of 31.12.2024, Treasury assets stood around SDR 181.7 million (USD 236.9 million).

Treasury made the net interest income (Net money market + securities) of SDR 9.45 million (USD 12.55 million) and net swap cost of SDR 0.3 million (USD 0.5 million) for the year 2024.

During the year, the Bank achieved a key milestone by securing its first international credit rating of 'BB' from Capital Intelligence Ratings (CI Ratings), an international credit rating agency. This rating reflects the robustness of our financial systems, governance, and risk management, enhancing our credibility with investors and development partners across the region.

Simultaneously, the Bank continued to seek avenues for capital market access in an efforts to mobilize resources critical to advancing growth strategy and fulfilling development mandate.

Looking ahead, the Treasury Department remains committed to managing the Bank's liquidity in alignment with evolving market conditions, while seeking to achieve optimal returns within the liquidity, FX, and interest rate risk limits set by the Bank's internal committees and governing procedures. In addition to its core functions, the Department is currently exploring the feasibility of diversifying its funding sources with the expansion of its liability products and currencies.

4. Technical Assistance and Advisory Services

The Bank aims to assist member states in formulating and coordinating development strategies and plans; improving institutional capacities; undertaking sector and policy-oriented studies; and improving knowledge about development, regional cooperation, and integration issues. The technical assistance (TA) services have been determined as a key tool in meeting this objective and important element of the Bank's operational strategy. Overall, in view of its modest capital base, since 2009, the Bank is allocating a certain amount to technical assistance activities within its annual budget. The strategy of the Bank is to use this limited amount in order to co-finance and mobilize external grant sources from bilateral and multilateral donors.

In this respect, the Bank has provided financial support to the initiatives of the ECO Secretariat such as implementation of project on monitoring the conditions regarding international road transport of goods across the region and organizing several workshops which had aimed to enhance the intra-regional trade.

The Bank extended a technical assistance financing for preparation and publication of the ECO Economic Journal by the Economic Scientific Research Institute (ESRI) of the Ministry of Economy of Azerbaijan in 2023. The Economic Journal stands as one of the flagship publications of the ECO, renowned for delivering a wealth of insightful and in-depth analyses. Each issue presents a comprehensive analytical overview, covering a spectrum of topics including socio-economic development trends, regional integration and the economic potential of the ECO countries. The journal's scope extends to a range of economic themes, such as trade, investment, industry, energy, transport, infrastructure development, technological advancements and financial cooperation. It symbolizes collective goal to seek innovative solutions, foster idea exchange and promote economic reforms for inclusive growth.

The Bank also approved on 12 April 2024, the request of technical assistance of the ECO Secretariat for supporting organizing a regional 'Workshop on Border Crossing Facilitation and Best Practices' in collaboration with the Ministry of Trade of the Republic of Türkiye and International Road Transport Union (IRU). This workshop aims to provide a platform for participants from ECO countries to share experience and best practices in border crossing facilities.

Under its technical assistance framework, the Bank approved, on 26 December 2024, support for the Trade Connect Central Asia+ (TCCA+) Program, launched by the International Islamic Trade Finance Corporation. The program aims to foster inclusive economic growth, strengthen regional economic cooperation, and promote trade among OIC member countries in the Central Asia+ region, as well as with the rest of the world. The countries covered under the program include Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Overall, in cooperation with potential partners, the Bank is ready to consider the technical assistance requests and build-up its expertise and resources for providing more technical assistance services in the coming years.

5. Risk Management

In pursuit of its developmental mandate, the Bank further strengthened its Enterprise-wide Risk Management (ERM) framework in 2024, ensuring alignment with global best practices while safeguarding its financial stability and institutional reputation. The Bank's ERM approach remains anchored in active oversight by the Board and senior management, supported by robust policy formulation, risk assessment, and monitoring led by the Compliance and Risk Management functions. The independent audit function continues to provide objective reviews of risk management practices, ensuring accountability and transparency.

Guided by its philosophy of prudent lending, risk management remains a cornerstone of the Bank's long-term vision. In 2024, the Bank maintained a sharp focus on:

- Credit risk mitigation in core lending activities,
- Market and Liquidity risk management in treasury operations,
- Operational and compliance risks across all functions.

The Risk Management Department (RMD) plays a pivotal role in evaluating credit proposals, refining risk rating and loan loss provisioning models, monitoring portfolio health, and ensuring adherence to policies.

OPERATIONS

RMD continued to employ a data-driven approach to credit risk assessment, leveraging its proprietary internal credit rating model to evaluate borrowers based on quantitative and qualitative factors. Key enhancements in 2024 included:

- Dynamic risk scoring with updated financial covenants to mitigate uncovered risks,
- Strengthened early warning mechanisms through continuous monitoring of obligors' financial health,
- Further fine tuning the credit loss provisioning methodology

The weighted average internal credit rating of the Bank's loan portfolio improved to 2.2 (2023: 2.8; 2022: 3.3), reflecting sustained portfolio quality on a 1–10 scale (1 = lowest risk).

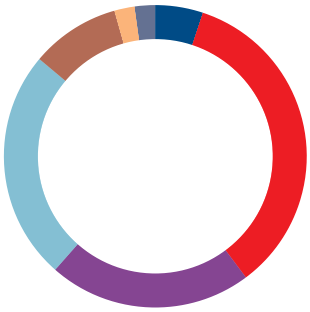
The Bank's loan portfolio is classified under three stages per IFRS 9, with provisions adjusted based on repayment delays or heightened credit risk. Key 2024 developments:

- Stage 3 loans declined to nil (2023: SDR 20.9 million; 2022: SDR 22.7 million), supported by recoveries and proactive risk management.
- Sovereign guarantees continued to underpin Stage 1 exposures, minimizing credit loss provisions.
- Expected credit loss (ECL) allowances were optimized, reflecting improved asset quality.

The Bank's portfolio remains well-diversified, with no undue concentration risks:

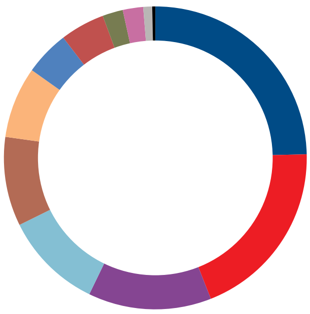
- Financial sector retained the largest share at 34% (2023: 38%; 2022: 48%), aligned with the Bank's mandate to strengthen local financial institutions and SME/trade financing.
- Industry & Trade accounted for 24.6% (2023: 25%), supporting economic diversification.
- CPF portfolio-maintained compliance with policy thresholds, predominantly comprising short-term, sovereign-backed exposures.

Figure 12: Breakdown of outstanding loans by sectors-2024



Energy	5.09%
Financial Sector	34.70%
Health and Social Protection	21.71%
Industry and Trade	24.62%
Public sector management	9.51%
Transportation	2.18%
Water, Sanitation, Flood Protection and other Urban Infrastructure Services	2.19%

Figure 13: Breakdown of outstanding loans by sub-sectors-2024



Trade and services	24.62%
Islamic Bank	19.40%
Basic nutrition	13.15%
Leasing Company	10.53%
Social protection initiatives	9.51%
Multisector aid for basic social services	7.61%
Commercial Bank	4.77%
Renewable Energy	4.76%
Sanitation - large systems (sewerage)	2.19%
Road transport	2.18%
Basic health care	0.95%
Electricity transmission and distribution	0.33%

6. Project Implementation and Monitoring

The Bank's Project Implementation and Monitoring Department (PIMD) follows three separate functions related to operations: Monitoring implementation of projects, Environment and Procurement. The combination role of Project implementation and monitoring is to provide effective measures to improve the results.

Project implementation and monitoring focuses on administration operations, including registering and recording the progress of an operation in the operations database which regular updates by the operations team on a timely basis. The department makes recommendations during the initial phase on issues related to the conduct of the operation and monitoring, including relevant agreements and the development of key indicators for monitoring and reporting purposes. During 2024, the department succeeded in further monitoring the implementation of operations and updating the database of credit operations to include disbursement and repayment transactions of operations.

Moreover, a physical archive of operations containing documents, resolutions, and agreements related to the operation was created and kept up to date. The Bank continued to prepare regular supervision and monitoring reports for various projects in order to monitor compliance with covenants and other major conditions of the loan agreement. In addition, regular exception reports have been prepared to document non-compliance with loan agreements. In this respect, business proposals relating to various stages of operation cycle are reviewed by the relevant department

Project implementation and monitoring focuses on administration operations, including registering and recording the progress of an operation in the operations database which regular updates by the operations team on a timely basis.

The department makes recommendations during the initial phase on issues related to the conduct of the operation and monitoring, including relevant agreements and the development of key indicators for monitoring and reporting purposes.

and necessary inputs including collateral arrangement are proposed to safeguard the interest of the Bank. In addition, as part of overall function of monitoring of operations, attention was paid to the disbursements and reimbursements of funds while operations' securities were checked and updated.

The objective of procurement function is to assure that funds allocated to operations are expended solely for the purpose of achieving operations' objectives in an efficient, economical, fair, and transparent manner. In this respect, the Bank has oversight role in procurement planning and processes performed by the clients to procure goods, works, and services through competitive means as well as procurement contract administration.

The Bank's procurement policy applies to all contracts funded in whole or in part by bank loans to both public and private clients. The Bank's authority in this regard is mandated by the Lending Agreement that governs the roles and responsibilities of clients and the Bank.

The environment function assures that operations are implemented according to internationally recognized standards of environmental regulations and principles in order to promote environmental soundness and sustainable development in the bank's member countries.

The objective is to ensure that the operations do not add to existing pollution and favour the use of cleaner technologies and renewable resources, waste reduction, and resource recovery and recycling practices. This is reflected in the Bank's selection of projects to finance in wind and solar energies, irrigation, and wastewater treatment which are all classified as categories of projects in climate change prevention classification of United Nations under Climate Finance. Transactions involving goods mentioned in the ETDB's Negative List of Goods (including the Bank's Environmental Exclusion List) are excluded from financing.

OPERATIONS

The Credit Committee, as per the financial policies of the Bank, is the relevant body to discuss the credit related issues.

The PIMD has the role of the Credit Committee's Secretary. In 2024, sixteen Credit Committee meetings with 37 Resolution of Decisions were convened to discuss various credit proposals.

The Credit Committee, as per the financial policies of the Bank, is the relevant body to discuss the credit related issues. The PIMD has the role of the Credit Committee's Secretary. In 2024, sixteen Credit Committee meetings with 37 Resolution of Decisions were convened to discuss various credit proposals. Afterwards, the accepted credit proposals are submitted for the final decision of the BoDs.

7. Financial Control

In accordance with the Bank's organizational structure, the Financial Control Department is assigned the pivotal role of managing and overseeing all financial transactions. Every movement of funds—both inflows and outflows—is monitored with precision and integrity. Key responsibilities include:

- Monitoring & Control: Supervised tracking of fund transfers across Bank accounts is maintained to ensure strict adherence to internal policies.
- Support Functions: The department is designated as the primary support for business units such as Banking & Non-Banking Financial Institutions and Corporate & Project Financing, with loan disbursement and administration managed accordingly, while back-office support is provided to the Treasury Department.
- Reconciliation & Settlement: Daily reconciliations of "Nostro" accounts are performed, and the settlement of share capital contributions from member states is arranged efficiently, with cash-flow management overseen on the basis of real-time data.
- Technical and Policy Input: Input for the policies and procedures, and technical details as required are provided, thereby assisting in the preparation of accurate and timely financial reports and in providing audit confirmations for clients and correspondent banks.
- Transactional Excellence: All accounting entries—whether related to share capital, treasury, or loan operations—are executed in strict compliance with the Bank's policies and International Financial Reporting Standards (IFRS).

Kyrgyz Republic

Tian Shan Mountains

OPERATIONS

These functions, which are integral to safeguarding the Bank's financial integrity, are executed in close coordination with various internal departments and external stakeholders. For optimal efficiency, the department's functions are grouped as follows:

- Loan Disbursement & Administration: This covers the disbursement and repayment of operations of Corporate & Project Financing and Banking & Non-Banking Financial Institutions Departments. It encompasses the preparation of repayment schedules in accordance with the terms stipulated in loan agreements.
- Treasury Operations: Daily reconciliations of "Nostro" accounts are executed and oversight of treasury transactions is ensured, with particular emphasis on mitigating settlement risks and controlling associated costs.
- Financial Accounting: This covers the monitoring of cash-flow and management of interbank transactions with the objective that all administrative and personnel payments are made accurately and in a timely manner.

Several strategic objectives have been defined for 2025 to advance the department's contributions:

1. Strengthening Correspondent Banking Relations and Diversifying Bank Accounts

- Initiatives will be undertaken to establish or upgrade correspondent banking relationships by opening accounts with:
  - Commercial Banks of Member States
  - Central Banks of Member States
  - International Commercial Banks
- This approach is expected to reduce settlement risks, lower transaction costs, and facilitate smoother multi-currency operations across domestic and international channels.
- Efforts will be intensified to resolve challenges through coordinated actions with relevant departments.

2. Policy and Procedure Review

- A comprehensive review of current policies, and procedures will be conducted.
- Targeted revisions are to be proposed to ensure alignment with evolving financial regulations and the incorporation of international best practices.

3. Loan Disbursement Handbook Development

- A comprehensive manual detailing the loan disbursement process will be prepared.
- The resulting handbook is intended for use by the clients receiving debt financing provided by the ETDB, which will provide a concise overview of the terms, concepts and requirements applicable to disbursements that are common to most ETDB loans.

The strategic objectives outlined for 2025 demonstrate a commitment to continuous improvement and operational excellence. Enhancements in correspondent banking arrangements and review of internal policies are anticipated to contribute significantly to financial efficiency and risk mitigation. This approach will also ensure that high standards of financial control are maintained.

8. Information Technology (IT) Services

The Information Technology (IT) Department developed and maintained an internal network of desktop workstations, laptops, digital office equipment, networking equipment, operating systems and servers in conjunction with the Bank's business requirements.

IT Department maintained an array of financial business systems including SAP, Refinitiv Reuters, SWIFT and financial portal on Intranet with SQL Database support. IT Department also provided a helpdesk function for assistance to all ETDB staff with their use of MS Office Professional and other related software as well as the printers and photocopiers. Besides the software support, this helpdesk support additionally covered connection problems, password reset, file services, printer services, internet services, email services, telephony services, on-line virtual meeting platforms and remote office access for all staff members, etc.

Regarding management of the IT Systems at ETDB, a robust set of servers (including virtual servers) located in the IT Systems room with the following functionalities to be maintained on a routine basis:

- Exchange Server for mail services.
- File Server for users shared files.
- Kaspersky server for virus updates and client & server security.
- Microsoft Sharepoint Server for portal applications.
- SWIFT AutoClient Servers for local repository of SWIFT messages
- SAP as the Banking Application
- Firewall for securing the internet connection.

During 2024, ECOBANK IT Department continued to improve its technological infrastructure mainly on the following areas as detailed below:

1. SAP Banking Application Project: The following improvements have been achieved:

- Customization "SAP System" for the delivery of new business requirements & functions.
- Realization of Change Requests for enhancement of the existing functionalities.
- Trouble-shooting of general or end-user problems encountered in the use of SAP.
- Revision security system parameters in line with recommendations of external financial auditing company (E&Y).
- Performance tuning via SAP Operating System (BASIS) support.

2. Deployment of the Financial Planning and Analysis ("FP&A") Application.

3. Upgrading of Microsoft Office Applications.

4. Upgrading On-line Meeting Technologies.

In 2025, ETDB IT Department plans to improve its technological infrastructure in order to leverage the Bank's Business by integrating all technological enhancements with the business processes mainly in 4 areas:

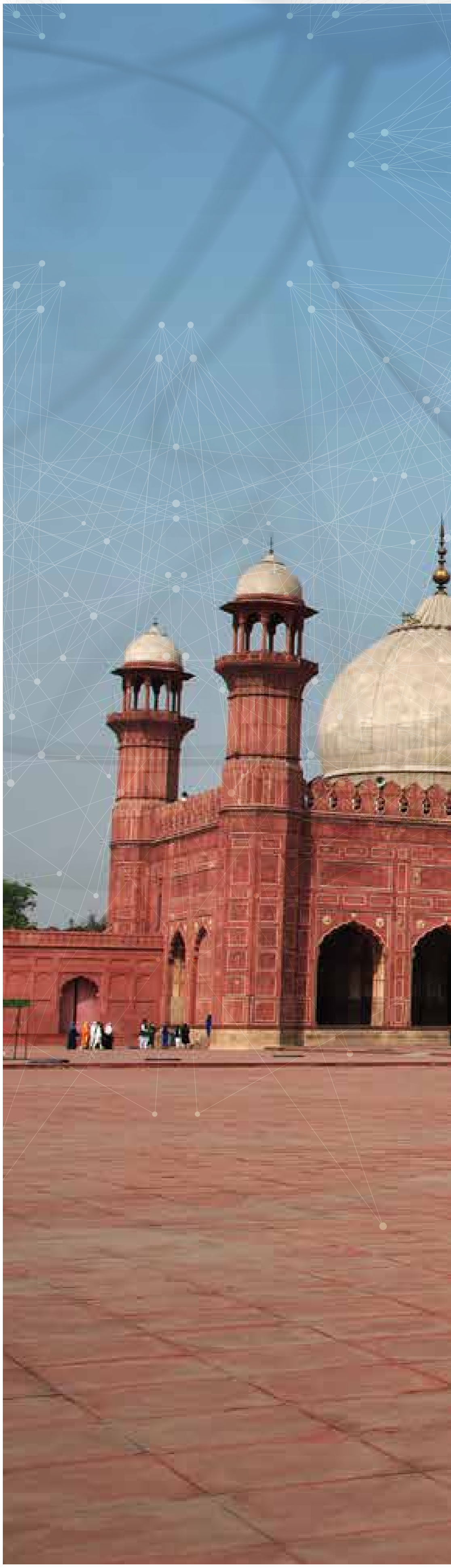
1. Replacement of the Legacy Firewall: The deployment of new, advanced firewalls with comprehensive logging and secure VPN capabilities is being ensured.

2. Replacement of wireless routers: The existing wireless internet connection environment is being replaced to improve the coverage and security of the wireless infrastructure.

3. Go-Live with the new website for ETDB: IT Dept will follow the building of the new website process of ETDB and give full support to go live with the new user interface supporting multiple browsers/ devices.

4. Go-Live with the EDMS (Electronic Document Management System)
The IT department will create new forms, organize user trainings, increase the user experience by taking the system live after completing the system tests and get one step closer to the paperless office goal.

OPERATIONS



9. Internal Audit function

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve the Bank's operations. The Internal Audit Department (IAD) was established following the approval of the Organizational Structure Policy of the Bank approved by the Board of Directors in 2007. In line with its defined roles and responsibilities, IAD undertakes audit activities in accordance with the Global Internal Audit Standards of the Institute of Internal Auditors and in adherence to the Internal Audit Charter of the Bank.

Roles, responsibilities and objective of IAD include ensuring that Bank's operations are conducted according to the highest professional standards by providing an independent, objective assurance activity and advising Management on best industry practices. Through a risk-based approach, IAD assists the Management to accomplish its objectives by evaluating and improving the effectiveness of risk management, internal control and corporate governance in the Bank. To this end, IAD periodically reviews the control environment and work processes of the various units in the Bank in order to ensure that they are being carried out efficiently and effectively in adherence to policies, procedures, guidelines and the Credit Operation Manual (COM) of the Bank. Additionally, on Audit Committee and Management's request, IAD provides consultancy and advisory service by advising and providing recommendations on improving and enhancing the existing control environment in the Bank.

In line with the Bank's goals & objectives and in adherence to the internal audit plan, IAD during the audit year 2024-2025, carried out the following audit activities:

Prepared and implemented a Risk Based Internal Audit (RBIA) plan and executed timely delivery of audited assignments to ensure that processes and activities are being carried out in adherence to the approved policies, procedures, guidelines and the COM of the Bank and in line with the Global Internal Audit Standards issued by the Institute of Internal Auditors.

To this end, IAD reviewed the adequacy of risk and internal control processes to ensure compliance with business objectives and to ensure that risks identified are managed within each internal audit assignment. Based on the outcome of the field work and testing of the control points, IAD prepared audit reports providing details of the audit activities and where necessary made recommendations to mitigate the same. Additionally, IAD followed up on the adequacy of the actions taken on recommendations made in the previous audit reports to ensure that effective remedial actions were taken on the audit findings and advised the Management and Audit Committee (AC) accordingly.

Additionally, IAD held regular meetings with the AC members throughout the year to discuss the audit reports and IAD's audit findings and recommendations made therein.

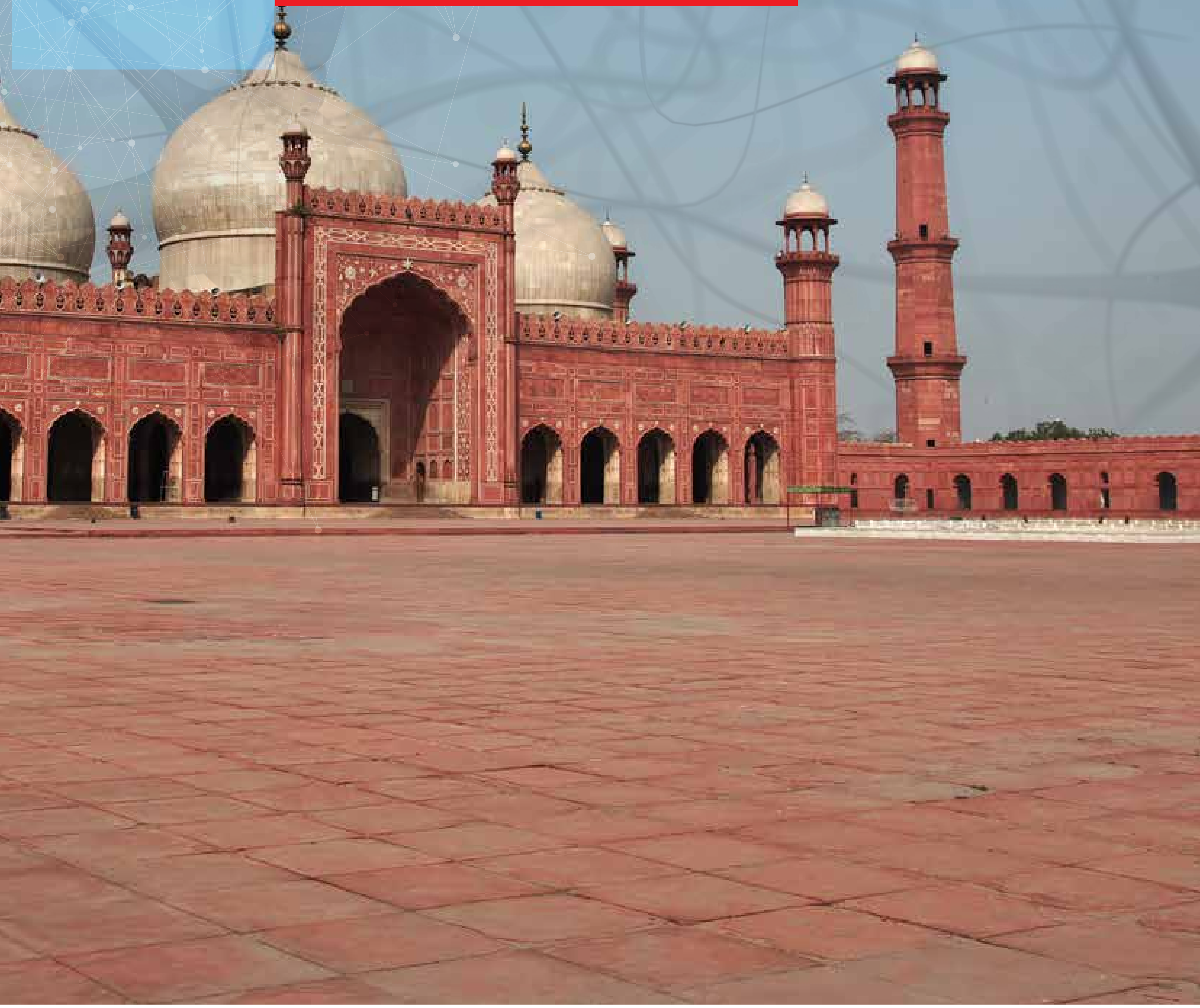
During the 2024-25 audit year, IAD carried out audit of the following units in the Bank and prepared the internal audit reports.

- Audit of Financial Control Department (FCD).
- Audit of Project Implementation & Monitoring Department (PIMD).
- Audit of Terms of Reference & Working Procedures of the CC.
- Audit of Representative Offices.
- Follow up of earlier audits.

09

Islamic Republic of Pakistan

Badshahi Mosque (Lahore)



OPERATIONS

Based on the outcome of the field work and testing of internal control points, IAD identified gaps (if any) in the existing control environment and in the overall risk management and made recommendations to enhance the same.

IAD's future plans and audit activities depends on the Risk Based Internal Audit (RBIA) plan which is prepared annually. The plan is discussed with the Audit Committee (AC) members and Management prior to its finalization. On approval of the RBIA plan, IAD develops audit programs and identifies the internal control points of the units planned to be audited during the year.

IAD's future plans and audit activities depends on the Risk Based Internal Audit (RBIA) plan which is prepared annually.

The plan is discussed with the Audit Committee (AC) members and Management prior to its finalization.

10. Compliance function

The Bank is committed to implementing effective measures to preserve its reputation. As an international financial institution investing in enterprises and financial institutions across member countries, the Bank is committed to upholding high ethical standards, integrity, and corporate governance both internally and within its investments. To promote good business practices among counterparties, the Bank collects relevant information on ownership structures, governance, business processes, adherence to national and international standards, and anti-money laundering and counter-financing of terrorism measures as part of its Know-Your-Customer (KYC) procedures. All Bank operations undergo comprehensive due diligence including legal, environmental, social, procurement, and development impact assessments in order to ensure compliance with the Bank's mandate, internal policies, and regulations.

The Bank's Management is committed to protecting the Bank's integrity and reputation by ensuring that established standards are consistently met in all its operations. Integrity risks are promptly identified and managed. In this regard, the Policy and Compliance Department (PCD), in accordance with the Compliance Charter adopted by the Board of Directors, supports Management in identifying and assessing potential compliance issues and conflicts of interest.

As part of its overall risk management framework, the Bank defines compliance risk as the risk of legal or regulatory sanctions, significant financial loss, or reputational damage arising from failure to adhere to applicable regulations, the Bank's policies and procedures, and relevant international best practices. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. This definition includes legal risk but excludes strategic and reputational risks.

Regarding legal risks, the Office of the General Counsel (OGC) supports departments by reviewing credit operations and addressing critical legal issues, including ownership structures and the identification of ultimate beneficial owners, to safeguard the Bank's interests. The Bank continues to strengthen its internal regulations in line with best practices. The PCD has played an active role in preparing and amending key policy and procedural documents. During the year, several policies and procedures particularly in human resource management and risk management were updated or created to align with best standards and the regulatory framework. These include the Business Continuity Plan, Board of Directors' Rules of Procedure, Benefit System Policy, Asset Liability and Financial Risk Management Manual, IT Department Policies and Procedures, Procedure for the Use of Corporate and Pool Cars, SWIFT/Fax Procedure, Procedure for Disposing of Fixed Assets, and the Terms of Reference and Working Procedures of the Credit Committee, all of which have been reviewed and submitted for necessary approvals. Additionally, the Bank has made significant progress in setting departmental objectives to streamline planning and management processes according to the business plan and budget targets.

ETDB does not offer services such as opening accounts for individuals or legal entities. Its operations are strictly limited to financing development projects and promoting trade among member states. The Bank does not engage in retail or commercial banking activities like savings accounts, personal loans, credit/debit cards, checks, money orders, demand drafts, or executing customer payments. Consequently, its AML, ABC, sanctions, and CTF requirements are met through adherence to internationally accepted policies and procedures. The Bank's Anti-Fraud, Corruption, and Money Laundering Policy, approved by the Board of Directors, applies to all its activities.

The Bank has developed due diligence procedures and guidelines based on its experience in addressing integrity issues. It assesses potential risks related to clients or counterparties while clearly defining unacceptable practices. These procedures use a risk-based approach, applying increased scrutiny and control to higher-risk cases. Business department staff are required to identify client-related integrity concerns, leveraging their close knowledge of clients, regulatory environments, and country- and sector-specific information. As the second line of defense, PCD in supporting departments provides independent advice to the business teams on assessing integrity and reputational risks.

The PCD supports the Bank in managing compliance risks and provides guidance on sanctions, AML, KYC, and CTF activities to help departments fulfill their responsibilities effectively. The PCD also assists in implementing internal controls, checklists, and workflows to streamline compliance and operations. To enhance risk identification, the Bank utilizes information from clients, national company registries, official databases, open sources, compliance databases, sanctions screening tools, and relevant newsletters to gather comprehensive data.

The Bank places strong emphasis on staff discipline and preventing conflicts of interest. The ETDB Code of Conduct defines the values, duties, and ethical standards expected of all employees. Additionally, the Corporate Governance Policy and Staff Regulations set forth core corporate values and rules of conduct grounded in professionalism, integrity, and ethics. Each year, staff are required to submit a confidential statement affirming they have no financial or business interests that conflict with these rules. Allegations of fraud, corruption, or violations of Bank standards are thoroughly investigated to ensure compliance. The Bank's Disciplinary Rules and Procedures specify what constitutes misconduct and outline the processes for investigation and penalties.

As an international financial organization, the Bank is accountable to its stakeholders and upholds high standards of integrity, transparency, and accountability. Complaints regarding the Bank's services and products can be submitted via the email addresses listed on its website, and each case is addressed promptly and appropriately. Under the President's direction, the PCD leads investigations into prohibited practices and misconduct. In 2024, the Bank did not initiate any investigations, as no incidents or subjects of investigation were reported.

The Bank's current loan portfolio primarily comprises exposures to sovereigns, financial institutions, and existing clients, which are generally considered low-risk and transparent counterparties. In 2024, the ETDB completed 14 loan transactions with 9 clients, including 2 public sector sovereign exposures, 6 financial sector operations with financial institutions, and 1 private sector corporate loan, disbursing a total of SDR 187 million. The Bank continues to conduct proper due diligence, requiring a thorough assessment of its clients and other key project parties for any exposure to entities, goods, or individuals that may pose a risk. In 2024, a private sector transaction proposal was rejected following due diligence when the PCD identified that the counterparty had shareholding ties with a sanctioned entity. The PCD also supported the relevant operational department in the design of humanitarian trade transactions and conducting appropriate counterparty and transaction due diligence prior to initiating any such trade finance operation or processing related payments. This was done to mitigate the risk of breaching applicable international sanctions regimes and regulations concerning restricted goods and merchandise. The PCD provides support in securing necessary licenses and permits whenever required to ensure compliance with operational requirements.

In 2024, all loan operations were conducted with clients who already had an existing relationship with the Bank, except for one private sector transaction. For this new private sector loan, the ETDB conducted a thorough and comprehensive due diligence assessment. The Credit Committee reviewed key evaluations from the Banking, Risk, Financial Analysis, Legal, Compliance, and Environment and Procurement Departments. Public sector disbursements included a new soft loan for earthquake recovery and financing for the import of energy-related raw materials. One financial institution received funds for SME finance operations, while others were provided trade finance facilities. These facilities, extended to financial intermediaries, align with ETDB's trade finance strategy to support regional trade, comply with the Bank's Negative List of Products (including the Environmental Exclusion List), and adhere to the SME definition.

The Bank did not receive any complaints related to prohibited practices from its operations in 2024. Continuous monitoring and supervision of the loan portfolio enable effective assessment of operational risk profiles and potential material exposures to loss. Furthermore, the Bank's New Product Approval Policy provides a comprehensive and systematic framework for managing all aspects of introducing new products.

OPERATIONS

The Bank maintains a low tolerance for material losses stemming from operational risk exposures and implements appropriate mitigation and control measures to manage these risks. It has established internal controls based on the 'four eyes principle' and proper segregation of duties across departments. However, audit and compliance processes do not absolve departmental heads and staff from their responsibility to maintain and improve controls related to compliance and operational risks within their areas. As the first line of defense, division and department heads are accountable for managing controls and risks and for addressing any deficiencies. Additionally, the Bank's corporate and property insurance policies, along with its business continuity arrangements, help safeguard against potential losses resulting from various incidents and natural disasters.

In 2024, the PCD supported relevant departments in strengthening correspondent banking relationships, adopting security standards, and continuously re-attesting compliance to ensure alignment with the latest industry standards for the SWIFT operating environment and RMA relationships. The PCD actively participated as an observer in key Bank committees, including the Management Committee, ALCO, Credit Committee, and various ad-hoc working groups, providing recommendations on regulations, rules, procedures, policies, and decision-making processes. Regarding internal procurement, the PCD is represented on the Purchasing Review Committee, where it helps ensure transparency, foster competition, and mitigate risks of fraud and corruption. The Bank's Management regularly reports to and consults with the Board of Directors on compliance and operational risk management matters.

11. External Auditors

Pursuant to the recommendations of the Board of Directors and subsequent approval by the Board of Governors, qualified external auditors of international repute, registered in a member country, are appointed to audit the Bank's affairs and report their findings to the Board of Directors. For the 2024 audit, the Bank engaged Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, a member firm of Ernst & Young Global Limited.

The external auditors provide a signed auditors' opinion on the truth and fairness of the Bank's financial statements. The appointment or discharge of the external auditors is recommended and their performance is reviewed by the Audit Committee.

At the conclusion of the annual audit, should the external auditors identify any material weaknesses or significant deficiencies in internal controls, they issue a management letter addressed to the Bank's management. This letter details the auditors' observations and provides recommendations aimed at strengthening the control environment. The management letter is thoroughly reviewed and discussed with the Audit Committee to ensure appropriate follow-up actions.

12. Membership to the Bank

According to "Articles of Agreement" establishing the Bank, the membership is open to all ECO member states. The Bank is keen to have all ECO member states as the member of the Bank and benefit from its activities. The New Membership Principles adopted by the Bank provides the necessary guidelines to effectively facilitate accession of new members. Accordingly, in cooperation with the ECO Secretariat, the Bank continued to pursue a comprehensive program to encourage other ECO member states to become a member. Consequently, Afghanistan, Azerbaijan and Kyrgyzstan joined the Bank and present membership base of the Bank has been enlarged to include majority of the ECO member states.

The other four ECO member states namely Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan are also expected to join the Bank soon. The Bank is closely following-up the membership enlargement engagements in coordination with the ECO Secretariat. The Bank and the ECO Secretariat have sent formal letters to the remaining ECO member states and are working in collobaration to encourage their membership in the ETDB and to promote the benefits of the Bank's services for regional development projects.

The 28th Meeting of the ECO Council of Ministers (COM) meeting held on 3 December 2024, Mashhad, Iran reemphasized the need to strengthen the ETDB by both expanding its membership to all ECO Member States and recommend also strengthening the Bank's role in project financing and in fund raising from international partners for prioritized ECO projects.

The ECO Secretary General attended the 23rd Annual Meeting of the Board of Governors of the Bank held on July 18, 2024 in Istanbul, where he underlined the efforts of the ECO with regard to expanding membership of the bank. During his visit to the ECO Secretariat on November 24, 2024, the President of the Bank had the opportunity to discuss the Bank's membership enlargement program with the Secretary General of ECO.

Expanding the membership across ECO countries and responding to differentiated development contexts with effective development finance services and products will remain a priority for the Bank. As the Bank's membership expands, the Bank will further find opportunities for the promotion of projects leading to regional integration and augmented intra-regional trade. In view of ongoing negotiations and further engagements with potential new members by the Bank and the ECO Secretariat, ETDB expects that its membership will continue to grow confidently.

13. International Relations

In 2024, The Bank continued to actively improve its institutional relations with the member states, international institutions, and the business community.

To enhance mutual understanding and cooperation with international organizations, the Bank participated in the Antalya Diplomacy Forum, which took place on March 1-3, 2024, under the auspices of H.E. Mr. Recep Tayyip Erdoğan, President of the Republic of Türkiye.

In July 2024, the Bank's delegation, consisting of the President, and Vice President (Credits), visited Ankara and met with senior government officials led by the Deputy Minister of Trade of the Republic of Türkiye. During this meeting, the parties discussed alternative plans for expanding the Bank's role in promoting trade between the member states.

The Bank has maintained close liaison with the ECO Secretariat. To enhance existing cooperation and mutual understanding, the Bank participated in the 28th ECO Council of Ministers Meeting, held in December 2024 in Mashhad, Iran. In his address at the said meeting, the President highlighted the Bank's achievements since its establishment and encouraged member states to submit viable, bankable projects. He called for the formalization of a capital increase to support the Bank's expanding operations and reiterated the importance of broadening ETDB's membership base, extending an invitation to Kazakhstan, Tajikistan, Uzbekistan, and Turkmenistan to join the Bank. On the sidelines of the meeting, the President held discussions with the foreign ministers of ECO member states, who emphasized their support for ETDB's future initiatives and growth.

In advance of the ECO-COM meeting, the President paid a courtesy visit to the new Secretary General of ECO at the ECO Secretariat in Tehran and discussed matters of mutual interest, including the expansion of the Bank's activities in ECO member states.

The Bank's delegation also attended the Ninth Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB), held in Samarkand, Uzbekistan, on September 25–26, 2024. In addition to holding bilateral meetings with participants from member states, the ETDB delegates held talks with representatives from the Eurasian Development Bank and met with counterparts from the International Finance Corporation (IFC).

The Bank's delegation, consisting of the President and Vice-Presidents, participated in the 40th Session of the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC), held in November 2024 in Istanbul. On the sidelines of the meeting, the ETDB delegation met with a delegation from the Islamic Development Bank (IsDB) Group, led by Chairman and President of the IsDB Group, accompanied by CEO of the International Islamic Trade Finance Corporation (ITFC) and Acting CEO of the Islamic Corporation for the Development of the Private Sector (ICD). Both parties underscored the importance of enhancing cooperation and encouraged increased collaboration in pursuit of shared interests and sustainable development goals.

The Bank's delegation also participated in the 26th Annual Meeting of the Board of Governors of the Black Sea Trade and Development Bank (BSTDB), held on December 6, 2024, in Istanbul. On the sidelines of the meeting, the ETDB delegation engaged in fruitful discussions with key stakeholders, including Deputy Minister of Treasury and Finance of Türkiye, who congratulated ETDB on achieving its first credit rating and expressed strong support for the Bank's initiatives. The ETDB delegation also met with General Director of the Turkic Investment Fund, and General Counsel and Secretary General of the Nordic Investment Bank, and discussed opportunities for knowledge sharing and deeper cooperation.

In order to create and maintain a favorable public opinion, the Bank continued its close cooperation particularly with business organizations operating in the ECO region. It also maintained effective relations with the media, issuing regular press releases on its activities. The Bank's website remains a valuable tool for raising awareness of its role and operations both in member countries and internationally.

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Republic of Türkiye

İstanbul

OPERATIONS

14. Human Resources

Human capital remains at the core of the Bank's strategic ambitions. In 2024, the Human Resources Department continued to implement international best practices to foster a high-performing, motivated, and diverse workforce. The Bank remains committed to ensuring a fair and inclusive working environment while aligning human resources policies with the institution's broader mission and regulatory compliance.

The HR framework remained focused on four pillars: a transparent and merit-based recruitment process, competitive and equitable remuneration, a structured performance management system, and robust learning and development opportunities. These pillars continue to guide all HR functions and decision-making processes.

The Bank sustained its commitment to hiring high-calibre professionals, prioritizing candidates from member countries while ensuring the principle of merit prevails. Recruitment efforts were bolstered by the introduction of structured competency-based interviews and expanded outreach through targeted job platforms.

By the end of 2024, the Bank had 31 staff members from 3 member countries including, 3 members of the Management, 21 professional staff, and 7 general service staff.

Compensation and benefits constitute the very basic pillar of human resources management, where the Bank regularly reviews the Benefit System Policy. The Bank strives to offer a competitive compensation and benefit scheme including comprehensive medical and life insurance plans. Recognizing the significance of a robust compensation framework, the Bank continued to review its remuneration system and benefit system to maintain competitiveness. The Bank operates a pension plan comprised of; first pillar which is a fully funded defined benefit scheme, second pillar which is a matched defined contribution scheme and third pillar which is a fully staff funded scheme.

OPERATIONS

The Bank adopts a performance management system in order to improve the performances of the Bank and the employees. The appraisal process provides consistent and fair means of appraising performance, and it is also a step in assessing future potential of the personnel. In this way, employees are assisted in planning their own career development. The revised Performance Appraisal System, piloted in late 2023, was fully implemented in 2024. It emphasizes goal-setting, feedback loops, and career progression planning.

The Bank views professional development of its employees as a necessary condition for fulfilment of its mandate and achievement of institutional goals. In this respect, training is vital for aligning the employees with their respective job descriptions, maintaining the level of professionalism and skills, as well as enhancement of the employees' productivity.

Looking ahead, the Human Resources Department remains committed to evolving as a strategic enabler of the Bank's vision. The key objectives for 2025 include:

1. Employee Development: Enhancing training programs to address evolving skill requirements and promote career advancement opportunities.
2. Employee Engagement: Launching initiatives to enhance employee engagement and satisfaction, such as team-building activities.
3. Compliance: Staying abreast of changes in labour laws and regulations to ensure ongoing compliance and mitigating legal risks.

By pursuing these objectives, Human Resources Department aim to further elevate the human resources function as a strategic partner in driving organizational success and fostering a culture of excellence.

The Bank views professional development of its employees as a necessary condition for fulfilment of its mandate and achievement of institutional goals.

In this respect, training is vital for aligning the employees with their respective job descriptions, maintaining the level of professionalism and skills, as well as enhancement of the employees' productivity.

15. Planning and Budgeting

The Bank's planning and budgeting processes are conducted in accordance with the policies approved by the Board of Directors and guided by the medium-term strategy outlined in the Business Plan, which is endorsed by the Board of Governors. The Business Plan, comprising the Bank's strategic, operational, and financial frameworks, is further deetailed at the country level through respective Country Partnership Strategy reports, and implemented via annual budgets. The annual budget document, which includes short-term strategies, operational targets, work programs, and associated financial projections was approved by the Board of Directors.

In pursuing its operational mandate, the Bank adheres to strict budgetary discipline to ensure the efficient utilization of its limited resources. The Bank's financial management is founded on principles that include financial viability, market and performance orientation, comprehensive risk management, transparency, accountability, and sound corporate governance.

Financial viability guarantees that the Bank can sustain the effective implementation of its mandate without compromising its capital base, while also progressing towards self-sufficiency to meet increasing financing demands. In line with these objectives, the Bank continuously endeavours to enhance productivity through stringent budgetary control.

The Bank's corporate governance framework is supported by robust financial and management information reporting systems. Its financial statements aim to provide comprehensive insights into the risks and performance of its activities, adhering to industry best practices. The Bank's financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), are presented in the Annual Report, which, pursuant to Article 26 of the Establishing Agreement, is submitted to member states and the ECO Secretariat.

An integrated accounting, budgeting, and reporting system underpins the efficient execution of financial and management reporting processes. The implementation of the Annual Budget is continuously monitored, with periodic reporting provided to Senior Management and the Board of Directors. The Bank also maintains a Management Information System designed to support internal operations by furnishing detailed financial and managerial data. Ongoing analyses of operations, revenues, and cost-effectiveness inform decision-making, performance reporting, monitoring, and internal controls. Furthermore, key monitoring tools and a robust performance measurement and control mechanism have been established to ensure effective oversight.

The Financial Reporting and Budget Department (FRB) is responsible for the financial and management information reporting of the Bank, as well as for the preparation, execution, and ongoing monitoring of the annual budgets. Throughout 2024, the FRB managed the annual budget cycle in parallel with preparations for the 2025 budget, ensuring that the Bank's financial performance was continuously tracked and reported to Senior Management and the Board of Directors.

In 2023, the Board of Directors approved a major strategic initiative to implement a corporate financial planning and analysis (FP&A) solution, reflecting the Bank's commitment to modernizing its financial management capabilities and enhancing operational efficiency. Following a rigorous tendering and procurement process, the implementation phase began in 2023, with the solution became fully operational in the first quarter of 2024. This technological advancement strengthened the Bank's financial management framework, supporting more informed decision-making and improved resource allocation.

The Bank's corporate governance framework is supported by robust financial and management information reporting systems.

Its financial statements aim to provide comprehensive insights into the risks and performance of its activities, adhering to industry best practices.

In 2025, the FRB will continue its efforts to leverage this FP&A platform to streamline budgeting, planning, forecasting, scenario analysis, and reporting processes. The system will enable the generation of interactive dashboards and detailed reports, providing actionable insights into the Bank's operations, revenue streams, cost structures, and Key Performance Indicators (KPIs).

16. Administrative Services

Administrative Services Department (AS) continued its supportive and key role in significant areas during 2024 such as procurement of required goods and services in timely and cost effective manner, maintenance of the Bank's assets as well as other support services and daily admin activities. In this regard, AS conducted the following significant tasks successfully in 2024;

- Beside regular purchases, the major tenders on:
  - The renewal of health-life insurance policies of staff members,
  - The renewal of insurance policies of the corporate cars of the Bank,
  - The appointment of the credit rating agency for credit rating services of ETDB,
  - The appointment of travel / organisation Company and the hotel for the organisation of the 2024 annual BoG, BoD and AC meetings,
- Necessary logistic arrangements (flight tickets, hotel accommodations, airport transfers, luncheons etc.) have been provided for BOG, BOD and AC meetings held in 2024. Furthermore, necessary logistic arrangements have also been provided for other events, many internal meetings as well as loan signing ceremonies organized in the Bank and facilitating an experience-sharing visit of a delegation from BSTDB.
- All the admin related contracts have been followed and renewed in timely manner before the expiry dates such as maintenance contracts, subscriptions, and insurance policies.

OPERATIONS

17. The Representative Offices

The representative offices of ETDB in Karachi (Pakistan) and Tehran (Iran) act as a liason office to identify and coordinate the operations of the Bank in the respective member states. The representative offices have no transactional or banking business approval authority.

The Representative Offices play a vital role in facilitating activities in the countries of the Bank's main shareholders by supporting the Head Office- including the business departments in identifying trusted counterparts and feasible projects. Monthly reviews of economic environment and key developments were regularly submitted to Head Office, ensuring that the Bank remained well-informed of market trends.

By coordinating closely with clients, banks, and relevant domestic authorities, the Offices support Head Office departments in mitigating risks, allocating credit efficiently, disbursing project funds, monitoring the utilization of allocated resources, and ensuring full implementation within specified timelines. They also oversee repayment schedules and ensure the timely payment and repayment of obligations.

The Iran Representative Office maintained ongoing communication with key national and regional entities, including the ECO Secretariat based in Iran.The Karachi Representative Office (KRO) of ECO Bank has played a vital role in advancing the Bank's strategic presence and operational mandate in Pakistan. The office has remained actively engaged in promoting ECO Bank's marketing initiatives by identifying and cultivating new client relationships, expanding operational outreach in alignment with the Country Strategy Report and managing ongoing relationships with existing clients. In addition to overseeing the current portfolio, KRO has consistently represented the Bank across various forums, maintained liaison with key government stakeholders and ensured timely and accurate communication with external constituencies including public authorities, IFIs, bilateral donors and the local business community.

As part of its forward-looking strategy, KRO will prioritize the development of green and sustainability-linked loans aligned with ESG frameworks. It will expand M/SME financing to promote economic inclusion across regional and sectoral clusters. KRO is poised to coordinate multilateral financing platforms for infrastructure development and to take a leading role in implementing ETDB strategic agenda within ECO member countries.

18. Board of Governors Meetings

The 23rd Annual Meeting of the Board of Governors was held on 18 July 2024 in Istanbul. At the meeting, the Board of Governors reviewed the performance of the Bank and approved the 2023 Annual Report and Financial Statements annexed to the Audit Report. The Board also appointed the Governor of the Kyrgyz Republic as the Chairman of the Board for a one-year term.

The meeting was honored by the presence of Secretary General of the Economic Cooperation Organization (ECO), who delivered a keynote address reaffirming the deep and strategic partnership between ECO and ETDB. The Secretary General of ECO emphasized the vital role of the Bank in advancing the region's development agenda and called for greater investment and collaboration across priority sectors.

The 23rd Annual Meeting of the Board of Governors was held on 18 July 2024 in Istanbul.

At the meeting, the Board of Governors reviewed the performance of the Bank and approved the 2023 Annual Report and Financial Statements.

19. Board of Directors Meetings

As the body responsible for the overall direction of the Bank's operations, the Board of Directors held six formal meetings in 2024. In addition to these, four urgent decisions were adopted through the "voting without meeting" procedure, in accordance with the Bank's internal rules.

In order to enable more flexible and inclusive engagement in Board activities and to ensure continuity and efficiency in the Bank's governance processes, the Bank undertook concrete measures to facilitate the remote participation of Board Members through video conferencing. In 2024, the Bank established the necessary infrastructure and made preparations–both in terms of technical equipment and internal procedures–to support this mode of participation.

The Economic Cooperation Organization Trade and Development Bank

Financial Statements As at and For the Year Ended 31 December 2024 With Independent Auditors' Report Thereon

INDEPENDENT AUDITOR'S REPORT

EY
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Report on the Audit of the Financial Statements

To the Board of Governors of The Economic Cooperation Organization Trade 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 2024, 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 2024, 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 IFRSs, 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.

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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 of Emst & Young Global Limited

Tolga Özdemir, SMMM
Partner

İstanbul, Türkiye
10 July 2025

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THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

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

	Notes	31 December 2024	31 December 2023
Assets			
Due from banks	13	132,231	105,409
Loans and advances to banks	14	109,270	120,266
Loans and advances to customers	15	205,613	199,887
Investment securities	16	52,282	61,371
Derivative financial instruments	12	2,519	595
Tangible and intangible assets	17	6,205	4,608
Other assets	18	132	150
Total assets		**508,252**	**492,286**
Liabilities			
Deposits from banks	19	23,880	35,956
Derivative financial instruments	12	342	1,704
Employee benefits	20	3,707	3,425
Other liabilities	21	1,377	1,339
Total liabilities		**29,306**	**42,424**
Equity			
Share capital	22.1	326,750	326,750
Reserves	22.2	123,042	101,161
Retained earnings		29,154	21,951
Total equity		**478,946**	**449,862**
Total liabilities and equity		**508,252**	**492,286**

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

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

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

	Notes	31 December 2024	31 December 2023
Profit or Loss			
Interest income	23	32,910	27,246
Interest expense	23	(1,697)	(1,695)
Net interest income before impairment for credit risks		**31,213**	**25,551**
Impairment (loss)/gain for credit risks, net	9.2.6	(328)	252
Net interest income after impairment for credit risks		**30,885**	**25,803**
Fee and commission income	24	525	543
Fee and commission expense	24	(14)	(10)
Net fee and commission income		**511**	**533**
Net trading (loss)/income		(341)	(406)
Other operating income	26	1,658	1
Total operating income		**32,713**	**25,931**
Personnel expenses	25	(2,838)	(3,326)
Other administrative expenses	25	(514)	(501)
Depreciation and amortization	17, 25	(153)	(149)
Other operating expenses	25	(54)	(4)
Total operating expenses		**(3,559)**	**(3,980)**
Net profit for the period		**29,154**	**21,951**
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	(70)	(18)
Other comprehensive income		**(70)**	**(18)**
Total comprehensive income		**29,084**	**21,933**

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 2024

(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 2023		**326,750**	**(19)**	**85,702**	**15,496**	**427,929**
Total comprehensive income						
Profit for the period		-	-	-	21,951	21,951
Other comprehensive income						
Re-measurement gain/(loss) on defined benefit plans	20.3	-	(18)	-	-	(18)
Total comprehensive income		**-**	**(18)**	**-**	**21,951**	**21,933**
Transactions with members of the Bank						
Contributions and distributions						
Increase in paid-in share capital	22.1	-	-	-	-	-
Appropriation of profit		-	-	15,496	(15,496)	-
Total contributions and distributions		**-**	**-**	**15,496**	**(15,496)**	**-**
Balance at 31 December 2023		**326,750**	**(37)**	**101,198**	**21,951**	**449,862**
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**

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 2024

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

	Notes	31 December 2024	31 December 2023
Cash flows from operating activities			
Net profit for the period		29,154	21,951
Adjustments for:			
Depreciation and amortization	17, 25	153	149
Net impairment loss/(gain) on financial assets	9.2.6	328	(252)
Net impairment loss/(gain) on tangible assets		(1,647)	-
Accrued interest and expenses		(836)	(4,045)
Measurement of derivative financial instruments at fair value	12	(3,286)	(99)
Provision for employee benefit obligations		231	319
Other non-cash items		(1,676)	(355)
Cash flows from operating activities before changes in operating assets and liabilities		**22,421**	**17,668**
Changes in:			
Due from banks		(53,865)	(15,027)
Loans and advances to banks		11,399	28,604
Loans and advances to customers		(5,133)	(34,711)
Other assets		(57)	(161)
Employee benefits		(353)	(605)
Deposits from banks		(12,352)	(468)
Other liabilities		552	907
Net cash from/(used in) operating activities		**(37,388)**	**(3,793)**
Cash flows from investing activities			
Acquisition of investment securities	16	(724)	-
Proceeds from redemption/sale of investment securities	16	11,866	4,410
Acquisition of tangible and intangible assets	17	(104)	(46)
Net cash from/(used in) investing activities		**11,038**	**4,364**
Net increase/(decrease) in cash and cash equivalents		**(26,350)**	**571**
Cash and cash equivalents at 1 January		**67,190**	**66,237**
Effects of exchange-rate changes on cash and cash equivalents		**(244)**	**382**
Cash and cash equivalents at the end of the period	**11**	**40,596**	**67,190**

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

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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 2024, the number of employees of the Bank is 31 (31 December 2023: 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 2024 on 10 July 2025, 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 7.16. - measurement of defined benefit obligations: key actuarial assumptions.
- Note 7.5.7. - impairment of financial instruments: determining inputs into the ECL measurement model.
- Note 10. - determination of the fair values of financial instruments with significant unobservable inputs.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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 2024 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 2024. Several amendments and interpretations apply for the first time in 2024, but do not have an impact on the financial statements of the Bank.

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 in "Net trading 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 2024	31 December 2023
1 EU (SDR) =	United States Dollar	1,3041	1,3417
	Euro	1,2548	1,2172
	Chinese Yuan	9,5191	9,5843
	Japanese Yen	204,2920	190,3964
	British Pound	1,0395	1,0535
	Turkish Lira	46,0101	39,4960

7.2. Interest

Effective interest rate

Interest income and 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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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 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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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 in "Tangible and intangible assets" and lease liabilities in "Other liabilities" in the statement of financial position.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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 in "Other operating income" and maintenance expenses are included in "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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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;
- 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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inputs into the assessment of 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

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 other 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.

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in "Impairment (loss)/gain for credit risks" in the statement of profit or loss and OCI.

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).

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NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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).

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

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NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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%.

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 2022 which includes the expected charge for 2024 (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).

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NOTE 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 change, in presentation of the 31 December 2024 financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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NOTE 8 - THE NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted in preparation of the financial statements as of 31 December 2024 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 2024 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 2024

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and October 2022, IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in October 2022 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, October 2022 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments must be applied retrospectively in accordance with IAS 8.

The amendments are not applicable for the Bank and do not have a significant impact on the financial position or performance of the Bank.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

In September 2022, the Board issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines "lease payments" or "revised lease payments" in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining "lease payments" that are different from the general definition of lease payments in IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

The amendments are not applicable for the Bank and do not have a significant impact on the financial position or performance of the Bank.

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

Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued in May 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose.

The amendments are not applicable for the Bank and do 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.

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. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

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

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 derecognised on the "settlement date". It also introduces an accounting policy option to derecognise 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.

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.

8.3. The amendments which are effective immediately upon issuance

Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

The standard is not applicable for the Bank.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

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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.

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.

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

NOTE 9 - FINANCIAL RISK REVIEW (Continued)

9.2.2. Exposure to credit risk

The following table shows the exposure to credit risk:

	31 December 2024	31 December 2023
Loans and advances to customers	205,613	199,887
Loans and advances to banks	109,270	120,266
Due from banks	132,231	105,409
Investment securities	52,282	61,371
Derivative financial instruments	2,519	595
Total	**501,915**	**487,528**

As of 31 December 2024, the Bank has no assets held for resale (31 December 2023: None).

9.2.3. Segment analysis of credit risk exposures

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

	31 December 2024	31 December 2023
Treasury portfolio		
Due from banks	132,231	105,409
Investment securities	52,282	61,371
Derivative financial instruments	2,519	595
Total treasury portfolio	**187,032**	**167,375**
Loan portfolio		
Project finance	118,234	112,122
Customers-Trade/Corporate finance	87,379	87,765
Financial institutions-Trade finance	70,070	71,557
Financial institutions-SME support program	39,200	48,709
Total loan portfolio	**314,883**	**320,153**
Total	**501,915**	**487,528**

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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

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

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 2024				31 December 2023
	Stage 1	Stage 2	Stage 3	Total	Total
Due from banks					
2: Very strong	27,955	-	-	27,955	20,782
3: Strong	13,688	-	-	13,688	15,026
4: Good	92,662	-	-	92,662	60,674
5: Fair	-	-	-	-	10,192
	134,305	-	-	134,305	106,674
Loss allowance	(2,074)	-	-	(2,074)	(1,265)
Carrying amount	**132,231**	**-**	**-**	**132,231**	**105,409**
Loans and advances to banks at amortised cost					
2: Very strong	16,309	-	-	16,309	4,134
3: Strong	20,132	-	-	20,132	9,590
4: Good	71,743	-	-	71,743	106,449
5: Fair	2,791	-	-	2,791	1,596
	110,975	-	-	110,975	121,769
Loss allowance	(1,705)	-	-	(1,705)	(1,503)
Carrying amount	**109,270**	**-**	**-**	**109,270**	**120,266**
Loans and advances to customers at amortised cost					
1: Excellent	184,234	-	-	184,234	163,527
4: Good	9,908	-	-	9,908	3,066
5: Fair	12,720	-	-	12,720	-
6: Weak	-	-	-	-	14,308
10: Non-performing	-	-	-	-	20,938
	206,862	-	-	206,862	201,839
Loss allowance	(1,249)	-	-	(1,249)	(1,952)
Carrying amount	**205,613**	**-**	**-**	**205,613**	**199,887**
Debt investment securities at amortised cost					
1: Excellent	12,804	-	-	12,804	11,797
3: Strong	40,130	-	-	40,130	50,206
	52,934	-	-	52,934	62,003
Loss allowance	(652)	-	-	(652)	(632)
Carrying amount	**52,282**	**-**	**-**	**52,282**	**61,371**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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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 2024				31 December 2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and advances to banks at amortised cost					
Current	110,975	-	-	110,975	121,769
Overdue ≤30 days	-	-	-	-	-
Overdue <60 days	-	-	-	-	-
Overdue ≤90 days	-	-	-	-	-
Overdue > 90 days	-	-	-	-	-
Total	**110,975**	**-**	**-**	**110,975**	**121,769**
Loans and advances to customers at amortised cost					
Current	204,445	-	-	204,445	180,901
Overdue ≤30 days	2,417	-	-	2,417	-
Overdue <60 days	-	-	-	-	-
Overdue ≤90 days	-	-	-	-	-
Overdue > 90 days	-	-	-	-	20,938
Total	**206,862**	**-**	**-**	**206,862**	**201,839**

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 3.

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

	31 December 2024		31 December 2023	
	Customers- Trade/Corporate finance	**Project finance**	**Customers- Trade/Corporate finance**	**Project finance**
Sovereign loans	92%	80%	100%	67%
Sovereign guarantee	-	7%	-	18%
Corporate guarantee	8%	-	-	-
Stand by letter of credit	-	13%	-	15%
Total	**100%**	**100%**	**100%**	**100%**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

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 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**

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	1,044	-	-	1,044
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	-	-	-	-
New financial assets originated	1,265	-	-	1,265
Financial assets that have been derecognised	(1,044)	-	-	(1,044)
Balance at period end	**1,265**	**-**	**-**	**1,265**

Loans and advances to banks at amortised cost

	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**

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	1,739	-	-	1,739
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	(80)	-	-	(80)
New financial assets originated	684	-	-	684
Financial assets that have been derecognised	(840)	-	-	(840)
Balance at period end	**1,503**	**-**	**-**	**1,503**

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

NOTE 9 - FINANCIAL RISK REVIEW (Continued)

Loans and advances to customers at amortised cost

	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**

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	633	-	1,541	2,174
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remasurement of loss allowance	42	-	(31)	11
New financial assets originated	87	-	-	87
Financial assets that have been derecognised	(305)	-	(15)	(320)
Balance at period end	**457**	**-**	**1,495**	**1,952**

Investment securities at amortised cost

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	632	-	-	632
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**

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	648	-	-	648
Net remasurement of loss allowance	37	-	-	37
New financial assets originated	-	-	-	-
Financial assets that have been derecognised	(52)	-	-	(52)
Foreign exchange movements	(1)	-	-	(1)
Balance at period end	**632**	**-**	**-**	**632**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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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 2024		31 December 2023	
	Outstanding	Undrawn commitments	Outstanding	Undrawn commitments
Financial sector				
Due from banks	132,231	-	105,409	-
Financial institutions-Trade finance	70,070	-	71,557	-
Investment securities	39,514	-	49,582	-
Financial institutions-SME SP	39,200	-	48,709	-
Derivative financial instruments	2,519	-	595	-
	283,534	**-**	**275,852**	**-**
Industry and Trade				
Customers-Trade/Corporate finance	77,528	-	81,600	-
	77,528	**-**	**81,600**	**-**
Health and Social Protection				
Project finance	65,376	-	42,712	-
Customers-Trade/Corporate finance	2,985	-	6,165	-
	68,361	**-**	**48,877**	**-**
Public sector management				
Project finance	29,961	-	32,936	-
Investment securities	12,768	-	11,789	-
	42,729	**-**	**44,725**	**-**
Energy				
Project finance	16,012	-	24,201	-
	16,012	**-**	**24,201**	**-**
Water, Sanitation, Flood Protection and other Urban Infrastructure Services				
Project finance	6,885	-	12,273	-
	6,885	**-**	**12,273**	**-**
Transportation				
Customers-Trade/Corporate finance	6,866	-	-	-
	6,866	**-**	**-**	**-**
Total	**501,915**	**-**	**487,528**	**-**

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

Concentration by geographic location:

	31 December 2024		31 December 2023	
	Outstanding	**Undrawn commitments**	**Outstanding**	**Undrawn commitments**
Türkiye				
Treasury portfolio	170,969	-	152,454	-
Loan portfolio	176,011	-	171,763	-
	346,980	**-**	**324,217**	**-**
Pakistan				
Treasury portfolio	2,897	-	2,306	-
Loan portfolio	121,341	-	127,371	-
	124,238	**-**	**129,677**	**-**
Iran				
Treasury portfolio	8	-	9	-
Loan portfolio	7,918	-	19,442	-
	7,926	**-**	**19,451**	**-**
Azerbaijan				
Loan portfolio	9,613	-	1,577	-
	9,613	**-**	**1,577**	**-**
Other				
Treasury portfolio	13,158	-	12,606	-
	13,158	**-**	**12,606**	**-**
Total treasury portfolio	187,032	-	167,375	-
Total loan portfolio	314,883	-	320,153	-
Total	**501,915**	**-**	**487,528**	**-**

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

The Bank's approach to managing liquidity risk is to have sufficient amount of liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. 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 2024	31 December 2023
At period end	998%	112%
Average for the period	425%	738%
Maximum for the period	1.255%	3.311%
Minimum for the period	112%	112%

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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 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**	**-**	**-**	**-**

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

	31 December 2023						
	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	35,956	(36,157)	(18,861)	(17,296)	-	-	-
Unrecognized loan commitments		-	-	-	-	-	-
- Banks		-	-	-	-	-	-
- Customers		-	-	-	-	-	-
Total	**35,956**	**(36,157)**	**(18,861)**	**(17,296)**	**-**	**-**	**-**
Derivative liabilities							
Trading FX derivatives	1,704						
- Outflow		(102,298)	(24,932)	(77,366)	-	-	-
- Inflow		100,535	24,088	76,447	-	-	-
Total	**1,704**	**(1,763)**	**(844)**	**(919)**	**-**	**-**	**-**
Financial asset by type							
Non-derivative assets							
Due from banks	105,409	107,779	51,572	46,122	10,085	-	-
Loans and advances to banks	120,266	132,196	18,526	-	76,356	37,314	-
Loans and advances to customers	199,887	232,264	2,382	34,308	72,651	72,126	50,797
Investment securities	61,371	69,976	3,425	3,786	7,830	54,935	-
Total	**486,933**	**542,215**	**75,905**	**84,216**	**166,922**	**164,375**	**50,797**
Derivative assets							
Trading FX derivatives	595						
- Outflow		(54,767)	(15,553)	(39,214)	-	-	-
- Inflow		55,354	15,583	39,771	-	-	-
Total	**595**	**587**	**30**	**557**	**-**	**-**	**-**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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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 2024	31 December 2023
Financial assets		
Due from banks	132,231	105,409
Loans and advances to banks	99,084	87,818
Loans and advances to customers	149,577	100,952
Investment securities	538	9,115
Total	**381,430**	**303,294**
Financial liabilities		
Deposits from banks	23,880	35,956
Total	**23,880**	**35,956**

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 2024	31 December 2023
Financial assets		
Loans and advances to banks	10,186	32,448
Loans and advances to customers	56,036	98,935
Investment securities	51,744	52,256
Total	**117,966**	**183,639**

9.3.4. Liquidity reserves

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

	31 December 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Demand deposits	450	450	2,394	2,394
Money market placements	131,781	131,886	103,015	103,005
Investment securities	52,282	52,909	61,371	61,037
Total	**184,513**	**185,245**	**166,780**	**166,436**

As of 31 December 2024, 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 2023: None).

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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 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.

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(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 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.

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

	31 December 2023					
	US Dollar	**Euro**	**Other**	**Total foreign currency**	**SDR ("EU")**	**Total**
Assets						
Due from banks	43,253	62,149	7	105,409	-	105,409
Loans and advances to banks	1,577	118,689	-	120,266	-	120,266
Loans and advances to customers	47,617	152,270	-	199,887	-	199,887
Investment securities	61,371	-	-	61,371	-	61,371
Derivative financial instruments	-	-	-	-	595	595
Tangible and intangible assets	-	-	-	-	4,608	4,608
Other assets	35	-	115	150	-	150
Total assets	**153,853**	**333,108**	**122**	**487,083**	**5,203**	**492,286**
Liabilities and Equity						
Deposits from banks	-	35,956	-	35,956	-	35,956
Derivative financial instruments	-	-	-	-	1,704	1,704
Employee benefits	3,277	-	148	3,425	-	3,425
Other liabilities	730	572	37	1,339	-	1,339
Equity	-	-	(37)	(37)	449,899	449,862
Total liabilities and equity	**4,007**	**36,528**	**148**	**40,683**	**451,603**	**492,286**
Net balance sheet position	**149,846**	**296,580**	**(26)**	**446,400**	**(446,400)**	-
Off-balance sheet derivative instruments net notional position [1]	41,459	(156,839)	114,204	(1,176)	-	(1,176)
Net foreign currency position	**191,305**	**139,741**	**114,178**	**445,224**	**(446,400)**	**(1,176)**
Currency neutral position	**(192,332)**	**(137,074)**	**(116,994)**	**(446,400)**	**446,400**	**-**
FX exposure in notional Ccy [2]	**(1,027)**	**2,667**	**(2,816)**	**(1,176)**	**-**	**(1,176)**

[1] Off-balance sheet derivative instruments net notional position in Chinese Yuan, British Pound, and Japanese Yen are EU 49,009 thousand, EU 35,95 thousand, and EU 29,800 thousand, respectively.

[2] The total foreign currency exposure in Chinese Yuan, Japanese Yen, and British Pound are EU (2,186) thousand, EU (1,736) thousand, and EU 1,134 thousand, respectively.

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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 currency value of the SDR is determined by summing the US Dollar equivalents of pre-determined amounts of the US Dollar, Euro, Japanese Yen, British Pound and the Chinese Yuan, with market exchange rates. Therefore, any change in the US Dollar parity of the other currencies affect SDR parities of all the basket currencies. In this respect, foreign currency sensitivity is calculated based on appreciation/depreciation of the US Dollar against other SDR basket currencies with 10 percent. This would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2024		31 December 2023	
	Appreciation	**Depreciation**	**Appreciation**	**Depreciation**
US Dollar	11,191	(12,228)	10,437	(11,370)
Euro	(6,051)	6,544	(5,638)	6,445
Chinese Yuan	(2,405)	2,448	(2,014)	2,203
British Pound	(1,587)	1,734	(1,535)	1,518
Japanese Yen	(1,275)	1,329	(1,346)	1,213
Total	**(127)**	**(173)**	**(96)**	**9**

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 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.

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NOTE 9 - FINANCIAL RISK REVIEW (Continued)

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

	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 (B)	**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**

	31 December 2023					
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**Over 1 year**	**Non-interest bearing**	**Carrying amount**
Assets						
Due from banks	50,825	44,927	9,657	-	-	105,409
Loans and advances to banks	18,256	-	102,010	-	-	120,266
Loans and advances to customers	3,059	80,466	116,362	-	-	199,887
Investment securities	3,341	3,534	6,029	48,467	-	61,371
Derivative financial assets	-	-	-	-	595	595
Tangible and intangible assets	-	-	-	-	4,608	4,608
Other assets	-	-	-	-	150	150
Total assets	**75,481**	**128,927**	**234,058**	**48,467**	**5,353**	**492,286**
Liabilities						
Deposits from banks	18,814	17,142	-	-	-	35,956
Derivative financial liabilities	-	-	-	-	1,704	1,704
Employee benefits	-	3,107	-	-	318	3,425
Other liabilities	-	-	-	-	1,339	1,339
Total Liabilities (B)	**18,814**	**20,249**	**-**	**-**	**3,361**	**42,424**
Net repricing gap	**56,667**	**108,678**	**234,058**	**48,467**	**1,992**	**449,862**

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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 2024		31 December 2023	
	Applied shock	**Profit or loss**	**Equity (1)**	**Profit or loss**	**Equity (1)**
US Dollar	-0.25%	(56)	(56)	(53)	(53)
US Dollar	0.25%	56	56	53	53
Euro	-0.25%	(260)	(260)	(226)	(226)
Euro	0.25%	259	259	226	226
Total (for negative shocks)		**(316)**	**(316)**	**(279)**	**(279)**
Total (for positive shocks)		**315**	**315**	**279**	**279**

(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.

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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

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.

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.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

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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 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**

	31 December 2023				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets not measured at fair value					
Due from banks	-	-	105,399	105,399	105,409
Loans and advances to banks	-	-	120,416	120,416	120,266
Loans and advances to customers	-	-	199,965	199,965	199,887
Investment securities	61,037	-	-	61,037	61,371
Financial assets measured at fair value					
Derivative financial instruments	-	595	-	595	595
Total financial assets	**61,037**	**595**	**425,780**	**487,412**	**487,528**
Financial liabilities not measured at fair value					
Deposits from banks	-	-	35,958	35,958	35,956
Financial liabilities measured at fair value					
Derivative financial instruments	-	1,704	-	1,704	1,704
Total financial liabilities	**-**	**1,704**	**35,958**	**37,662**	**37,660**

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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 2024	31 December 2023
Due from banks-demand	450	2,394
Due from banks-time (gross) (with original maturity less than three months)	40,652	65,257
Interest accrual	134	341
Less: Allowance for ECL	(640)	(802)
Total	**40,596**	**67,190**

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 risks are 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 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading:				
Currency swaps	2,519	(342)	594	(1,704)
Currency forwards	-	-	1	-
Total	**2,519**	**(342)**	**595**	**(1,704)**

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

NOTE 13 - DUE FROM BANKS

	31 December 2024	31 December 2023
Demand deposits	450	2,394
Money market placements	133,855	104,280
Due from banks, gross	134,305	106,674
Less: Allowance for ECL	(2,074)	(1,265)
Due from banks at amortised cost, net	**132,231**	**105,409**

NOTE 14 - LOANS AND ADVANCES TO BANKS

	31 December 2024	31 December 2023
Trade finance	71,155	72,448
SME support program	39,820	49,321
Loans and advances to banks, gross	110,975	121,769
Less: Allowance for ECL	(1,705)	(1,503)
Loans and advances to banks at amortised cost, net	**109,270**	**120,266**

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NOTE 15 - LOANS AND ADVANCES TO CUSTOMERS

	31 December 2024	31 December 2023
Project finance	118,647	114,012
Trade/Corporate finance	88,215	87,827
Loans and advances to customers, gross	206,862	201,839
Less: Allowance for ECL	(1,249)	(1,952)
Loans and advances to customers at amortised cost, net	**205,613**	**199,887**

NOTE 16 - INVESTMENT SECURITIES

	31 December 2024	31 December 2023
Bonds issued by financial institutions	40,131	50,205
Government bonds	12,803	11,798
Debt investment securities, gross	52,934	62,003
Less: Allowance for ECL	(652)	(632)
Debt investment securities at amortised cost, net	**52,282**	**61,371**

Movements in the investment securities are as follows:

	31 December 2024	31 December 2023
Balance at 1 January	61,371	65,750
Purchases during the year	724	-
Disposals through sales and redemption	(11,866)	(4,410)
ECL provision	(20)	16
Income accruals and rediscount	521	519
Foreign exchange movements	1,552	(504)
Balance at period end	**52,282**	**61,371**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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NOTE 17 - TANGIBLE AND INTANGIBLE ASSETS

	31 December 2024	31 December 2023
Cost	8,728	8,627
Less: Accumulated depreciation	(1,922)	(1,772)
Less: Accumulated impairment loss	(601)	(2,247)
Net book value	**6,205**	**4,608**

Movements in tangible and intangible assets are as follows:

	Land and Buildings [1]	Motor vehicles	Furniture, fixture and equipment	Intangible assets	Total
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**
31 December 2023					
Net book value at 1 January	4,520	119	74	1	4,714
Additions	8	-	29	9	46
Disposals	(6)	-	(9)	-	(15)
Accumulated depreciation and impairment of disposals	6	-	6	-	12
Reversal of impairment	-	-	-	-	-
Depreciation and amortization	(94)	(29)	(24)	(2)	(149)
Net book value at period end	**4,434**	**90**	**76**	**8**	**4,608**

[1] Land and buildings includes the asset usage rights of the real estates rented under the IFRS 16. As of 31 December 2024, net book value of asset usage rights is EU 28 thousand (31 December 2023: EU 6 thousand).

Property and equipment

As of 31 December 2024, property and equipment excluding the motor vehicles were insured against fire, theft and damage to the extent of EU 1,602 thousand. Motor vehicles are insured against accident to the extent of their acquisition cost.

As of 31 December 2024, total impairment losses regarding the headquarters building of the Bank amount to EU 601 thousand (31 December 2023: EU 2,247 thousand).

As of 31 December 2024, there were no capitalised borrowing costs related to the acquisition of property and equipment (31 December 2023: 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 2024	31 December 2023
Net book value at 1 January	6	15
Addition	38	8
Depreciation charge	(16)	(17)
Net book value at period end	**28**	**6**

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NOTE 18 - OTHER ASSETS

	31 December 2024	31 December 2023
Receivables from customers	52	-
Pre-paid expenses	43	41
Personnel advances	26	11
Vendor down payments	3	93
Other	8	5
Total	**132**	**150**

E. LIABILITIES AND EQUITY

NOTE 19 - DEPOSITS FROM BANKS

	31 December 2024	31 December 2023
Money market deposits	23,880	35,956
Total	**23,880**	**35,956**

NOTE 20 - EMPLOYEE BENEFITS

	31 December 2024	31 December 2023
Pension plan liabilities	3,390	3,191
Reserve for employee severance indemnity	221	148
Annual leave pay liability	96	86
Total	**3,707**	**3,425**

20.1. Pension plan liabilities

The following table shows the pension plan liabilities:

	31 December 2024	31 December 2023
First pillar	1,238	1,211
Second pillar	895	891
Third pillar	175	216
Investment returns	1,014	816
Actuarial (gain)/loss	68	57
Total	**3,390**	**3,191**

Movements in the pension plan liabilities are as follows:

	31 December 2024	31 December 2023
Balance at 1 January	3,191	3,281
Increase during the year	594	904
Benefits paid	(493)	(986)
Actuarial (gain)/loss	10	11
Foreign exchange movements	88	(19)
Balance at period end	**3,390**	**3,191**

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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 2024	31 December 2023
Balance at 1 January	57	46
Current service cost	7	9
Interest cost	3	2
Actuarial (gain)/loss	-	-
Foreign exchange movements	1	-
Balance at period end	**68**	**57**

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

	31 December 2024 (%)	31 December 2023 (%)
Discount rate	5.26	5.26
Price inflation	2.30	2.30
Pay increase	3.50	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 2024	31 December 2023
Male	19.90	19.90
Female	22.50	22.50

The sensitivity analysis of defined benefit obligation of excess liabilities as of 31 December 2024 is as follows:

Assumption change	Pension excluding in-service disability	Salary continuation
Discount rate +1%	(14.7%)	(6.6%)
Discount rate -1%	18.4%	7.3%

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 2024	31 December 2023
Balance at 1 January	86	101
Provision for the period, (net)	10	(15)
Balance at period end	**96**	**86**

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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 2024	31 December 2023
Discount rate (%)	3.35	3.00
Price inflation (%)	23.03	21.41
Pay increase (%)	30.00	49.00
Turnover rate to estimate the probability of retirement (%)	95.76	95.22

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 41,828 (31 December 2023: TL 23,490) 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 2024	31 December 2023
Balance at 1 January	148	31
Current service cost	21	129
Benefits paid	(28)	(24)
Interest cost	31	5
Actuarial (gain)/loss	70	18
Foreign exchange movements	(21)	(11)
Balance at period end	**221**	**148**

NOTE 21 - OTHER LIABILITIES

	31 December 2024	31 December 2023
Unearned income (1)	758	686
Provisions (2)	249	252
Payables	64	136
Lease liabilities	20	-
Other (3)	286	265
	1,377	**1,339**

(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 268 thousand (31 December 2023: EU 261 thousand).

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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 2024	31 December 2023
Net book value at 1 January	-	8
Addition	38	8
Accretion of interest	2	-
Payments	(17)	(14)
Foreign exchange movements	(3)	(2)
Net book value at period end	**20**	**-**

NOTE 22 - EQUITY

22.1. Share capital

	31 December 2024	31 December 2023
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 (2023: 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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NOTE 22 - EQUITY (Continued)

Out of the subscribed capital, EU 762,350 thousand may become payable (31 December 2023: 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 2023: EU 326,750 thousand) is reflected at its cost.

22.2. Reserves

	31 December 2024	31 December 2023
General reserves	123,149	101,198
Actuarial reserves	(107)	(37)
Total	**123,042**	**101,161**

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 2024	31 December 2023
Interest income		
Due from banks	6,439	4,097
Loans and advances to banks	7,922	7,610
Loans and advances to customers	14,626	11,088
Investment securities at amortised cost	3,923	4,451
Total interest income	**32,910**	**27,246**
Interest expense		
Deposits from banks	(1,431)	(1,433)
Pension plan liabilities (1)	(264)	(262)
Other	(2)	-
Total interest expense	**(1,697)**	**(1,695)**
Net interest income	**31,213**	**25,551**

(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.

NOTE 24 - NET FEE AND COMMISSION INCOME

	31 December 2024	31 December 2023
Fee and commission income		
Front-end fees from customers	470	494
Front-end fees from banks	44	46
Commitment fees from customers	1	3
Pre-payment fees from customers	10	-
Total fee and commission income	**525**	**543**
Fee and commission expense	**(14)**	**(10)**
Net fee and commission income	**511**	**533**

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

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NOTE 25 - OPERATING EXPENSES

	31 December 2024	31 December 2023
Personnel expenses		
Salaries and benefits	2,384	2,854
Contributions to defined contribution/benefit plans [(1)]	378	397
Other contributions [(2)]	72	71
Staff development expenses	4	4
Other personnel expenses	-	-
Total personnel expenses	**2,838**	**3,326**
Other administrative expenses		
Travel and accommodation expenses	111	116
Consultant and third-party fees	103	157
Operational subscriptions expenses	89	51
Office occupancy expenses	88	75
Equipment, maintenance and support	28	18
Representation expenses	22	32
Other	73	52
Total other administrative expenses	**514**	**501**
Depreciation and amortization	**153**	**149**
Other operating expenses	**54**	**4**
Total operating expenses	**3,559**	**3,980**

[(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.

NOTE 26 - OTHER OPERATING INCOME

	31 December 2024	31 December 2023
Reversal of impairment loss [(1)]	1,647	-
Gain from sale of tangible assets	-	-
Other	11	1
Total other operating income	**1,658**	**1**

[(1)] The Bank reversed impairment losses regarding the headquarters building of the Bank (31 December 2023: None).

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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 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**

	31 December 2023					
	US Dollar	Euro	Chinese Yuan	British Pound	Japanese Yen	Total
Derivatives held for trading						
Currency swaps	41,232	-	49,235	35,395	29,800	155,662
Currency forwards	227	-	-	-	-	227
Total purchases	**41,459**	**-**	**49,235**	**35,395**	**29,800**	**155,889**
Derivatives held for trading						
Currency swaps	-	(156,839)	-	-	-	(156,839)
Currency forwards	-	-	(226)	-	-	(226)
Total sales	**-**	**(156,839)**	**(226)**	**-**	**-**	**(157,065)**
Off-balance sheet net notional position	**41,459**	**(156,839)**	**49,009**	**35,395**	**29,800**	**(1,176)**

27.2. Credit related and other commitments

The Bank has no commitments related to loan agreements (31 December 2023: None). Other commitments amount to EU 30 thousand (31 December 2023: EU 15 thousand).

NOTE 28 - 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.

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

NOTE 28 - SEGMENT ANALYSIS (Continued)

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

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**

31 December 2023	**Banking**	**Treasury**	**Total**
Interest income	18,698	8,548	27,246
Fee and commission income	543	-	543
Total segment revenues	**19,241**	**8,548**	**27,789**
Interest expense	(600)	(1,095)	(1,695)
Fee and commission expense	(6)	(4)	(10)
Net trading income/(loss)	-	(406)	(406)
Other operating income	1	-	1
Operating expenses	(2,889)	(1,091)	(3,980)
Segment income before impairment	**15,747**	**5,952**	**21,699**
Net impairment (loss)/reversal	458	(206)	252
Net income for the period	**16,205**	**5,746**	**21,951**
Segment assets	**323,325**	**168,961**	**492,286**
Segment liabilities	**893**	**41,531**	**42,424**

NOTE 29 - 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 669 thousand (31 December 2023: EU 743 thousand). This comprises salary and employee benefits of EU 584 thousand (31 December 2023: EU 657 thousand) and contributions made by the Bank on behalf of the management personnel of EU 85 thousand (31 December 2023: EU 86 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 30 - SUBSEQUENT EVENTS

None.

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