European Bank
for Reconstruction and Development

The EBRD Community Special Fund

Annual Financial Report
31 December 2024

The EBRD Community Special Fund

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The EBRD Community Special Fund

Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income from credit institutions		94	32
Donations		(1,189)	(1,579)
Management fees		-	(90)
Net loss and comprehensive expense for the year		(1,095)	(1,637)
Attributable to:			
Contributors		(1,095)	(1,637)

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		2,885	967
Contribution receivable	4	-	3,000
Interest receivable from placements with credit institutions		6	2
Total assets		2,891	3,969
Liabilities and contributors' resources			
Accrued expenses	3	169	152
Total liabilities		169	152
Contributions	4	9,000	9,000
Reserves and accumulated loss		(6,278)	(5,183)
Total contributors' resources		2,722	3,817
Total liabilities and contributors' resources		2,891	3,969

The EBRD Community Special Fund

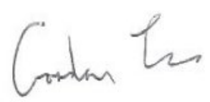
Statement of changes in contributors’ resources

For the year ended 31 December 2024	Contributions € 000	Accumulated losses € 000	Total € 000
At 1 January 2023	6,000	(3,546)	2,454
Contributions received and receivable	3,000	-	3,000
Net loss and total comprehensive expense for the year	-	(1,637)	(1,637)
At 31 December 2023	9,000	(5,183)	3,817
At 1 January 2024	9,000	(5,183)	3,817
Net loss and total comprehensive expense for the year	-	(1,095)	(1,095)
At 31 December 2024	**9,000**	**(6,278)**	**2,722**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000	Year to 31 December 2023 € 000
Cash flows from operating activities				
Net loss for the year	(1,095)		(1,637)	
Working capital adjustment				
Movement in prepaid expenses	-		8	
Movement in interest receivable from placements with credit institutions	(4)		(2)	
Movement in accrued expenses	17		(24)	
Net cash used in operating activities		(1,082)		(1,655)
Cash flows from financing activities				
Contributions received	3,000		2,250	
Net cash generated from financing activities		3,000		2,250
Net increase in cash and cash equivalents		1,918		595
Cash and cash equivalents at the beginning of the year		967		372
Cash and cash equivalents at 31 December		2,885		967

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director - Financial Control
Date: 10 April 2025

Fund purpose

The EBRD Community Special Fund ("the Fund") was established to support staff engagement in philanthropic, social and cultural activities relating to countries in which the European Bank for Reconstruction and Development ("the Bank") invests. To achieve this, the resources of the Fund may be used to match staff financial contributions collected for charitable/social causes as well as promote philanthropic, cultural and charitable activities in the Bank's region of operations.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.

Pronouncement	Nature of change	Potential impact
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Significant accounting policies and judgements

Financial assets - classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost.

Contributors' resources

The Fund recognises contributions received from the contributors' as equity on the basis that the residual assets are only available to be distributed to the contributors upon the winding up of the Fund.

Contributions are recognised as receivable on the balance sheet on the date the conditions precedent to disbursement have been met by the Fund. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Functional and reporting currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions.

Donations

Donations represent payments to eligible charitable organisations by the Fund. The Fund contributes up to two times the amount of staff financial contributions collected for charitable causes over a period of time that meet the minimum threshold of €3,000. Donations are recorded as expenditure in the period when the staff fundraising activities become eligible for support from the Fund.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

Interest

Interest is recorded on an accruals basis. All interest income is recognised within 'interest income' in the income statement.

Gifted assets and Gift income

The Fund is entitled to include gifts received by Bank personnel, in the course of Bank duties, as resources of the Fund. Gift income is recognised in the period in which entitlement is established, when economic benefit is probable and the value can be measured reliably. Gift items received that are material resources of the Fund are valued at a comparable market rate, or if there is none available, valued by an external independent third party. Gifts and unsold gift items that cannot be reliably measured are not included as assets since their cost is nil and their value is uncertain until sold.

C. Significant Accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund does not have any significant accounting estimates for the years presented.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. The Fund has deemed the following accounting policy to be critical as it involves a judgement which could have a material impact on the financial statements:

- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

The EBRD Community Special Fund

Risk management

As the purpose of the Fund is to support the Bank and their staff's engagement in philanthropic activities in their countries of operation rather than to generate a return on its assets, financial risks, with the exception of credit risk, are not actively managed by the Fund.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence" [1] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness.

The Fund's exposure to credit risk is currently limited to the financial institutions with which it may place its cash resources. For banks with which the Fund places its cash, internal credit ratings are determined by the Bank's Risk Management department and are the same as those used for Banking exposures. These ratings are based on internal analysis of approved counterparties' creditworthiness through synthesis of externally provided credit research and market data, including approved external agency ratings. All individual counterparty credit lines for banks are measured, monitored and reviewed by Risk Management annually.

The Fund's placements with credit institutions were ranked in the second highest internal credit rating risk category assigned by the Bank's Risk Management department. This rating approximated to a Standard & Poor's equivalent rating of AA+ to AA-.

The carrying amount of placements presented on the balance sheet represents the Fund's maximum exposure to credit risk at 31 December 2024 and 31 December 2023.

[1] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The driver of market risk for the Fund is interest rate risk.

Market risk management and measurement

As discussed at the beginning of the risk management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund does not have any current exposure to foreign exchange risks.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that payments to charitable organisations and activities are financed from the resources of the Fund, which comprises contributions received and investment income.

Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as equity, which will only be returned to the contributors as part of the residual assets upon termination of the Fund. As a result, the exposure to liquidity risk is considered to be minimal.

The EBRD Community Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The Fund was established to assist the Bank. The creation of the Fund was approved by the Board of Directors ("the Board") of the Bank at its meeting of 6 April 2016 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund approved by the Board on that date, as may be amended from time to time. The Fund became operational after the Governors of the Bank adopted the 2015 Net Income Allocation Resolution during its Annual Meeting on 12 May 2016.

The Fund's principal office is located in London at 5 Bank St, London E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules allows the Board of Directors to terminate the Fund at any time, or upon full utilisation of the Fund's resources. None of these conditions have occurred, or are expected to occur in the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Accrued expenses

This represents unpaid amounts that are eligible to be disbursed by the Fund to charitable organisations and a management fee payable to the Bank.

	2024	2023
	€ 000	€ 000
Donations payable	**169**	62
Accrued Management Fees	-	90
At 31 December	**169**	152

4. Contributions

A contribution of EUR 3,000,000 was received in 2024 (2023: EUR 2,250,000). No Contributions were receivable as at 31 December 2024 (2023: EUR 3,000,000).

5. Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

6. Analysis of current and non-current assets and liabilities

All assets and liabilities presented on the balance sheet are classified as current for 2023 and 2024.

7. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

8. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee of an amount equal to 3 per cent of contributions made to the Fund. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. No management fee was charged during the year (2023: EUR 90,000). There was no accrued management fee payable by the Fund to the Bank at 31 December 2024 (2023: EUR 90,000).

External auditors' remuneration, in relation to the audit of the financial statements, of €24,200 is payable by the Bank from the management fee (2023: €21,500). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD Community Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The EBRD Community Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 6 April 2016, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

EBRD-EU Special Fund

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31 December 2024

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Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income			
From loans		4,374	3,639
From credit institutions		280	777
Total Interest		4,654	4,416
Technical cooperation expenses		(9)	(234)
Net losses from share investments	3	(2,561)	(5,230)
Foreign exchange movements		365	(221)
Management fees		(139)	(94)
Impairment charge on loans	4	(47)	(92)
Impairment (charge)/release on placements with credit institutions		(1)	100
Change in concessional loan discount	5	(961)	(596)
Net profit/(loss) and comprehensive income/(expense) for the year		1,301	(1,951)
Attributable to:			
Contributors		1,301	(1,951)

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2024 € 000	31 December 2023 € 000	31 December 2023 € 000
Assets					
Placements with credit institutions		82,185		81,058	
Less: Provisions for impairment	6	(93)		(92)	
Placements with credit institutions			82,092		80,966
Share investments	3		8,162		5,717
Deferred management fees			641		722
Loan investments					
Loans at amortised cost		120,376		121,317	
Less: Provisions for impairment	4	(436)		(389)	
			119,940		120,928
Interest receivable	7		525		545
Total assets			211,360		208,878
Liabilities					
Other liabilities	8		53		92
Concessional loan discounts	5		1,193		232
Contributors' resources			210,114		208,554
Total liabilities			211,360		208,878
Memorandum items					
Undrawn commitments	9		37,924		24,475

Statement of changes in contributors' resources

For the year ended 31 December 2024	Contributions € 000	Accumulated losses € 000	Total € 000
At 1 January 2023	250,260	(22,135)	228,125
Contributions refunded	(21,010)	-	(21,010)
Contributions received and receivable	3,390	-	3,390
Net loss and total comprehensive expense for the year	-	(1,951)	(1,951)
At 31 December 2023	232,640 -	24,086	208,554
At 1 January 2024	232,640	(24,086)	208,554
Contributions refunded	(798)	-	(798)
Contributions received	1,057	-	1,057
Net profit and total comprehensive income for the year	-	1,301	1,301
At 31 December 2024	**232,899**	**(22,785)**	**210,114**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024 € 000	€ 000	Year to 31 December 2023 € 000	€ 000
Cash flows from operating activities				
Net profit/(loss) for the year	1,301		(1,951)	
Non-cash items in the income statement				
Net losses from share investments	2,561		5,230	
Movement in effective interest rate adjustment[1]	(2,541)		(2,227)	
Foreign exchange movement	(365)		(221)	
Concessional loan discount	961		596	
Impairment charge/(release) on placements with credit institutions	1		(100)	
Impairment charge on loans	47		92	
	1,965		1,419	
Cash flows from the sale and purchase of operating assets				
Funds advanced for share investments	(5,025)		(3,282)	
Proceeds from return of capital on share investments	20		24	
Funds advanced for loans	-		(32,229)	
Proceeds from repayments of loans	3,481		294	
Working capital adjustment				
Movement in deferred management fee	81		(464)	
Movement in interest receivable	20		(154)	
Movement in other liabilities	(39)		(453)	
Net cash generated from/(used in) operating activities		503		(34,845)
Cash flows from financing activities				
Contributions received	1,057		3,390	
Contributions refunded	(798)		(21,010)	
Net cash generated from/(used in) financing activities		259		(17,620)
Net increase/(decrease) in cash and cash equivalents		762		(52,465)
Cash and cash equivalents at the beginning of the year		81,058		133,304
Effect of foreign exchange rate changes		366		219
Cash and cash equivalents at 31 December		82,185		81,058

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

[1] Movement in effective interest rate adjustment includes the interest income unwinding discount of €2,549,000 (2023: €2,221,000). This with loan interest income, make up the interest income from loans figure in the Statement of comprehensive income.

EBRD-EU Special Fund

Fund purpose

The EBRD-EU Special Fund (“the Fund”) has been established as an umbrella fund to receive, administer and manage funds under separate European Union (EU) and EU member states Contribution Agreements. The six Agreements in place have been established to:

- EU - SME Finance and Advice Facility to improve the business and investment climate, and financial inclusion for small and medium sized enterprises in Armenia;
- EU - Egypt and Jordan Trade and Competitiveness to improve competitiveness and financial inclusion for small and medium sized enterprises in Egypt and Jordan;
- Poland’s Technical Assistance to provide institutional support, training and or/advisory services in the Republic of Poland;
- Bulgaria’s European Structural and Investment Funds (ESIF) Water Framework to improve the water and wastewater network in Bulgaria;
- Hellenic Republic’s Deployment of financing under the Corporate Lending Facility to support private sector investments in Greece; and
- Enterprise Expansion Fund II under the Western Balkans Enterprise Development and Innovation Facility to boost the socio-economic, sustainable and smart development of the Western Balkans.

To achieve the above objectives the Fund will provide a variety of instruments, ranging from technical assistance, incentive payments and capex grants to financial instruments, such as loans, guarantees and equity. Such other activities may be agreed upon between the Bank and the contributors.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund’s financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in “Accounting policies and judgements” and “Significant accounting estimates” within the section for accounting policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund’s financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.

Pronouncement	Nature of change	Potential impact
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund’s financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as “amortised cost” only if both of the following criteria are met: the objective of the Fund’s business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes loans to its borrowers at concessional rates and therefore each loan is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's statement of comprehensive income, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

Subsequently, these loans are measured at amortised cost using the effective interest method, less any impairment that may be necessary. The initial fair value discount applied to each loan is therefore recovered in the effective interest rate (EIR) at which income is recognised in the statement of comprehensive income over the tenor of the loan.

The Fund’s financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as “fair value through other comprehensive income” only if both of the following criteria are met: the objective of the Fund’s business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'. All of the share investments held by the Fund are measured at fair value through profit or loss.

The basis of fair value for share investments that are unlisted is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are multiples applied to net asset value and earnings-based valuations to which a multiple is applied based on information from comparable companies and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

The Fund's share investments are recognised on a trade date basis.

At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income. Such assets are carried at fair value on the balance sheet with changes in fair value included in the statement of comprehensive income in the period in which they occur.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost.

Impairment of financial assets

Financial assets at amortised cost – performing assets (Stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[2], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the statement of comprehensive income.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

[2] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.

Stage assessment

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2.[3]

Financial assets at amortised cost – non-performing assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the statement of comprehensive income, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate where applicable. The carrying amount of the asset is reduced through the use of an offsetting-impairment account and the amount of the loss is recognised in the statement of comprehensive income. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the Statement of comprehensive income.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will be recognised as an adjustment to the original carrying value of the asset with the associated gains or losses on modification recognised in the statement of comprehensive income.

Contributors' resources

The Fund recognises contributions received from the contributors as a liability on the basis that, should a contributor choose to withdraw from a window[4] of the Fund, the Fund is obligated to return such contributions to the extent these are not needed to meet existing commitments and obligations of the window.

Contributed resources are carried at the redemption amount that is payable at the balance sheet date if the contributors were to withdraw from the windows of the Fund and contributions returnable to the contributors from operating activities.

Contributions are recognised as receivable on the balance sheet on the date the conditions precedent to disbursement in the Operational Agreement have been met by the Fund. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's reporting currency for the presentation of its financial statements is the euro, the functional currency of the Fund.

[3] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.
[4] Each Contribution Agreement will result in creating a dedicated "window" (or windows) within the Special Fund, such that the provided resources remain fully separate from each other. The Rules of the Special Fund will apply to all "windows" of the Special Fund, while supplementary provisions stemming from contributions will only apply to "windows" created in respect of such Agreements.

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the statement of comprehensive income.

Interest

Interest is recorded using the effective interest rate method. Interest income is recognised within 'interest income' in the statement of comprehensive income.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Technical cooperation expenses

Technical cooperation expenses, which represent services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Management fees

The European Bank for Reconstruction and Development ("The Bank") is entitled to charge the Fund a management fee in accordance with the Rules and Regulations for the costs and expense for administering and managing the Fund. The fees incurred during the year are disclosed in the statement of comprehensive income within other operating expenses. The management fees have been paid in advance to the Bank and are released over the life of those agreements as the underlying performance obligations have been carried out. The remaining unreleased balance in respect of these agreements is included as a prepaid management fee asset. The EISF agreement states that the related management fee is owed to the Bank on the basis of contributions received and percentage of contributions committed. The amount owed in respect of this agreement is included as a payable within other liabilities.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Fair value of share investments
The Fund's method for determining the fair value of share investments is described under "Financial assets" within the accounting policies section of the report and an analysis of the share investment portfolio is provided in note 3. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report.

Impairment of loan investments
The Fund's method for determining the level of impairment of loan investments is described within the Accounting Policies section of the report and further explained under credit risk within the Risk Management section. As described in the Risk Management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank's risk processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the PD, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan's EIR. The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was an increase in ECL of €162,000.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions

2024 PD rating [5]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, commerce and agribusiness (ICA)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable infrastructure (SI)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

5 The Bank's internal PD rating scale is explained in detail on page 13 of the "Risk management" section.

Financial Institutions						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent).[6] Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment, LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that

6 This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 10.

there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[7]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS	20%	30%

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

The sensitivity of portfolio provisions at 31 December 2024 and 31 December 2023 to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision 2024 €000	Change in provision 2024 €000	Change in provision 2024 %	Recalculated provision 2023 €000	Change in provision 2023 €000	Change in provision 2023 %
Portfolio provision (Stage 1 & 2)	436			389		
Staging						
All loans in Stage 1	366	(70)	(16)%	389	-	0%
All loans in Stage 2	2,854	2,418	555%	3,330	2,941	756%
PD Ratings						
All loans upgraded 1 notch	255	(181)	(42)%	153	(236)	(61)%
All loans downgraded 1 notch	742	306	70%	816	427	110%
All loans upgraded 3 notches	161	(275)	(63)%	101	(288)	(74)%
All loans downgraded 3 notches	1,976	1,540	353%	2,468	2,079	534%
Projected GDP						
Projected GDP increased by 1%	393	(43)	(10)%	362	(27)	(7)%
Projected GDP decreased by 1%	486	50	11%	421	32	8%
Projected GDP increased by 5%	301	(135)	(31)%	306	(83)	(21)%
Projected GDP decreased by 5%	687	251	58%	549	160	41%
LGD						
All loans decreased by 10%	306	(130)	(30)%	280	(109)	(28)%
All loans increased by 10%	565	129	30%	499	109	28%
EAD						
All undrawn commitments cancelled	436	-	0%	386	(3)	(1)%
All undrawn commitments disbursed within one month	444	8	2%	392	3	1%

[7] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

EBRD-EU Special Fund

Risk management

As the primary purpose of the Fund is to assist the Bank to achieve its transition mandate rather than to generate a return on its net assets, most financial risks are not actively managed by the Fund. As the Fund participate in investments jointly with the Bank, credit risk is jointly managed; however, the Fund does not hedge against market risk and is hence exposed to interest rate, foreign exchange and equity price risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[8] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet inclusive of undrawn commitments (see note 9).

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[8] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the Bank's countries of operations. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects (both debt and equity transactions) prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee. Risk Management is represented at both the Equity Committee and the Small Business Investment Committee.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7	BB+	Fair	Risk range 5

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
	5.0 5.3	BB BB-		
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the “Significant accounting estimates” section on page 8.

Non-performing loans (NPL)
NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan’s original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
Set out below is an analysis of the Fund’s placements with credit institutions classified by internal credit rating risk rankings.

Risk rating category	**Carrying value € 000**	**Impairment € 000**	**Total net of impairment € 000**
2: Very strong	**5,046**	**-**	**5,046**
3: Strong	**1,937**	**-**	**1,937**
5: Weak	**75,202**	**(93)**	**75,109**
At 31 December 2024	**82,185**	**(93)**	**82,092**

Risk rating category	Carrying value € 000	Impairment € 000	Total net of impairment € 000
2: Very strong	6,516	-	6,516
3: Strong	708	-	708
5: Weak	73,834	(92)	73,742
At 31 December 2023	81,058	(92)	80,966

A 1 notch PD upgrade or downgrade on the placement with credit institution risk rated 5 would decrease the impairment by €42,000, or increase the impairment by €17,000 (2023: €60,000, or increase the impairment by €35,000).

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories

	Amortised cost carrying value				Impairment		Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
4: Good	83,350	-	83,350	69.2%	(141)	-	83,209	0.2%
5: Fair	1,061	-	1,061	0.9%	(3)	-	1,058	0.3%
6: Weak	32,874	-	32,874	27.3%	(174)	-	32,700	0.5%
7: Special Attention	1,636	1,455	3,091	2.6%	(32)	(86)	2,973	3.8%
At 31 December 2024	**118,921**	**1,455**	**120,376**	**100.0%**	**(350)**	**(86)**	**119,940**	

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	Amortised cost carrying value				Impairment		Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
4: Good	81,634	-	81,634	67.3%	(121)	-	81,513	0.1%
5: Fair	-	-	-	0.0%	-	-	-	0.0%
6: Weak	37,928	-	37,928	31.3%	(245)	-	37,683	0.6%
7: Special Attention	1,755	-	1,755	1.4%	(23)	-	1,732	1.3%
At 31 December 2023	121,317	-	121,317	100.0%	(389)	-	120,928	

Undrawn commitments

Set out below is an analysis of the Fund's undrawn loan commitments for each of the Fund's relevant internal risk rating categories.

	Undrawn loan commitments			Undrawn loan commitments		
Risk rating category	Stage 1 2024 €' 000	Fair Value 2024 €' 000	Total 2024 €' 000	Stage 1 2023 €' 000	Fair Value 2023 €' 000	Total 2023 €' 000
6: Weak	-	21,500	21,500	1,860	-	1,860
At 31 December	-	**21,500**	**21,500**	1,860	-	1,860

The Fund would typically have conditions precedent that would need to be satisfied before further disbursements on its debt transactions.

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at the carrying amount by country.

	Undrawn loan commitments 2024 €'000	Loans 2024 €'000	Undrawn loan commitments 2023 €'000	Loans 2023 €'000
Bulgaria	-	7,836	-	8,467
Greece	21,500	112,540	1,860	112,850
At 31 December	21,500	120,376	1,860	121,317

The following table breaks down the main credit risk exposures at the carrying amount by industry sector.

	Undrawn loan commitments 2024 €'000	Loans 2024 €'000	Undrawn loan commitments 2023 €'000	Loans 2023 €'000
Municipal and environmental infrastructure	-	7,837	-	8,468
Telecommunications, media and technology	-	83,348	-	81,633
Manufacturing and services	21,500	29,191	1,860	31,216
At 31 December	21,500	120,376	1,860	121,317

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk, foreign exchange risk and equity risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements and floating rate loan investments are repriced to market interest rates within one and six months respectively, therefore the exposure to interest rate risk is considered to be minimal.

At 31 December 2024, the Fund has fixed rate loan investments of €133.1 million[9] (2023: €121.3 million). As all loans are held at amortised cost, a change in the underlying interest rates would not have an impact on net gains unless the loans were sold prior to their maturity date. As this is not part of the Fund’s business model no impact on other comprehensive income is expected and therefore the exposure to interest rate risk on these instruments is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

[9] The loans at amortised cost figure of €120.4 million on the balance sheet includes a day one loss adjustment of - €12.7 million (2023: - €15.3 million). Therefore the maximum amortised cost loan exposure is €133.1 million (2023: €136.6 million)

	Egyptian Pound 2024 € 000	Euro 2024 € 000	Polish Zloty 2024 € 000	United States Dollar 2024 € 000	Total 2024 € 000
Total assets	**3,807**	**200,553**	**1,314**	**5,046**	**210,720**
Total liabilities	**-**	**(1,193)**	**(54)**	**-**	**(1,247)**
Net currency position at 31 December	**3,807**	**199,360**	**1,260**	**5,046**	**209,473**

	Egyptian Pound 2023 € 000	Euro 2023 € 000	Polish Zloty 2023 € 000	United States Dollar 2023 € 000	Total 2023 € 000
Total assets	4,323	197,698	341	6,516	208,878
Total liabilities	-	-	(91)	-	(91)
Net currency position at 31 December	4,323	197,698	250	6,516	208,787

The overall potential impact on the Fund's net profit/(loss) is €1,015,000 (2023: €1,211,000) based on the average five year absolute rolling average movement in the below currencies:

- 21 per cent (2023: 23 per cent) strengthening or weakening in the Egyptian pound to euro exchange rate;
- 3 per cent (2023: 3 per cent) strengthening or weakening in the Polish zloty to euro exchange rate;
- 6 per cent (2023: 6 per cent) strengthening or weakening in the United States dollar to euro exchange rate.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund expects the effect of equity price risk on net loss will bear a correlated relationship to the movement in equity indices. The following table breaks down the main equity price risk at their net fair value by country.

	2024 € 000	2023 € 000
Egypt	**3,808**	4,323
Bosnia and Herzegovina	**1,089**	349
Kosovo	**1,089**	349
Serbia	**1,089**	349
Albania	**435**	139
North Macedonia	**435**	139
Montenegro	**217**	69
At 31 December	**8,162**	5,717

The overall potential impact on the Fund's fair value of share investments is €1,547,000 (2023: €1,144,000) based on the average five year absolute rolling average movement in equity prices in the following indexes:

- 29 per cent (2023: 26 per cent) movement in Egyptian Stock Market EGX 30 Equity index
- 28 per cent (2023: 29 per cent) movement in a benchmark of indices of regional countries[10].

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that loan investments, equity investments and guarantees are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund's guarantees are limited to the proceeds recoverable on the Fund's parallel investment. The Fund recognises contributions received as a liability, which may be returned to the contributor upon termination of a contribution agreement only after relevant liabilities have been discharged and assets disposed of or redeemed. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

[10] As there is no active stock exchange in a number of the Western Balkan countries, a benchmark of indices of similar regions has been used.

D. Fair value of financial assets and liabilities

Financial assets at 31 December 2024	Carrying amount € 000	Fair Value € 000
Financial assets measured at amortised cost		
Placements with credit institutions	82,092	82,092
Interest receivable	525	525
Loans at amortised cost	119,940	127,591
Deferred management fees	641	641
	203,198	210,849
Financial assets measured at fair value through profit or loss		
Share investments	8,163	8,163
	8,163	8,163
Total financial assets	**211,361**	**219,012**
Financial liabilities at 31 December 2024		
Other financial liabilities	54	54
Concessional loan discount	1,193	1,193
Contributor's resources	210,114	217,765
Total financial liabilities	**211,361**	**219,012**

Financial assets at 31 December 2023	Carrying amount € 000	Fair Value € 000
Financial assets measured at amortised cost		
Placements with credit institutions	80,966	80,966
Interest receivable	545	545
Loans at amortised cost	120,928	131,095
Deferred management fees	722	722
	203,161	213,328
Financial assets measured at fair value through profit or loss		
Share investments	5,717	5,717
	5,717	5,717
Total financial assets	**208,878**	**219,045**
Financial liabilites at 31 December 2023		
Other financial liabilities	92	92
Concessional loan discount	232	232
Contributor's resources	208,554	218,721
Total financial liabilities	**208,878**	**219,045**

At 31 December 2024, the Fund's balance sheet approximates to fair value in all financial asset and liability categories, with the exception of loan investments at amortised cost.

Loan investments whereby the objective of the Fund's business model is to hold these investments to collect the contractual cash flow, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, are recognised at amortised cost. The fair value of these loans was calculated using Level 3 inputs by discounting the cash flows at a year-end interest rate applicable to each loan and further discounting the value by an internal measure of credit risk.

Fair value hierarchy

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's share investments have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

Level 3 - sensitivity analysis
The table below presents the Level 3 financial instruments carried at fair value at 31 December 2024 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

		Impact on net loss in 2024	
Assets	**Carrying amount € 000**	**Favourable change € 000**	**Unfavourable change € 000**
Share investments	**8,162**	**6,713**	**(1,170)**
At 31 December 2024	**8,162**	**6,713**	**(1,170)**

		Impact on net loss in 2023	
Assets	Carrying amount € 000	Favourable change € 000	Unfavourable change € 000
Share investments	5,717	1,354	(1,078)
At 31 December 2023	5,717	1,354	(1,078)

EBRD-EU Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board on 16 July 2018 and is administered, inter alia, in accordance with the AEB and under the terms of the Rules of the Fund. The Fund was established to receive, administer and manage Funds under certain EU and EU member states Contribution Agreements. As at 31 December 2024 there were six Agreements in place.

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of EBRD's ordinary capital resources, but any privileges and immunities available to EBRD are extended to the Fund.

The Rules of the Fund allows the Fund to be terminated either by:

- decision by the Board after consultation between the Bank and the contributors; or
- upon closure of the last window; or
- if the funds in the Windows are fully withdrawn; or
- termination by the Bank of its operations pursuant to Article 41 of the AEB.

None of these conditions have occurred, or are expected to occur in the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The "Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Share investments

	2024 € 000	2023 € 000
Outstanding disbursements		
At 1 January	9,883	6,625
Disbursements	5,025	3,282
Return of capital	(20)	(24)
At 31 December	14,888	9,883

	2024 € 000	2023 € 000
Fair value adjustment		
At 1 January	(4,166)	1,064
Movement in fair value revaluation	(2,561)	(5,230)
At 31 December	(6,727)	(4,166)
Fair value at 31 December	8,162	5,717

4. Provisions for impairment of loan commitments

Charge for the year	2024 € 000	2023 € 000
Impairment of loan investments at amortised cost in stages 1 and 2	(47)	(92)
Provisions for impairment of loan investments	(47)	(92)

Movement in provisions		
As at 1 January	(389)	(297)
Charge for the year to the income statement	(47)	(92)
At 31 December	(436)	(389)

Movement in provisions	**12-month ECL (Stage 1) 2024 €'000**	**Lifetime ECL (Stage 2) 2024 €'000**	**Total 2024 €'000**
As at 1 January	(389)	-	(389)
Transfer to stage 2 - significant increase in credit risk	7	(63)	(56)
Changes in model or risk parameters	32	(23)	9
As at 31 December	(392)	(86)	(436)

Movement in provisions	12-month ECL (Stage 1) 2023 €'000	Lifetime ECL (Stage 2) 2023 €'000	Total 2023 €'000
As at 1 January	(297)	-	(297)
New loans originated	(244)	-	(244)
Changes in model or risk parameters	152	-	152
As at 31 December	(389)	-	(389)

Movement in loans at amortised cost	Loans Stage 1 2024 €'000	Loans Stage 2 2024 €'000	Total 2024 €'000
As at 1 January	121,317	-	121,317
Transfer to stage 2 - significant increase in credit risk	(1,497)	1,497	-
Repayments	(3,405)	(75)	(3,480)
Movement in effective interest rate adjustment	2,505	34	2,539
As at 31 December	118,920	1,456	120,376

Movement in loans at amortised cost	Loans Stage 1 2023 €'000	Loans Stage 2 2023 €'000	Total 2023 €'000
As at 1 January	89,968	-	89,968
Loan disbursements	32,229	-	32,229
Repayments	(294)	-	(294)
Day one fair value adjustment	(2,815)	-	(2,815)
Movement in effective interest rate adjustment	2,229	-	2,229
As at 31 December	121,317	-	121,317

5. Concessional loan discounts

Set out below is a breakdown of the change in concessional loan discount for the year:

	2024 € 000	2023 € 000
Day one fair value	**(961)**	(1,335)
Release of discount on loan cancellation	-	739
Concessional loan discount charge to the income statement	**(961)**	(596)

Set out below is an analysis of the movements in the Fund's concessional loan discount liability

	2024 € 000	2023 € 000
At 1 January	**(232)**	(2,451)
Day one fair value adjustment	**(961)**	(596)
Derecognition of liability on loan disbursement	-	2,815
As at 31 December	**(1,193)**	(232)

6. Provisions for impairment of placements with credit institutions

(Charge)/release for the year	**2024 € 000**	2023 € 000
Impairment of placements with credit institutions	(1)	100
Provisions for impairment of placements with credit institutions	(1)	100
Movement in provisions		
At 1 January	**(92)**	(192)
(Charge)/release for the year to the income statement	(1)	100
At 31 December	**(93)**	(92)

7. Interest receivable

	2024 € 000	2023 € 000
Loan interest receivable	**521**	535
Placements with credit institutions interest receivable	**4**	10
At 31 December	**525**	545

8. Other liabilities

	2024 € 000	2023 € 000
Technical cooperation expenses payable	-	92
Accrued management fees	53	-
At 31 December	53	92

9. Undrawn commitments

	2024 € 000	2023 € 000
Undrawn loan commitments	21,500	1,860
Undrawn share commitments	16,333	22,532
Technical cooperation expenses	91	83
At 31 December	37,924	24,475

This represents amounts for which the Fund has legally committed which the transaction or service was not yet performed at 31 December.

10. Contributions received and refunded

Window	Contributor	Contributions received € 000	Contributions refunded € 000	Total contributions € 000
EU - SME Finance and Advice Facility Window	EU	11,220	-	11,220
EU - Egypt and Jordan Trade and Competitiveness Window	EU	3,800	-	3,800
Poland's Technical Assistance Window	Poland	2,542	-	2,542
Bulgaria ESIF Water Framework - Guarentee Window	Bulgaria FMFIB	9,974	-	9,974
Bulgaria ESIF Water Framework - Debt Window	Bulgaria FMFIB	22,171	(21,808)	363
Hellenic Republic Deployment of Financing Under the Corporate Lending Facility	Hellenic Republic	200,000	-	200,000
Enterprise Expansion Fund II under the Western Balkans Enterprise Development and Innovation Facility	EU	5,000	-	5,000
Total contributions 31 December 2024		**254,707**	**(21,808)**	**232,899**

Window	Contributor	Contributions received € 000	Contributions refunded € 000	Total contributions € 000
EU - SME Finance and Advice Facility Window	EU	11,220	-	11,220
EU - Egypt and Jordan Trade and Competitiveness Window	EU	3,800	-	3,800
Poland's Technical Assistance Window	Poland	1,485	-	1,485
Bulgaria ESIF Water Framework - Guarentee Window	Bulgaria FMFIB	9,974	-	9,974
Bulgaria ESIF Water Framework - Debt Window	Bulgaria FMFIB	22,171	(21,010)	1,161
Hellenic Republic Deployment of Financing Under the Corporate Lending Facility	Hellenic Republic	200,000	-	200,000
Enterprise Expansion Fund II under the Western Balkans Enterprise Development and Innovation Facility	EU	5,000	-	5,000
Total contributions 31 December 2023		253,650	(21,010)	232,640

11. Analysis of current and non-current assets and liabilities

The table below provides the classification for current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000
Placements with credit institutions	82,185	-	82,185
Provisions for impairment	(93)	-	(93)
Share investments	-	8,162	8,162
Deferred management fees	81	560	641
Loans at amortised cost	5,560	114,816	120,376
Provisions for impairment of loan investments	(36)	(400)	(436)
Interest receivable	525	-	525
Total assets	88,222	123,138	211,360
Liabilities			
Other liabilities	53	-	53
Concessional loan discounts	1,193	-	1,193
Contributors' resources	47,052	163,062	210,114
Total liabilities	48,298	163,062	211,360

Assets	Current 2023 € 000	Non-current 2023 € 000	Total 2023 € 000
Placements with credit institutions	81,058	-	81,058
Provisions for impairment with credit instituitions	(92)	-	(92)
Share investments	-	5,717	5,717
Deferred management fee	81	641	722
Loan investments	3,925	117,392	121,317
Provisions for impairment of loan commitments	-	(389)	(389)
Interest receivable	545	-	545
Total assets	85,517	123,361	208,878
Liabilities			
Other liabilities	92	-	92
Concessional loan discounts	232	-	232
Contributors' resources	85,193	123,361	208,554
Total liabilities	85,517	123,361	208,878

12. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

13. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to a management fee in accordance with the terms of the relevant Contribution Agreement. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. This management fee is recognised in line with the accounting policy outlined on page 7.

External auditors' remuneration of €42,400, is payable by the Bank from the management fee (2023: €39,300). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor’s report

To the Governors of the European Bank for Reconstruction and Development (the “Bank”) in respect of the EBRD-EU Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of the EBRD-EU Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund’s financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors’ resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund’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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributors' objectives, are the responsibility of the Bank and the contributors and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 16 July 2018, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The Balkan Region Special Fund

Annual Financial Report
31 December 2024

The Balkan Region Special Fund

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The Balkan Region Special Fund

Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income from credit institutions		273	181
Fee Income		27	20
Audit fees	3	(24)	(22)
Financial guarantees movement		(4)	46
Net profit and comprehensive income for the year		272	225
Attributable to:			
Contributors		272	225

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		8,258	8,019
Trade finance guarantees		2	4
Other financial assets	4	37	22
Total assets		8,297	8,045
Liabilities and contributors' resources			
Audit fees payable	3	-	22
Financial guarantee liability		6	4
Contributors’ resources		8,291	8,019
Total liabilities and contributors' resources		8,297	8,045
Memorandum items			
Guarantees*		7,949	7,827

*See section on credit risk exposures on page 12 for additional details.

The Balkan Region Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2024	Contributions € 000	Reserves and accumulated losses € 000	Total € 000
At 1 January 2023	9,779	(1,985)	7,794
Net profit and total comprehensive income for the year	-	225	225
At 31 December 2023	9,779	(1,760)	8,019
At 1 January 2024	9,779	(1,760)	8,019
Net profit and total comprehensive income for the year	-	272	272
At 31 December 2024	**9,779**	**(1,488)**	**8,291**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024		Year to 31 December 2023	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	272		225	
Non-cash items in the income statement				
Financial guarantees movement	4		(46)	
	276		179	
Working capital adjustment				
Movement in other financial assets	(15)		(17)	
Movement in audit fees payable	(22)		22	
Net cash generated from operating activities		239		184
Net increase in cash and cash equivalents		239		184
Cash and cash equivalents at the beginning of the year		8,019		7,835
Cash and cash equivalents at 31 December		8,258		8,019

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

The Balkan Region Special Fund

Fund purpose

The Balkan Region Special Fund ("the Fund") was established to assist the reconstruction of the Balkan Countries through the European Bank for Reconstruction and Development ("the Bank") Balkan Region Action Plan. To achieve this, the Fund may provide guarantees for the Bank's Trade Facilitation Programme ("TFP").

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period

There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Significant accounting policies and judgements

Financial assets - classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:
(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Financial guarantees

The Fund provides guarantees to the Bank to cover principal losses the Bank may incur from providing its own guarantees under its TFP. The Fund's resources are allocated into a TFP sub-account and the TFP guarantees are provided on a first-loss basis.

Initial recognition and measurement

When a guarantee is issued, it is initially recognised at its fair value. This is measured as the present value of the fees to be received by the Fund for the provision of those guarantees. This initial fair value represents both an asset for the Fund and a liability for the same amount.

Subsequent measurement

The carrying value of the asset is subsequently measured at initial fair value less any fee income received.

The carrying value of the liability is subsequently measured at the higher of:

- the initial fair value recognised when the guarantees were issued less cumulative amortisation, and
- the expected credit loss allowance with the financial guarantee

Financial guarantees are recognised within other financial assets and other financial liabilities.

Contributors' resources

The Fund recognises contributions received from contributors as a liability on the basis that should a contributor choose to withdraw from the Fund, the Fund is obligated to return such contributions to the extent these are not needed to meet existing commitments and obligations of the Fund.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the Statement of comprehensive income.

Contributions

Contributions received in currencies other than euro are translated into euro at the exchange rates ruling at the time of the transaction.

Interest and fees

Interest is recorded on an accruals basis. All interest income is recognised within 'interest income' in the income statement.

Fees earned in respect of services provided over a period of time are recognised as income as the services are provided.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the Statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Financial guarantees
The Fund's method for determining the fair value of financial guarantees is described under "Financial guarantees" within the accounting policies section of the report and further explained under credit risk within the risk management section of the report.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was minimal.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions (FI)						
2024 PD rating [1]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, commerce and agribusiness (ICA)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

[1] The Bank's internal PD rating scale is explained in detail on pages 11 and 12 of the "Risk management" section.

Sustainable Infrastructure (SI)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions (FI)

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness (ICA)

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure (SI)

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment, LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[2]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[2]	20%	30%

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

Financial guarantee liability
A 3 notch PD upgrade or downgrade on the Bank's TFP investments would have cause a decrease on the financial guarantee liability by €1,397 (2023: nil), or increase the financial guarantee liability by €17,227 (2023: €12,000).

[2] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates are described in the significant accounting estimates section below, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Financial guarantee liability – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses for financial guarantees.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the purpose of the Fund is to promote development in the Balkan Countries rather than to generate a return on its assets, not all financial risks are actively managed by the Fund. Credit risk is jointly managed with the Bank; however, the Fund does not hedge against market risk and is hence exposed to foreign exchange risk and interest rate risk.

Risk governance

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[3] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied.
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet, inclusive of the commitments related to guarantees (see page 12).

[3] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates as a guarantor alongside the Bank's financial investments jointly with the Bank in the financing of investments in the countries in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

<table>
<tr><th>EBRD risk rating category</th><th>EBRD risk rating</th><th>External rating equivalent</th><th>Category name</th><th>Broader category</th></tr>
<tr><td>1</td><td>1.0</td><td>AAA</td><td>Excellent</td><td rowspan="4">Investment grade</td></tr>
<tr><td>2</td><td>1.7
2.0
2.3/2.5</td><td>AA+
AA
AA-</td><td>Very strong</td></tr>
<tr><td>3</td><td>2.7
3.0
3.3</td><td>A+
A
A-</td><td>Strong</td></tr>
<tr><td>4</td><td>3.7
4.0
4.3</td><td>BBB+
BBB
BBB-</td><td>Good</td></tr>
<tr><td>5</td><td>4.7
5.0</td><td>BB+
BB</td><td>Fair</td><td>Risk range 5</td></tr>
</table>

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
	5.3	BB-		
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 6.

Credit risk exposures

Placements with credit institutions
The Fund's placements with credit institutions were classified in internal credit rating risk range 2 (approximately AA+ to AA- in terms of S&P equivalent). Placements with credit institutions are considered to have low credit risk.

Guarantees
At 31 December 2024, the Bank had outstanding guarantees under the Balkan Region TFP for which, in the event of a future default, losses incurred by the Bank will be refunded in part from the resources of the Fund. At 31 December 2024, the Fund's maximum exposure under such guarantees was €7,949,000 (2023: €7,828,000).

Fee income receivable from financial guarantees is recognised in Other financial assets.

No amounts are currently recognised as required to settle a guarantee commitment (2023: nil). The guarantee liability shown within 'other financial liabilities' on the balance sheet represents the higher of the initial fair value recognised when the guarantees were issued less cumulative amortisation or the amount of the loss allowance for expected credit losses. The Fund does not actively manage credit risk on its guarantee exposure.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The Fund does not have significant exposure to market risks.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund does not hold any assets or liabilities of non-euro denomination as at 31 December 2024, hence it is not exposed to any foreign exchange risk.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and regulations require guarantees are financed from the resources of the Fund, which comprises contributions received and accumulated profit or loss.

Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund's guarantees are limited to the resources of the TFP sub-account. The Fund recognises contributions received as a liability, which may be returned to a contributor upon termination of a contribution agreement. Amounts returned are based on the Fund's net assets and take into account any existing commitments and guarantees. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board at its meeting on 15 September 1999 and is administered, *inter alia,* in accordance with the AEB and under the terms of the Rules and Regulations of the Fund ("the Rules"). The Fund became operational on 7 December 1999 following the signing of the first contribution agreement.

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Contribution Agreements with each contributor allows either the Bank or the contributor to terminate the Contribution Agreement by giving 60 days' notice. The Rules allow the Board of Directors to terminate the Fund after consultation between the Bank and the contributors, or if the funds in the accounts under the Contribution Agreements are fully withdrawn. None of these conditions have occurred, or are expected to occur in the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Audit fees

Audit fees, which are part of the Fund's administrative expenses, include the external auditors' remuneration of €24,200 for 2024 (2023: €21,500). The Bank pays the auditors' remuneration on behalf of the Fund in relation to the audit of the financial statements, who in turn reimburses the Bank in full. As of 31 December 2024, there is no outstanding amount payable to the Bank in relation to the 2024 external audit (2023: 21,500).

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP in their first term as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

4. Other financial assets

	2024 € 000	2023 € 000
Fee income receivable from financial guarantees	21	5
Interest receivable from placements with credit institutions	16	17
At 31 December	**37**	22

5. Contributions

Contributions received are set out below.

Cumulative contributions received	2024 € 000	2024 %	2023 € 000	2023 %
Austria	**276**	**2.8**	276	2.8
Canada	**1,472**	**15.1**	1,472	15.1
Denmark	**750**	**7.7**	750	7.7
Norway	**1,568**	**16.0**	1,568	16.0
Switzerland	**4,218**	**43.1**	4,218	43.1
Taipei China	**1,495**	**15.3**	1,495	15.3
At 31 December	**9,779**	**100.0**	9,779	100.0

6. Analysis of current and non-current assets and liabilities

All assets and liabilities on the balance sheet are classified as current for both 2024 and 2023.

7. Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

8. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

9. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee of an amount equal to between 2.5 and 5 per cent of contributions received. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. As there were no contributions received in 2024, there were no management fees paid by the Fund to the Bank (2023: nil) and there was no accrued management fee payable by the Fund to the Bank at 31 December 2024 (2023: nil). Also during 2024, the Fund earned fees from the Bank in relation to TFP guarantees of €26,700 (2023: €20,000), of which €21,300 are receivable as at 31 December 2024 (2023: €4,600).

Audit fees payable to the Bank are outlined in note 3.

Contributions received from the contributors are outlined in note 5.

Independent auditor’s report

To the Governors of the European Bank for Reconstruction and Development (the “Bank”) in respect of The Balkan Region Special Fund.

Our opinion

financial position of The Balkan Region Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB)**.**

What we have audited

The Fund’s financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors’ resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code**.**

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund’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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 15 September 1999, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The Baltic Investment Special Fund

Annual Financial Report
31 December 2024

The Baltic Investment Special Fund

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The Baltic Investment Special Fund

Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income from credit institutions		21	10
Net losses from share investments	3	-	(46)
Audit fees	4	(24)	(22)
Net loss and comprehensive expense for the year		(3)	(58)
Attributable to:			
Contributors		(3)	(58)

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		627	652
Interest receivable from placements with credit institutions		1	1
Total assets		628	653
Liabilities and contributors' resources			
Audit fees payable		-	22
Total liabilities		-	22
Contributions	5	27	27
Reserves and accumlated losses	6	601	604
Total contributors' resources		628	631
Total liabilities and contributors' resources		628	653

The Baltic Investment Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2024

	Contributions	Special reserve	Accumulated losses	Total
	€ 000	€ 000	€ 000	€ 000
At 1 January 2023	27	173	489	689
Net loss and total comprehensive expense for the year	-	-	(58)	(58)
At 31 December 2023	27	173	431	631
At 1 January 2024	27	173	431	631
Net loss and total comprehensive expense for the year	-	-	(3)	(3)
At 31 December 2024	**27**	**173**	**428**	**628**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024		Year to 31 December 2023	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net loss for the year	(3)		(58)	
Non-cash items in the statement of comprehensive income				
Net losses from share investments	-		46	
	(3)		(12)	
Working capital adjustment				
Movement in interest receivable from placements with credit institutions	-		(1)	
Movement in audit fees payable	(22)		22	
Net cash (used in)/generated from operating activities		(25)		9
Cash flows from financing activities				
Disposal of shares	-		640	
Net cash generated from financing activities		-		640
Net (decrease)/increase in cash and cash equivalents		(25)		649
Cash and cash equivalents at the beginning of the year		652		3
Cash and cash equivalents at 31 December		627		652

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

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

Going concern

In July 2006 the Baltic Investment Special Fund (the "Fund") was terminated by the Board of Directors of the European Bank for Reconstruction and Development ("the Bank"), following a request from the contributors to the Fund. In accordance with the Rules and Regulations ("the Rules") of the Fund, the net assets then available were returned to the contributors. The Fund's remaining cash resources will be returned to the contributors.

The financial statements for the Fund are therefore presented on a basis other than that of a going concern as the Fund is in the process of being wound up. In such circumstances all assets and liabilities are more appropriately reported at net realisable value rather than historical cost. No material adjustments arose from ceasing to apply the going concern basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. For the Fund, the exercise of judgement is required for the valuation of unlisted share investments, which is explained in "Significant accounting estimates" within the section for accounting policies.

New and amended IFRS mandatorily effective for the current reporting period

There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Bank's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to: IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards.
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Contributors' resources

The Fund recognises contributions received from contributors as a liability. The Fund is obligated to return such contributions pending the completion of the Fund's winding up processes as the fund has no more commitments and obligations.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the Statement of comprehensive income.

Interest

Interest is recorded on an accruals basis. Interest income is recognised within 'interest income' in the statement of comprehensive income.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed. The Fund has deemed the following accounting policies to be critical as they involve judgements which could have a material impact on the financial statements:

- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

Risk governance

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[1] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness.

The Fund's exposure to credit risk is currently limited to the financial institutions with which it may place its cash resources. For banks with which the Fund places its cash, internal credit ratings are determined by the Bank's Risk Management department and are the same as those used for Banking exposures. These ratings are based on internal analysis of approved counterparties' creditworthiness through synthesis of externally provided credit research and market data, including approved external agency ratings. All individual counterparty credit lines for banks are measured, monitored and reviewed by Risk Management annually.

At year end the Fund's cash was placed with a single financial institution which ranked in the second highest internal credit rating risk category assigned by the Bank's Risk Management department. The rating of the financial institution approximated to a Standard & Poor's equivalent rating of AA+ to AA-. Placements with credit institutions are considered to have low credit risk.

The carrying amount of placements presented on the balance sheet represents the Fund's maximum exposure to credit risk at 31 December 2024 and 31 December 2023.

[1] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk, foreign exchange risk and equity price risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The fund does not hold any assets or liabilities of non-euro denomination, nor does it have any non-euro commitments, hence it is not exposed to any foreign exchange risk.

As at 31 December 2024 the Fund has no equity investments and therefore no equity price risk.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund is not considered to be exposed to liquidity risk as it has no material liabilities other than the obligation to return to contributors their pro rata share of net assets as they become available for distribution in accordance with the Rules of the Fund.

Notes to the financial statements

1. Creation and termination of the Fund

The Baltic Investment Special Fund ("the Fund") was established to assist the European Bank for Reconstruction and Development ("the Bank"). The Fund, whose objective was to promote private sector development through support for small and medium sized entities in the Baltic States, was established in accordance with Article 18 of the AEB. The Board of Directors approved its creation in April 1992 and, at the request of its contributors, terminated the Fund in July 2006. Pending the realisation and distribution of all remaining net assets in the Fund, the Fund continues to be administered, *inter alia,* in accordance with the AEB and its Rules. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

In line with the termination agreement the Fund is currently in the process of returning net assets in line with instruction from the contributors.

The Fund's principal office is located in London at 5 Bank Street, E14 4BG.

2. Statement of Bank's responsibilities

The European Bank for Reconstruction and Development (the "Bank") is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Net losses from share investments

	2024 € 000	2023 € 000
Net unrealised (losses)/gains from share investments	-	(149)
Net realised gains from share investments	-	103
At 31 December	-	(46)

4. Audit fees

Audit fees comprise of external auditors' remuneration of €24,200 (2023: €21,500). The Bank pays the external auditors' remuneration on behalf of the Fund in relation to the audit of the financial statements, which in turn reimburses the Bank in full. At 31 December 2024 no audit fee (2023: €21,500) is payable to the Bank in relation to the 2024 external audit.

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

5. Contributions

Net contributions received and the share of reserves are set out below.

Cumulative contributions and share of reserves	Contributions 2024 € 000	Share of reserves 2024 € 000	Contributions 2023 € 000	Share of reserves 2023 € 000
Denmark	-	126	-	132
Finland	-	123	-	128
Iceland	27	17	27	17
Norway	-	110	-	115
Sweden	-	225	-	234
At 31 December	27	601	27	626

6. Reserves and retained earnings

The special reserve was established, in accordance with the Rules of the Fund, to meet certain defined losses and was built up by setting aside qualifying fees and commissions associated with loans previously made by the Fund. The Fund is not making any new loans so the balance in the reserve will not change pending final distribution of the Fund's net assets to its contributors.

7. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to Board of Governors.

8. Related Parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee, which from time to time such reasonable share shall be determined by the Board of Directors. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. During the year ended 31 December 2024 the Fund paid the Bank no management fee for operating the Fund (2023: nil) and there was no accrued management fee payable by the Fund as at 31 December 2024 (2023: nil).

Audit fees are paid by the Bank as outlined in note 4.

Contributions received from the contributors are outlined in note 5.

Independent auditor’s report

To the Governors of the European Bank for Reconstruction and Development (the “Bank”) in respect of The Baltic Investment Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Baltic Investment Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund’s financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors’ resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to the Accounting policies section of the financial statements which describes the Bank’s reasons why the financial statements have been prepared on a basis other than going concern.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank.

- Conclude on the appropriateness of the Bank'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 Fund'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 Fund 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.

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the

Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 6 April 1992, as amended on 26 July 1999, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
London, United Kingdom
10 April 2025

European Bank
for Reconstruction and Development

The Central Asia Risk Sharing Special Fund

Annual Financial Report
31 December 2024

The Central Asia Risk Sharing Special Fund

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The Central Asia Risk Sharing Special Fund

Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income from credit institutions		247	167
Fee Income		41	22
Foreign exchange movements		31	(16)
Audit fees	3	(24)	(22)
Financial guarantees movement		-	6
Net profit and comprehensive income for the year		295	157
Attributable to:			
Contributors		295	157

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		7,506	7,250
Trade finance guarantees		9	21
Other financial assets	4	39	22
Total assets		7,554	7,293
Liabilities			
Audit fees payable	3	-	22
Financial guarantee liability		10	22
Contributors' resources		7,544	7,249
Total liabilities and contributors' resources		7,554	7,293
Memorandum items			
Guarantees*		2,490	3,611

*See section on credit risk exposures on page 11 for additional details.

Statement of changes in contributors' resources

	Contributions	Retained earnings	Total
	€ 000	€ 000	€ 000
At 1 January 2023	5,553	1,539	7,092
Net profit and total comprehensive income for the year	-	157	157
At 31 December 2023	5,553	1,696	7,249
At 1 January 2024	5,553	1,696	7,249
Net profit and total comprehensive income for the year	-	295	295
At 31 December 2024	**5,553**	**1,991**	**7,544**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024		Year to 31 December 2023	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	295		157	
Non-cash items in the income statement				
Foreign exchange movement	(31)		16	
Financial guarantees movement	-		(6)	
	264		167	
Working capital adjustment			-	
Movement in other financial assets	(17)		(7)	
Movement in interest receivable	-		(14)	
Movement in audit fee payable	(22)		22	
Net cash generated from operating activities		225		168
Cash flows from financing activities				
Net increase in cash and cash equivalents		225		168
Cash and cash equivalents at the beginning of the year		7,250		7,098
Effect of foreign exchange rate changes		31		(16)
Cash and cash equivalents at 31 December		7,506		7,250

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

Fund purpose

The Central Asia Risk Sharing Special Fund ("the Fund") was established as a risk sharing facility for small and medium-sized enterprise (SME) credit lines, to promote a higher level of investment in Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan (collectively the "Eligible Countries"). To achieve this, the Fund may:

- Provide guarantees on a first-loss basis for the European Bank for Reconstruction and Development's ("the Bank") Trade Facilitation Programme ("TFP"); and
- Provide guarantees on a first-loss basis on the Bank's SME and micro enterprise loans in the Eligible Countries.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period.

There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early.
The following standards are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Financial guarantees

The Fund currently provides guarantees to the Bank to cover principal losses the Bank may incur from providing its own guarantees under its TFP. The Fund's resources are allocated into a number of sub-accounts, with a single one for TFP-related guarantees and individual ones for loan-related guarantees in each eligible country. There were no loan-related guarantees over Bank loans in 2024 or 2023. The Fund's guarantees are provided on a first-loss basis.

Initial recognition and measurement

When a guarantee is issued, it is initially recognised at its fair value. This is measured as the present value of the fees to be received by the Fund for the provision of those guarantees. This initial fair value represents both an asset for the Fund and a liability for the same amount.

Subsequent measurement

The carrying value of the asset is subsequently measured at initial fair value less any fee income received.

The carrying value of the liability is subsequently measured at the higher of:

- the initial fair value recognised when the guarantees were issued less cumulative amortisation, and
- the expected credit loss allowance with the financial guarantee

Financial guarantees are recognised within other financial assets and other financial liabilities.

Contributors' resources

The Fund recognises contributions received from the contributors as a liability on the basis that, should a contributor choose to withdraw from the Fund, the Fund is obligated to return such contributions to the extent these are not needed to meet existing commitments and obligations of the Fund.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's reporting currency for the presentation of its financial statements is the euro, the functional currency of the Fund.

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the statement of comprehensive income.

Contributions

Contributions received in currencies other than euro are translated into euro at the exchange rates ruling at the time of the transaction.

Interest and fees

Interest is recorded on an accruals basis. Interest income is recognised within 'interest income' in the statement of comprehensive income.

Fees earned in respect of services provided over a period of time are recognised as income as the services are provided.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Financial guarantees
The Fund's method for determining the fair value of financial guarantees is described under "Financial guarantees" within the accounting policies section of the report and further explained under credit risk within the risk management section of the report.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was minimal.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions (FI)						
2024 PD rating [1]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, commerce and agribusiness (ICA)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

[1] The Bank's internal PD rating scale is explained in detail on page 10 of the "Risk management" section.

Sustainable infrastructure (SI)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions (FI)						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness (ICA)						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure (SI)						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment, LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 **Seniority - sector**	**Non sovereign LGD**
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign **Country**	**Sovereign LGD**	**Sub-sovereign LGD**
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[2]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[2]	20%	30%

Exposure at default

EAD represents the EBRD exposure at the time of calculation.

Sensitivity analysis

Financial guarantee liability
A 3 notch PD upgrade or downgrade on the Bank's TFP investments would cause a decrease on the financial guarantee liability by €6,535 (2023: nil) or increase the financial guarantee liability by €23,741 (2023: €18,000).

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Financial guarantee liability – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses for financial guarantees.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

[2] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Risk management

As the purpose of the Fund is to promote investment in the Eligible Countries rather than to generate profits, not all financial risks are actively managed by the Fund. Credit risk is jointly managed with the Bank; however, the Fund does not hedge against market risk and is hence exposed to foreign exchange risk and interest rate risk.

Risk governance

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[3] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied.
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its credit worthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as counterparties could default on their contractual obligations.

The Fund's exposure to credit risk from financial instruments is approximated on the balance sheet and should be considered alongside the commitments related to guarantees (see page 11).

[3] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates as a guarantor alongside the Bank's financial investments in the countries in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 6.

Credit risk exposures

Placements with credit institutions
The Fund's placements with credit institutions were all classified in internal credit rating risk range 2 (approximately AA+ to AA- in terms of S&P equivalent). Placements with credit institutions are considered to have low credit risk.

Guarantees
At 31 December 2024, the Bank had outstanding guarantees under the TFP for which, in the event of a future default, principal losses incurred by the Bank will be refunded in part from the resources of the TFP sub-account of the Fund. At 31 December 2024, the Fund's maximum exposure under such guarantees was €2,490,000 (2023: €3,611,000).

There is no other guarantee exposure at 31 December 2024 (2023: nil).

Fee income receivable from financial guarantees is recognised in Other financial assets.

No amounts are currently recognised as required to settle a guarantee commitment (2023: nil). The guarantee liability shown within 'other financial liabilities' on the balance sheet represents the higher of the initial fair value recognised when the guarantees were issued less cumulative amortisation or the amount of the loss allowance for expected credit losses. The Fund does not actively manage credit risk on its guarantee exposure.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund’s net exposure to foreign exchange risk is outlined in the table below.

	Euro 2024 € 000	United States Dollar 2024 € 000	Total 2024 € 000
Total assets	**7,082**	**471**	**7,553**
Total liabilities	**(10)**	**-**	**(10)**
Net currency position at 31 December	**7,072**	**471**	**7,543**

	Euro 2023 € 000	United States Dollar 2023 € 000	Total 2023 € 000
Total assets	6,866	427	7,293
Total liabilities	(44)	-	(44)
Net currency position at 31 December	6,822	427	7,249

Based on the average five-year absolute rolling average movement in the USD to euro exchange rate, the potential impact on the funds net loss from a 6 per cent strengthening or weakening (2023: 8 per cent) is €31,200 (2023: €26,000).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund’s Rules and Regulations require that guarantees are settled from the available resources within each sub-account of the Fund. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. Contributions received are recognised as a liability which will be repayable to the contributor only after relevant liabilities are discharged and assets disposed of or redeemed. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board at its meeting of 26 June 2002 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund. The Fund became operational on 15 August 2002 following the receipt of the first contribution.

The Fund's principal office is located in 5 Bank St, London E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules allows the Board of Directors to terminate the Fund after consultation between the Bank and the contributors, or if the funds in the Accounts under the Contribution Agreements are fully withdrawn. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Audit fees

Audit fees, which are part of the Fund's administrative expenses, include the external auditors' remuneration of €24,200 for 2024 (2023: €21,500). The Bank pays the auditors' remuneration on behalf of the Fund in relation to the audit of the financial statements, who in turn reimburses the Bank in full. As of 31 December 2024, there is no outstanding amount payable to the Bank in relation to the 2024 external audit (2023: nil).

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP in their first term as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

4. Other financial assets

	2024 **€ 000**	2023 € 000
Fee receivable guarantee fees	**25**	8
Interest receivable from placements with credit institutions	**14**	14
At 31 December	**39**	22

5. Contributions

Contributions received are set out below.

Cumulative contributions received	TFP € 000	Total € 000	Total %
Germany	2,389	2,389	43.0
Switzerland	3,164	3,164	57.0
At 31 December 2024	**5,553**	**5,553**	**100.0**

Cumulative contributions received	TFP € 000	Total € 000	Total %
Germany	2,389	2,389	43.0
Switzerland	3,164	3,164	57.0
At 31 December 2023	5,553	5,553	100.0

No contributions were transferred during 2024 (2023: nil).

6. Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

7. Analysis of current and non-current assets and liabilities

All assets and liabilities on the balance sheet are classified as current for both 2024 and 2023.

8. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

9. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee, as determined by the Board, each time a contribution is made to the Fund. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. As there were no contributions received in 2024 (2023: nil), no management fees were paid by the Fund to the Bank (2023: nil). There was no accrued management fee payable by the Fund to the Bank at 31 December 2024 (2023: nil). Also, during 2024, the Fund earned fees from the Bank in relation to TFP guarantees of €41,000 (2023: €22,000), of which €24,800 are receivable as at 31 December 2024 (2023: €8,000).

Audit fees paid to the Bank are outlined in note 3.

Contributions received and receivable from the contributors are outlined in note 5.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Central Asia Risk Sharing Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Central Asia Risk Sharing Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 26 June 2002, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The EBRD CIF Special Fund

Annual Financial Report
31 December 2024

The EBRD CIF Special Fund

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The EBRD CIF Special Fund

Income statement
For the year ended 31 December 2024

	Note		**Year to 31 December 2024 € million**		Year to 31 December 2023 € million
Interest income					
From loans		**9**		7	
From credit institutions		**3**		3	
			12		10
Technical cooperation expenses			**(5)**		(2)
Impairment release on loan investments	3		**8**		13
Net losses from loans	4		**-**		(7)
Change in concessional loan discount	5		**(5)**		(4)
Foreign exchange movement			**(3)**		2
General administration expenses			**(1)**		(1)
Net profit for the year			**6**		11
Attributable to:					
Contributors			**6**		11

Statement of comprehensive income
For the year ended 31 December 2024

	Year to 31 December 2024 € million	Year to 31 December 2023 € million
Net profit for the year	**6**	11
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	**13**	(7)
Total comprehensive income	**19**	4
Attributable to:		
Contributors	**19**	4

Balance sheet
At 31 December 2024

	Note	**€ million**	**31 December 2024 € million**	€ million	31 December 2023 € million
Assets					
Placements with credit institutions			**104**		104
Contributions receivable	6		**36**		30
Loan investments					
Loans at amortised cost	7	**118**		120	
Less: Provisions for impairment at amortised cost	3	**(9)**		(16)	
Loans at fair value through profit or loss	8	**20**		18	
			129		122
Total assets			**269**		256
Liabilities					
Other financial liabilities	9		**4**		2
Concessional loan discount	5		**9**		13
Contributors' resources			**256**		241
Total Liabilities			**269**		256
Memorandum items					
Undrawn commitments	10		**49**		40

The EBRD CIF Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2024

	Contributed Resources € million	General reserve € million	Total € million
At 1 January 2023	177	31	208
Net profit for the year	11	-	11
Other comprehensive expense in the year	-	(7)	(7)
Contributors' resource transactions			
Contributions received/receivable	53	-	53
Distribution of funds to contributors	(24)	-	(24)
At 31 December 2023	217	24	241
At 1 January 2024	217	24	241
Net profit for the year	6	-	6
Other comprehensive income in the year	-	13	13
Contributors' resource transactions			
Contributions received/receivable	36	-	36
Distribution of funds to contributors	(40)	-	(40)
At 31 December 2024	**219**	**37**	**256**

Statement of cash flows

For the year ended 31 December 2024

	€ million	Year to 31 December 2024 € million	€ million	Year to 31 December 2023 € million
Cash flows from operating activities				
Net profit for the year	6		11	
Adjustments to reconcile net profit to net cash flows:				
Non-cash items in the income statement				
Effective interest rate adjustment on loans[1]	(6)		(5)	
Change in concessional loan discount	5		4	
Net losses from loans	-		7	
Foreign exchange movement	3		(2)	
Impairment release on loan investments	(8)		(13)	
	-		2	
Cash flows from the sale and purchase of operating assets				
Proceeds from repayment of loans	25		21	
Funds advanced for loans	(22)		(35)	
	3		(14)	
Movement in working capital				
Other financial liabilities	2		1	
Net cash generated from/(used in) operating activities		5		(11)
Cash flows from financing activities				
Contributions received	31		53	
Distribution of funds to contributors	(40)		(24)	
Net cash (used in)/generated from financing activities		(9)		29
Net (decrease)/increase in cash and cash equivalents		(4)		18
Cash and cash equivalents at the beginning of the year		104		92
Effect of foreign exchange rate changes		4		(6)
Cash and cash equivalents at 31 December		**104**		104

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 14 March 2025

[1] Movement in effective interest rate adjustment includes the interest income unwinding discount of €6 million (2023: €5 million). This, with loan interest income, make up the interest income from loans figure in the Income statement.

The EBRD CIF Special Fund

Fund purpose

The EBRD CIF Special Fund ("the Fund") was established to provide a long-term contribution in support of activities that promote low carbon technologies with significant potential for long-term greenhouse gas savings and other climate change activities in economies in which the European Bank for Reconstruction and Development ("the Bank") invests. To achieve this, the Fund provides concessional loans alongside the Bank's market rate loans. The Fund's resources may also be used for grants in support of technical assistance and investment grants.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 12 March 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standard.
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Bank anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Bank anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets – Classification and measurement
The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost
An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes some loans to its borrowers at concessional rates and therefore each of these loans is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's income statement, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

All loans are subsequently measured at amortised cost using the effective interest method less any impairment. The initial fair value discount applied to each concessional loan is therefore recovered in the effective interest rate at which income is recognised in the income statement over the tenor of the loan.

The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value included in the income statement in the period in which they occur.

The Fund holds loans that are linked to sustainability linked targets where the interest amounts payable by the borrower are subject to sustainability milestones. These cashflows do not solely reflect the compensation for the credit risk of the borrower and the time value of money and are therefore measured at fair value through profit or loss.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost.

Impairment of financial assets

Financial assets at amortised cost – performing assets (stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[2], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the income statement.

Stage assessment

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2[3].

Financial assets at amortised cost – non-performing assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, it will continue to be shown as overdue if appropriate and individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset.

Contributors' resources

The Fund recognises contributions received from the contributors as a liability on the basis that the Fund is obligated to return such contributions under the terms of the agreement as set out below.

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[2] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.

[3] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

The Fund is required to return to contributors reflows of interest received on investment, principal repayments on loan investments and investment income received on contributed resources. The return of funds to the contributor is disclosed as 'distribution of funds to contributors' in the statement of changes in contributors' resources.

Contributed resources are carried at the redemption amount that is payable at the balance sheet date if the contributor were to withdraw from the Fund and contributions returnable to the contributor from operating activities.

Contributions received in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. Currencies are then subsequently re-translated to the presentational currency at the year-end exchange rate.

Contributions are recognised as a receivable and a liability on the balance sheet on the date of project approval by the Board of Directors ("the Board") of the European Bank for Reconstruction and Development ("the Bank") following receipt of a letter of commitment from the Contributor, both of these conditions entitle the Fund to recognise the asset and corresponding Contributor resources. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

General reserve

The general reserve represents foreign exchange movements on translation from functional currency to presentational currency.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The functional currency of the Fund is the United States dollar (USD) as this reflects the transactions, events and conditions under which the Fund conducts its business. For financial statement reporting purposes the unit of measurement and presentation currency is the euro (€), the functional currency of the Bank.

For functional currency reporting, transactions in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. All assets and liabilities in currencies other than USD are re-translated into USD at spot rates ruling at the year-end exchange rate with the resultant exchange gains or losses taken to the income statement.

For financial statement reporting, income and expenses (excluding exchange gains or losses) are translated from the functional currency to euro using exchange rates ruling at the time of the transaction. Exchange gains or losses are translated from the functional currency to euro at year-end using the average exchange rate for the year. Assets and liabilities denominated in the functional currency are re-translated to euro at the year-end exchange rate with the resultant exchange gains and losses taken to other comprehensive income.

Interest

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of expected future cash flows.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Technical cooperation expenses and investment grants

Technical cooperation expenses, which represent payments for the cost of services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Capital expenditure (investment) grants are disbursed in coordination with the related Bank loan resources, generally directly to the contractor. Disbursements are made upon verification that the goods works or services have been delivered or carried out by the contractor. The grants are non-refundable.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Impairment of loan investments
The Fund's method for determining the level of impairment of loan investments is described within the Accounting Policies section of the report and further explained under credit risk within the Risk Management section. As described in the risk management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank's risk processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan. The determination of PD, LGD and EAD are key assumptions in this estimate, and are explained in greater depth below.

In both 2024 and 2023, in addition to the modelled ECL for loans in Stage 1 and Stage 2, the Bank further included a post model adjustment (PMA) increasing the provision for impairments of amortised cost loan investments based in Ukraine by €3.2 million (2023: €4.7 million) at year end. The purpose of the adjustment was to cater for the uncertainties related to the war on Ukraine where the inputs for the ECL model are unable to appropriately reflect the impact and expectations of deterioration within affected portfolios. The PMA is scenario based, centralising on the assumption of a prolonged war (2024: 55 per cent weighting, 2023: 70 per cent), with other scenarios covering escalation (2024: 30 per cent weighting, 2023: 20 per cent) and cessation of hostilities (2024: 15 per cent weighting, 2023: 10 per cent). The loss assumptions in the different scenarios are an estimate with a high degree of expert judgement applied given the limited availability of data. These assumptions are summarised as follows:

- The prolonged war scenario applies assumptions of losses based on industry sector, with provision rates ranging from 29 to 100 per cent.
- The escalation scenario applies an assumption of 100 per cent losses on all assets based in Ukraine.
- The cessation of hostilities scenario assumes that all losses have been identified with no further deterioration expected.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was minimal.

The EBRD CIF Special Fund

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions

2024 PD rating[4]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, Commerce and Agribusiness

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

[4] The Bank's internal PD rating scale is explained in detail on page of the Risk Management section.

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

Following the change in methodology applied in 2024, LGD rates are assigned to facilities as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[5]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS	20%	30%

5 [5]This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Bank could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

The EBRD CIF Special Fund

Subordinated Loan	50%
Covered Bonds	11.25%

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

Stage 1 and 2 sensitivity analysis

The sensitivity of portfolio provisions to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision 2024 €million	Change in provision 2024 €million	Change in provision 2024 %	Recalculated provision 2023 €million	Change in provision 2023 €million	Change in provision 2023 %
Portfolio provision (Stage 1 & 2)	5			6	-	-
Staging						
All loans in Stage 1	4	(1)	(20)%	6	-	-
All loans in Stage 2	8	3	60%	9	3	50%
PD Ratings						
All loans upgraded 1 notch	5	-	-	6	-	-
All loans downgraded 1 notch	6	1	20%	8	2	33%
All loans upgraded 3 notches	4	(1)	(20)%	5	(1)	(17)%
All loans downgraded 3 notches	10	5	100%	12	6	100%
Projected GDP						
Projected GDP increased by 1%	5	-	-	7	1	17%
Projected GDP decreased by 1%	5	-	-	7	1	17%
Projected GDP increased by 5%	5	-	-	6	-	-
Projected GDP decreased by 5%	6	1	20%	7	1	17%
LGD						
All loans decreased by 10%	4	(1)	(20)%	6	-	-
All loans increased by 10%	6	1	20%	7	1	17%
EAD						
All undrawn commitments cancelled	5	-	-	6	-	-
All undrawn commitments disbursed within one month	5	-	-	7	1	17%

Stage 3 sensitivity analysis

With respect to Stage 3 provisions, an increase or decrease of 10 percentage points on the current overall provision cover level would have an impact of €0.5 million increase and €0.6 million decrease (2023: €1.2 million increase and €1.3 million decrease).

PMA sensitivity analysis

With respect to the PMA due to the war on Ukraine, reasonable plausible alternative scenarios for the outcome were modelled. The weighting of the three scenarios envisioned is the most significant assumption in this estimate. Increased weighting towards a stressed scenario with an emphasis on significant deterioration in affected portfolios (an increase of 10 per cent to the escalation scenario with a corresponding reduction in the weighting given to the cessation of hostilities scenario) would have increased the PMA by €0.9 million (2023: €1.4 million) whilst a higher emphasis on a prolonged, but less severe outcome (an increase of 10 per cent to this scenario with a corresponding reduction in the weighting of the escalation scenario) would have decreased it by €0.7 million (2023: €1.1 million).

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Financial assets at fair value through profit or loss: The decision to apply IFRS 9 accounting to the Fund's Loans at Fair Value is a critical judgement that materially affects the presentation of these investments in the Fund's balance sheet and income statement.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to provide concessional lending and grants rather than to generate a return on its assets, most financial risks are not actively managed by the Fund. As the Fund participates in investments alongside the Bank, although under different terms, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate and foreign exchange risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[66] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet[7], inclusive of the undrawn commitments related to loans and investment grants (see note 10).

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the Bank's countries of operations.

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[6][6]With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

[7]The loans at amortised cost figure of €118 million on the balance sheet includes a day one loss adjustment of €32 million (2023: €29 million) . Therefore, the maximum amortised cost loan exposure is €150 million (2023: 147 million).

It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to the Audit and Risk Committee of the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external rating agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0	B+ B	Weak	Risk range 6

	6.3	B-		
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates and critical judgements" section on page .

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

As a deviation from this approach, for those NPLs based in Ukraine, in the absence of reasonable exit scenarios and where there is no clear evidence or information about the current or future state of the business, the Bank has applied a collective impairment approach. Fixed percentage ECLs have been applied depending on the sector of the business and the geographical location of and known level of damage to its assets. The ECL rates applied using this methodology range from 40 per cent to 100 per cent. The methodology as well as the percentages are reviewed on a quarterly basis.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure of default.

Credit risk exposures

Placements with credit institutions
All of the Fund's placements with credit institutions were classified in internal credit rating risk range 2 (approximately AA- to AA+ in terms of the S&P equivalent).

In the prior year the Fund had a EUR 1 million equivalent balance of Tajikistani Somoni with a credit institution that had an internal credit rating risk range of 7 (approximately CCC in terms of the S&P equivalent). This was converted to USD during the year.

Set out below is an analysis of the Fund's placements with credit institutions classified by internal credit rating risk rankings. Placements with credit institutions are considered to have low credit risk.

Risk rating category	**2024** **€ million**	2023 € million
2: Very strong	**104**	103
7: Special attention	**-**	1
At 31 December	**104**	104

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

	Amortised cost carrying value					Impairment			Total net of impairment	
Risk rating category	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total € million	Total %	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total net of impairment € million	Impairment provisions coverage %
5: Fair	35	-	-	35	29.7%	-	-	-	35	0.0%
6: Weak	49	7	-	56	47.4%	-	-	-	56	0.0%
7: Special Attention	9	12	-	21	17.8%	(1)	(4)	-	16	23.8%
8: Non-performing	-	-	6	6	5.1%	-	-	(4)	2	66.7%
At 31 December 2024	**93**	**19**	**6**	**118**	**100.0%**	**(1)**	**(4)**	**(4)**	**109**	

	Amortised cost carrying value					Impairment			Total net of impairment	
Risk rating category	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total € million	Total %	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total net of impairment € million	Impairment provisions coverage %
5: Fair	3	10	-	13	10.8%	-	-	-	13	0.0%
6: Weak	50	20	-	70	58.4%	-	-	-	70	0.0%
7: Special Attention	3	19	-	22	18.3%	-	(6)	-	16	27.3%
8: Non-performing	-	-	15	15	12.5%	-	-	(10)	5	66.7%
At 31 December 2023	**56**	**49**	**15**	**120**	**100.0%**	-	**(6)**	**(10)**	**104**	

At 31 December 2024 the Fund had security arrangements in place for €78.0 million of its disbursed loan investments (2023: €66.0 million). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Fund with rights and negotiating leverage that help mitigate the overall credit risk.

Credit risk in the loan portfolio
As at 31 December 2024 there were distressed restructured loans with a disbursed value of €6.0 million (2023: €10.0 million).

Loan at fair value through profit or loss

Risk rating category	**Fair value 2024 € million**	Fair value 2023 € million
4: Good	-	10
6: Weak	13	8
7: Special Attention	7	-
At 31 December	**20**	18

Undrawn commitments

Set out below is an analysis of the Fund's undrawn commitments for loan investments for each of the Bank's relevant internal risk rating categories.

	Undrawn loan commitments					Undrawn loan commitments				
Risk rating category	Stage 1 2024 € million	Stage 2 2024 € million	Stage 3 2024 € million	Fair value 2024 € million	Total 2024 € million	Stage 1 2023 € million	Stage 2 2023 € million	Stage 3 2023 € million	Fair Value 2023 € million	Total 2023 € million
5: Fair	3	-	-	-	3	-	-	-	-	-
6: Weak	11	-	-	6	17	8	-	-	3	11
7: Special Attention	11	6	-	-	17	13	7	-	2	22
8: Non-performing	-	-	4	-	4	-	-	4	-	4
At 31 December	**25**	**6**	**4**	**6**	**41**	21	7	4	5	37

The Fund would typically have conditions precedent that would need to be satisfied before further disbursements on debt transactions. In addition, for projects risk rated[7], it is unlikely that commitments would be drawn down without additional assurances that credit quality would improve or without additional risk mitigants.

[7] [8] Defined as a loan in which any of the key terms and conditions have been amended due to the financial stress of the borrower, and without such amendment(s) would likely have become an impaired loan.

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at the carrying amount by country.

	Undrawn loan commitments 2024 € million	**Loans 2024 € million**	Undrawn loan commitments 2023 € million	Loans 2023 € million
Kazakhstan	**10**	**31**	2	31
Morocco	**-**	**17**	4	14
Tajikistan	**4**	**3**	9	-
Tunisia	**-**	**3**	-	-
Türkiye	**17**	**64**	9	64
Ukraine	**10**	**21**	13	29
At 31 December	**41**	**138**	37	138

The following table breaks down the main credit risk exposures at the carrying amount by industry sector of the project.

	Undrawn loan commitments 2024 € million	**Loans 2024 € million**	Undrawn loan commitments 2023 € million	Loans 2023 € million
Agribusiness	**6**	**23**	2	16
Depository credit (banks)	**3**	**46**	2	49
Manufacturing and services	**-**	**2**	-	2
Municipal and environmental infrastructure	**12**	**12**	14	22
Power and energy	**15**	**49**	19	42
Transport	**5**	**6**	-	7
At 31 December	**41**	**138**	37	138

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements and floating rate loan investments are repriced to market interest rates within one month and three months respectively, therefore the exposure to interest rate risk on these instruments is considered to be minimal.

At 31 December 2024, the Fund has fixed rate loan investments of €140.0 million (2023: €126.0 million). As all loans are held at amortised cost, a change in the underlying interest rates would not have an impact on net profit unless the loans were sold prior to their maturity date. As this is not part of the Fund's business model no impact on net profit is expected and therefore the exposure to interest rate risk on these instruments is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to functional currency foreign exchange risk (euro to USD) is outlined in the table below.

	Euro 2024 € million	United States Dollars 2024 € million	Tajikistani Somoni 2024 € million	Total € million
Total assets	**57**	**212**	**-**	**269**
Total liabilities	**(6)**	**(7)**	**-**	**(13)**
Net currency position at 31 December	**51**	**205**	**-**	**256**

	Euro 2023 € million	United States Dollars 2023 € million	Tajikistani Somoni 2023 € million	Total € million
Total assets	72	183	1	256
Total liabilities	(9)	(6)	-	(15)
Net currency position at 31 December	63	177	1	241

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on other comprehensive income due to presentation currency movement, from a 6 per cent strengthening or weakening (2023: 6 per cent) is €3.0 million (2023: €2.0 million).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Rules of the Fund require that operations are financed from the resources of the Fund which comprise of contributions received. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as a liability, which will be returned to the contributors either upon termination of the Fund, or to the extent that funds remain uncommitted, upon request from the contributors. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets

Financial Assets at 31 December 2023	**Carrying amount € million**	**Fair value € million**
Financial Assets measured at fair value through profit or loss or through other comprehensive income:		
Loans at fair value through profit or loss	18	18
	18	**18**
Financial assests measured at amortised cost		
Placements with credit institutions	104	104
Contributions receivable	30	30
Loans at amortised cost	104	114
	238	**248**
Total	**256**	**266**
Financial liabilites at 31 December 2023		
Other financial liabilities	2	2
Concessional loan discount	13	13
Contributors' resources	241	251
Total Financial liabilities	**256**	**266**

At 31 December 2024, the Fund's balance sheet approximates to fair value in all financial asset and liability categories, with the exception of loan investments at amortised cost.

Loan investments whereby the objective of the Fund's business model is to hold these investments to collect the contractual cash flow, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, are recognised at amortised cost. The fair value of these loans was calculated using Level 3 inputs by discounting the cash flows at a year-end interest rate applicable to each loan and further discounting the value by an internal measure of credit risk.

Fair value hierarchy

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

Financial Assets at 31 December 2024	Carrying amount € million	Fair value € million
Financial Assets measured at fair value through profit or loss or through other comprehensive income:		
Loans at fair value through profit or loss	20	20
	20	**20**
Financial assests measured at amoritsed cost		
Placements with credit institutions	104	104
Contributions receivable	36	36
Loans at amortised cost	109	127
	249	**267**
Total	**269**	**287**

Financial liabilites at 31 December 2024		
Other financial liabilities	4	4
Concessional loan discount	9	9
Contributors' resources	256	274
Total Financial liabilities	**269**	**287**

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's fair value loans through profit or loss have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

At 31 December 2024, the Fund's balance sheet approximates to fair value in all financial asset and liability categories.

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets.

	Loans 2024 € million	Loans 2023 € million
Balance as at 1 January	18	-
Net losses recognised in:		
Movement in fair value revaluation	-	(2)
Disbursements	3	20
Repayments	(2)	-
Foreign exchange movements	1	-
Balance at 31 December	**20**	18
Net losses recognised for the year for Level 3 instruments held at 31 December recognised in:		
- Net losses from loans at fair value through profit or loss	-	(2)

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2024 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

Assets	Carrying amount € million	Impact on net profit in 2024 Favourable change € million	Unfavourable change € million
Fair value loans through profit and loss	20	-	-
At 31 December 2024	**20**	-	-

Assets	Carrying amount € million	Impact on net profit in 2023 Favourable change € million	Unfavourable change € million
Fair value loans through profit and loss	18	-	-
At 31 December 2023	**18**	-	-

Fair value loans through profit and loss

Loans at fair value through profit or loss comprise loans with an element of sustainability linked return. The valuation models/ techniques used to derive the fair value of these instruments are DCF models. The inputs into the models include interest rates and discount rates. Reasonable possible alternative valuations have been determined based on changes to assumptions in underlying DCF models, for example, amending the discount rate.

The EBRD CIF Special Fund

Notes to the financial statements

1. Creation of the Special Fund

On 30 May 2008 the International Bank for Reconstruction and Development ("IBRD"), the Bank and other multilateral development banks reached an agreement on the design and establishment of the Climate Investment Fund ("CIF") which comprises the Strategic Climate Fund ("SCF") and the Clean Technology Fund ("CTF"), the Contributors. The IBRD acts as a Trustee for the CIF.

The CTF was established to provide scaled up financing in order to contribute to the demonstration, deployment and transfer of low carbon technologies with significant potential for long-term greenhouse gas emission savings. The objective of the SCF is to support financing for scaled-up, transformational action in support of adaptation and mitigation measures to specific climate change challenges.

The creation of the Fund was approved by the Board at its meeting on 21 October 2009 and is administered, *inter alia*, in accordance with the AEB and the Rules of the Fund. The Fund became operational on 21 April 2010 following the signing of the Financial Procedures Agreements ("FPA") for the SCF and CTF. On 12 November 2024, an amended FPA was signed for CTF.

The Fund's principal office is located in London at 5 Bank Street, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The FPA allows the Bank to terminate the Fund by giving 60 days' notice. The Rules of the Fund allows the Fund to be terminated either by:

- decision by the Board of Directors after consultation between the Bank and the contributors; or
- if the funds in the EBRD CIF Special Fund are fully wound up and contributions from the trustee have ceased.
- the Fund will terminate automatically upon termination of the CIF or the Bank once all the funds in the EBRD CIF Special Fund are fully wound up.

None of these conditions have occurred, or are expected to occur in the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page .

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Provision for impairment of loan investments

Release for the year	2024 € million	2023 € million
Impairment of loan investments at amortised cost in stages 1 and 2	**2**	6
Impairment of loan investments at amortised cost in stage 3	**6**	10
Provisions for impairment of loan investments	**8**	16
Movement in provisions		
At 1 January	**(16)**	(32)
Release for the year to the income statement	**8**	16
Foreign exchange movements	**(1)**	-
At 31 December	**(9)**	(16)
Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	**(5)**	(6)
Stage 3 provisions for loan investments at amortised cost	**(4)**	(10)
At 31 December	**(9)**	(16)

4. Net Losses from loans

	2024 € million	2023 € million
Net losses from loans at fair value through profit or loss	-	(2)
Losses from loans at amortised cost	-	(5)
Net losses from loans	-	(7)

5. Concessional loan discount

Set out below is a breakdown of the change in concessional loan discount for the year:

	2024 € million	2023 € million
Day one fair value	**(7)**	(7)
Release of discount on loan cancellation	**2**	1
Change in concessional loan discount	**(5)**	(6)

Set out below is an analysis of the movements in the Fund's concessional loan discount liability:

	2024 € million	2023 € million
At 1 January	**13**	12
Day one fair value adjustment	**7**	7
Derecognition of liability on loan disbursement	**(10)**	(5)
Release of discount on loan cancellation	**(2)**	(1)
Foreign exchange movements	**1**	-
At 31 December	**9**	13

6. Contributions

	2024 € million	2024 $ million	2023 € million	2023 $ million
Cumulative contributions received net of amounts refunded				
Clean Technology Fund	**413**	**537**	370	504
Strategic Climate Fund	**50**	**52**	46	51
Contributions received net of amounts refunded at 31 December	**463**	**589**	416	555
Contributions receivable				
Clean Technology Fund	**35**	**36**	29	32
Strategic Climate Fund	**1**	**1**	1	1
Contributions receivable at 31 December	**36**	**37**	30	33
Total contributions				
Clean Technology Fund	**448**	**573**	399	536
Strategic Climate Fund	**51**	**53**	47	52
Total contributions at 31 December	**499**	**626**	446	588

During 2024, €40 million was distributed to contributors (2023: €24 million).

7. Loan investments at amortised cost

	2024 € million	2023 € million
At 1 January	**120**	133
Disbursements	**19**	15
Day one fair value adjustment	**(10)**	(5)
Movement in effective interest rate adjustment	**6**	6
Repayments	**(23)**	(21)
Write offs	**-**	(5)
Foreign exchange movements	**6**	(3)
At 31 December	**118**	120
Impairment at 31 December	**(9)**	(16)
Total loan investments net of impairment at 31 December	**109**	104

For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

- Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.
- Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.
- Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the movements in the Fund’s loan investments and the associated impairment provisions for each of the stages of impairment.

Movement in provisions - amortised cost loans	12-month ECL (Stage 1) 2024 € million	Lifetime ECL (Stage 2) 2024 € million	Lifetime ECL (Stage 3) 2024 € million	Total 2024 € million
As at 1 January	**-**	**(6)**	**(10)**	**(16)**
New loans originated	**(1)**	**-**	**-**	**(1)**
Transfer to stage 1	**1**	**(1)**	**-**	**-**
ECL release - repayments	**-**	**-**	**6**	**6**
Changes in model or risk parameters	**(1)**	**3**	**-**	**2**
As at 31 December	**(1)**	**(4)**	**(4)**	**(9)**

7. Loan investments at amortised cost (continued)

Movement in provisions - amortised cost loans	12-month ECL (Stage 1) 2023 € million	Lifetime ECL (Stage 2) 2023 € million	Lifetime ECL (Stage 3) 2023 € million	Total 2023 € million
As at 1 January	(1)	(11)	(20)	(32)
ECL release - repayments	-	2	1	3
ECL release - write offs	-	-	5	5
Changes in model or risk parameters	1	3	4	8
As at 31 December	-	(6)	(10)	(16)

Movement in loans at amortised cost	**Loans Stage 1 2024 € million**	**Loans Stage 2 2024 € million**	**Loans Stage 3 2024 € million**	**Total 2024 € million**
As at 1 January	**56**	**49**	**15**	**120**
Loan disbursements	**18**	**1**	**-**	**19**
Transfer to stage 1	**28**	**(28)**	**-**	**-**
Repayments	**(7)**	**(6)**	**(10)**	**(23)**
Day one fair value adjustment	**(10)**	**-**	**-**	**(10)**
Movement in effective interest rate adjustment	**4**	**1**	**1**	**6**
Foreign exchange and other movements	**4**	**2**		**6**
As at 31 December	**93**	**19**	**6**	**118**

Movement in loans at amortised cost	Loans Stage 1 2023 € million	Loans Stage 2 2023 € million	Loans Stage 3 2023 € million	Total 2023 € million
As at 1 January	49	59	25	133
Loan disbursements	12	3	-	15
Transfer to stage 2 - significant increase in credit risk	1	(1)	-	-
Repayments	(2)	(12)	(7)	(21)
Write offs	-	-	(5)	(5)
Day one fair value adjustment	(5)	-	-	(5)
Movement in effective interest rate adjustment	2	2	2	6
Foreign exchange and other movements	(1)	(2)	-	(3)
As at 31 December	56	49	15	120

8. Loan investments at fair value

Movement in loans at fair value through profit or loss	2024 € million	2023 € million
As at 1 January	**18**	-
Loan disbursements	**3**	20
Movement in fair value revaluation	**-**	(2)
Repayments	**(2)**	-
Foreign exchange movements	**1**	-
As at 31 December	**20**	18

9. Other financial liabilities

	2024 € million	2023 € million
Technical cooperation expenses payable	**3**	1
General administration expenses payable	**1**	1
At 31 December	**4**	2

10. Undrawn commitments

	2024 € million	2023 € million
Loan investments	**41**	37
Incentive fees	**4**	-
Technical cooperation expenses	**4**	3
Undrawn commitments at 31 December	**49**	**40**

The undrawn commitments amount represents amounts for which the Fund has contracted but for which the transaction or
service was not yet performed at 31 December 2024.

Total technical cooperation expenses includes amounts accrued on the balance sheet.

11. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € million	Non-current 2024 € million	Total 2024 € million	Current 2023 € million	Non-current 2023 € million	Total 2023 € million
Placements with credit institutions	**104**	-	**104**	104	-	104
Contributions receivable	**36**	-	**36**	30	-	30
Loans	**22**	**116**	**138**	11	127	138
Provisions for impairment	**(1)**	**(8)**	**(9)**	(1)	(15)	(16)
Total assets	**161**	**108**	**269**	144	112	256
Liabilities						
Other financial liabilities	**(4)**	-	**(4)**	(2)	-	(2)
Concessional loan discount	**(9)**	-	**(9)**	(13)	-	(13)
Contributors' resources	**(148)**	**(108)**	**(256)**	(129)	(112)	(241)
Total liabilities	**(161)**	**(108)**	**(269)**	(144)	(112)	(256)

12. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 12 March 2025 there had been no other material events after the reporting period to disclose.

On 12 March 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

13. Related parties

The Fund's related parties are the Bank, the contributors, the CIF Secretariat and the IBRD as Trustee for the CIF.

Fees are paid to the Bank based on budgeted expenditure as approved by the Trustee for the CIF. During 2024 the Bank incurred €1.4 million of reimbursable expenses on behalf of the Fund (2023: €1.0 million), of which €0.8 million remain payable at year end (2023: €1.0 million). Included in this amount are audit fees in relation to the audit of the financial statements of €31,000 (2023: €30,000). These audit fees of €31,000 remain payable to the Bank at year end (2023 €30,000). As part of wider services provided to the Bank, the auditors from time to time perform non audit services in relation to activities under the Fund. There were no non audit services performed during the year (2023: €240,000). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD CIF Special Fund

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The EBRD CIF Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors of the Bank and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 21 October 2009, as amended on 29 March 2010 and 12 November 2024, and as set out in our engagement letter dated 4 November 2019, incorporating subsequent variation letters dated 12 January 2021, 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

14 March 2025

The EBRD CIF Special Fund

European Bank
for Reconstruction and Development

The EBRD Crisis Response Special Fund

Annual Financial Report
31 December 2024

The EBRD Crisis Response Special Fund

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The EBRD Crisis Response Special Fund

Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € million	Year to 31 December 2023 € million
Interest income			
From loans		1	1
From credit institutions		31	20
Total Interest		32	21
Disbursements for investment grants		(79)	(227)
Net unrealised gains/(losses) from equity related derivatives		2	(3)
Foreign exchange movements		8	(5)
Management fees		(4)	(6)
Impairment release on loan investments	3	1	-
Financial guarantees movement	4	(154)	(117)
Net loss and total comprehensive expense for the year		(194)	(337)
Attributable to:			
Contributors		(194)	(337)

Balance sheet

At 31 December 2024	Note	31 December 2024 € million	31 December 2024 € million	31 December 2023 € million	31 December 2023 € million
Assets					
Placements with credit institutions			980		895
Loan investments					
Loans at amortised cost	3	22		28	
Less: Provisions for impairment	3	(7)		(8)	
			15		20
Interest receivable from placements with credit institutions			1		2
Total assets			996		917
Liabilities					
Management fee payable			2		-
Fair value of equity related derivatives			1		3
Financial guarantee liability	4		342		188
Contributors' resources			651		726
Total liabilities and contributors' resources			996		917
Memorandum items					
Undrawn commitments	5		378		556

The EBRD Crisis Response Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2024	Note	Contributions € million	Accumulated losses € million	Total € million
At 1 January 2023		862	(79)	783
Contributions received and receivable		280	-	280
Net loss and total comprehensive expense for the year		-	(337)	(337)
At 31 December 2023		1142	(416)	726
At 1 January 2024		1,142	(416)	726
Contributions received		123	-	123
Distribution to other donor funds	6	(4)	-	(4)
Net loss and total comprehensive expense for the year		-	(194)	(194)
At 31 December 2024		**1,261**	**(610)**	**651**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024 € million	Year to 31 December 2024 € million	Year to 31 December 2023 € million	Year to 31 December 2023 € million
Cash flows from operating activities				
Net loss for the year	(194)		(337)	
Non-cash items in the income statement				
Net unrealised (gains)/losses from equity related derivatives	(2)		3	
Foreign exchange movement	(8)		5	
Impairment release on loan investments	(1)		-	
Financial guarantees movement	154		117	
	(51)		(212)	
Cash flows from the sale and purchase of operating assets				
Funds advanced for loans	(2)		(8)	
Proceeds from repayments of loans	8		8	
Working capital adjustment				
Movement in interest receivable from placements with credit in:	1		(1)	
Movement in other liabilities	2		(4)	
Net cash used in operating activities		**(42)**		(217)
Cash flows from financing activities				
Contributions received	123		284	
Distribution to other donor funds	(3)		-	
Net cash generated from financing activities		**120**		284
Net increase in cash and cash equivalents		**78**		67
Cash and cash equivalents at the beginning of the year		**895**		833
Effect of foreign exchange rate changes		7		(5)
Cash and cash equivalents at 31 December		**980**		895

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director – Financial Control
Date: 10 April 2025

Fund purpose

The EBRD Crisis Response Special Fund ("the Fund") was originally established to support financial intermediaries and private enterprises and to support green economy investments in the countries in which the European Bank for Reconstruction and Development ("the Bank") invests by providing loans, investing in equity capital and providing guarantees or other credit support. Following an amendment signed 6 July 2022, the Fund will continue to do this, as well as provide support to the Bank's crisis response efforts through concessional loans, funded guarantees and co-investment grants.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and" Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period

There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.

Pronouncement	Nature of change	Potential impact
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund’s financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as “amortised cost” only if both of the following criteria are met: the objective of the Fund’s business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes loans to its borrowers at concessional rates and therefore each loan is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's statement of comprehensive income, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

Subsequently, these loans are measured at amortised cost using the effective interest method, less any impairment that may be necessary. The initial fair value discount applied to each loan is therefore recovered in the effective interest rate (EIR) at which income is recognised in the statement of comprehensive income over the tenor of the loan.

All loans are subsequently measured at amortised cost using the effective interest method less any impairment. The initial fair value discount applied to each concessional loan is therefore recovered in the effective interest rate at which income is recognised in the statement of comprehensive income over the tenor of the loan.

The Fund’s financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as “fair value through other comprehensive income” only if both of the following criteria are met: the objective of the Fund’s business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as ‘fair value through profit or loss’.

The Fund does not currently have any such assets in this category.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Impairment of financial assets

Financial assets at amortised cost – performing assets (Stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[1], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the statement of comprehensive income.
Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment
In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2[2].

Financial assets at amortised cost – non-performing assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the statement of comprehensive income, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the statement of comprehensive income.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will to

[1] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
2 A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the statement of comprehensive income.

Derivative financial instruments

The Fund provides a derivative to guarantee a minimum return to the European Bank for Reconstruction and Development ("the Bank") in respect of certain share investments. The Fund's liability to make up the minimum return is limited to the Banks original investment.

All derivatives are measured at fair value through the Statement of comprehensive income. Fair values are derived from option-pricing models. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Financial guarantees

The Fund's resources may be used to guarantee a proportion of principal losses of loan investments made by the Bank under specific signed loan agreements.

Initial recognition and measurement
A financial liability is recognised once the financial guarantee contract is effective. As the Fund does not charge the Bank any fee for its guarantee, the initial fair value is estimated based off the lifetime expected credit loss associated with the financial guarantee.

This initial fair value is recognised as a financial guarantee liability with a corresponding charge to the income statement.

Subsequent measurement
The carrying value of the financial guarantee liability is measured as the higher of:
- The initial fair value of the financial guarantee liability less accumulated amortisation, and
- The expected credit loss associated with the financial guarantee.

Contributors' resources

The Fund recognises contributions received and receivable from the contributors as a liability on the basis that, should the contributors choose to withdraw from the Fund, the Fund is obligated to return that contributor's share of contributions to the extent these are not needed to meet existing commitments and obligations of the Fund.

Contributed resources are carried at the redemption amount that is payable at the balance sheet date if the contributors were to withdraw from the Fund and contributions returnable to the contributors from operating activities.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the statement of comprehensive income.

Contributions

Contributions received in currencies other than euro are translated into euro at the exchange rates ruling at the time of the transaction.

Contributions are recognised as receivable on the balance sheet on the date the conditions precedent to disbursement have been met by the Fund. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

The Fund is required to settle contributor accounts upon termination of the Contribution Agreement, returning to the contributors reflows of interest earned on investment, principal repayments on loan investments and investment income earned on contributed resources. The return of funds to the contributors is disclosed as ‘distribution of funds to the contributors’ in the statement of changes in contributors’ resources. The reinvestment of funds returned to the contributors is disclosed as ‘reinvestment of distribution of funds to the contributors’ in the statement of changes in contributors’ resources.

Interest and fees

Interest is recorded using the effective interest method. Interest income is recognised within 'interest and similar income' in the statement of comprehensive income.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of the expected cash flows.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Fees earned in respect of services provided over a period of time are recognised as income as the services are provided.

Investment grants

Capital expenditure (investment) grants are disbursed in coordination with the Bank loan resources, generally directly to the contractor. Disbursements are made upon verification of the goods works or services have been delivered or carried out by the contractor. The grants are non-refundable.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the statement of comprehensive income during the reporting period.

The Fund’s critical accounting estimates are outlined below:

Fair value of derivative financial instruments
The fair values of the Fund’s derivative financial instruments are determined by using option pricing models. These cash flow models are based on underlying market prices for currencies, interest rates and option volatilities. Where market data is not available for all elements of a derivative’s valuation, comparable proxy observable data, or extrapolation and interpolation of existing data has been used. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report.

Impairment of loan investments
The Fund’s method for determining the level of impairment of loan investments is described within the accounting policies section of the report and further explained under credit risk within the risk management section of the report. As described in the risk management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank’s risk processes and procedures.

Financial guarantee liability
The Fund's method for determining the carrying value of the financial guarantee liability relies on the inputs and methodology employed in the calculation of the underlying loan's ECL. In assessing the ECL, the Fund relies on the Bank's risk management processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was a decrease in ECL of €4.3 million.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions 2024 PD rating [3]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, Commerce and Agribusiness 2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

[3] The Bank's internal PD rating scale is explained in detail on page 13 of the "Risk management" section.

Sustainable Infrastructure						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 **Seniority - sector**	**Non sovereign** **LGD**
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign **Country**	**Sovereign** **LGD**	**Sub-sovereign** **LGD**
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[4]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[4]	20%	30%

Guarantors

Where the Fund's loans are fully and unconditionally guaranteed, and the PD and/or LGD rating of the guarantor is better than the PD and/or LGD rating of the borrower, the ECL is based on the PD and/or LGD rating of the guarantor. Staging continues to be based solely on the borrower's PD.

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

The sensitivity of portfolio provisions to +/- changes in variables including GDP, PD ratings, LGD, and EAD are immaterial for stage 1 and stage 2 loans.

With respect to Stage 3 provisions, an increase or decrease of 10 percentage points on the current overall provision cover level would have a minimal increase impact and €0.8 million decrease (2023: minimal increase and €0.8 million decrease).

[4] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Financial guarantee liability
The Fund's method for determining the fair value of financial guarantees is described under "Financial guarantees" within the accounting policies section of the report and further explained under credit risk within the risk management section of the report.

Adjusted risk parameter	Recalculated ECL 2024 € million	Change in ECL 2024 € million	Change in ECL 2024 %	Recalculated ECL 2023 € million	Change in ECL 2023 € million	Change in ECL 2023 %
Financial guarantee liability on stage 1 and 2 loans	96			61		
PD Ratings						
All loans upgraded 3 notches	87	(9)	(9)%	62	(11)	(18)%
All loans downgraded 3 notches	96	-	0%	50	1	2%
LGD						
All loans decreased by 10%	92	(4)	(4)%	66	(3)	(5)%
All loans increased by 10%	99	3	3%	58	5	9%

With respect to guarantee liabilities on Stage 3 loans, a decrease of ten percent on the current provision cover level would reduce the ECL by -€27.3 million (2023: -€12.7 million).

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Financial guarantee liability – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to encourage development in the economies in which the Bank invests, rather than to generate a return on its net assets, most financial risks are not actively managed by the Fund. As the Fund participates in investments jointly with the Bank, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate and foreign exchange.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[5] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet, inclusive of the undrawn commitments related to loans and guarantees (see page 15).

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5 With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the economies in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects (both debt and equity transactions) prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee. Risk Management is represented at both the Equity Committee and the Small Business Investment Committee.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates and critical judgements" section on page 9.

Non-performing loans (NPL)
NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
Set out below is an analysis of the Fund's placements with credit institutions classified by internal credit rating risk rankings. Placements with credit institutions are considered to have low credit risk.

Risk rating category	2024 € million	2023 € million
2: Very strong	**132**	314
3: Strong	**848**	581
At 31 December	**980**	895

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12-month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

	Amortised cost carrying value					Impairment			Total net of impairment	
Risk rating category	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total € million	Total %	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total net of impairment € million	Impairment provisions coverage %
5: Fair	1	-	-	1	4.5%	-	-	-	1	0.0%
6: Weak	12	-	-	12	54.6%	-	-	-	12	0.0%
7: Special Attention	-	2	-	2	9.1%	-	-	-	2	0.0%
8: Non-performing	-	-	7	7	31.8%	-	-	(7)	-	100.0%
At 31 December 2024	**13**	**2**	**7**	**22**	**100.0%**	**-**	**-**	**(7)**	**15**	

	Amortised cost carrying value					Impairment			Total net of impairment	
Risk rating category	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total € million	Total %	Stage 1 € million	Stage 2 € million	Credit impaired Stage 3 € million	Total net of impairment € million	Impairment provisions coverage %
4: Good	1	-	-	1	3.6%	-	-	-	1	0.0%
5: Fair	4	-	-	4	14.3%	-	-	-	4	0.0%
6: Weak	11	-	-	11	39.3%	-	-	-	11	0.0%
7: Special Attention	1	3	-	4	14.3%	-	-	-	4	0.0%
8: Non-performing	-	-	8	8	28.6%	-	-	(8)	-	100.0%
At 31 December 2023	17	3	8	28	100.0%	-	-	(8)	20	

At 31 December 2024 the Fund had security arrangements in place for €2.4 million of its disbursed loan investments (2023: €3.5 million). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Fund with rights and negotiating leverage that help mitigate the overall credit risk.

Financial guarantee liabilities and undrawn loan and guarantee commitments
Set out below is an analysis of the Funds undrawn commitments for loan for each of the Bank relevant internal risk rating categories.

	Financial guarantee liabilities				Undrawn loan and guarantee commitments			
Risk rating category	**Stage 1 € million**	**Stage 2 € million**	**Stage 3 € million**	**Total € million**	**Stage 1 € million**	**Stage 2 € million**	**Stage 3 € million**	**Total € million**
6: Weak	-	-	-	-	1	-	-	1
7: Special Attention	1	95	-	96	5	288	7	300
8: Non-performing	-	-	246	246	-	-	59	59
At 31 December	**1**	**95**	**246**	**342**	**6**	**288**	**66**	**360**

	Financial guarantee liabilities				Undrawn loan and guarantee commitments			
Risk rating category	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million
6: Weak	-	-	-	-	1	-	-	1
7: Special Attention	2	59	-	61	13	251	-	265
8: Non-performing	-	-	128	128	-	-	242	242
At 31 December 2023	2	59	127	188	14	251	242	508

Guarantees liabilities
The Fund's assets may be used to guarantee the Bank's potential future default losses that are incurred on specific loan operating assets. At 31 December 2023, the total eligible loans and guarantee commitments outstanding under the Bank guarantees is €1,865 million (2023: €1,619 million), At 31 December 2024, the maximum exposure of eligible operations covered by the guarantees is €701 million (2023: €699 million). The guarantee liability on the balance sheet of €342 million (2023: €188 million) represents the initial fair value of the liability recognised when the guarantees were issued adjusted for amortisation and expected credit losses. The Fund does not actively manage credit risk on its guarantee exposure.

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at their carrying amount by country.

	Loans 2024 € million	Financial guarantee liabilities 2024 € million	Undrawn loan and guarantee commitments 2024 € million	Total 2024 € million	Loans 2023 € million	Financial guarantee liabilities 2023 € million	Undrawn loan and guarantee commitments 2023 € million	Total 2023 € million
Azerbaijan	3	-	-	3	3	-	-	3
Israel	3	-	-	3	4	-	-	4
Italy	1	-	-	1	3	-	-	3
Lebanon	4	-	-	4	4	-	-	4
Lithuania	2	-	-	2	2	-	-	2
Moldova	-	-	-	-	1	-	-	1
Romania	-	-	-	-	2	-	-	2
Türkiye	6	-	-	6	6	-	-	6
Uzbekistan	3	-	1	4	2	-	1	3
Ukraine	-	342	359	701	1	188	507	696
At 31 December	22	342	360	724	28	188	508	724

The following table breaks down the main credit risk exposures at the carrying amount by sector.

	Loans 2024 € million	Financial guarantee liabilities 2024 € million	Undrawn loan and guarantee commitments 2024 € million	Total 2024 € million	Loans 2023 € million	Financial guarantee liabilities 2023 € million	Undrawn loan and guarantee commitments 2023 € million	Total 2023 € million
Food and Agribusiness	12	37	49	98	15	18	68	101
Depository credit (banks)	10	29	117	156	13	25	85	123
Energy	-	166	57	223	-	65	158	223
Leasing finance	-	2	25	27	-	2	23	25
Manufacturing & Services	-	1	1	2	-	1	1	2
Municipal and environmental infrastructure	-	15	10	25	-	14	16	30
Natural resources	-	75	2	77	-	55	85	140
Property and Tourism	-	-	-	-	-	1	1	2
Transport	-	17	99	116	-	7	71	78
At 31 December	22	342	360	724	28	188	508	724

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements and floating rate loan investments are repriced to market interest rates within one and six months respectively, therefore the exposure to interest rate risk is considered to be minimal.

At 31 December 2024, the Fund has fixed rate loan investments of €2 million (2023: €3 million). As all loans are held at amortised cost, a change in the underlying interest rates would not have an impact on net profit unless the loans were sold prior to their maturity date. As this is not part of the Fund’s business model no impact on other comprehensive income is expected and therefore the exposure to interest rate risk on these instruments is considered to be minimal. Furthermore, exposure to risk on these fixed rate loans is immaterial given the tiny volume of these loans relative to the size of the fund.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro 2024 € million	United States dollars 2024 € million	Total 2024 € million
Total assets	**867**	**127**	**994**
Total liabilities	**(323)**	**(21)**	**(344)**
Net currency position at 31 December	**544**	**106**	**650**

	Euro 2023 € million	United States dollars 2023 € million	Total 2023 € million
Total assets	845	68	913
Total liabilities	(179)	(11)	(190)
Net currency position at 31 December	666	57	723

Balances in Romanian Leu, Ukrainian Hryvnia, and Uzbekistani Som were minimal and therefore not included in the above table.

The overall potential impact on the Fund's net loss based on the average five year absolute rolling average movement in the below currencies is:

- €5.5 million (2023: €2.6 million) from a 6 per cent strengthening or weakening in the United States dollar to Euro exchange rate (2023: 6 per cent)
- Minimal impact (2023: minimal) from a 1 per cent strengthening or weakening in the Romanian Leu to Euro exchange rate (2023: 1 per cent).
- €0.2 million (2023: minimal) from a 17 per cent strengthening or weakening in the Ukrainian Hryvnia to Euro exchange rate (2023: 9 per cent).
- €0.4 million (2023: €0.2 million) from an 18 per cent strengthening or weakening in the Uzbekistani Som to Euro exchange rate (2023: 21 per cent).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that loan, equity investments and guarantees are financed from the resources of the Fund, which comprises contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as a liability, which may be returned to the contributors upon termination of a contribution agreement only after relevant liabilities have been discharged and assets disposed of or redeemed. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial liabilities

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's derivative financial instruments have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

At 31 December 2024, the Fund's balance sheet approximates to the fair value of all liabilities. The table below provides a reconciliation of the fair values of the Fund's Level 3 financial liabilities.

	Derivative financial instruments 2024 € million	Derivative financial instruments 2023 € million
Balance as at 1 January	(3)	-
Net gains/(losses) recognised in:		
- Net gains/(losses) from derivative financial instruments at fair value through profit or loss	2	(3)
Balance at 31 December	(1)	(3)
Net gains/(losses) recognised for the year for Level 3 instruments held at 31 December recognised in:		
- Net gains/(losses) from derivative financial instruments at fair value through profit or loss	2	(3)

Level 3 - sensitivity analysis
Due to the low carrying value of Level 3 financial instruments, reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions are considered to be minimal.

Level 3 financial liabilities relate to derivatives attached to share investments which have been analysed together in the table above.

Share investments associated derivatives

The Fund's unlisted equity portfolio comprises equity derivatives. The valuation techniques/models used to fair value these financial instruments are net asset value multiples, earnings updated before interest, tax, depreciation and amortisation (EBITDA) multiples, book cost and discounted cash flow models. Reasonable possible alternative valuations have been determined based on the net asset value and EBITDA multiple ranges used in the valuations.

A valuation model is used to fair value the guarantee of a minimum rate of return on the Bank's parallel share investments. The inputs into the model include the euro yield curve, the valuation of the underlying parallel investments, future dividend yields, equity volatility, the subscription price and an equity valuation additional amount. Reasonable possible alternative valuations have been determined based on the favourable and unfavourable change in the underlying direct share investments.

E. Management of contributors' resources

At 31 December 2024, the Fund had twenty Sub-accounts:

- The United States Agency for International Development (USAID) Horizonte Slovene Enterprise Fund, equity Sub-account;*
- The International Cooperation and Development Fund (ICDF) Small Business Account (SBA) III, loan Sub-account
- The ICDF Agribusiness Account (ABA), loan Sub-account;
- The ICDF Innovation and Sustainability in Agribusiness Value Chains Account (AVC), loan Sub-account;
- The Ukraine Response Platform – Pooled Sub-Account;
- The Ukraine Response Platform – Individual Sub-Account USA; and
- The Ukraine Response Platform – Individual Sub-Account Netherlands
- The Ukraine Response Platform – Individual Sub-Account Norway
- The Ukraine Response Platform – Individual Sub-Account Denmark
- The Ukraine Response Platform – Individual Sub-Account Italy
- The Ukraine Response Platform – Individual Sub-Account Korea
- The Ukraine Response Platform – Individual Sub-Account UK
- The Ukraine Response Platform – Individual Sub-Account Canada
- The Ukraine Response Platform – Individual Sub-Account Japan
- The Ukraine Response Platform – Individual Sub-Account France
- The Ukraine Response Platform – Individual Sub-Account Germany
- The Ukraine Response Platform – Individual Sub-Account Switzerland
- War Insurance – Individual Sub-Account Taiwan
- War Insurance – Individual Sub-Account UK
- War Insurance – Individual Sub-Account Norway

*The USAID have chosen to withdraw from the Fund and are due the return of remaining funds of EUR 141,000. This return of funds is expected to take place in 2025.

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund (previously known as The Financial Intermediary and Private Enterprises Investment Special Fund) was approved by the Board of the Bank at its meeting of 16 December 1996 and is administered, inter alia, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund. The Fund became operational on 22 May 1997 following the receipt of the first contributions. On 17 March 2015, the Rules and Regulations of the Fund was amended, changing the name of the Fund from "Financial Intermediary Investment Special Fund" to "Financial Intermediary and Private Enterprises Investment Special Fund".

On 6 July 2022 the Rules and Regulations of the Fund were further amended, changing the name of the Fund from "The Financial Intermediary and Private Enterprises Investment Special Fund" to "The EBRD Crisis Response Special Fund"

The Fund's principal office is located in London at 5 Bank Street, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules allows either the Bank or the contributors to terminate a Contribution Agreement or the Fund by giving 30 days' notice. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Loan investments

Release for the year	2024 € million	2023 € million
Release of impairment of loan investments at amortised cost in stage 3	1	-
Provisions for impairment of loan investments	**1**	-

Movement in provisions		
At 1 January	(8)	(8)
Release for the year to the income statement	1	-
At 31 December	**(7)**	(8)

Analysed between		
Stage 3 provisions for loan investments at amortised cost	(7)	(8)
At 31 December	**(7)**	(8)

For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12-month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the movements in the Banking loan investments and the associated impairment provisions for each of the stages of impairment.

Movement in provisions	12-month ECL (Stage 1) 2024 € million	Lifetime ECL (Stage 2) 2024 € million	Lifetime ECL (Stage 3) 2024 € million	Total 2024 € million
As at 1 January	-	-	(8)	(8)
ECL release - repayments	-	-	1	1
As at 31 December	-	-	(7)	(7)

Movement in provisions	12-month ECL (Stage 1) 2023 € million	Lifetime ECL (Stage 2) 2023 € million	Lifetime ECL (Stage 3) 2023 € million	Total 2023 € million
As at 1 January	-	-	(8)	(8)
Transfer to stage 3 - credit impaired	-	-	(1)	(1)
ECL release - repayments	-	-	1	1
As at 31 December	-	-	(8)	(8)

Movement in loans at amortised cost	Loans Stage 1 2024 € million	Loans Stage 2 2024 € million	Loans Stage 3 2024 € million	Total 2024 € million
As at 1 January	17	3	8	28
New loans and disbursements	2	-	-	2
Repayments	(6)	(1)	(1)	(8)
As at 31 December	13	2	7	22

Movement in loans at amortised cost	Loans Stage 1 2023 € million	Loans Stage 2 2023 € million	Loans Stage 3 2023 € million	Total 2023 € million
As at 1 January	15	5	8	28
New loans and disbursements	8	-	-	8
Transfer to stage 1	1	(1)	-	-
Transfer to stage 3 - credit impaired	(1)	-	1	-
Repayments	(6)	(1)	(1)	(8)
As at 31 December	17	3	8	28

4. Financial guarantees

	2024 € million	2023 € million
Movement in financial guarantee for Stage 1 and Stage 2 guarantee instruments	(36)	(55)
Charge for estimated settlement of credit impaired guarantee instruments	(118)	(63)
Financial guarantees movement	(154)	(118)

	2024 € million	2023 € million
At 1 January	188	70
Financial guarantee movement	153	118
Foreign exchange movements	1	-
As at 31 December	342	188
Analysed between		
Stage 1 and Stage 2 guarantee instruments	96	60
Credit impaired guarantee instruments	246	128
As at 31 December	342	188

5. Undrawn Commitments

	2024 € million	2023 € million
Financial guarantees	359	507
Undrawn loan commitments*	1	1
Investment grant commitments*	4	48
Incentive fees*	14	-
At 31 December	378	556

*This represents amounts for which the Fund has contracted but for which the transaction or service was not yet performed at 31 December 2024.

6. Contributions transferred

During the year €4 million (2023: nil) of contributions were distributed to other funds administered by the Bank at their request of the relevant contributor.

7. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € million	Non-current 2024 € million	Total 2024 € million	Current 2023 € million	Non-current 2023 € million	Total 2023 € million
Placements with credit institutions	980	-	980	895	-	895
Loans at amortised cost	8	14	22	7	21	28
Provisions for impairment of loan investments	-	(7)	(7)	(2)	(6)	(8)
Interest receivable from placements with credit institutions	1	-	1	2	-	2
Total assets	989	7	996	902	15	917
Liabilities						
Management fee payable	2	-	2	-	-	-
Fair value of equity related derivatives	1	-	1	3		3
Financial guarantee liability	342	-	342	188	-	188
Contributors' resources	281	370	651	711	15	726
Total liabilities	626	370	996	902	15	917

8. Fair value of financial assets and liabilities

At 31 December 2024, the Fund’s balance sheet approximates to fair value in all financial asset and liability categories.

9. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

10. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee of an amount equal to one to three per cent of contributions received. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. During the year €3.7 million of management fees were charged by the Bank to the Fund (2023: €5.6 million). There was €1.8 million accrued management fee payable by the Fund to the Bank at 31 December 2023 (2023: €0.1 million).

External auditors' remuneration, in relation to the audit of the financial statements, of €24,200 is payable by the Bank from the management fee (2023: €21,500). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD Crisis Response Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects*,* the financial position of The EBRD Crisis Response Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB)***.***

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code**.**

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributors' objectives, are the responsibility of the Bank and the contributors and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 16 December 1996, as amended on 6 July 2022, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The EBRD GEF Investment Special Fund

Annual Financial Report
31 December 2024

The EBRD GEF Investment Special Fund

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The EBRD GEF Investment Special Fund

Income statement

For the year ended 31 December 2024	Note		Year to 31 December 2024 € 000		Year to 31 December 2023 € 000
Interest income					
From loans			93		50
From credit institutions			831		824
Total Interest			924		874
Technical cooperation expenses		(1,068)		(1,117)	
Client cost sharing for technical cooperation		18		-	
Net technical cooperation expenses			(1,050)		(1,117)
Disbursements for investment grants			(132)		-
Fee Income			-		3
Foreign exchange movements			(89)		57
Management fees			(293)		-
Impairment charge on loans	3		(110)		(7)
Change in concessional loan discount	4		(2,146)		-
Net loss for the year			(2,896)		(190)
Attributable to:					
Contributors			(2,896)		(190)

Statement of comprehensive income

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Net loss for the year	(2,896)	(190)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	2,061	(1,044)
Total comprehensive expense for the year	(835)	(1,234)
Attributable to:		
Contributor	(835)	(1,234)

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2024 € 000	31 December 2023 € 000	31 December 2023 € 000
Assets					
Placements with credit institutions			38,010		27,308
Loan investments					
Loans at amortised cost	5	3,207		654	
Less: Provisions for impairment	3	(134)		(19)	
			3,073		635
Interest receivable			11		4
Total assets			41,094		27,947
Liabilities					
Concessional loan discounts	4		128		-
Other liabilities	6		718		359
Contributors' resources			40,248		27,588
Total liabilities			41,094		27,947
Memorandum items					
Undrawn commitments	7		1,168		1,010

Statement of changes in contributor's resources

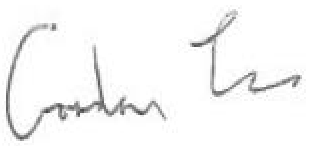
For the year ended 31 December 2024

	Contributions € 000	General reserves € 000	Total € 000
At 1 January 2023	27,731	1,091	28,822
Net loss and total comprehensive expense for the year	(190)	(1,044)	(1,234)
At 31 December 2023	27,541	47	27,588
At 1 January 2024	27,541	47	27,588
Contributions received	13,495	-	13,495
Net loss and total comprehensive expense for the year	(2,896)	2,061	(835)
At 31 December 2024	**38,140**	**2,108**	**40,248**

Statement of cash flows

For the year ended 31 December 2024	**Year to 31 December 2024**		Year to 31 December 2023	
	€ 000	**€ 000**	€ 000	€ 000
Cash flows from operating activities				
Net loss for the year	(2,896)		(190)	
Non-cash items in the income statement				
Movement in effective interest rate adjustment[1]	(72)		(44)	
Foreign exchange movement	89		(57)	
Concessional loan discount	2,146		7	
Impairment charge on loans	110		-	
	(623)		(284)	
Cash flows from the sale and purchase of operating assets				
Proceeds from return of capital on share investments	-		157	
Funds advanced for loans	(4,416)		(518)	
Proceeds from repayments of loans	73		-	
Working capital adjustment				
Movement in interest receivable	(7)		1	
Movement in other liabilities	359		228	
Net cash used in operating activities		(4,614)		(416)
Cash flows from financing activities				
Contributions received	13,495		-	
Net cash generated from financing activities		13,495		-
Net increase/(decrease) in cash and cash equivalents		8,881		(416)
Cash and cash equivalents at the beginning of the year		27,308		28,684
Effect of foreign exchange rate changes		1,821		(960)
Cash and cash equivalents at 31 December		38,010		27,308

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director - Financial Control
Date: 10 April 2025

[1] Movement in effective interest rate adjustment includes the interest income unwinding discount of €56,000 (2023: €42,000). This, with loan interest income, make up the interest income from loans figure in the Income statement.

The EBRD GEF Investment Special Fund

Fund purpose

The EBRD GEF Investment Special Fund ("the Fund") was established to provide financing to promote environmental and sustainable development. To achieve this, the Fund provides concessional loans alongside the European Bank for Reconstruction and Development's ("the Bank") market rate loans, as well as grants in support of technical cooperation and investment incentives.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2024, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets – Classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes loans to its borrowers at concessional rates and therefore each loan is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's income statement, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

Subsequently, these loans are measured at amortised cost using the effective interest method, less any impairment that may be necessary. The initial fair value discount applied to each loan is therefore recovered in the effective interest rate (EIR) at which income is recognised in the income statement over the tenor of the loan.

The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost.

Impairment of financial assets

Financial assets at amortised cost – performing assets (Stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[2], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the income statement.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2.[3]

Financial assets at amortised cost – non-performing assets (Stage 3)

Where there is objective evidence that an identified loan asset is credit-impaired, Stage 3 provisions are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended, it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the income statement.

Contributor's resources

The Fund recognises contributions received from the contributor as a liability on the basis the Fund is obligated to return such contributions and cash flows under the terms of the agreement as set out below.

[2] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[3] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

The Fund is required to return to the contributor reflows of interest earned on investments, principal repayments on loan investments and investment income earned on contributed resources. The return of funds to the contributor is disclosed as 'distribution of funds to contributor' in the statement of changes in contributor's resources.

Contributions received in currencies other than USD are translated into USD at the exchange rates ruling at the time of the transaction. Currencies are then subsequently re-translated to euro at the year-end exchange rate.

Contributions are recognised as a receivable and a liability on the balance sheet on the date of project approval by the Board of Directors ("the Board") of the Bank following receipt of a letter of commitment from the Contributor.

General reserve

The general reserve represents foreign exchange movements on translation from functional currency to presentational currency.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Technical cooperation and investment grant expenses

Technical cooperation expenses, which represent services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced. This approach is not materially different from recognising the recovery at the same time as performance of the service and contractual terms being met.

Investment grants are disbursed in coordination with the related Bank loan resources, generally directly to the contractor. Disbursements are made upon verification that the goods, works or services have been delivered or carried out by the contractor. The grants are non-refundable.

Foreign currencies

The functional currency of the Fund is the United States dollar (USD) as this reflects the transactions, events and conditions under which the Fund conducts its business. For financial statement reporting purposes the unit of measurement is the euro (€).

For functional currency reporting, transactions in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. All assets and liabilities in currencies other than USD are re-translated into USD at year-end exchange rates with the resultant exchange gains or losses taken to the income statement.

For financial statement reporting, income and expenses (excluding exchange gains or losses) are translated from the functional currency to euro using exchange rates ruling at the time of the transaction. Exchange gains or losses are translated from the functional currency to euro at year-end using the average exchange rate for the year. Assets and liabilities denominated in the functional currency are re-translated to euro at year-end exchange rates with the resultant exchange gains and losses taken to other comprehensive income.

Interest and fees

Interest income and expense is recognised on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of expected future cash flows.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Fees earned in respect of services provided over a period of time, including loan commitment fees, are recognised as income as the services are provided and the performance obligations met.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk.

The Fund's significant accounting estimates are outlined below:

Impairment of loan investments

The Fund's method for determining the level of impairment of loan investments is described within the Accounting Policies section of the report and further explained under credit risk within the Risk Management section. As described in the Risk Management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank's risk processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the PD, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan's EIR. The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was an decrease in ECL of €12,000.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions						
2024 PD rating[4]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%

[4] The Bank's internal PD rating scale is explained in detail on page 12 of the Risk Management section.

6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, Commerce and Agribusiness (ICA)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure (SI)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions						
2023 PD rating[5]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth

[5] The Bank's internal PD rating scale is explained in detail on page 12 of the Risk Management section.

was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 **Seniority - sector**	**Non sovereign LGD**
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign **Country**	**Sovereign LGD**	**Sub-sovereign LGD**
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[6]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[7]	20%	30%

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

[6] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Sensitivity analysis

The sensitivity of portfolio provisions at 31 December 2024 and 31 December 2023 to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision 2024 €000	Change in provision 2024 €000	Change in provision 2024 %	Recalculated provision 2023 €000	Change in provision 2023 €000	Change in provision 2023 %
Portfolio provision (Stage 1 & 2)	134			19		
Staging						
All loans in Stage 1	112	(22)	(16)%	6	(13)	(68)%
All loans in Stage 2	580	446	333%	19	-	0%
PD Ratings						
All loans upgraded 1 notch	95	(39)	(29)%	10	(9)	(47)%
All loans downgraded 1 notch	141	7	5%	21	2	10%
All loans upgraded 3 notches	32	(102)	(76)%	3	(16)	(84)%
All loans downgraded 3 notches	141	7	5%	26	7	36%
Projected GDP						
Projected GDP increased by 1%	122	(12)	(9)%	19	-	(0)%
Projected GDP decreased by 1%	149	15	11%	19	-	0%
Projected GDP increased by 5%	100	(34)	(25)%	19	-	(0)%
Projected GDP decreased by 5%	237	103	77%	29	10	50%
LGD						
All loans decreased by 10%	86	(48)	(36)%	10	(9)	(50)%
All loans increased by 10%	182	48	36%	26	7	34%
EAD						
All undrawn commitments cancelled	133	(1)	(1)%	19	-	0%
All undrawn commitments disbursed within one month	140	6	4%	19	-	0%

Other critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in the course of making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies critical as they involve judgements which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Classification of contributor's resources: The classification of contributor's resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to provide concessional lending and grants rather than to generate a return on its assets, most financial risks are not actively managed by the Fund. As the Fund will participate in investments alongside the Bank, although under different terms, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate and foreign exchange risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[7] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet, inclusive of the undrawn commitments related to loans.

7 With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the countries in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional level (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

<table>
<tr><th>EBRD risk rating category</th><th>EBRD risk rating</th><th>External rating equivalent</th><th>Category name</th><th>Broader category</th></tr>
<tr><td>1</td><td>1.0</td><td>AAA</td><td>Excellent</td><td rowspan="4">Investment grade</td></tr>
<tr><td>2</td><td>1.7
2.0
2.3/2.5</td><td>AA+
AA
AA-</td><td>Very strong</td></tr>
<tr><td>3</td><td>2.7
3.0
3.3</td><td>A+
A
A-</td><td>Strong</td></tr>
<tr><td>4</td><td>3.7
4.0
4.3</td><td>BBB+
BBB
BBB-</td><td>Good</td></tr>
<tr><td>5</td><td>4.7
5.0
5.3</td><td>BB+
BB
BB-</td><td>Fair</td><td>Risk range 5</td></tr>
<tr><td>6</td><td>5.7
6.0
6.3</td><td>B+
B
B-</td><td>Weak</td><td>Risk range 6</td></tr>
</table>

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 7.

Non-performing loans (NPL)
NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
At year end the Fund's cash was placed with a financial institution which ranked in the second highest internal credit rating risk range assigned by the Bank's Risk Management department. This rating approximated to a Standard & Poor's equivalent rating in the range of AA+ to AA-. Placements with credit institutions are considered to have low credit risk.

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

	Amortised cost carrying value				Impairment		Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
7: Special Attention	2,542	665	3,207	100.0%	(114)	(20)	3,073	4.2%
At 31 December 2024	**2,542**	**665**	**3,207**	**100.0%**	**(114)**	**(20)**	**3,073**	

	Amortised cost carrying value				Impairment		Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
7: Special Attention	-	654	654	100.0%	-	(19)	635	2.9%
At 31 December 2023	-	654	654	100.0%	-	(19)		

At 31 December 2024 the Fund had security arrangements in place for €4,914,000[8] of its disbursed loan investments (2023: €324,000). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Fund with rights and negotiating leverage that help mitigate the overall credit risk.

Undrawn loan commitments

As at 31 December 2024 the Fund had €228,000 undrawn loan commitments with an internal risk rating of 7 and were in Stage 1 (31 December 2023: no undrawn loan commitments).

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at the carrying amounts by country.

	Undrawn loan commitments 2024 € 000	**Loans 2024 € 000**	Undrawn loan commitments 2023 € 000	Loans 2023 € 000
Egypt	**-**	**665**	-	654
Tunisia	**228**	**2,542**	-	-
At 31 December	**228**	**3,207**	-	654

The following table breaks down the main credit risk exposures at the carrying amount by industry sector of the project.

	Undrawn loan commitments 2024 € 000	**Loans 2024 € 000**	Undrawn loan commitments 2023 € 000	Loans 2023 € 000
Power and energy	**228**	**3,207**	-	654
At 31 December	**228**	**3,207**	-	654

8 With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to functional currency exchange risk is outlined in the table below.

	Euro 2024 € 000	United States Dollar 2024 € 000	Tunisian Dinar 2024 € 000	Total 2024 € 000
Total assets	**1,422**	**39,672**	**-**	**41,094**
Total liabilities	**(193)**	**(477)**	**(176)**	**(846)**
Net currency position at 31 December	**1,229**	**39,195**	**(176)**	**40,248**

	Euro 2023 € 000	United States Dollar 2023 € 000	Tunisian Dinar 2023 € 000	Total 2023 € 000
Total assets	1,060	26,887	-	27,947
Total liabilities	-	(359)	-	(359)
Net currency position at 31 December	1,060	26,528	-	27,588

The overall potential impact on the Fund’s net profit/(loss) is €62,000 (2023: €64,000) based on the average five year absolute rolling average movement in the below currencies:

- 6 per cent (2023: 6 per cent) strengthening or weakening in the USD to euro exchange rate;
- 7 per cent (2023: 9 per cent) strengthening or weakening in the Tunisian dinar to euro exchange rate.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Rules of the Fund require that operations are financed from the resources of the Fund which comprise of contributions received. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as a liability, which will be returned to the contributor either upon termination of the Fund, or to the extent that funds remain uncommitted, upon request from the contributor. As a result, the Fund’s exposure to liquidity risk is considered to be minimal.

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of Directors ("the Board") of the Bank at its meeting of 7 May 2014 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations of the Fund and the Financial Procedures Agreement ("the FPA").

The FPA was signed between the EBRD and the International Bank for Reconstruction and Development as "the Trustee" of the Global Environment Facility Trust Fund on 6 November 2006. A new FPA was signed on 30 September 2009 superseding the previous version, and further amended on 09 March 2014.

All contributions into the GEF Investment Special Fund come directly from the Global Environment Facility Trust Fund ("the Contributor").

The Fund became operational upon approval of the Rules on 07 May 2014.

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund. The objective of the Fund is to finance lending, guarantee or investment operations and provide financing for technical cooperation and investment incentives.

The FPA was amended on 20 November 2019 to allow either the Bank or the Trustee to terminate the Fund by giving 60 days' notice. The Rules of the Fund to be terminated either by:

- Decision by the Board after consultation between the Bank and the Trustee.
- If the funds in the EBRD GEF Investment Special Fund are fully wound up and contributions from the Trustee have ceased.
- The Fund will terminate automatically upon termination of the GEF or the Bank one all the funds in he EBRD GEF Investment Special Fund are fully wound up

No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The management of the European Bank for Reconstruction and Development (the "Bank") are responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Provisions for impairment of loan investments

Charge for the year	2024 € 000	2023 € 000
Impairment of loan investments at amortised cost in stages 1 and 2	(110)	(7)
Provisions for impairment of loan investments	**(110)**	**(7)**

Movement in provisions		
At 1 January	(19)	(13)
Charge for the year to the income statement	(110)	(7)
Foreign exchange adjustments	(5)	1
At 31 December	**(134)**	**(19)**

Set out below is an analysis of the movements in the loan investments and the associated impairment provisions for each of the stages of impairment.

Movement in provisions	12-month ECL (Stage 1) 2024 € 000	Lifetime ECL (Stage 2) 2024 € 000	Total 2024 € 000
As at 1 January	-	(19)	(19)
New loans originated	(111)	-	(111)
Changes in model or risk parameters	3	(1)	2
Foreign exchange and other movements	(6)	-	(6)
As at 31 December	**(114)**	**(20)**	**(134)**

Movement in provisions	12-month ECL (Stage 1) 2023 € 000	Lifetime ECL (Stage 2) 2023 € 000	Total 2023 € 000
As at 1 January	(12)	(1)	(13)
Transfer to stage 2 - significant increase in credit risk	9	(38)	(29)
Repayments	-	1	1
Changes in model or risk parameters	3	18	21
Foreign exchange and other movements	-	1	1
As at 31 December	-	(19)	(19)

Movement in loans at amortised cost	Loans Stage 1 2024 € 000	Loans Stage 2 2024 € 000	Total 2024 € 000
As at 1 January	-	654	654
Loan disbursements	4,416	-	4,416
Day one fair value adjustment	(1,980)	-	(1,980)
Repayments	-	(73)	(73)
Movement in effective interest rate adjustment	32	42	74
Foreign exchange and other movements	74	42	116
As at 31 December	**2,542**	**665**	**3,207**

Movement in loans at amortised cost	Loans Stage 1 2023 € 000	Loans Stage 2 2023 € 000	Total 2023 € 000
As at 1 January	383	63	446
Loan disbursement	-	519	519
Transfer to stage 2 - significant increase in credit risk	(287)	287	-
Day one fair value adjustment	-	(170)	(170)
Repayments	(91)	(66)	(157)
Movement in effective interest rate adjustment	(1)	32	31
Foreign exchange and other movements	(4)	(11)	(15)
As at 31 December	-	654	654

4. Concessional loan discount

Set out below is a breakdown of the change in concessional loan discount for the year:

	2024 € 000	2023 € 000
Day one fair value	(2,146)	-
Concessional loan discount charge to the income statement	(2,146)	-

Set out below is an analysis of the movements in the Fund’s concessional loan discount liability:

	2024 € 000	2023 € 000
At 1 January	-	(169)
Day one fair value adjustment	(2,146)	-
Derecognition of liability on loan disbursement	1,980	170
Foreign exchange movements	38	(1)
As at 31 December	(128)	-

5. Loan investments

	2024 € 000	2023 € 000
At 1 January	654	446
Disbursements	4,416	519
Repayments	(73)	(157)
Day one fair value adjustment	(1,980)	(170)
Movement in effective interest rate adjustment	74	31
Foreign exchange movements	116	(15)
At 31 December	3,207	654
Provisions for impairment at 31 December	(134)	(19)
Total loan investments net of impairment at 31 December	3,073	635

6. Other liabilities

	2024 € 000	2023 € 000
Technical cooperation expenses payable	479	359
Accrued Management Fees	239	-
At 31 December	718	359

7. Undrawn commitments

	2024 € 000	2023 € 000
Undrawn loan commitments	229	-
Technical cooperation expenses	939	1,010
At 31 December	1,168	1,010

8. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000	Current 2023 € 000	Non-current 2023 € 000	Total 2023 € 000
Placements with credit institutions	38,010	-	38,010	27,308	-	27,308
Loans at amortised cost	134	3,073	3,207	51	603	654
Provisions for impairment of loan investments	(3)	(131)	(134)	(1)	(18)	(19)
Interest receivable	11	-	11	4	-	4
Total assets	38,152	2,942	41,094	27,362	585	27,947
Liabilities						
Other liabilities	(718)	-	(718)	(359)	-	(359)
Concessional loan discounts	(128)	-	(128)	-	-	-
Contributors' resources	(37,306)	(2,942)	(40,248)	(27,003)	(585)	(27,588)
Total liabilities	(38,152)	(2,942)	(41,094)	(27,362)	(585)	(27,947)

9. Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate their fair value.

10. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

11. Related parties

The Fund's related parties are the Bank and the Trustee.

Fees are paid to the Bank based on a fixed fee per contribution as approved by the Trustee. The fees paid during the year are disclosed in the income statement. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. As at 31 December 2024 there is €239,000 payable to the Bank (2023: Nil).

External auditors' remuneration of €24,200 in relation to the audit of the financial statements is payable by the Bank from the management fee (2023: €21,500). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. As part of wider services provided to the Bank, the auditors from time to time perform non audit services in relation to activities under the Fund. There were non audit services performed during the year of €193,000 (2023: Nil). In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD GEF Investment Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The EBRD GEF Investment Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 7 May 2014, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The EBRD Green Climate Fund Special Fund

Annual Financial Report
31 December 2024

The EBRD Green Climate Fund Special Fund

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The EBRD Green Climate Fund Special Fund

Income statement

For the year ended 31 December 2024	Note	Year to 31 December 2024 € million	Year to 31 December 2023 € million
Interest income			
From loans		11	12
From credit institutions		9	9
Net interest income		20	21
Technical cooperation expenses		(3)	(3)
Disbursements for investment grants		(1)	(3)
Foreign exchange movements		(5)	4
Accredited entity fee expense		(1)	(2)
Impairment charge on loan investments	3	(1)	-
Change in concessional loan discount	4	(4)	(26)
Net profit/(loss) for the year		**5**	(9)

Statement of comprehensive income

Statement of comprehensive income

For the year ended 31 December 2024	Year to 31 December 2024 € million	Year to 31 December 2023 € million
Net profit/(loss) for the year	5	(9)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	24	(12)
Total comprehensive income/(expense)	**29**	(21)
Attributable to:		
Contributor	**29**	(21)

Balance sheet

As at 31 December 2024	Note	31 December 2024 € million	€ million	31 December 2023 € million	€ million
Assets					
Placements with credit institutions			234		224
Interest receivable			2		2
Loan investments					
Loans	3	208		172	
Less: Provisions for impairment	3	(2)		(1)	
			206		171
Contributions receivable			22		1
Total assets			**464**		398
Liabilities					
Other financial liabilities	5		7		7
Concessional loan discount	4		10		22
Contributor's resources			447		369
Total liabilities and contributor's resources			**464**		398
Memorandum items					
Undrawn commitments	6		86		111

The EBRD Green Climate Fund Special Fund

Statement of changes in contributor's resources

For the year ended 31 December 2024

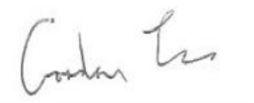
	Contributed Resources € million	General reserve € million	Total € million
At 1 January 2023	277	23	300
Net loss for the year	(9)	-	(9)
Other comprehensive expense in the year	-	(12)	(12)
Contributors' resource transactions			
Contributions received/receivable	127	-	127
Distribution of funds to contributors	(37)	-	(37)
As at 31 December 2023	358	11	369
At 1 January 2024	358	11	369
Net profit for the year	5	-	5
Other comprehensive income in the year	-	24	24
Contributors' resource transactions			
Contributions received/receivable	99	-	99
Distribution of funds to contributors	(50)	-	(50)
As at 31 December 2024	**412**	**35**	**447**

The EBRD Green Climate Fund Special Fund

Statement of cash flows

For the year ended 31 December 2024		Year to 31 December 2024		Year to 31 December 2023
	€ million	€ million	€ million	€ million
Cash flows from operating activities				
Net profit/(loss) for the period	5		(9)	
Adjustment to reconcile net profit/(loss) to net cash flows:				
Non-cash items in the income statement				
Effective interest rate adjustment on loans[1]	(4)		(5)	
Change in concessional loan discount	4		26	
Impairment charge on loan investment	1		-	
Foreign exchange movement	5		(4)	
	11		8	
Cash flows from the sale and purchase of operating assets				
Proceeds from repayment of loan investments	45		29	
Funds advanced for loans	(83)		(55)	
Front end fees received	-		1	
Working capital adjustment				
Movement in interest receivable	-		(1)	
Movement in other financial liabilities	-		(4)	
Net cash used in operating activities		(27)		(22)
Cash flows from financing activities				
Contributions received	77		141	
Distribution of funds to contributors	(50)		(35)	
Net cash generated from financing activities		27		106
Net increase in cash and cash equivalents		-		84
Cash and cash equivalents at the beginning of the period		224		146
Effect of foreign exchange rate changes		10		(6)
Cash and cash equivalents at 31 December		234		224

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director - Financial Control
Date: 10 April 2025

[1] Movement in effective interest rate adjustment includes the interest income unwinding discount of €4 million (2023: €4 million). This, with loan interest income, make up the interest income from loans figure in the Income statement.

The EBRD Green Climate Fund Special Fund

Fund purpose

The Fund was established to support the European Bank for Reconstruction and Development ("the Bank") in investing in low-emission and climate-resilient development across the regions in which the Bank invests in. To achieve this purpose, the Fund can provide concessional loans, grants and technical assistance.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the EBRD Green Climate Fund Special Fund ("the Fund"). The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and" Significant accounting estimates" within the section for Accounting policies.

New and amended IFRS mandatorily effective for the current reporting period

There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes loans to its borrowers at concessional rates and therefore each loan is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's income statement, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

All loans are subsequently measured at amortised cost using the effective interest method less any impairment. The initial fair value discount applied to each concessional loan is therefore recovered in the effective interest rate at which income is recognised in the income statement over the tenor of the loan.

The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost. Other liabilities are recognised on a settlement basis.

Interest rate benchmark reforms

A number of interest rate benchmarks to which the Fund is exposed have undergone reform. The reforms are intended to create a more transparent system that minimises the reliance on judgement and maximises the use of observable trade data in producing the benchmarks. As of 30 September 2024, when while synthetic US dollar LIBOR settings (one-month, three-month and six-month) ceased publication, the reforms were completed.

The Fund has successfully transitioned all trades that were subject to reform (2023: €10 million USD LIBOR).

Impairment of financial assets

Financial assets at amortised cost – performing assets Stages 1 and 2
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[2], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets, impairment is deducted from the asset categories on the balance sheet and charged to the income statement.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment
In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2.[3]

Financial assets at amortised cost – non-performing assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate where applicable. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended, it may continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the income statement.

Contributor's resources

The Fund recognises contributions received from the contributor as a liability on the basis the Fund is obligated to return such contributions and other cash flows under the terms of the agreement as set out below.

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[2] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[3] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

The Fund is required to return to the contributor reflows of interest earned on investment, principal repayments on loan investments and investment income earned on contributed resources. The return of funds to the contributor is disclosed as 'distribution of funds to contributor' in the statement of changes in contributor's resources.

Contributed resources are carried at the redemption amount that is payable at the balance sheet date if the contributor were to withdraw from the Fund and contributions returnable to the contributor from operating activities. Contributions received in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. Currencies are then subsequently re-translated to the presentational currency at the year-end exchange rate.Contributions are recognised as receivable on the balance sheet on the date the conditions precedent to disbursement detailed in the relevant Funding Activity Agreement (FAA) has been met by the Fund. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

General reserve

The general reserve represents foreign exchange movements on translation from functional currency to presentational currency.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's reporting currency for the presentation of its financial statements is the euro. The functional currency of the Fund is the United States dollar (USD) as this reflects the transactions, events and conditions under which the Fund conducts its business.

For functional currency reporting, transactions in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. All assets and liabilities in currencies other than USD are re-translated into USD at spot rates ruling at the year-end exchange rate with the resultant exchange gains or losses taken to the income statement.

For financial statement reporting, income and expenses (excluding exchange gains or losses) are translated from the functional currency to euro using exchange rates ruling at the time of the transaction. Exchange gains or losses are translated from the functional currency to euro at year-end using the average exchange rate for the year. Assets and liabilities denominated in the functional currency are re-translated to euro at spot rates ruling at the year-end exchange rate with the resultant exchange gains and losses taken to other comprehensive income.

Interest and fees

Interest is recorded using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument. Interest income is recognised within 'net interest income' in the income statement.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of expected future cash flows.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Fees earned in respect of services provided over a period of time, including loan commitment fees are recognised as income as the services are provided.

Technical cooperation expenses and investment grants

Technical cooperation expenses, which represent payments for services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Capital expenditure (investment) grants are disbursed in coordination with the Bank loan resources, generally directly to the contractor. Disbursements are made upon verification of the goods works or services have been delivered or carried out by the contractor. The grants are non-refundable.

Accredited entity fee expense

Accredited entity fee expense represents fees payable to the Bank for the costs and expenses for administering and managing the Fund.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Impairment of loan investments

The Fund's method for determining the level of impairment of loan investments is described within the "Accounting policies" section of the report (page 4) and further explained under "Credit risk" within the "Risk management" section of the report (page 11).

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was minimal.

The EBRD Green Climate Fund Special Fund

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions

2024 PD rating[4]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, Commerce and Agribusiness

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

[4] The Bank's internal PD rating scale is explained in detail on page 12 of the Risk Management section.

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

Following the change in methodology applied in 2024, LGD rates are assigned to facilities as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[5]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[5]	20%	30%

[5]This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Bank could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

The sensitivity of portfolio provisions to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision 2024 €million	Change in provision 2024 €million	Change in provision 2024 %	Recalculated provision 2023 €million	Change in provision 2023 €million	Change in provision 2023 %
Portfolio provision (Stage 1 & 2)	2			1		
Staging						
All loans in Stage 1	1	(1)	(50)%	1	-	-
All loans in Stage 2	6	4	200%	5	4	400%
PD Ratings						
All loans upgraded 1 notch	1	(1)	(50)%	1	-	-
All loans downgraded 1 notch	3	1	50%	3	2	200%
All loans upgraded 3 notches	-	(2)	(100)%	-	(1)	(100)%
All loans downgraded 3 notches	10	8	400%	9	8	800%
Projected GDP						
Projected GDP increased by 1%	2	-	-	1	-	-
Projected GDP decreased by 1%	2	-	-	1	-	-
Projected GDP increased by 5%	2	-	-	1	-	-
Projected GDP decreased by 5%	4	2	100%	2	1	100%
LGD						
All loans decreased by 10%	1	(1)	(50)%	1	-	-
All loans increased by 10%	3	1	50%	1	-	-
EAD						
All undrawn commitments cancelled	2	-	-	1	-	-
All undrawn commitments disbursed within one month	2	-	-	1	-	-

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to provide concessional lending and grants rather than to generate a return on its assets, most financial risks are not actively managed by the Fund. As the Fund participates in investments alongside the Bank, although under different terms, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate and foreign exchange risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[6] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet[7], inclusive of the undrawn commitments related to loans and investment grants (see note 14).

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the Bank's countries of operations.

It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

[6] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.
[7] The loans figure of €208 million on the balance sheet includes a day one loss adjustment of €43 million (2023: €29 million). Therefore, the maximum loan exposure is €251 million (2023: €201 million).

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects (both debt and equity transactions) prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 9.

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
The Fund's placements with credit institutions were all classified at the internal risk rating range of 2 and 3 (approximately AA+ to A- in terms of the S&P equivalent). Placements with credit institutions are considered to have low credit risk.

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the Fund's loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

	Amortised cost carrying value			Impairment		Total net of impairment	
Risk rating category	Stage 1 € million	Stage 2 € million	Total %	Stage 1 € million	Stage 2 € million	Total net of impairment € million	Impairment provisions coverage %
5: Fair	41	-	19.7%	-	-	41	0.0%
6: Weak	106	-	51.0%	-	-	106	0.0%
7: Special Attention	26	35	29.3%	-	(2)	59	3.4%
At 31 December 2024	173	35	100.0%	-	(2)	206	

	Amortised cost carrying value			Impairment		Total net of impairment	
Risk rating category	Stage 1 € million	Stage 2 € million	Total %	Stage 1 € million	Stage 2 € million	Total net of impairment € million	Impairment provisions coverage %
5: Fair	26	-	15.1%	-	-	26	0.0%
6: Weak	113	-	65.7%	-	-	113	0.0%
7: Special Attention	22	11	19.2%	-	(1)	32	3.0%
At 31 December 2023	161	11	100.0%	-	(1)	171	

At 31 December 2024 the Fund had security arrangements in place for loan investments with a disbursed value of €112 million (2023: €79 million). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Fund with rights and negotiating leverage that help mitigate the overall credit risk.

Undrawn loan commitments
Set out below is an analysis of the Funds undrawn commitments for loan investments for each of the Bank's relevant internal risk rating categories.

	Undrawn loan commitments			Undrawn loan commitments		
Risk rating category	**Stage 1 2024 € million**	**Stage 2 2024 € million**	**Total 2024 € million**	Stage 1 2023 € million	Stage 2 2023 € million	Total 2023 € million
5: Fair	**6**	**-**	**6**	1	-	1
6: Weak	**24**	**-**	**24**	34	-	34
7: Special Attention	**18**	**3**	**21**	41	3	44
At 31 December	**48**	**3**	**51**	76	3	79

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at the carrying amount by country.

	Undrawn loan commitments 2024 € million	**Loans 2024 € million**	Undrawn loan commitments 2023 € million	Loans 2023 € million
Armenia	-	**4**	-	3
Egypt	**26**	**61**	47	43
Georgia	**4**	**28**	-	4
Jordan	**6**	**4**	7	3
Kazakhstan	**10**	**40**	9	42
Moldova	**1**	-	1	1
Mongolia	-	**22**	6	17
Morocco	-	**23**	1	31
Qatar	-	**9**	-	13
Republic of Serbia	-	**2**	-	4
Tajikistan	**4**	**15**	8	11
At 31 December	**51**	**208**	79	172

The following table breaks down the main credit risk exposures at the carrying amount by industry sector.

	Undrawn loan commitments 2024 € million	Loans 2024 € million	Undrawn loan commitments 2023 € million	Loans 2023 € million
Depository credit (banks)	11	99	11	87
Leasing finance	-	3	-	5
Municipal and environmental infrastructure	3	-	3	-
Waste management and remediation services	4	-	-	-
Power and energy	33	106	65	80
At 31 December	**51**	**208**	79	172

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the risk management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements and floating rate loan investments are repriced to market interest rates within one month, therefore the exposure to interest rate risk on these instruments is considered to be minimal.

At 31 December 2024, the Fund has fixed rate loan investments of €154 million (2023: €128 million). As all loans are held at amortised cost, a change in the underlying interest rates would not have an impact on net profit unless the loans were sold prior to their maturity date. As this is not part of the Fund’s business model no impact on other comprehensive income is expected and therefore the exposure to interest rate risk on these instruments is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to functional currency foreign exchange risk (euro to USD) is outlined in the table below.

	Euro 2024 € million	United States dollars 2024 € million	Total 2024 € million
Total assets	**84**	**380**	**464**
Total liabilities	**(5)**	**(12)**	**(17)**
Net currency position at 31 December 2024	**79**	**368**	**447**

	Euro 2023 € million	United States dollars 2023 € million	Total 2023 € million
Total assets	105	293	398
Total liabilities	(5)	(24)	(29)
Net currency position at 31 December 2023	100	269	369

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on other comprehensive income due to presentation currency movement, from a 6 per cent strengthening or weakening (2023: 6 per cent) is €3 million (2023: €1 million).

Interest rate benchmark reforms
LIBOR reforms were completed on 30 September 2024 when synthetic US dollar LIBOR settings (one-month, three-month and six-month) ceased publication. The Fund has successfully transitioned all trades that were subject to reform.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Rules of the Fund require that operations are financed from the resources of the Fund which comprise of contributions received. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as a liability, which will be returned to the contributor either upon termination of the Fund, or to the extent that funds remain uncommitted, upon request from the contributor. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets and liabilities

Financial Assets as at 31 December 2024	Carrying amount € million	Fair value € million
Placements with credit institutions	234	234
Interest receivable	2	2
Loan investments	206	231
Contributions receivable	22	22
Total	**464**	**489**

Financial liabilites as at 31 December 2024		
Other financial liabilities	7	7
Concessional loan discount	10	10
Contributor's resources	447	472
Total	**464**	**489**

Financial Assets as at 31 December 2023	Carrying amount € million	Fair value € million
Placements with credit institutions	224	224
Interest receivable	2	2
Loan investments	171	192
Contributions receivable	1	1
Total	**398**	**419**

Financial Liabilities as at 31 December 2023		
Other financial liabilities	7	7
Concessional loan discount	22	22
Contributor's resources	369	390
Total	**398**	**419**

At 31 December 2024, the Fund's balance sheet approximates to fair value in all financial asset and liability categories, with the exception of loan investments at amortised cost.

Loan investments whereby the objective of the Fund's business model is to hold these investments to collect the contractual cash flow, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, are recognised at amortised cost. The fair value of these loans was calculated using Level 3 inputs by discounting the cash flows at a year-end interest rate applicable to each loan and further discounting the value by an internal measure of credit risk.

Fair value hierarchy

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's fair value loans through profit or loss have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

The EBRD Green Climate Fund Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of Governors at its meeting on 5 July 2017 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules of the Fund and Accreditation Master Agreement (the AMA).

The AMA was signed between the Bank and the Green Climate Fund (GCF), the contributor, on 22 April 2017. The Fund became operational upon approval of the Rules on 5 July 2017.

The Fund's principal office is located in London at 5 Bank St, London E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The AMA allows either the Bank or the GCF to terminate the AMA by giving 180 days' notice. The Rules of the Fund allows the Fund to be terminated either by:

- decision by the Board of Directors after consultation between the Bank and the contributors; or
- if the funds in the EBRD Green Climate Special Fund are fully wound up and contributions from the Contributor have ceased.
- the Fund will terminate automatically upon termination of the GCF or the Bank once all the funds in the EBRD Green Climate Special Fund are fully wound up.

None of these conditions have occurred, or are expected to occur in the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The European Bank for Reconstruction and Development (the "Bank") is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3 In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Loan investments

Operating assets	2024 € million	2023 € million
At 1 January	172	160
New loans and disbursements	83	55
Repayments	(45)	(29)
Day one fair value adjustment	(16)	(13)
Effective interest rate adjustment movement	4	4
Foreign exchange movements	10	(5)
At 31 December	**208**	172
Impairment at 31 December	(2)	(1)
Total loan investments net of impairment at 31 December	**206**	171

Provisions for impairment

Charge for the year	2024 € million	2023 € million
Impairment of loan investments at amortised cost in stages 1 and 2	(1)	-
Provisions for impairment of loan investments	**(1)**	-

Movement in provisions	2024 € million	2023 € million
At at 1 January	(1)	(1)
Charge for the year to the income statement	(1)	-
At 31 December	**(2)**	(1)

Analysed between	2024 € million	2023 € million
Stage 1 and 2 provisions for loan investments at amortised cost	(2)	(1)
At 31 December	**(2)**	(1)

For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages. Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the movements in the Fund's loan investments and the associated impairment provisions for each of the stages of impairment.

As at 31 December 2024, the Fund has no loan investments or undrawn commitments in Stage 3 (2023: none in Stage 3).

Movement in provisions	12-month ECL (Stage 1) 2024 € million	Lifetime ECL (Stage 2) 2024 € million	Total 2024 € million	12-month ECL (Stage 1) 2023 € million	Lifetime ECL (Stage 2) 2023 € million	Total 2023 € million
As at 1 January	-	(1)	(1)	-	(1)	(1)
Transfer to stage 2 - significant increase in credit risk	-	(1)	(1)	-	-	-
As at 31 December	-	(2)	(2)	-	(1)	(1)

Movement in loans at amortised cost	Loans Stage 1 2024 € million	Loans Stage 2 2024 € million	Total 2024 € million
As at 1 January	161	11	172
Disbursements	68	15	83
Transfer to stage 1	35	(35)	-
Transfer to stage 2 - significant increase in credit risk	(51)	51	-
Repayments	(34)	(11)	(45)
Write offs	-	-	-
Day one fair value adjustment	(16)	-	(16)
Movement in effective interest rate adjustment	3	1	4
Foreign exchange and other movements	7	3	10
As at 31 December	173	35	208

Movement in loans at amortised cost	Loans Stage 1 2023 € million	Loans Stage 2 2023 € million	Total 2023 € million
As at 1 January	149	11	160
Disbursements	54	1	55
Repayments	(28)	(1)	(29)
Day one fair value adjustment	(13)	-	(13)
Movement in effective interest rate adjustment	4	-	4
Foreign exchange and other movements	(5)	-	(5)
As at 31 December	161	11	172

4. Concessional loan discount

Set out below is a breakdown of the change in concessional loan discount for the year:

	2024 € million	2023 € million
Day one fair value	(4)	(27)
Release of discount on loan cancellation	-	1
Change in concessional loan discount	(4)	(26)

Set out below is an analysis of the movements in the Fund's concessional loan discount liability:

	2024 € million	2023 € million
At 1 January	22	9
Day one fair value adjustment	4	27
Derecognition of liability on loan disbursement	(16)	(13)
Release of discount on loan cancellation	-	(1)
At 31 December	10	22

5. Other financial liabilities

	2024 € million	2023 € million
Technical cooperation expenses	5	6
Accredited entity fees payable	2	1
As at 31 December	7	7

6. Undrawn commitments

	2024 € million	2023 € million
Loan commitments	51	79
Technical cooperation expenses	3	3
Investment grants	32	29
Undrawn commitments at 31 December	86	111

This represents amounts for which the Fund has contracted for but for which the transaction or service was not undertaken at 31 December.

7. Contributions

As at 31 December 2024 the total contributions pledged per the signed FAAs is equivalent to €1,074 million (2023: €1,015 million). The next tranche of contributions can be called when conditions precedent stipulated in the relevant FAA have been met.

During 2024, €50 million was distributed to the contributor (2023: €37 million).

8. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € million	Non-current 2024 € million	Total 2024 € million	Current 2023 € million	Non-current 2023 € million	Total 2023 € million
Placements with credit institutions	234	-	234	224	-	224
Other financial assets	2	-	2	2	-	2
Loans	44	164	208	40	132	172
Provisions for impairment	-	(2)	(2)	-	(1)	(1)
Contributions receivable	22	-	22	1	-	1
Total assets	302	162	464	267	131	398
Liabilities						
Other financial liabilities	7	-	7	7	-	7
Concessional loan discount	10	-	10	22	-	22
Total contributor's resources	199	248	447	238	131	369
Total liabilities	216	248	464	267	131	398

9. Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

10. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

11. Related parties

The Fund's related parties are the Bank and the contributor, the GCF.

The Bank is entitled to an accredited entity fee in accordance with the terms of the relevant FAA. The accredited entity fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. The fees payable during the year are disclosed in the income statement as accredited fee expense.

External auditors' remuneration of €24,200 in relation to the audit of the financial statements is payable by the Bank from the accredited entity fee (2023: €21,500). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

The Accredited entity fees payable from the Fund to the Bank are outlined in note 5.

Contributions received and receivable from the contributor and amounts returned to the contributor are outlined in note.

Independent auditor’s report

To the Governors of the European Bank for Reconstruction and Development (the “Bank”) in respect of The EBRD Green Climate Fund Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The EBRD Green Climate Fund Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund’s financial statements comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors’ resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund’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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributors' objectives, are the responsibility of the Bank and the contributors and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 5 July 2017, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The EBRD SME Special Fund

Annual Financial Report
31 December 2024

The EBRD SME Special Fund

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The EBRD SME Special Fund

Income statement

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income			
From credit institutions		448	259
Total Interest		448	259
Technical cooperation expenses	3	(83)	(4)
Foreign exchange movements		(30)	(17)
Other operating expenses	4	(211)	(22)
Net profit for the year		124	216
Attributable to:			
Contributors		124	216

Statement of comprehensive income

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Net profit for the year	124	216
Other comprehensive income/(expense) for the year		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	1,033	(270)
Total comprehensive income/(expense) for the year	1,157	(54)
Attributable to:		
Contributor	1,157	(54)

Balance sheet

At 31 December 2024

	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		18,625	8,247
Share investments	5	-	-
Interest receivable		1	21
Total assets		18,626	8,268
Liabilities			
Other financial liabilities	6	13	26
Contributors' resources		18,613	8,242
Total liabilities		18,626	8,268

Statement of changes in contributors' resources

	Contributions € 000	General Reserve € 000	Accumulated losses € 000	Total € 000
At 1 January 2023	45,902	-	(37,606)	8,296
Net profit and total comprehensive income/(expense) for the year	-	(270)	216	(54)
At 31 December 2023	45,902	(270)	(37,390)	8,242
At 1 Janaury 2024	45,902	(270)	(37,390)	8,242
Contributions received	9,214	-	-	9,214
Net profit and total comprehensive income/(expense) for the year	-	1,033	124	1,157
At 31 December 2024	**55,116**	**763**	**(37,266)**	**18,613**

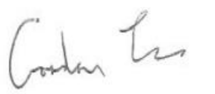
The EBRD SME Special Fund

Statement of cash flows

For the year ended 31 December 2024

	Year to 31 December 2024		Year to 31 December 2023	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	124		216	
Non-cash items in the income statement				
Foreign exchange movement	30		17	
	154		233	
Working capital adjustment				
Movement in interest receivable	20		(19)	
Movement in other liabilities	(13)		(49)	
Net cash generated from operating activities		161		165
Cash flows from financing activities				
Contributions received	9,214		-	
Net cash generated from financing activities		9,214		-
Net increase in cash and cash equivalents		9,375		165
Cash and cash equivalents at the beginning of the year		8,247		8,370
Effect of foreign exchange rate changes		1,003		(288)
Cash and cash equivalents at 31 December		18,625		8,247

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director - Financial Control
Date: 10 April 2025

The EBRD SME Special Fund

Fund purpose

The EBRD SME Special Fund ("the Fund") was established to assist the development of small (including micro) and medium-size enterprises ("SMEs") in Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kyrgyz Republic, North Macedonia, Moldova, Montenegro, Romania, Serbia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan (collectively, the "Eligible Countries").

To achieve this, the resources of the Fund may be used to:

- participate alongside the Bank in providing loans to SMEs;
- finance technical assistance which includes procuring consultancy services to assist SMEs;
- facilitate lending in local currency to SMEs by mitigating exchange rate risk.
- provide guarantees on a first loss basis on the European Bank for Reconstruction and Development's ("the Bank") SME loans; and
- allocate resources to other Funds pursuing similar development objectives.

As the primary purpose of the Fund is to assist the development of SMEs rather than to generate a return on its assets, financial risks, with the exception of credit risk, are not actively managed by the Fund.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for accounting policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The share investment held by the Fund is measured at fair value through profit or loss.

When an instrument which is required to be measured at fair value through profit or loss has characteristics of both a debt and equity instrument, the Fund determines its classification as a debt or an equity instrument on the basis of the legal rights and obligations attaching to the instrument in accordance with IFRS.

The basis of fair value for the share investment that is unlisted is determined using valuation techniques appropriate to the market and industry of the investment. The primary valuation technique used is net asset value.
The Fund's share investment is recognised on a trade date basis.

At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value included in the income statement in the period in which they occur.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:
(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost.

Contributors' resources

The Fund recognises contributions received from contributors as a liability on the basis that Fund is obligated to return Funds under the terms of the agreement as set out below.

The Fund is required to return to contributors reflows of investment income earned on contributed resources. The return of funds to the contributor is disclosed as 'distribution of funds to contributors' in the statement of changes in contributors' resources.

Contributed resources are carried at the redemption amount that is payable at the balance sheet date if the contributor were to withdraw from the Fund and contributions returnable to the contributor from operating activities.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The functional currency of the Fund is the United States dollar (USD) as this reflects the transactions, events and conditions under which the Fund conducts its business. For financial statement reporting purposes the unit of measurement and presentation currency is the euro (€).

For functional currency reporting, transactions in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. All assets and liabilities denominated in currencies other than USD are re-translated into USD at the year-end exchange rate with the resultant exchange gains or losses taken to the income statement.

For financial statement reporting, income and expenses (excluding exchange gains or losses) are translated from the functional currency to euro using exchange rates ruling at the time of the transaction. Exchange gains or losses are translated from the functional currency to euro at year-end using the average exchange rate for the year. Assets and liabilities denominated in the functional currency are re-translated to euro at the year-end exchange rate with the resultant exchange gains and losses taken to other comprehensive income.

General reserve

The general reserve represents foreign exchange movements on translation from functional currency to presentational currency.

Contributions

Contributions received in USD are translated into euro at the exchange rates ruling at the time of transaction.

Outstanding contributions are recognised as receivables in the balance sheet on the date of signature of a contribution arrangement by the Bank and a contributor.

Interest

Interest is recorded on an accruals basis using the effective interest method. Interest income is recognised within 'interest income' in the income statement.

Technical cooperation expenses

Technical cooperation expenses, which represent the cost of services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period during which the services are received.

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced. This approach is not materially different from recognising the recovery at the same time as performance of the service and contractual terms being met.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund’s significant accounting estimates are outlined below.

Fair value of the share investment
The Fund’s method for determining the fair value of the share investment is described under “Financial assets” within the accounting policies section of the report and an analysis of the share investment is provided in section D. Where unobservable market data has been used, a sensitivity analysis has been included on page 9.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Classification of contributors’ resources: The classification of contributors’ resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:
The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[1] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arised from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund's exposure to credit risk is currently limited to the financial institutions with which it may place its cash resources, as well as client cost sharing amounts receivable and contributions receivable from the Contributor. For banks with which the Fund places its cash, internal credit ratings are determined by the Bank's Risk Management department and are the same as those used for banking exposures. These ratings are based on internal analysis of approved counterparties' creditworthiness through the synthesis of externally provided credit research and market data, including approved external agency ratings. All individual counterparty credit lines for banks are measured, monitored and reviewed by Risk Management annually.

At year end the Fund's cash was placed with a financial institution which ranked in the second highest internal credit rating risk range assigned by the Bank's Risk Management department. This rating approximated to a Standard & Poor's equivalent rating of AA+ to AA-. Placements with credit institutions are considered to have low credit risk.

The carrying amount of placements presented on the balance sheet represents the Fund's maximum exposure to credit risk at 31 December 2024 and 31 December 2023.

[1] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the risk management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

There is no comparable stock exchange for the Fund's investment to determine a correlated movement. The level 3 sensitivity analysis below provides the best estimate of possible fair value changes to the Fund's investment.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro 2024 € 000	United States Dollar 2024 € 000	Total 2024 € 000
Total assets	418	18,208	18,626
Total liabilities	(13)	-	(13)
Net currency position at 31 December 2024	405	18,208	18,613

	Euro 2023 € 000	United States Dollar 2023 € 000	Total 2023 € 000
Total assets	496	7,772	8,268
Total liabilities	(26)	-	(26)
Net currency position at 31 December 2023	470	7,772	8,242

Based on the average five year absolute rolling average movement in the Euro to USD exchange rate on the Euro Assets and Liabilities, the potential impact on the Fund's net loss from a 6 per cent strengthening or weakening (2023: 6 per cent) is +/- €23,000 (2023 €23,000).

The potential impact on other comprehensive income based on the average five year absolute rolling average movement, on USD assets and liabilities, from a 6 per cent (2023: 6 per cent) strengthening or weakening of USD relative to EUR is +/- €1,095,000 (2023: €468,000).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that technical assistance, loan investments and guarantees are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as a liability, which may be returned to a contributor upon termination of a contribution agreement. Amounts returned are based on the Fund's net assets and take into account any existing commitments. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets and liabilities

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments for which not all market data is observable.

The fair values of the Fund's share investment has been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

Level 3 - sensitivity analysis
IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. The fair values of the Fund's share investment has been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

The technique used for the Fund's share investment in the SME Local Currency Special Fund is net asset value (NAV).

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2024 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

		Impact on net loss in 2024	
Assets	**Carrying amount € 000**	**Favourable change € 000**	**Unfavourable change € 000**
Share investments	-	103	-
At 31 December 2024	-	103	-

		Impact on net loss in 2023	
Assets	Carrying amount € 000	Favourable change € 000	Unfavourable change € 000
Share investments	-	175	-
At 31 December 2023	-	175	-

The EBRD SME Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of Directors ("the Board") of the Bank on 28 June 2000 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund. The Fund became operational on 24 July 2000 following the signing of the first contribution agreement.

The Fund's principal office is located in London at 5 Bank Street, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules allows either the Bank or the contributor to terminate the Fund by giving written notice. The Board may terminate the Fund at any time. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3 In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Technical cooperation expenses

The undrawn commitments amount represents amounts for which the Fund has contracted but for which the transaction or service was not yet performed at 31 December 2024.

	Commitments approved € 000	Technical cooperation expenses € 000	Undrawn commitments € 000
At 1 January 2023	31,183	(31,169)	14
Movement in the period	19	(4)	15
At 31 December 2023	31,202	(31,173)	29
At 1 Janaury 2024	31,202	(31,173)	29
Movement in the period	139	(83)	56
At 31 December 2024	**31,341**	**(31,256)**	**85**

4. Other operating expenses

	2024 € 000	2023 € 000
Management fees	187	-
Audit fees	24	22
Year to 31 December	211	22

Other operating expenses comprise of administrative expenses directly related to the Fund and include management fees of €187,000 (2023: nil) and external auditors' remuneration of €24,200 (2023: €21,500). The Bank pays the external auditors' remuneration on behalf of the Fund in relation to the audit of the financial statements, which in turn reimburses the Bank in full. At 31 December 2024 there was no auditors' remuneration payable to the bank in relation to these audit fees (2023: €21,500). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP in their first term as the Bank's external auditors for the five-year period 2020-24. In 2024 the board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

5. Share investments

	2024 € 000	2023 € 000
Outstanding disbursements		
At 1 January	3,747	3,747
At 31 December	3,747	3,747

	2024 € 000	2023 € 000
Fair value adjustment		
At 1 January	(3,747)	(3,747)
At 31 December	(3,747)	(3,747)
Fair value at 31 December	-	-

6. Other financial liabilities

	2024 € 000	2023 € 000
Audit fees payable	-	22
Technical cooperation expenses payable	13	4
At 31 December	13	26

7. Contributions

Contributions of €9,214,000 were received during the year (2023: nil).

8. Analysis of current and non-current assets and liabilities

All assets and liabilities in 2024 were current (2023: All assets and liabilities were current).

9. Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

10. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

11. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a Management fee of an amount equal to 2.0 per cent of contributions received. The Management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. Management fees of €187,000 were paid by the Fund to the Bank in 2024 (2023: nil) and there is no balance payable by the Fund to the Bank at 31 December 2024 (2023: nil). Audit fees paid to the bank are outlined in note 4.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD SME Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The EBRD SME Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 28 June 2000, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The Italian Investment Special Fund

Annual Financial Report
31 December 2024

The Italian Investment Special Fund

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The Italian Investment Special Fund

Statement of comprehensive income

For the year ended 31 December 2024

	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income			
From loans		10	33
From credit institutions		272	171
Total interest		282	204
Fee Income		2	14
Dividend income		119	105
Net gains/(losses) from share investments	3	630	(1)
Financial guarantees movement	4	263	633
Audit fees	5	(24)	(22)
Impairment release on loans	6	8	65
Net profit and comprehensive income for the year		1,280	998
Attributable to:			
Contributors		1,280	998

Balance sheet

At 31 December 2024

	Note	31 December 2024 € 000	31 December 2024 € 000	31 December 2023 € 000	31 December 2023 € 000
Assets					
Placements with credit institutions			8,544		7,599
Loan investments					
Loans at amortised cost		189		251	
Less: Provisions for impairment	6	(21)		(29)	
	7		168		222
Financial guarantee assets	8		1		13
Share investments	9		2,753		2,684
Interest receivable			18		18
Total assets			11,484		10,536
Liabilities and contributors' resources					
Audit fees payable			-		22
Fair value of equity related derivatives			4		39
Financial guarantee liability	8		147		422
Total liabilities			151		483
Contributions			13,524		13,524
Reserves and accumulated loss			(2,191)		(3,471)
Total contributors' resources			11,333		10,053
Total liabilities and contributors' resources			11,484		10,536
Memorandum items					
Undrawn commitments	10		2,906		2,949

The Italian Investment Special Fund

Statement of changes in contributor's resources

For the year ended 31 December 2024

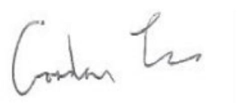
	Contributions	Accumulated losses	Total
	€ 000	€ 000	€ 000
At 1 January 2023	13,524	(4,469)	9,055
Net profit and total comprehensive income for the year	-	998	998
At 31 December 2023	13,524	(3,471)	10,053
At 1 January 2024	13,524	(3,471)	10,053
Net profit and total comprehensive income for the year	-	1,280	1,280
At 31 December 2024	**13,524**	**(2,191)**	**11,333**

Statement of cash flows

For the year ended 31 December 2024

	Year to 31 December 2024		Year to 31 December 2023	
	€ 000	**€ 000**	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	1,280		998	
Non-cash items in the statement of comprehensive income				
Movement in effective interest rate adjustment	6		(15)	
Net (gains)/losses from share investments	(630)		1	
Impairment release on loans	(8)		(65)	
Financial guarantees movement	(263)		(633)	
	385		286	
Cash flows from the sale and purchase of operating assets				
Proceeds from return of capital on share investments	526		124	
Loan repayments	56		286	
Working capital adjustment				
Movement in audit fee payable	(22)		22	
Movement in interest receivable	-		(18)	
Net cash generated from operating activities		945		700
Net increase in cash and cash equivalents		945		700
Cash and cash equivalents at the beginning of the year		7,599		6,899
Cash and cash equivalents at 31 December		8,544		7,599

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director - Financial Control
Date: 10 April 2025

Fund purpose

The Italian Investment Special Fund ("the Fund") has been established to support the development of small and medium size enterprises ("SMEs") in EBRD countries of operation as set out in the individual Contribution Agreements to the Fund. To achieve this purpose, the Fund has participated, alongside the European Bank for Reconstruction and Development ("the Bank"), in providing equity investments and loans to such businesses. The Fund's resources are also used to mitigate the Bank's risk exposure by providing guarantees on some of the Bank's investments.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2024, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates and critical judgements" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

All loans are subsequently measured at amortised cost using the effective interest method less any impairment. The initial fair value discount applied to each concessional loan is therefore recovered in the effective interest rate at which income is recognised in the Statement of comprehensive income over the tenor of the loan.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'. All of the share investments held by the Fund are measured at fair value through profit or loss.

When an instrument which is required to be measured at fair value through profit or loss has characteristics of both a debt and equity instrument, the Fund determines its classification as a debt or an equity instrument on the basis of the legal rights and obligations attaching to the instrument in accordance with IFRS.

The basis of fair value for share investments that are unlisted is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are multiples applied to net asset value and earnings-based valuations to which a multiple is applied based on information from comparable companies and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

The Fund's share investments are recognised on a trade date basis.
At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income. Such assets are carried at fair value on the balance sheet with changes in fair value included in the Statement of comprehensive income in the period in which they occur.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:
(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for derivative instruments, which must be measured at fair value, and financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Impairment of financial assets

Financial assets at amortised cost – performing assets (stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[1], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the Statement of comprehensive income.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment
In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2[2].

Financial assets at amortised cost – non performing assets (stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the Statement of comprehensive income, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit-impaired include:
- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the Statement of comprehensive income. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the Statement of comprehensive income.

[1] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[2] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the Statement of comprehensive income.

Derivative financial instruments

The Fund makes use of derivatives for two purposes:

- to guarantee a minimum return to the European Bank for Reconstruction and Development ("the Bank") in respect of share investments in which the Fund makes a parallel investment. The Fund's liability to make up the minimum return is limited to the recoverable amount of its own parallel investment; and
- to provide potential exit strategies for its unlisted equity investments through negotiated put options.

All derivatives are measured at fair value through the Statement of comprehensive income. Fair values are derived from option-pricing models. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Financial guarantees

Initial recognition and measurement
The Fund's resources may be used to provide the following guarantees:

- to cover the principal losses of parallel loan investments, limited to the debt proceeds recovered on the Fund's loan investment. When a guarantee is issued, it is initially recognised at its fair value, which is estimated using the risk margin, principal and tenor of the guaranteed loan as a proxy for the fees which may have been received if the transaction had been at arm's length. These Financial guarantees are recognised within other financial liabilities;

- to cover the principal losses of the Bank's unilateral loan investments, limited to the Fund's percentage of the aggregate committed amount of the unilateral investment that is to be covered by the Fund's first loss risk coverage. As the Fund charges the Bank a fee for these guarantees, the initial fair value is estimated based on the present value of fees the Fund is expected to receive over the period of the financial guarantee and recognised within other financial assets and other financial liabilities.

  A guarantee is recognised once the financial guarantee contract is effective.

Subsequent measurement
The initial value of each financial guarantee liability is amortised over the life of the financial guarantee contract using the straight-line method. Amortisation is recognised in profit and loss in the period to which it relates, and is recorded as other financial guarantees movement in the statement of profit and loss. In addition, the carrying value of the financial guarantee liability is measured as the higher of:

- The initial fair value of the financial guarantee liability less accumulated amortisation, and
- The expected credit loss associated with the financial guarantee.

The guarantee assets represents the discounted value of the guarantee fee income.

Contributor's resources

The Fund recognises contributions received from the contributor as equity on the basis that the residual assets are only available to be distributed to the contributors upon the winding up of the Fund.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the Statement of comprehensive income.

Interest, fees and dividends

Interest income and expense is recognised on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of expected future cash flows. Negative interest is incurred on euro placements due to the prevailing negative rates set by the European Central Bank. Negative interest rate expense is recognised in 'operating expenses' in the Statement of comprehensive income.

Fees earned in respect of services provided over a period of time, including loan guarantee fees are recognised as income as the services are provided.

Dividends relating to share investments are recognised in accordance with IFRS 9 when the Fund’s right to receive payments has been established, and when it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank (“the AEB”), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied upon goods and services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the Statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the economies in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk.

The Fund’s significant accounting estimates are outlined below:

Fair value of derivative financial instruments
The fair values of the Fund’s derivative financial instruments are determined by using option pricing models. These cash flow models are based on underlying market prices for currencies, interest rates and option volatilities. Where market data is not available for all elements of a derivative’s valuation, comparable proxy observable data, or extrapolation and interpolation of existing data has been used. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report.

Fair value of share investments
The Fund’s method for determining the fair value of share investments is described under “Financial assets” within the accounting policies section of the report and an analysis of the share investment portfolio is provided in note 10. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report.

Impairment of loan investments
The Fund’s method for determining the level of impairment of loan investments is described within the accounting policies section of the report and further explained under credit risk within the risk management section of the report. As described in the risk management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank’s risk processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan’s effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was minimal.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions						
2024 PD rating [3]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, Commerce and Agribusiness (ICA)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure (SI)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

[3] The Bank's internal PD rating scale is explained in detail on page 13 of the Risk Management section.

Industry, Commerce and Agribusiness						
2023 PD rating	**External rating equivalent**	**1-year horizon**	**2-year horizon**	**3-year horizon**	**4-year horizon**	**5-year horizon**
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure						
2023 PD rating	**External rating equivalent**	**1-year horizon**	**2-year horizon**	**3-year horizon**	**4-year horizon**	**5-year horizon**
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[4]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[4]	20%	30%

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Funds EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

There are no Stage 1 provisions at 31 December 2024 (2023: no Stage 1 provisions).

The sensitivity of portfolio provisions to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision 2024 €000	Change in provision 2024 €000	Change in provision 2024 %	Recalculated provision 2023 €000	Change in provision 2023 €000	Change in provision 2023 %
Portfolio provision (Stage 1 & 2)	21			29		
Staging						
All loans in Stage 1	15	(6)	(29)%	20	(9)	(31)%
All loans in Stage 2	21	-	0%	29	-	0%
PD Ratings						
All loans upgraded 1 notch	14	(7)	(33)%	22	(7)	(24)%
All loans downgraded 1 notch	21	-	0%	29	-	0%
All loans upgraded 3 notches	8	(13)	(62)%	9	(20)	(69)%
All loans downgraded 3 notches	21	-	0%	29	-	0%
Projected GDP						
Projected GDP increased by 1%	20	(1)	(5)%	28	(1)	(3)%
Projected GDP decreased by 1%	23	2	10%	31	2	(7)%
Projected GDP increased by 5%	16	(5)	(24)%	24	(5)	(17)%
Projected GDP decreased by 5%	32	11	52%	39	10	34%
LGD						
All loans decreased by 10%	15	(6)	(29)%	21	(8)	(28)%
All loans increased by 10%	27	6	29%	37	8	28%
EAD						
All undrawn commitments cancelled	21	-	0%	29	-	0%
All undrawn commitments disbursed within one month	21	-	0%	29	0	0%

[4] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Financial guarantee liability
The Fund's method for determining the fair value of financial guarantees is described under "Financial guarantees" within the accounting policies section of the report and further explained under credit risk within the risk management section of the report.

A 3 notch PD upgrade on the Bank's loan investments covered by the Fund's guarantees would have decreased the ECL of the financial guarantee liability by €95,000 (2023: €7,000). Conversely, a 3 notch PD downgrade would have increased the ECL of the financial guarantee liability nil (2023: €188,000).

A LGD increase or decrease of 10 percent of the Bank's loan investments covered by the Fund's guarantees would have an impact of +€40,000/-€40,000 (2023: +€56,000/-€56,000) on the Fund's financial guarantee liability.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied making accounting estimates described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies critical as they involve judgement which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Classification of contributor's resources: The classification of contributor's resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to assist the development of SMEs rather than to generate a return on its net assets, most financial risks are not actively managed by the Fund. As the Fund participates in investments jointly with the Bank, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate, foreign exchange and equity price risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[5] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet, inclusive of the undrawn commitments related to loans and guarantees (see note 10).

[5] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the Bank's countries of operations. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects (both debt and equity transactions) prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee. Risk Management is represented at both the Equity Committee and the Small Business Investment Committee.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional level (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Fund operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 8.

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
The Fund's placements with credit institutions were all classified at the internal risk rating range of 2 and 3 (approximately AA+ to AA- in terms of the S&P equivalent). Placements with credit institutions are considered to have low credit risk.

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12-month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the Banking loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

As at 31 December 2024, the Fund has no loan investments in Stage 1 or Stage 3 (2023: no loans in Stage 1 or Stage 3).

	Amortised cost carrying value			Impairment	Total net of impairment	
Risk rating category	Stage 2 € 000	Total € 000	Total %	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
7: Special Attention	189	189	100.0%	(21)	168	11.1%
At 31 December 2024	**189**	**189**	**100.0%**	**(21)**	**168**	

	Amortised cost carrying value			Impairment	Total net of impairment	
Risk rating category	Stage 2 € 000	Total € 000	Total %	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
7: Special Attention	251	251	100.0%	(29)	222	11.6%
At 31 December 2023	251	251	100.0%	(29)	222	

At 31 December 2024 the Fund had security arrangements in place for €168,000 of its disbursed loan investments (2023: €224,000). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Fund with rights and negotiating leverage that help mitigate the overall credit risk.

Financial guarantee liabilities and undrawn loan and guarantee commitments
Set out below is an analysis of the Bank's undrawn commitments and guarantees for each of the Bank's relevant internal risk rating categories.[6]

	Financial guarantee liabilities			Undrawn loan and guarantee commitments		
Risk rating category	Stage 1 2024 € 000	Stage 2 2024 € 000	Total 2024 € 000	Stage 1 2024 € 000	Stage 2 2024 € 000	Total 2024 € 000
7: Special Attention	-	**147**	**147**	-	**146**	**146**
At 31 December 2024	-	**147**	**147**	-	**146**	**146**

	Financial guarantee liabilities			Undrawn loan and guarantee commitments		
Risk rating category	Stage 1 2023 € 000	Stage 2 2023 € 000	Total 2023 € 000	Stage 1 2023 € 000	Stage 2 2023 € 000	Total 2023 € 000
7: Special Attention	9	413	422	548	191	739
At 31 December 2023	9	413	422	548	191	739

Guarantees
The Fund's assets may be used to guarantee the Bank's potential future default losses that are incurred on specific loan operating assets and share investments, as at 31 December 2024 the relevant amounts outstanding were €4.6 million (2023: €5.1 million). At 31 December 2024, the Fund's maximum exposure under such guarantees was €147,000 (2023: €1.1 million).

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at their carrying amounts by country.

	Loans 2024 € 000	**Financial guarantee liabilities 2024 € 000**	**Undrawn loan and guarantee commitments 2024 € 000**	**Total 2024 € 000**	Loans 2023 € 000	Financial guarantee liabilities 2023 € 000	Undrawn loan and guarantee commitments 2023 € 000	Total 2023 € 000
Bulgaria	-	-	-	-	-	9	547	556
Croatia	-	**147**	**146**	**293**	-	3	168	171
Egypt	-	-	-	-	-	10	24	34
Serbia	**189**	-	-	**189**	251	400	-	651
At 31 December	**189**	**147**	**146**	**482**	251	422	739	1,412

6 Guarantees include both on-balance sheet liabilities and off-balance sheet undrawn commitments.

The following table breaks down the main credit risk exposures at the carrying amounts by the industry sector of the project.

	Loans 2024 € 000	Financial guarantee liabilities 2024 € 000	Undrawn loan and guarantee commitments 2024 € 000	Total 2024 € 000	Loans 2023 € 000	Financial guarantee liabilities 2023 € 000	Undrawn loan and guarantee commitments 2023 € 000	Total 2023 € 000
Agribusiness	-	-	-	-	-	10	23	33
Manufacturing and Services	189	147	146	482	251	412	716	1,379
At 31 December	189	147	146	482	251	422	739	1,412

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk, foreign exchange risk and equity risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

Derivative financial instrument liabilities
An amount of €237,000 (2023: €39,000) is recognised as "Derivative financial instrument liabilities" in relation to the share investments and an amount of €147,000 (2023: €422,000) is recognised as "Financial guarantee liabilities" in relation to the loan operating assets on the balance sheet.

Derivative financial assets
Derivative financial assets represent option contracts to provide potential exit routes for the Fund on its unlisted equity investments. All derivative financial assets are currently valued at nil (2023: Nil).

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

The Fund's placements and floating rate loan investments are repriced to market interest rates within one and six months respectively, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk excluding share investments is outlined in the table below. The exposure to foreign exchange risk for share investments is outlined under equity price risk below.

As at 31 December 2024, the fund does not hold any assets or liabilities of non-euro denomination, nor does it have any non-euro commitments, hence it is not exposed to any foreign exchange risk.

The 2023 split can be seen below:

	British Pounds 2023 € 000	Euro 2023 € 000	Total 2023 € 000
Total assets	-	10,536	10,536
Total liabilities	(10)	(473)	(483)
Net currency position at 31 December	(10)	10,063	10,053

Based on the average five year absolute rolling average movement in the British pound to euro exchange rate, the potential impact on comprehensive income (2023: 5.4 per cent) is nil (2023: €1,000).

Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund expects the effect of equity price risk on net profit will bear some correlation to the movement in equity indices. The following table breaks down the main equity price risk at their net fair value by country.

	Equities 2024 € 000	Equities 2023 € 000
Albania	**34**	53
Bosnia and Herzegovina	**61**	92
Croatia	**261**	395
Kosovo	**2,084**	1,671
North Macedonia	**70**	105
Serbia	**243**	368
At 31 December	**2,753**	2,684

Based on the five year rolling average movement in the Croatia Zagreb Stock Exchange Crobex Index and the Belgrade Stock Exchange BELEX15 Index, the potential impact on the Fund's net profit from a 14 per cent movement (2023: 10 per cent) in equity prices is €373,000 (2023: €264,000).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that loan investments, equity investments and guarantees are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund's guarantees are limited to the proceeds recoverable on the Fund's parallel investment. The Fund also recognises contributions received as equity, which will only be returned to the contributor as part of the residual assets upon termination of the Fund or one of its sub-Funds. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets and liabilities

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's share investments, derivative financial instruments have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.
At 31 December, the Fund's balance sheet approximates to the fair value of all financial assets and liabilities.

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets and financial liabilities.

	Share investments 2024 € 000	**Derivative financial instruments 2024 € 000**	**Total 2024 € 000**	Share investments 2023 € 000	Derivative financial instruments 2023 € 000	Total 2023 € 000
Balance as at 1 January	2,684	(39)	2,645	2,813	(43)	2,770
Net gains/(losses) recognised in:						
- Net gains/(losses) from share investments at fair value through profit or loss	595	35	630	(5)	4	(1)
Sales	(526)	-	(526)	(124)	-	(124)
Balance at 31 December	**2,753**	**(4)**	**2,749**	2,684	(39)	2,645
Net gains/(losses) recognised for the year for Level 3 instruments held at 31 December recognised in:						
- Net gains/(losses) from share investments at fair value through profit or loss	595	35	630	(5)	4	(1)

Level 3 - sensitivity analysis
The table below presents the Level 3 financial instruments carried at fair value at 31 December 2024 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

		Impact on net profit in 2024	
	Carrying amount	**Favourable change**	**Unfavourable change**
Assets	**€ 000**	**€ 000**	**€ 000**
Share investments and associated derivatives	**2,749**	**687**	**(380)**
At 31 December 2024	**2,749**	**687**	**(380)**

		Impact on net profit in 2023	
	Carrying amount	Favourable change	Unfavourable change
Assets	€ 000	€ 000	€ 000
Share investments and associated derivatives	2,645	896	(487)
At 31 December 2023	2,645	896	(487)

Level 3 financial liabilities relate to derivatives attached to share investments which have been analysed together in the table above.

Share investments and associated derivatives

The Fund's unlisted equity portfolio comprises direct share investments, equity derivatives and equity funds. The valuation techniques/models used to fair value these financial instruments are net asset value multiples, earnings before interest, tax, depreciation and amortisation (EBITDA) multiples, book cost and discounted cash flow models. Reasonable possible alternative valuations have been determined based on the net asset value and EBITDA multiple ranges used in the valuations.

A valuation model is used to fair value the guarantee of a minimum rate of return on the Bank's parallel share investments. The inputs into the model include the euro yield curve, the valuation of the underlying parallel investments, future dividend yields, equity volatility, the subscription price and an equity valuation additional amount. Reasonable possible alternative valuations have been determined based on the favourable and unfavourable change in the underlying direct share investments.

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of the Bank at its meeting of 15/16 September 1998 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund. The Fund became operational on 19 January 1999 following the receipt of the first contribution.

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules allow the Board or the Contributor to terminate the Fund at any time. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Net gains/(losses) from share investments

	2024 € 000	2023 € 000
Net unrealised gains/(losses) from share investments	595	(5)
Net unrealised (losses)/gains from equity related derivatives	35	4
Net gains/(losses) from share investments	**630**	(1)

4. Financial guarantees movement

	2024 € 000	2023 € 000
Movement in financial guarantee for Stage 1 and Stage 2 loans	(263)	133
Financial guarantees released	-	500
Financial guarantees movement	**(263)**	633

5. Audit fees

Audit fees comprise external auditor's remuneration of €24,000 (2023: €21,500). The Bank pays the external auditor's remuneration on behalf of the Fund in relation to the audit of the financial statements, which in turn reimburses the Bank in full. At 31 December 2024 there was no fee payable (2023: €21,500) to the Bank in relation to the 2023 or 2024 external audit.

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

6. Provision for impairment of loan investments

Release for the year	2024 € 000	2023 € 000
Impairment of loan investments at amortised cost in stages 1 and 2	8	10
Impairment of loan investments at amortised cost in stage 3	-	55
Provisions for impairment of loan investments	**8**	**65**

Movement in provisions		
At 1 January	(29)	(94)
Release for the year to the income statement	8	65
At 31 December	**(21)**	**(29)**

Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	(21)	(29)
At 31 December	**(21)**	**(29)**

For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the movements in the Banking loan investments and the associated impairment provisions for each of the stages of impairment.

As at 31 December 2024, the Fund has no loan investments in Stage 1 or Stage 3 (2023: no loans in Stage 1).

Movement in provisions	Lifetime ECL (Stage 2) 2024 € 000	Lifetime ECL (Stage 3) 2024 € 000	Total 2024 € 000
As at 1 January	(29)	-	(29)
Changes in model or risk parameters	8	-	8
As at 31 December	**(21)**	**-**	**(21)**

Movement in provisions	Lifetime ECL (Stage 2) 2023 € 000	Lifetime ECL (Stage 3) 2023 € 000	Total 2023 € 000
As at 1 January	(39)	(55)	(94)
Repayments	-	55	55
Changes in model or risk parameters	10	-	10
As at 31 December	(29)	-	(29)

Movement in loans at amortised cost	Loans Stage 2 2024 € 000	Loans Stage 3 2024 € 000	Total 2024 € 000
As at 1 January	251	-	251
Repayments	(56)	-	(56)
Movement in effective interest rate adjustment	(6)	-	(6)
As at 31 December	**189**	**-**	**189**

Movement in loans at amortised cost	Loans Stage 2 2023 € 000	Loans Stage 3 2023 € 000	Total 2023 € 000
As at 1 January	288	233	521
Repayments	(56)	(230)	(286)
Movement in effective interest rate adjustment	19	(3)	16
As at 31 December	251	-	251

7. Loan investments

	2024 € 000	2023 € 000
At 1 January	251	521
Movement in effective interest rate adjustment	(6)	16
Repayments	(56)	(286)
At 31 December	**189**	251
Impairment at 31 December	(21)	(29)
Total loan investments net of impairment at 31 December	**168**	222

8. Financial guarantee assets and liabilities

	2024 € 000	2023 € 000
At 1 January	13	24
Financial guarantees movement	(12)	(11)
Total financial guarantee asset at 31 December	1	13

Represented by:		
Guarantees on Stage 1 and Stage 2 loans	1	13
At 31 December	1	13

	2024 € 000	2023 € 000
At 1 January	422	1,065
Financial guarantees movement	(275)	(644)
Foreign exchange movement	-	1
Total financial guarantee liability at 31 December	147	422

Represented by:		
Guarantees on Stage 1 and Stage 2 loans	147	422
At 31 December	147	422

9. Share investments

	2024	2023
	€ 000	€ 000
Outstanding disbursements		
At 1 January	2,067	2,191
Return of capital	(526)	(124)
At 31 December	1,541	2,067

	2024	2023
	€ 000	€ 000
Fair value adjustment		
At 1 January	617	622
Movement in fair value revaluation	595	(5)
At 31 December	1,212	617
Fair value at 31 December	2,753	2,684

10. Undrawn commitments

	2024	2023
		Restated*
	€ 000	€ 000
Guarantees	146	739
Undrawn derivative commitments*	1,880	1,330
Undrawn share commitments	880	880
Undrawn commitments and guarantees at 31 December	2,906	2,949

*In the prior year undrawn commitments did not include undrawn derivative commitments. This has been included in the current year to provide a more detailed view of the Fund's total commitments.

11. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

	Current	Non-current	Total	Current	Non-current	Total
	2024	2024	2024	2023	2023	2023
Assets	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Placements with credit institutions	8,544	-	8,544	7,599	-	7,599
Share investments	-	2,753	2,753	-	2,684	2,684
Loans at amortised cost	56	133	189	63	188	251
Provisions for impairment of loan investments	(7)	(14)	(21)	(7)	(22)	(29)
Financial guarantee assets	1	-	1	5	8	13
Interest receivable	18	-	18	18	-	18
Total assets	8,612	2,872	11,484	7,678	2,858	10,536
Liabilities						
Audit fees payable	-	-	-	22	-	22
Fair value of equity related derivatives	-	4	4	-	39	39
Financial guarantee liability	147	-	147	422	-	422
Total liabilities	147	4	151	444	39	483

12. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024. Events after the reporting period that are indicative of conditions that arose after the reporting period do not lead to adjustment of the financial statements, but are disclosed in the event that they are material.

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

13. Related parties

The Fund's related parties are the Bank and the contributor.

The Bank is entitled to charge the Fund a management fee of an amount equal to 1.5 per cent of contributions received. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. As there were no contributions received in 2024, there were no management fees paid by the Fund to the Bank (2023: nil) and there was no accrued management fee payable by the Fund to the Bank at 31 December 2024 (2023: nil). Guarantees issued by the Fund to the Bank are disclosed under credit risk exposures.

The Fund charges the Bank a fee on the first loss risk coverage guarantees. The fees received during the year are disclosed in the Statement of comprehensive income as fee income. At 31 December 2024 nothing was owing to the Fund from the Bank (2023: nil). At 31 December 2024 no amounts were owing from the Bank to the Fund. (2023: nil).

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Italian Investment Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Italian Investment Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor’s objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 15/16 September 1998, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
For Reconstruction and Development

The Multi-Donor Trust Fund for the West Bank and Gaza

Annual Financial Report
31 December 2024

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The Multi-Donor Trust Fund for the West Bank and Gaza

Statement of comprehensive income

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income from credit institutions	51	33
Technical cooperation expenses	(145)	(117)
Disbursements for investment grants	(35)	(4)
Management fees	(125)	-
Net loss and comprehensive expense for the year	(254)	(88)
Attributable to:		
Contributors	(254)	(88)

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		4,289	1,408
Interest receivable from placements with credit institutions		6	3
Total assets		4,295	1,411
Liabilities and contributors' resources			
Other financial liabilities	3	388	250
Total liabilities		388	250
Contributions	4	5,862	2,862
Reserves and accumulated loss		(1,955)	(1,701)
Total contributors' resources		3,907	1,161
Total liabilities and contributors' resources		4,295	1,411

The Multi-Donor Trust Fund for the West Bank and Gaza

Statement of changes in contributors' resources

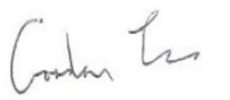
For the year ended 31 December 2024

	Contributions € 000	Reserves and accumulated losses € 000	Total € 000
At 1 January 2023	2,362	(1,613)	749
Contributions received	500	-	500
Net loss and total comprehensive expense for the year	-	(88)	(88)
At 31 December 2023	2,862	(1,701)	1,161
At 1 January 2024	2,862	(1,701)	1,161
Contributions received	3,000	-	3,000
Net loss and total comprehensive expense for the year	-	(254)	(254)
At 31 December 2024	**5,862**	**(1,955)**	**3,907**

Statement of cash flows

For the year ended 31 December 2024	€ 000	Year to 31 December 2024 € 000	€ 000	Year to 31 December 2023 € 000
Cash flows from operating activities				
Net loss for the year	(254)		(88)	
	(254)		(88)	
Working capital adjustment:				
Movement in nterest receivable from placements with credit institutions	(3)		8	
Movement in other liabilities	138		(266)	
Net cash used in operating activities		(119)		(346)
Cash flows from financing activities				
Contributions received	3,000		500	
Net cash generated from financing activities		3,000		500
Net increase in cash and cash equivalents		2,881		154
Cash and cash equivalents at the beginning of the year		1,408		1,254
Cash and cash equivalents at 31 December		4,289		1,408

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director – Financial Control
Date: 10 April 2025

The Multi-Donor Trust Fund for the West Bank and Gaza

Fund purpose

The purpose of the Multi-Donor Trust Fund for the West Bank and Gaza ("the Fund") is to provide financial assistance to support the economic development of West Bank and Gaza ("WB&G") and thereby contribute to the stability and prosperity of the southern and eastern Mediterranean region.

The resources of the Fund may be used to finance:

- Technical cooperation assistance which involves the provision of project preparation and implementation in support of lending, guarantee or investment operational activities or other types of technical assistance.
- Non-technical cooperation assistance initiatives which are principally used to provide incentive fees or to pay for goods and works contracts in support of a lending, guarantee or investment operational activities in the WB&G; and
- Investment activities which may include guarantees, equity or debt financing.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.

Pronouncement	Nature of change	Potential impact
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets – classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Financial liabilities

All financial liabilities are measured at amortised cost.

Contributors' resources

The Fund recognises contributions received from the contributors as equity on the basis that, should a contributor choose to withdraw from the Fund, the Fund is not obliged to return such contributions until the residual assets are only available to be distributed to the contributors upon the winding up of the Fund.

Foreign currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€). Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the period-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the statement of comprehensive income.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and are subject to insignificant risk of changes in value.

Contributions

Contributions received in currencies other than euro are translated into euro at the exchange rates ruling at the time of the transaction.

Technical cooperation expenses

The cost of technical cooperation expenses, which represent the cost of services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced. This approach is not materially different from recognising the recovery at the same time as performance of the service and contractual terms being met.

Interest

Interest is recorded on an accruals basis. All interest income is recognised within 'interest income' in the income statement.

Management fees

The Bank is entitled to charge the Fund a management fee of an amount equal to 2 per cent, 3 per cent or 4 per cent of contributions received, depending on the amount of the contribution received.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk.

The Fund does not have any critical accounting estimates for the years presented.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. The Fund has deemed the following accounting policy critical as it involves a judgement which could have a material impact on the financial statements:

- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Guidelines of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

The Multi-Donor Trust Fund for the West Bank and Gaza

Risk management

Not all financial risks are actively managed by the Fund. Credit risk is managed in line with Bank policies. The Fund does not hedge against market risk and is hence exposed to foreign exchange risk and interest rate risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[1] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness.

The Fund's exposure to credit risk is currently limited to the financial institutions with which it may place its cash resources. For banks with which the Fund places its cash, internal credit ratings are determined by the Bank's Risk Management department and are the same as those used for Banking exposures. These ratings are based on internal analysis of approved counterparties' creditworthiness through synthesis of externally provided credit research and market data, including approved external agency ratings. All individual counterparty credit lines for banks are measured, monitored and reviewed by Risk Management annually.

At period end the Fund's cash was placed with a financial institution which ranked in the second highest internal credit rating risk category assigned by the Bank's Risk Management department. The financial institution rating approximated to a Standard & Poor's equivalent rating of AA+ to AA-.

The carrying amounts of placements presented on the balance sheet best represents the Fund's maximum exposure to credit risk at 31 December 2024 and 31 December 2023.

[1] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The driver of market risk for the Fund is interest rate risk.

Market risk management and measurement

As discussed at the beginning of the risk management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro	United States dollar	Total
	2024	2024	2024
	€ 000	€ 000	€ 000
Total assets	4,295	-	4,295
Total liabilities	(209)	(179)	(388)
Net currency position at 31 December	**4,086**	**(179)**	**3,907**

	Euro	United States dollar	Total
	2023	2023	2023
	€ 000	€ 000	€ 000
Total assets	1,411	-	1,411
Total liabilities	(119)	(131)	(250)
Net currency position at 31 December	1,292	(131)	1,161

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on the Fund's net loss from a 6.4 per cent strengthening or weakening (2023: 6 percent) is +/- €11,850 (2023: +/- €7,360).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Guidelines require that operations are financed from the resources of the Fund, which comprise of contributions received.

Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund also recognises contributions received as equity, which will only be returned to the contributor as part of the residual assets upon termination of the Fund. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

The Multi-Donor Trust Fund for the West Bank and Gaza

Notes to the financial statements

1. Creation of the Trust Fund

The creation of the Fund was approved by the Board of Governors ("the Board") at its meeting on 10 May 2017 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Guidelines ("the Rules") of the Fund. The Fund became effective after two contributors pledged contributions and a contribution was received from one of the contributors.

The Fund's principal office is located in London at 5 Bank Street, E14 4BG.

The Fund was established in accordance with Article 20.1 (vii) of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but the privileges and immunities available to the Bank are extended to the Fund.

The Rules allows the Board to terminate the Fund at any time. No notice has been given and none is expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Other financial liabilities

	2024 € 000	2023 € 000
Technical cooperation expenses payable	263	250
Accrued Management Fees	125	-
At 31 December	**388**	250

4. Contributions received

Cumulative contributions received	2024 € 000	2023 € 000
Netherlands	1,200	1,200
Spain	3,000	500
United Kingdom	662	662
Luxembourg	1,000	500
At 31 December	**5,862**	2,862

5. Analysis of current and non-current assets and liabilities

All assets and liabilities on the balance sheet are classified as current for both 2024 and 2023.

7. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

8. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee of an amount equal to 2 per cent, 3 per cent or 4 per cent of contributions received, depending on the amount of the contribution received. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. €125,000 management fees were paid during the period (2023: Nil).

External auditors' remuneration of €24,200 (2023: €21,500) is payable by the Bank for audit fees from the management fee in relation to the audit of the financial statements. The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP in their first term as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Contributions received from the contributors are outlined in note 5.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Multi-Donor Trust Fund for the West Bank and Gaza.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Multi-Donor Trust Fund for the West Bank and Gaza (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributors' objectives, are the responsibility of the Bank and the contributors and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 10 May 2017, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The Russia Small Business Investment Special Fund

Annual Financial Report
31 December 2024

The Russia Small Business Investment Special Fund

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The Russia Small Business Investment Special Fund

Income statement

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Restated* Year to 31 December 2023 € 000
Interest income from credit institutions		40	38
Dividend income	3	288	123
Net loss from share investments	4	(72)	(69)
Foreign exchange movements		(96)	(10)
Audit fees	5	(24)	(22)
Net unrealised losses from equity related derivatives		(207)	-
Net (loss)/profit for the year		(71)	60
Attributable to:			
Contributors		(71)	60

*Dividend income for 2023 has been restated. Refer to Note 3 for further details

Statement of comprehensive income

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Restated* Year to 31 December 2023 € 000
Net (loss)/profit for the year	(71)	60
Other comprehensive income/(expense) for the year		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	107	(49)
Total comprehensive income for the year	36	11
Attributable to:		
Contributors	36	11

*Refer to note 3

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2024 € 000	Restated* 31 December 2023 € 000	Restated* 31 December 2023 € 000
Assets					
Placements with credit institutions	3		1,687		1,395
Share investments	4		153		225
Bank charges refundable			1		-
Total assets			1,841		1,620
Liabilities and contributors' resources					
Audit fee payable			-		22
Fair value of equity related derivatives			207		-
Total liabilities			207		22
Reserves and accumulated loss			1,634		1,598
Total contributors' resources			1,634		1,598
Total liabilities and contributors' resources			1,841		1,620
Memorandum items					
Guarantees			820		820

*Refer to note 3

The Russia Small Business Investment Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2024

	Notes	General Reserve € 000	Accumulated losses € 000	Total € 000
At 1 January 2023		2,449	(862)	1,587
Net loss and total comprehensive expense for the year		(46)	(62)	(108)
At 31 December 2023		2,403	(924)	1,479
Dividend income restatement*	3	(4)	123	119
Restated as at 31 December 2023	3	2,399	(801)	1,598
As at 1 January 2024		2,399	(801)	1,598
Net loss and total comprehensive income for the year		107	(71)	36
At 31 December 2024		**2,506**	**(872)**	**1,634**

* Refer to note 3 for further detail

Statement of cash flows

For the year ended 31 December 2024

	Year to 31 December 2024 € 000	Year to 31 December 2024 € 000	Restated* Year to 31 December 2023 € 000	Restated* Year to 31 December 2023 € 000
Cash flows from operating activities				
Net (loss)/profit for the year	(71)		60	
Non-cash items in the income statement				
Net loss from share investments	72		69	
Foreign exchange movement	96		10	
Net unrealised losses from equity related derivatives	207		-	
	304		139	
Working capital adjustment				
Movement in bank charges refundable	(1)		-	
Movement in audit fee payable	(22)		22	
Net cash generated from operating activities		281		161
Net increase in cash and cash equivalents		281		161
Cash and cash equivalents at the beginning of the year		1,395		1,293
Effect of foreign exchange rate changes		11		(59)
Cash and cash equivalents at 31 December		1,687		1,395

*Refer to note 3

Also within the 31 December 2024 balance is €354,000 (2023: €142,000) of "restricted cash". The restricted cash cannot be transferred out of Russia.

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director – Financial Control
Date: 10 April 2025

The Russia Small Business Investment Special Fund

Fund purpose

The Russia Small Business Investment Special Fund (“the Fund”) was established to assist the development of small businesses in the private sector in the Russian Federation. To achieve this, the resources of the Fund may be used to:

- participate alongside the European Bank for Reconstruction and Development (“the Bank”) in providing loans to small businesses;
- participate alongside the Bank in equity investments; and
- provide guarantees on a first loss basis on the Bank’s parallel loans and investments.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

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

In May 2022 the Fund was terminated by the Board of Directors of the European Bank for Reconstruction and Development (“the Bank”), following a request from the contributors to the Fund. In accordance with the termination agreements of the Fund, the net assets then available were transferred. Once all share investments have been realised, the Fund’s remaining cash resources will be transferred.

The financial statements for the Fund are therefore presented on a basis other than that of a going concern. In such circumstances all assets and liabilities are more appropriately reported at net realisable value rather than historical cost. No material adjustments arose from ceasing to apply the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in “Accounting policies and judgements” and” Significant accounting estimates” within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund’s financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.

Pronouncement	Nature of change	Potential impact
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

All of the share investments held by the Fund are measured at fair value through profit or loss.

When an instrument which is required to be measured at fair value through profit or loss has characteristics of both a debt and equity instrument, the Fund determines its classification as a debt or an equity instrument on the basis of the legal rights and obligations attaching to the instrument in accordance with IFRS.

The basis of fair value for share investments that are unlisted is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are multiples applied to net asset value and earnings-based valuations to which a multiple is applied based on information from comparable companies and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

The Fund's share investments are recognised on a trade date basis.

At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value included in the income statement in the period in which they occur.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:
(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for derivative instruments, which must be measured at fair value.

Impairment of financial assets

Financial assets at amortised cost – performing assets (Stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[1], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets, impairment is deducted from the asset categories on the balance sheet and charged to the income statement.

Stage assessment
In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2.[2]

Financial assets at amortised cost – non-performing assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate where applicable. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended, it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, it will continue to be shown as overdue if appropriate and individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset.

Derivative financial instruments

The Fund makes use of derivatives to guarantee a minimum return to the European Bank for Reconstruction and Development ("the Bank") in respect of share investments in which the Fund makes a parallel investment. The Fund's liability to make up the minimum return is limited to the original Bank parallel investment and the resources of the Fund.

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[1] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[2] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

All derivatives are measured at fair value through the Income statement. Fair values are derived from option-pricing models. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Contributors' resources

The Fund recognises contributions received from the contributors as equity on the basis that, should a contributor choose to withdraw from the Fund, the Fund is not obliged to return such contributions until the residual assets are available to be distributed to the contributors upon the winding up of the Fund.

General reserve

The general reserve represents foreign exchange movements on translation from functional currency to presentational currency.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The functional currency of the Fund is the United States dollar (USD) as this reflects the transactions, events and conditions under which the Fund conducts its business. For financial statement reporting purposes the unit of measurement and presentation currency is the euro (€).

For functional currency reporting, transactions in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. All assets and liabilities denominated in currencies other than USD are re-translated into USD at the year-end exchange rate with the resultant exchange gains or losses taken to the income statement.

For financial statement reporting, income and expenses (excluding exchange gains or losses) are translated from the functional currency to euro using exchange rates ruling at the time of the transaction. Exchange gains or losses are translated from the functional currency to euro at year-end using the average exchange rate for the year. Assets and liabilities denominated in the functional currency are re-translated to euro at the year-end exchange rate with the resultant exchange gains and losses taken to other comprehensive income.

Contributions

Contributions received in USD are translated into euro at the exchange rates ruling at the time of the transaction.

Interest, dividends and fees

Interest is recorded on an accruals basis using the effective interest method. All interest income is recognised within 'interest and similar income' in the income statement.

Dividends relating to share investments are recognised in accordance with IFRS 9 when the Fund's right to receive payments has been established, and when it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured.

Fees received in respect of services provided over a period of time are recognised as income as the services are provided.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Fair value of derivative financial instruments
The fair values of the Fund's derivative financial instruments are determined by using option pricing models. These cash flow models are based on underlying market prices for currencies, interest rates and option volatilities. Where market data is not available for all elements of a derivative's valuation, comparable proxy observable data, or extrapolation and interpolation of existing data has been used. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report.

Fair value of share investments
The Fund's method for determining the fair value of share investments is described under "Financial assets" within the accounting policies section of the report and an analysis of the share investment portfolio is provided in note 7. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report and in note 7.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve judgements which could have a material impact on the financial statements:

- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to assist the development of small businesses in the Russian Federation rather than to generate a return on its assets, most financial risks are not actively managed by the Fund. As the Fund participates in investments jointly with the Bank, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate, foreign exchange and equity price risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[3] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.
In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The carrying amounts of financial assets presented on the balance sheet, together with the guarantees as shown under memorandum items, best represents the Fund's maximum exposure to credit risk at 31 December 2024 and 31 December 2023, without taking account of any collateral held or other credit enhancements.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the economies in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

[3] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee. Risk Management is represented at both the Equity Committee and the Small Business Investment Committee.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional level (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external rating agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Credit risk exposures

Placements with credit institutions
Set out below is an analysis of the Fund's placements with credit institutions classified by internal credit rating risk rankings. Placements with credit institutions are generally considered to have low credit risk. The amount held by the Fund at risk rating 7 is held at a restricted bank account, the restricted cash cannot be transferred out of Russia.

Risk rating category	2024 € 000	2023 € 000
2: Very strong	1,333	1,253
7: Special attention	354	142
At 31 December	1,687	1,395

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk, foreign exchange risk and equity risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro 2024 € 000	Russian Rouble 2024 € 000	United States Dollar 2024 € 000	Total 2024 € 000
Placements with credit institutions	3	354	1,330	1,687
Other financial assets	-	1	-	1
Share investments	-	153	-	153
Equity related derivative	-	(207)	-	(207)
Net currency position at 31 December	3	301	1,330	1,634

	Euro 2023 € 000	Restated* Russian Rouble 2023 € 000	United States Dollar 2023 € 000	Total 2023 € 000
Placements with credit institutions	4	142	1,249	1,395
Share investments	-	225	-	225
Total liabilities	(22)	-	-	(22)
Net currency position at 31 December	(18)	367	1,249	1,598

Based on the average five year absolute rolling average movement in the Russian rouble to United States dollar exchange rate, the potential functional currency impact on the Fund's income statement from a 12 per cent strengthening or weakening (2023: 13 per cent) is €33,000 (2023: €29,000).

The potential impact on other comprehensive income due to presentational currency movement based on the average five year absolute rolling average movement, from a 6 per cent strengthening or weakening of the USD (2023: 7 per cent) is €25,000 (2023: €80,000).

Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund expects the effect of equity price risk on net profit will bear some correlation to the movement in equity indices for the Russian rouble based equity investment. Based on the five year rolling average movement in surrounding regions (2023: the Russian RTS index), the potential impact on the Fund's net profit from a 30 per cent strengthening or weakening (2023: 24 per cent) is €16,000 (2023: €54,000).

Derivative financial instrument liabilities
In accordance with the Fund's Rules and Regulations, losses incurred in respect of the Fund's investments and the parallel Bank investments up to a maximum aggregate amount of USD 75 million will be borne by the resources of the Fund. Thereafter, losses will be borne equally by the Fund and the Bank.

At 31 December 2024, the Bank had share investments amounting to €800,000 for which, in the event of a future default or loss, losses incurred by the Bank may be refunded in part from the resources of the Fund (2023; €800,000). An amount of €207,000 (2023: nil) is recognised on the Balance Sheet as "Fair value of equity related derivatives" in relation to share investments. At 31 December 2024, the Fund's maximum exposure under such derivatives was €800,000 (2023: €800,000).

The Fund does not actively manage credit risk on its guarantee exposure.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that loan investments, equity investments and guarantees are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as equity, which will only be returned to the contributor as part of the residual assets upon termination of the Fund. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets and liabilities

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's share investments and derivative financial instruments at fair value have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

At 31 December, the Fund's balance sheet approximates to the fair value of all liabilities.

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets and liabilities.

	Share investments 2024 € 000	**Derivative financial instruments 2024 € 000**	**Total 2024 € 000**	Share investments 2023 € 000	Derivative financial instruments 2023 € 000	Total 2023 € 000
Balance as at 1 January	225	-	225	294	-	294
Net losses recognised in:						
- Net losses from share investments at fair value through profit or loss	(72)	-	(72)	(69)	-	(69)
- Net losses from derivative financial instruments at fair value through profit or loss	-	(207)	(207)	-	-	-
Balance at 31 December	**153**	**(207)**	**(54)**	225	-	**225**
Net losses recognised for the year for Level 3 instruments held at 31 December recognised in:						
- Net losses from share investments at fair value through profit or loss	(72)	-	(72)	(69)	-	(69)
- Net losses from derivative financial instruments at fair value through profit or loss	-	(207)	(207)	-	-	-

Level 3 - sensitivity analysis
The table below presents the Level 3 financial instruments carried at fair value at 31 December 2024 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Carrying amount € 000	**Impact on net loss in 2024**	
		Favourable change € 000	**Unfavourable change € 000**
Share investments and associated derivatives	**(54)**	**75**	**(76)**
At 31 December 2024	**(54)**	**75**	**(76)**

	Carrying amount € 000	Impact on net loss in 2023	
		Favourable change € 000	Unfavourable change € 000
Share investments	225	38	(46)
At 31 December 2023	225	38	(46)

Share investments and associated derivatives

Level 3 financial liabilities relate to derivatives attached to share investments which have been analysed together in the table above.

The Fund's unlisted equity portfolio comprises direct share investments. The valuation techniques/models used to fair value these financial instruments are discounted cash flow models. Reasonable possible alternative valuations have been determined based on flexing the discount on the sale purchase agreement used in the valuations.

A valuation model is used to fair value the guarantee of a minimum rate of return on the Bank's parallel share investments. The inputs into the model include the euro yield curve, the valuation of the underlying parallel investments, future dividend yields, equity volatility, the subscription price and an equity valuation additional amount. Reasonable possible alternative valuations have been determined based on the favourable and unfavourable change in the underlying direct share investments.

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of the Bank at its meeting of 18 October 1993 and is administered, inter alia, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund. The Fund became operational in 1994 following the commitment of USD 3 million by contributors. The pilot phase of the programme was further extended during that year. An amendment to the Rules was approved by the Board on 14 July 1994 to change the denomination of the Fund from euro to United States dollars. However, consistent with the Bank's financial statements, the unit of measurement for the presentation of the Fund's financial statements is euro. The full-scale phase of the Russia Small Business Fund Programme was approved by the Board at its meeting of 30 August 1995 and a revised version of the Rules of the Fund, in connection with the full-scale phase, was approved by the Board on 1 April 1996.

The Fund's principal office is located in London at 5 Bank Street, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Board of Directors approved termination of the Fund on the 6 May 2022. In line with the termination agreements the Fund is currently in the process closing down.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Restatement

The dividend income and placements with credit institutions held as at 31 December 2023 has been restated. The value of dividend income was understated owing to an error whereby the dividends declared were not accounted for. This restatement has affected the 2023 statement of financial performance, balance sheet and statement of changes in contributors' resources. The impact of the restatement is summarised in the table below.

	Previous 2023 € 000	Adjustment 2023 € 000	Restated 2023 € 000
Dividend income	-	(123)	(123)
Placements with credit institutions	1,276	119	1,395
Foreign exchange movement	55	4	59
Contributors resources	1,479	119	1,598

4. Share investments

	2024 € 000	2023 € 000
Outstanding disbursements		
At 1 January	206	206
At 31 December	206	206
Fair value adjustment		
At 1 January	19	88
Movement in fair value revaluation	(72)	(69)
At 31 December	(53)	19
Fair value at 31 December	153	225

	2024 € 000	2023 € 000
Net unrealised loss from share investments	(72)	(69)
Net loss from share investments	(72)	(69)

5. Audit fees

External auditors' remuneration for 2024 in relation to the audit of the financial statements totals €24,200 (2023: €21,500). The Bank pays the external auditors' remuneration on behalf of the Fund, which in turn reimburses the Bank in full. At 31 December 2024 there was no auditor's remuneration payable to the Bank in relation to the 2024 external audit (2023: €21,500).

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

6. Contributions

Contributions received are set out below:

	2024		2023	
Cumulative contributions received	€ 000	%	€ 000	%
Canada	2,707	4.5	2,707	4.5
France	7,686	12.9	7,686	12.9
Germany	9,843	16.6	9,843	16.6
Italy	8,402	14.2	8,402	14.2
Japan	21,162	35.7	21,162	35.7
Switzerland	2,360	4.0	2,360	4.0
United States of America	7,191	12.1	7,191	12.1
At 31 December	59,351	100.0	59,351	100.0

In accordance with the termination agreement, contributions were distributed in 2022. Any remaining distributions will be made upon the closure of the Fund from the realisation of share investments where applicable. No contributions were received in the year. As at 31 December 2024 contributions are nil (2023: nil).

7. Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet at amortised cost approximate to their fair value.

8. Analysis of current and non-current assets and liabilities

Assets	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000	Current 2023 € 000	Non-current 2023 € 000	Total 2023 € 000
Placements with credit institutions	1,687	-	1,687	1,395	-	1,395
Share investments	-	153	153	-	225	225
Bank charges refundable	1	-	1	-	-	-
Total assets	1,688	153	1,841	1,395	225	1,620
Liabilities						
Audit fee payable	-	-	-	22	-	22
Contributors' resources	-	1,634	1,634	-	1,598	1,598
Fair value of equity related derivatives	-	207	207	-	-	-
Total liabilities	-	1,841	1,841	22	1,598	1,620

9. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

10. Related parties

The Fund's related parties are the Bank and the contributors.

The Bank is entitled to charge the Fund a management fee of an amount equal to 3 per cent of contributions received. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. As there were no contributions received in 2024, there were no management fees paid by the Fund to the Bank (2023: nil) and there was no accrued management fee payable by the Fund to the Bank at 31 December 2024 (2023: nil).

Amounts receivable from the Bank as at 31 December 2024 and 2023 are detailed in note 6.

Guarantees issued by the Fund to the Bank are disclosed under credit risk exposures and as 'Fair value of equity derivatives' on the Balance sheet.

Audit fees payable to the Bank are outlined in note 5.

Contributions received from the contributors are outlined in note 6.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Russia Small Business Investment Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Russia Small Business Investment Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to the Accounting Policies section of the financial statements which describes the Bank's reasons why the financial statements have been prepared on a basis other than going concern.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributors’ objectives, are the responsibility of the Bank and the contributors and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 18 October 1993, as amended on 31 May 2011, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The EBRD Shareholder Special Fund

Annual Financial Report
31 December 2024

The EBRD Shareholder Special Fund

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The EBRD Shareholder Special Fund

Statement of comprehensive income

For the year ended 31 December 2024	Note	Year to 31 December 2024 € million	Year to 31 December 2024 € million	Year to 31 December 2023 € million	Year to 31 December 2023 € million
Interest income from credit insitutions			20		14
Technical cooperation expenses		(55)		(49)	
Client cost sharing for technical cooperation		2		-	
Net technical cooperation expenses			(53)		(49)
Disbursements for investment grants			(13)		(29)
Incentive fees			(4)		(3)
Net gains from share investments	3		7		5
Foreign exchange movements			2		(2)
Management fees			(5)		(3)
Financial guarantees movement	4		-		(6)
Net loss and comprehensive expense for the year			(46)		(73)
Attributable to:					
Contributors			(46)		(73)

Balance sheet

At 31 December 2024	Note	31 December 2024 € million	31 December 2023 € million
Assets			
Placements with credit institutions	5	598	535
Contribution receivable	6	152	105
Share investments	3	60	53
Other financial assets		1	1
Total assets		811	694
Liabilities and contributors' resources			
Technical cooperation expenses payable		36	30
Financial guarantee liability	4	12	12
Total liabilities		48	42
Contributions		1,574	1,417
Reserves and accumulated loss		(811)	(765)
Total contributors' resources		763	652
Total liabilities and contributors' resources		811	694
Memorandum items			
Undrawn commitments	7	211	141

The EBRD Shareholder Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2024	Contributions € million	Accumulated losses € million	Total € million
At 1 January 2023	1,309	(692)	617
Contributions received and receivable	108	-	108
Net loss and total comprehensive expense for the year	-	(73)	(73)
At 31 December 2023	1,417	(765)	652
At 1 January 2024	1,417	(765)	652
Contributions received and receivable	157	-	157
Net loss and total comprehensive expense for the year	-	(46)	(46)
At 31 December 2024	**1,574**	**(811)**	**763**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024 € million	€ million	Year to 31 December 2023 € million	€ million
Cash flows from operating activities				
Net loss for the year	(46)		(73)	
Non-cash items in the income statement				
Net gains from share investments	(7)		(5)	
Foreign exchange movement	(2)		2	
Financial guarantees movement	-		5	
Management fees	5		3	
	(50)		(68)	
Cash flows from the sale and purchase of operating assets				
Net placements to credit institutions	200		-	
Movement in technical cooperation expenses payable	6		(10)	
Net cash generated from/(used in) operating activities		156		(78)
Cash flows from financing activities				
Contributions received	108		94	
Net cash generated from financing activities		108		94
Net increase in cash and cash equivalents		264		16
Cash and cash equivalents at the beginning of the year		335		320
Effect of foreign exchange rate changes		(1)		(1)
Cash and cash equivalents at 31 December		598		335

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

The EBRD Shareholder Special Fund

Fund purpose

The purpose of the EBRD Shareholder Special Fund ("the Fund") is to assist the European Bank for Reconstruction and Development ("the Bank") to achieve its mandate of promoting transition towards open market-oriented economies by providing:

- Technical assistance (or cooperation) which involves the provision of services, usually those of consultants, to provide expertise to clients in countries in which the Bank invests;
- Non-technical assistance initiatives which are principally used to provide working capital, incentive fees or investment grants;
- Investment activities, which may include guarantees, equity or debt financing; and
- Nuclear safety activities.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting estimates and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.

Pronouncement	Nature of change	Potential impact
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. **Accounting policies and judgements**

Financial assets - Classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment.

The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

All of the share investments held by the Fund are measured at fair value through profit or loss.

When an instrument which is required to be measured at fair value through profit or loss has characteristics of both a debt and equity instrument, the Fund determines its classification as a debt or an equity instrument on the basis of the legal rights and obligations attaching to the instrument in accordance with IFRS.

The basis of fair value for share investments that are unlisted is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used is net asset value.

The Fund's share investments are recognised on a trade date basis.

At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value included in the income statement in the period in which they occur.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

i. substantially all the risks and rewards of the asset; or
ii. significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Impairment of financial assets

Financial assets at amortised cost – performing assets (Stages 1 and 2)

Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[1], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the income statement. Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2[2].

Financial assets at amortised cost – non performing assets (Stage 3)

Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the income statement.

[1] For calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[2] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

Financial guarantees

The Fund's resources may be used to provide the following guarantees:

- Participating Bank ("PB") guarantees: cover a proportion of principal losses of loan investments made by PB's under specific signed loan agreements.
- Parallel loan investment guarantees: cover the Bank's principal losses on parallel loan investments, limited to the debt proceeds recovered on the Fund's loan investment.
- Small and Medium Enterprise Programme ("SME") guarantees: cover principal losses of loan investments in the Bank's SME Programme and principal losses the Bank may incur from providing its own guarantee.

Initial recognition and measurement

A financial liability is recognised once the financial guarantee contract is effective. As the Fund does not charge the Bank any fee for its guarantee, the initial fair value is estimated based off the lifetime expected credit loss associated with the financial guarantee.

This initial fair value is recognised as a financial guarantee liability with a corresponding charge to the income statement.

Subsequent measurement

The carrying value of the financial guarantee liability is measured as the higher of:

- The initial fair value of the financial guarantee liability less accumulated amortisation, and
- The expected credit loss associated with the financial guarantee.

Contributors' resources

The Fund recognises contributions received from the contributors as equity on the basis that the residual assets are only available to be distributed to the contributors upon the winding up of the Fund.

Contributions are recognised as receivable on the balance sheet on the date the conditions precedent to disbursement have been met by the Fund. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's functional currency and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement.

Interest

Interest income is recognised on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument.

Incentive fees

Incentive fees are paid to the Bank's clients ("Borrowers") or end-borrowers to encourage eligible lending activities that are defined in the loan agreement between the Bank and the Borrower. The Incentive fees are recognised in the period in which they are incurred, payments are made to Borrowers and end-borrowers either on the basis of disbursement made in a relevant reporting period or verification of the investment.

Technical cooperation expenses and investment grants

Technical cooperation expenses, which represent the costs of services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced. This approach is not materially different from recognising the recovery at the same time as performance of the service.

Capital expenditure (investment) grants are disbursed in coordination with the related Bank loan resources, generally directly to the contractor. Disbursements are made upon verification of the goods works or services that have been delivered or carried out by the contractor. The grants are non-refundable.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund’s significant accounting estimates are outlined below.

Fair value of share investments

The Fund’s method for determining the fair value of share investments is described under “Financial assets” within the Accounting Policies section of the report and an analysis of the share investments portfolio is provided in note 7. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management section of the report.

Financial guarantee liability

The Fund's method for determining the carrying value of financial guarantee liability relies on the inputs and methodology employed in the calculation of the underlying loan’s ECL. In assessing the ECL, the Fund relies on the Bank’s risk management processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan’s effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank’s historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was minimal.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions						
2024 PD rating[3]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

Industry, Commerce and Agribusiness						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

[3] The Bank's internal PD rating scale is explained in detail on page 12 of the Risk Management section.

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86.00 per cent at the end of 2024 (2023: 84.00 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 **Seniority - sector**	**Non sovereign LGD**
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign **Country**	**Sovereign LGD**	**Sub-sovereign LGD**
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[4]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[4]	20%	30%

[4] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

Financial guarantee liability

The Fund's method for determining the fair value of financial guarantees is described under "Financial guarantees" within the accounting policies section of the report and further explained under credit risk within the risk management section of the report.

A 3-notch PD upgrade on the Bank's loan investments covered by the Fund's guarantees would have decreased the financial guarantees by €1 million (2023: €0.2 million). Conversely, a 3-notch PD downgrade would have increased the amount of the financial guarantees provided by €2 million (2023: €0.5 million).

A LGD increase or decrease of 10 percent of the Bank's loan investments covered by the Fund's guarantees would have an impact of +€0.3 million/-€0.3 million (2023:+€0.1 million/-€0.1 million) on the Fund's financial guarantee liability.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates, which are described in the "Significant accounting estimates" section above, the Fund has deemed the following accounting policies critical as they involve judgements which could have a material impact on the financial statements:

- Guarantee liability – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to assist the Bank to achieve its transition mandate rather than to generate a return on its assets, not all financial risks are actively managed by the Fund. Credit risk is jointly managed with the Bank; however the Fund does not hedge against market risk and is hence exposed to foreign exchange risk and interest rate risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[5] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

Included in the placements with credit institutions is a €515 million (2023: €150 million) placement, this was reallocated to cash and cash equivalents during the year. This arrangement involves the Fund receiving, as collateral, highly liquid securities equal to the value of the placement, for a period of approximately one to three months. The credit risk on the placement is fully mitigated by collateral held. On termination of the arrangement, the placement and collateral are returned to the respective parties, and a new arrangement is entered into based on the Fund's excess available cash. The custodian is responsible for ensuring that the value of the securities held covers the full value of the placement on a daily basis.

The Fund is not entitled to sell or repledge the collateral outside of a default by the credit institution. The Fund has not taken possession of any securities held as collateral during the year.

[5] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in the Bank's countries of operations. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

<table>
<tr><th>EBRD risk rating category</th><th>EBRD risk rating</th><th>External rating equivalent</th><th>Category name</th><th>Broader category</th></tr>
<tr><td>1</td><td>1.0</td><td>AAA</td><td>Excellent</td><td rowspan="4">Investment grade</td></tr>
<tr><td>2</td><td>1.7
2.0
2.3/2.5</td><td>AA+
AA
AA-</td><td>Very strong</td></tr>
<tr><td>3</td><td>2.7
3.0
3.3</td><td>A+
A
A-</td><td>Strong</td></tr>
<tr><td>4</td><td>3.7
4.0
4.3</td><td>BBB+
BBB
BBB-</td><td>Good</td></tr>
<tr><td>5</td><td>4.7
5.0
5.3</td><td>BB+
BB
BB-</td><td>Fair</td><td>Risk range 5</td></tr>
<tr><td>6</td><td>5.7
6.0</td><td>B+
B</td><td>Weak</td><td>Risk range 6</td></tr>
</table>

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
	6.3	B-		
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Critical accounting estimates and critical judgements" section on page 8.

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
The majority of the Fund's placements with credit institutions were classified in internal credit rating risk ranges 2 and 3 (approximately AA- to A- in terms of the S&P equivalent). Placements with credit institutions are considered to have low credit risk.

Risk rating category	2024 € million	2023 € million
2: Very strong	83	184
3: Strong	515	350
At 31 December	598	534

Financial guarantee liabilities and undrawn guarantee commitments
Set out below is an analysis of the Fund's undrawn commitments for loan for each of the Bank relevant internal risk rating categories.

The Fund's assets may be used to guarantee the Bank's and PB's potential future default losses that are incurred on specific loan operating assets. At 31 December 2024, the total eligible loans outstanding under the Bank and PB guarantees is €549 million (2023: €460 million). At 31 December 2024, the maximum exposure of eligible operations covered by the guarantees is €58 million (2023: €49 million). The guarantee liability on the balance sheet of €12 million (2023: €12 million) represents the initial fair value of the liability recognised when the guarantees were issued adjusted for amortisation and expected credit losses. The Fund does not actively manage credit risk on its guarantee exposure.

Risk rating category	Financial guarantee liabilities Stage 2 € million	Financial guarantee liabilities Stage 3 € million	Financial guarantee liabilities Total € million	Undrawn guarantee commitments Stage 1 € million	Undrawn guarantee commitments Stage 2 € million	Undrawn guarantee commitments Stage 3 € million	Undrawn guarantee commitments Total € million
5: Fair	-	-	-	6	-	-	6
6: Weak	-	-	-	6	-	-	6
7: Special attention	11	-	11	2	31	-	33
8: Non-performing	-	1	1	-	-	1	1
At 31 December 2024	**11**	**1**	**12**	**14**	**31**	**1**	**46**

Risk rating category	Financial guarantee liabilities Stage 2 € million	Financial guarantee liabilities Stage 3 € million	Financial guarantee liabilities Total € million	Undrawn guarantee commitments Stage 1 € million	Undrawn guarantee commitments Stage 2 € million	Undrawn guarantee commitments Stage 3 € million	Undrawn guarantee commitments Total € million
5: Fair	-	-	-	5	-	-	5
6: Weak	-	-	-	2	-	-	2
7: Special attention	11	-	11	2	27	-	29
8: Non-performing	-	1	1	-	-	1	1
At 31 December 2023	11	1	12	9	27	1	37

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at their carrying amount by country.

	Financial guarantee liabilities 2024 € million	**Undrawn guarantee commitments 2024 € million**	Financial guarantee liabilities 2023 € million	Undrawn guarantee commitments 2023 € million
Albania	-	-	-	1
Armenia	-	-	-	1
Azerbaijan	-	1	-	1
Kazakhstan	-	1	-	-
Kosovo	-	1	-	1
Montenegro	-	1	-	1
Morocco	-	3	-	2
Serbia	-	4	-	3
Tajikistan	-	1	-	-
Tunisia	-	1	-	1
Ukraine	12	32	12	26
Uzbekistan	-	1	-	-
At 31 December	**12**	**46**	12	37

The following table breaks down the main credit risk exposures at the carrying amount by sector.

	Financial guarantee liabilities 2024 € million	**Undrawn guarantee commitments 2024 € million**	Financial guarantee liabilities 2023 € million	Undrawn guarantee commitments 2023 € million
Depository Credit (banks)	6	38	9	26
Energy	1	1	1	1
Food and Agribusiness	3	-	-	3
Leasing Finance	-	1	-	1
Manufacturing & Services	-	1	-	4
Non-depository Credit (non-bank)	-	4	-	1
Transport	2	1	2	1
At 31 December	**12**	**46**	12	37

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk.
The Fund's placements are repriced to market interest rates within one month, three months, and six months therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro 2024 € million	United States dollars 2024 € million	Total 2024 € million
Total assets	**702**	**109**	**811**
Total liabilities	**(39)**	**(9)**	**(48)**
Net currency position at 31 December 2024	**663**	**100**	**763**

	Euro 2023 € million	United States dollars 2023 € million	Total 2023 € million
Total assets	601	93	694
Total liabilities	(34)	(8)	(42)
Net currency position at 31 December 2023	567	85	652

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on the Fund's net loss from a 6.40 per cent strengthening or weakening (2023: 6.41 per cent) is +/- €6 million (2023: +/- €5 million).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that technical assistance, non-technical assistance and investment activities are financed from the resources of the Fund, which comprises contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund also recognises contributions received as equity, since will only be returned to the contributors as part of the residual assets upon termination of the Fund. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets and liabilities

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The fair values of the Fund's share investments have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

Level 3 - sensitivity analysis
IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. The fair values of the Fund's share investments have been classified as Level 3, that is, those which have fair values determined by inputs not based on observable market data.

The main valuation technique used in the valuation of the Fund’s share investments is net asset value (NAV). Reasonably plausible alternative valuations have been determined based on adjustments to accounting estimates in the measurement of the NAV and would lead to a favourable change in value of €1 million (2023: €1 million) and an unfavourable change in value of €1.7 million (2023: €1.5 million).

The EBRD Shareholder Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board on 15 April 2008 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations ("the Rules") of the Fund. The Fund became operational after the Governors of the Bank adopted the 2007 Net Income Allocation Resolution during its Annual Meeting on 18-19 May 2008.

The Fund's principal office is located in London at 5 Bank Street, E14 4BG .

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules allow the Board to terminate the Fund at any time. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report. The rules of the Fund were amended in December 2022 for resources on termination to be returned to the Bank.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3 In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Share investments

The tables below provide information about the Fund's share investments.

	2024	2023
	€ million	€ million
Outstanding disbursements		
At 1 January	**48**	48
Disbursements	**-**	-
At 31 December	**48**	48
Fair value adjustment		
At 1 January	**5**	-
Movement in fair value revaluation	**7**	5
At 31 December	**12**	5
Fair value at 31 December	**60**	53

	2024	2023
	€ million	€ million
Net unrealised gain/(loss) from share investments	**7**	5
Net gain/(loss) from share investments	**7**	5

4. Financial guarantee movement

	2024 € million	2023 € million
Movement in financial guarantee for Stage 1 and Stage 2 loans	-	(5)
Change in guarantee on loan transfer from Stage 3 to Stage 2	-	-
Settlements	-	(1)
Charge for estimated settlement of credit impaired guaranteed loans	-	-
Financial guarantees movement	-	(6)

	2024 € million	2023 € million
At 1 January	12	7
Movement in financials guarantee for Stage 1 and Stage 2 Loans	-	5
As at 31 December	12	12

5. Placements with credit institutions

	2024 € million	2023 € million
Cash and cash equivalents	598	335
Other current placements	-	200
At 31 December	598	535

Cash and cash equivalents are those placements which have an original tenor equal to, or less than, three months. “Current” is defined as those assets maturing, within the next 12 months.

6. Contributions received and receivable

	2024 € million	2023 € million
Cumulative contributions received	1,417	1,309
Contributions receivable	152	105
Management fee	5	3
Total contributions at 31 December	1,574	1,417

7. Undrawn commitments

	2024 € million	2023 € million
Financial guarantees	46	37
Technical cooperation expenses*	45	51
Incentive fees*	15	10
Investment grant commitments*	105	43
At 31 December	211	141

*This represents amounts for which the Fund has contracted but for which the transaction or service was not yet performed at 31 December 2024. Undrawn commitments for technical cooperation expenses excludes amounts accrued on the balance sheet.

8. Analysis of current and non-current assets and liabilities

Assets	Current 2024 € million	Non-current 2024 € million	Total 2024 € million	Current 2023 € million	Non-current 2023 € million	Total 2023 € million
Placements with credit institutions	598	-	598	535	-	535
Contribution receivable	152	-	152	105	-	105
Share investments	-	60	60	-	53	53
Other financial assets	1	-	1	1	-	1
Total assets	751	60	811	641	53	694
Liabilities						
Technical cooperation expenses payable	36	-	36	30	-	30
Financial guarantee liability	12	-	12	12	-	12
Total liabilities	48	-	48	42	-	42

9. Events after the reporting year

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

10. Related parties

The Fund’s only related party is the Bank and the contributors. The ultimate parent and controlling party is the Bank.

The Bank is entitled to charge the Fund a management fee, as determined by the Board of Directors, each time a contribution is made to the Fund. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. Management fees of €5 million were charged during the year (2023: €3 million). There was an accrued management fee payable of €5 million by the Fund to the Bank at 31 December 2024 (2023: €3 million), offset against contributions receivable.

External auditors’ remuneration of €24,200 (2023: €21,500) is payable by the Bank from the management fee in relation to the audit of the financial statements. As part of wider services provided to the Bank, the auditors from time to time perform non audit services in relation to activities under the Fund. There were €390,000 in non-audit services performed during the year (2023: €324,500). The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank’s external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank’s subsequent external auditors for the five-year period 2025-29.

As at 31 December 2024, €17,000 is receivable from the Bank for bank charges incurred (2023: €17,000).

Guarantees issued by the Fund to the Bank are disclosed under credit risk exposures.

Independent auditor’s report

To the Governors of the European Bank for Reconstruction and Development (the “Bank”) in respect of The EBRD Shareholder Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The EBRD Shareholder Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund’s financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors’ resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund’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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 15 April 2008, as amended on 01 December 2015, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The SME Local Currency Special Fund

Annual Financial Report
31 December 2024

The SME Local Currency Special Fund

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The SME Local Currency Special Fund

Income statement

For the year ended 31 December 2024	Note	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Interest income from credit institutions		3,572	2,808
Financial guarantees movement	3	283	(726)
Net profit for the year		3,855	2,082
Attributable to:			
Contributors		3,855	2,082

Statement of comprehensive income

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000
Net profit for the year	3,855	2,082
Other comprehensive income/(expense) for the year		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	4,267	(2,167)
Total comprehensive income/(expense) for the year	8,122	(85)
Attributable to:		
Contributor	8,122	(85)

Balance sheet

As at 31 December 2024	Note	31 December 2024 € 000	31 December 2023 € 000
Assets			
Placements with credit institutions		81,415	72,628
Interest receivable from placements with credit institutions		97	70
Total assets		81,512	72,698
Liabilities and contributors' resources			
Financial guarantee liability	3	14,620	13,928
Total liabilities		14,620	13,928
Contributions	4	60,731	60,731
Reserves and accumulated loss		6,161	(1,961)
Total contributors' resources		66,892	58,770
Total liabilities and contributors' resources		81,512	72,698
Memorandum items			
Undrawn commitments		219,659	185,913

The SME Local Currency Special Fund

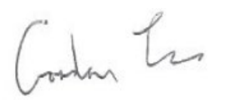
Statement of changes in contributors’ resources

For the year ended 31 December 2024	Contributions	General reserve	Accumulated losses	Total
	€ 000	€ 000	€ 000	€ 000
At 1 January 2023	60,731	8,765	(10,641)	58,855
Net profit and total comprehensive expense for the year	-	(2,167)	2,082	(85)
At 31 December 2023	60,731	6,598	(8,559)	58,770
At 1 January 2024	60,731	6,598	(8,559)	58,770
Net profit and total comprehensive income for the year	-	4,267	3,855	8,122
At 31 December 2024	**60,731**	**10,865**	**(4,704)**	**66,892**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024		Year to 31 December 2023	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	3,855		2,082	
Non-cash items in the income statement				
Financial guarantees movement	(283)		726	
	3,572		2,808	
Working capital adjustment				
Movement in interest receivable from placements with credit institutions	(27)		(48)	
Net cash generated from operating activities		3,545		2,760
Net increase in cash and cash equivalents		3,545		2,760
Cash and cash equivalents at the beginning of the year		72,628		72,547
Effect of foreign exchange rate changes		5,242		(2,679)
Cash and cash equivalents at 31 December		81,415		72,628

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:



Gordon Jones, Director - Financial Control
Date: 10 April 2025

The SME Local Currency Special Fund

Fund purpose

The SME Local Currency Special Fund ("the Fund") was established to support an increase in local currency lending in the Early Transition Countries ("the ETCs") and extended to cover small and medium enterprises (SME) across all EBRD countries of operations, with Contributors able to stipulate specific country coverage in the Contribution Agreement. The Fund provides guarantees on a first-loss basis for the European Bank for Reconstruction and Development's ("the Bank") SME Local Currency Programme.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention. The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Contributors' resources

The Fund recognises contributions received from the contributors as equity on the basis that, should a contributor choose to withdraw from the Fund, the Fund is not obliged to return such contributions until the residual assets are only available to be distributed to the contributors upon the winding up of the Fund.

General reserve

The general reserve represents foreign exchange movements on translation from functional currency to presentational currency.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's reporting currency for the presentation of its financial statements is the euro. The functional currency of the Fund is the United States dollar (USD) as this reflects the transactions, events and conditions under which the Fund conducts its business.

For functional currency reporting, transactions in currencies other than USD are translated into USD at exchange rates ruling at the time of the transaction. All assets and liabilities denominated in currencies other than USD are re-translated into USD at spot rates ruling at the year-end exchange rate with the resultant exchange gains or losses taken to the income statement.

For financial statement reporting, income and expenses (excluding exchange gains or losses) are translated from the functional currency to euro using exchange rates ruling at the time of the transaction. Exchange gains or losses are translated from the functional currency to euro at year-end using the average exchange rate for the year. Assets and liabilities denominated in the functional currency are re-translated to euro at spot rates ruling at the year-end exchange rate with the resultant exchange gains and losses taken to other comprehensive income.

Contributions

Contributions received in currencies other than euro are translated into euro at the exchange rates ruling at the time of the transaction.

Financial guarantees

The Fund provides guarantees to the Bank to cover principal losses of loan investments in the Bank's SME Programme and principal losses the Bank may incur from providing its own guarantees, limited to the resources of the Fund. When a guarantee is issued, its initial fair value reflects the fees charged for such guarantee, assuming an arm's-length commercial transaction. As the Fund does not charge the Bank any fee for its guarantee, its initial fair value is estimated based on the fee that the Fund might otherwise have charged, given the credit risk attached to the guaranteed portfolio. This initial fair value is recognised as a financial guarantee liability with a corresponding charge to the income statement.

Subsequently the guarantee liabilities are measured at the higher of the initial fair value less cumulative amortisation and the expected credit loss (ECL) at the balance sheet date.

Interest

Interest is recorded on an accruals basis. All interest income is recognised within 'interest income' in the income statement.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund's significant accounting estimates are outlined below.

Financial guarantee liability
The Fund's method for determining the carrying value of financial guarantee liability relies on the inputs and methodology employed in the calculation of the underlying loan's ECL. In assessing the ECL, the Fund relies on the Bank's risk management processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was a decrease in ECL of €637,000.

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions (FI)						
2024 PD rating[1]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

[1] The Bank's internal PD rating scale is explained in detail on page 11 of the Risk Management section.

The SME Local Currency Special Fund

Industry, Commerce and Agribusiness (ICA)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure (SI)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions (FI)

2023 PD rating[2]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

[2] The Bank's internal PD rating scale is explained in detail on page 11 of the Risk Management section.

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[3]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS	20%	30%

[3] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Fund's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

Sensitivity analysis

Financial guarantee liability

The sensitivity of the financial guarantee relating to stage 1 and 2 loans are provided below for 31 December 2024.

Adjusted risk parameter	Recalculated ECL 2024 €000	Change in ECL 2024 €000	Change in ECL 2024 %	Recalculated ECL 2023 €000	Change in ECL 2023 €000	Change in ECL 2023 %
Financial guarantee liability on stage 1 and 2 loans	1,400			2,360		
PD Ratings						
All loans upgraded 3 notches	363	(1,037)	(74%)	302	(2,058)	(87%)
All loans downgraded 3 notches	3,497	2,089	149%	5,492	3,132	133%
LGD						
All loans decreased by 10%	1,102	(298)	(21%)	1,885	(475)	-20%
All loans increased by 10%	1,715	315	22%	2,835	475	20%

With respect to the portion of the guarantee liability related to Stage 3 loans (€13.2 million), an increase or decrease of 10 percentage points to the expected credit losses of the underlying loans would increase or decrease the guarantee liability by €0.5 million and €1.3 million respectively in 2024 (2023: €1.1 million increase and €1.2 million decrease respectively)

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Financial guarantee liability – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Fund's expected credit losses for financial guarantees.
- Classification of contributors' resources: The classification of contributors' resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the purpose of the Fund is to promote local currency lending in the SMEs rather than to generate a return on its assets, not all financial risks are actively managed by the Fund. Credit risk is jointly managed with the Bank; however, the Fund does not hedge against market risk and is hence exposed to interest rate risk and foreign exchange risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[4] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.
In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund's maximum exposure to credit risk (financial guarantees) is limited to the total assets presented on the balance sheet at 31 December 2024 and 31 December 2023. For more details see the "Credit risk exposures" section on page 12.

Included in the placements with credit institutions is a €74.9 million (2023: €47.3 million) placement. This arrangement involves the Fund receiving, as collateral, highly liquid securities equal to the value of the placement, for a period of approximately one to three months. The credit risk on the placement is fully mitigated by collateral held. On termination of the arrangement, the placement and collateral are returned to the respective parties, and a new arrangement is entered into based on the Fund's excess available cash. The custodian is responsible for ensuring that the value of the securities held covers the full value of the placement on a daily basis.

The Fund is not entitled to sell or repledge the collateral outside of a default by the credit institution. The Fund has not taken possession of any securities held as collateral during the year.

[4] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates alongside the Bank as a guarantor for the financing of investments in the countries in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns its internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

<table>
<tr><th>EBRD risk rating category</th><th>EBRD risk rating</th><th>External rating equivalent</th><th>Category name</th><th>Broader category</th></tr>
<tr><td>1</td><td>1.0</td><td>AAA</td><td>Excellent</td><td rowspan="4">Investment grade</td></tr>
<tr><td>2</td><td>1.7
2.0
2.3/2.5</td><td>AA+
AA
AA-</td><td>Very strong</td></tr>
<tr><td>3</td><td>2.7
3.0
3.3</td><td>A+
A
A-</td><td>Strong</td></tr>
<tr><td>4</td><td>3.7
4.0
4.3</td><td>BBB+
BBB
BBB-</td><td>Good</td></tr>
<tr><td>5</td><td>4.7
5.0
5.3</td><td>BB+
BB
BB-</td><td>Fair</td><td>Risk range 5</td></tr>
<tr><td>6</td><td>5.7
6.0</td><td>B+
B</td><td>Weak</td><td>Risk range 6</td></tr>
</table>

	6.3	B-		
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default (LGD)
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 6.

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
At year end the Fund's cash was placed with financial institutions which are ranked in the second and third highest internal credit rating risk range assigned by the Bank's Risk Management department. This rating approximated to a Standard & Poor's equivalent rating in the range of AA+ to A-. Placements with credit institutions are considered to have low credit risk.

	2024	2023
Risk rating category	**€ 000**	€ 000
2: Very strong	**6,550**	25,320
3: Strong	**74,865**	47,307
At 31 December	**81,415**	72,627

Guarantees
At 31 December 2024, the Bank had outstanding loans and guarantees amounting to €234,000 (2023: €200,000), for which, in the event of a future default, losses incurred by the Bank may be refunded in part from the resources of the Fund. At 31 December 2024, the Fund's maximum exposure under such guarantees is limited to the total assets of the Fund of €81,400 (2023: €72,600).

At 31 December 2024, the guarantee liability on the balance sheet is €14,600 (2023: €13,900). The Fund manages credit risk on its guarantee exposure by limiting the level of guarantees to 8 times the available resources.

During the year, no amount was paid from the Fund to the Bank (2023: nil) for losses incurred by the Bank on a loan covered under the Fund's guarantee.

Guarantee commitments and financial guarantee liability
Set out below is an analysis of the Fund's guarantee commitments and financial guarantee liability for each of the Fund's relevant internal risk rating categories. The guarantee commitments are limited to the available resources of the fund.

	Guarantee commitments				Guarantee commitments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	2024	2024	2024	2024	2023	2023	2023	2023
Risk rating category	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
5: Fair	65,545	-	-	65,545	60,953	-	-	60,953
6: Weak	64,104	-	-	64,104	45,240	-	-	45,240
7: Special Attention	81,929	6,770	-	88,699	54,888	21,215	-	76,103
8: Non-performing	-	-	1,311	1,311	-	-	3,617	3,617
At 31 December	211,578	6,770	1,311	219,659	161,081	21,215	3,617	185,913

	Financial guarantee liability				Financial guarantee liability			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	2024	2024	2024	2024	2023	2023	2023	2023
Risk rating category	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
5: Fair	69	-	-	69	68	-	-	68
6: Weak	176	-	-	176	249	-	-	249
7: Special Attention	599	556	-	1,155	1,042	1,001	-	2,043
8: Non-performing	-	-	13,220	13,220	-	-	11,568	11,568
At 31 December	844	556	13,220	14,620	1,359	1,001	11,568	13,928

Concentration of credit risk exposure on guarantees
The following table breaks down the main credit risk exposures at the carrying amount by geographical region.

Country	Undrawn guarantees 2024 € 000	Financial guarantee liability 2024 € 000	Undrawn guarantees 2023 € 000	Financial guarantee liability 2023 € 000
Armenia	29,925	77	33,477	223
Azerbaijan	8,090	13,282	8,766	11,663
Egypt	12,167	65	2,513	20
Georgia	44,351	65	19,011	43
Kyrgyz Republic	29,055	87	19,712	210
Moldova	5,245	9	397	10
Mongolia	7,260	34	7,215	132
Morocco	352	388	10,314	599
Serbia	22,523	17	42,356	46
Tajikistan	24,251	151	15,958	307
Tunisia	32,784	418	21,350	636
Uzbekistan	3,656	27	4,844	39
At 31 December	**219,659**	**14,620**	**185,913**	**13,928**

The following table breaks down the main credit risk exposures at the carrying amount by industry.

	Undrawn guarantees 2024 € 000	Financial guarantee liability 2024 € 000	Undrawn guarantees 2023 € 000	Financial guarantee liability 2023 € 000
Property and Tourism	-	-	161	9
Agribusiness	-	-	11,084	1,942
Food and Agribusiness	458	1,064	-	-
Real Estate	1,728	17	-	-
Manufacturing and services	7,176	12,692	10,520	10,408
Leasing finance	12,029	110	5,169	101
Non-depository credit (non-bank)	37,710	317	21,742	569
Depository credit (banks)	160,558	420	137,237	899
At 31 December	**219,659**	**14,620**	**185,913**	**13,928**

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placement is repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to functional currency foreign exchange risk is outlined in the table below:

	Total financial assets 2024 € 000	Total financial liabilities 2024 € 000	Net currency position 2024 € 000	5 Year rolling average movement 2024 %	Impact on net profits 2024 %
Euro	-	(3)	(3)	-	-
United States dollar	81,512	(8)	81,504	6%	5,215
Azerbaijani manat	-	(13,282)	(13,282)	6%	834
Morrocan dirham	-	(388)	(388)	3%	11
Tajik somoni	-	(151)	(151)	13%	19
Tunisian dinar	-	(419)	(419)	7%	29
Other non EUR	-	(369)	(369)	6%	23
	81,512	(14,620)	66,892		6,131

	Total financial assets 2023 € 000	Total financial liabilities 2023 € 000	Net currency position 2023 € 000	5 Year rolling average movement 2023 %	Impact on net profits 2023 %
Euro	-	(10)	(10)	-	-
United States dollar	72,698	-	72,698	6%	4,659
Azerbaijani manat	-	(11,663)	(11,663)	9%	1,060
Morrocan dirham	-	(599)	(599)	3%	18
Tajik somoni	-	(307)	(307)	10%	31
Tunisian dinar	-	(636)	(636)	9%	55
Other non EUR	-	(713)	(713)	8%	60
	72,698	(13,928)	58,770		5,882

The average movement in exchange rate for the “other non-euro” consists of the weighted average movement in the exchange rates listed in the same table.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that guarantees are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund's guarantees are limited to the resources of the Fund, and contributions received are recognised as equity, which will only be returned to the contributors as part of the residual assets upon termination of the Fund. The exposure to liquidity risk is managed by limiting the level of guarantees to 8 times the available resources of the Fund.

The SME Local Currency Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board on 15 February 2011 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations of the Fund. The Fund became operational on 4 April 2011 when the initial aggregate resources of the Fund equalled €10 million. An amendment to the Rules and Regulations was approved by the Board on 9 May 2012 to change the denomination of the Fund from euro to the United States dollar. In 2016, following consultation with the Contributors to the Fund, the Bank's Board of Directors approved an amendment renaming the Fund from the "ETC Local Currency Risk Sharing Special Fund" to the "SME Local Currency Special Fund".

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Fund shall terminate on 30 January 2030, unless otherwise approved by the Board. The Rules allow the Board to terminate the Fund after consultation between the Bank and the Contributors, or upon full utilisation of the Fund's resources. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3 In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Financial guarantee liability

	2024 € 000	2023 € 000
At 1 January	13,928	13,714
Financial guarantees movement	(283)	726
Foreign exchange movement	975	(512)
At 31 December	**14,620**	13,928

4. Contributions

Cumulative contributions received	2024 € 000	2023 € 000
EBRD Shareholder Special Fund	48,834	48,834
Finland	155	155
Germany	78	78
Ireland	71	71
Japan	3,218	3,218
Korea	117	117
Luxembourg	62	62
Netherlands	1,168	1,168
Norway	312	312
Spain	310	310
Sweden	210	210
Switzerland	1,736	1,736
Taiwan ICDF	108	108
United Kingdom	605	605
United States of America	3,747	3,747
Total contributions at 31 December	**60,731**	**60,731**

5. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000	Current 2023 € 000	Non-current 2023 € 000	Total 2023 € 000
Placements with credit institutions	81,415	-	81,415	72,628	-	72,628
Interest receivable from placements with credit institutions	97	-	97	70	-	70
Total assets	81,512	-	81,512	72,698	-	72,698
Liabilities						
Financial guarantee liability	13,719	901	14,620	12,958	970	13,928
Total liabilities	13,719	901	14,620	12,958	970	13,928

6. Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

7. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

8. Related parties

The Fund's related parties are the Bank and contributors.

The Bank is entitled to charge the Fund a management fee of an amount equal to 2 per cent of contributions received, taking into account the amount of any management fees paid to the Bank previously for contributions transferred from existing funds managed and administered by the Bank. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. During the period there was no management fee charged by the Bank to the Fund (2023: nil). At 31 December 2024 there was no management fee payable to the Bank (2023: nil).

Guarantees issued by the Fund to the Bank are disclosed under credit risk exposures.

External auditors' remuneration of €24,200 (2023: €21,500) is payable by the Bank from the management fee. The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The SME Local Currency Special Fund.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The SME Local Currency Special Fund (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 15 February 2011, as amended on 20 June 2022, and as set out in our engagement letter dated 20 June 2022, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The Special Fund for the High Impact Partnership on Climate Action

Annual Financial Report
31 December 2024

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The Special Fund for the High Impact Partnership on Climate Action

Statement of comprehensive income
For the year ended 31 December 2024

	Note	Year to 31 December 2024 € 000	Year to 31 December 2024 € 000	Year to 31 December 2023* € 000	Year to 31 December 2023* € 000
Interest income					
From loans			3,251		4,895
From credit institutions			13,389		8,812
Total Interest			16,640		13,707
Technical cooperation expenses		(3,650)		(3,133)	
Client cost sharing for technical cooperation		180		-	
Net technical cooperation expenses			(3,470)		(3,133)
Disbursements for investment grants			(1,736)		(350)
Incentive fees			(314)		(442)
Fee income			4		18
Foreign exchange movements			14,324		(5,245)
Other operating expenses	3		(722)		(5,168)
Impairment release on loans	4		199		1,234
Change in concessional loan discount	5		(7,231)		(1,093)
Net profit/(loss) and comprehensive income/(expense) for the year			17,694		(472)
Attributable to:					
Contributors			17,694		(472)

Balance sheet
As at 31 December 2024

	Note	31 December 2024 € 000	31 December 2024 € 000	31 December 2023 € 000	31 December 2023 € 000
Assets					
Placements with credit institutions			387,108		355,096
Loan investments					
Loans at amortised cost	6	50,124		45,796	
Less: Provisions for impairment	4	(983)		(1,182)	
			49,141		44,614
Interest receivable	7		776		1,285
Total assets			437,025		400,995
Liabilities					
Other liabilities	8		1,798		2,053
Concessional loan discounts	5		7,071		1,612
Contributors' resources			428,156		397,330
Total liabilities and contributors' resources			437,025		400,995
Memorandum items					
Undrawn commitments	11		34,899		10,154

*In prior years, the technical cooperation expenses included expenses relating to investment grants and incentive fees. The presentation in the current year has been amended to provide further granularity. The prior year technical cooperation expenses figure of €3,925,000 has now been split out to be €3,133,000 technical cooperation expenses, €350,000 disbursements for investment grants and €442,000 incentive fees.

The Special Fund for the High Impact Partnership on Climate Action

Statement of changes in contributors' resources

For the year ended 31 December 2024

	Contributions € 000	Accumulated profit (loss) € 000	Total € 000
At 1 January 2023	158,879	(12,658)	146,221
Net loss and total comprehensive expense for the year	-	(472)	(472)
Contributors' resource transactions			
Contributions received	253,711	-	253,711
Distribution of funds to the contributors	(2,130)	-	(2,130)
At 31 December 2023	410,460	(13,130)	397,330
At 1 January 2024	410,460	(13,130)	397,330
Net profit and total comprehensive income for the year	-	17,694	17,694
Contributors' resource transactions			
Contributions received	29,840	-	29,840
Distribution of funds to the contributors	(16,708)	-	(16,708)
At 31 December 2024	**423,592**	**4,564**	**428,156**

Statement of cash flows

For the year ended 31 December 2024

	€ 000	Year to 31 December 2024 € 000	€ 000	Year to 31 December 2023 € 000
Cash flows from operating activities				
Net profit/(loss) for the year	17,694		(472)	
Non-cash items in the statement of comprehensive income				
Movement in effective interest rate adjustment*	(1,152)		(3,152)	
Foreign exchange movement	(14,324)		5,245	
Concessional loan discount	7,231		1,093	
Impairment release on loans	(199)		(1,234)	
	9,250		1,480	
Cash flows from the sale and purchase of operating assets				
Funds advanced for loans	(9,018)		(11,322)	
Proceeds from repayments loans	4,215		3,390	
Working capital adjustment				
Movement in interest receivable	509		(1,050)	
Movement in other liabilities	(255)		1,409	
Net cash generated from/(used in) operating activities		**4,701**		(6,093)
Cash flows from financing activities				
Contributions received	29,840		253,711	
Distribution of funds to the contributors	(16,708)		(2,130)	
Net cash generated from financing activities		**13,132**		251,581
Net increase in cash and cash equivalents		**17,833**		245,488
Cash and cash equivalents at the beginning of the year		**355,096**		114,764
Effect of foreign exchange rate changes		14,179		(5,156)
Cash and cash equivalents at 31 December		**387,108**		355,096

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

* Movement in effective interest rate adjustment includes the interest income unwinding discount of €1,463,000 (2023: €1,473,000). This, with loan interest income, make up the interest income from loans figure in the Income statement.

The Special Fund for the High Impact Partnership on Climate Action

Fund purpose

The Special Fund for the High Impact Partnership on Climate Action ("the Fund") was established to provide financial support to eligible projects and activities that have the potential to directly or indirectly mitigate climate change, enhance resilience and adaptation to climate change or achieve other environmental benefits. To achieve this, the Fund provides grants, concessional loans and other concessional financial instruments alongside the European Bank for Reconstruction and Development's ("the Bank") resources.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund's financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the Bank on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Accounting policies and judgements" and "Significant accounting estimates" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund's financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes loans to its borrowers at concessional rates and therefore each loan is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's income statement, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

Subsequently, these loans are measured at amortised cost using the effective interest method, less any impairment that may be necessary. The initial fair value discount applied to each loan is therefore recovered in the effective interest rate at which income is recognised in the income statement over the tenor of the loan.

The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as "fair value through other comprehensive income" only if both of the following criteria are met: the objective of the Fund's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as 'fair value through profit or loss'.

The Fund does not currently have any such assets in this category.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or
(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost.

Impairment of financial assets

Financial assets at amortised cost – performing assets stages 1 and 2
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[1], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the income statement.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment
In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2[2].

Financial assets at amortised cost – non performing assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the income statement.

[1] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[2] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

Contributors' resources

The Fund recognises contributions received from the contributors as a liability on the basis that, should a contributor choose to withdraw from the Fund, the Fund is obligated to return such contributions to the extent these are not needed to meet existing commitments and obligations of the Fund.

The Fund is required to return to contributors reflows of investment income earned on contributed resources. The return of funds to the contributors is disclosed as 'distribution of funds to contributors' in the statement of changes in contributors' resources.

Contributed resources are carried at the redemption amount that is payable at the balance sheet date if the contributors were to withdraw from the Fund and contributions returnable to the contributors from operating activities.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's functional and reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement.

Contributions

Contributions received in USD are translated into euro at the exchange rates ruling at the time of the transaction.

The Fund is required to return to contributors reflows of interest earned on investment, principal repayments on loan investments and investment income earned on contributed resources. The return of funds to the contributors is disclosed as 'distribution of funds to contributors' in the statement of changes in contributors' resources.

Interest and fees

Interest income and expense is recognised on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of expected future cash flows.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Fees earned in respect of services provided over a period of time, including loan commitment fees are recognised as income as the services are provided.

Technical cooperation expenses and investment grants

Technical cooperation expenses, which represent the costs of services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced. This approach is not materially different from recognising the recovery at the same time as performance of the service.

Capital expenditure (investment) grants are disbursed in coordination with the related Bank loan resources, generally directly to the contractor. Disbursements are made upon verification of the goods works or services that have been delivered or carried out by the contractor. The grants are non-refundable.

Incentive fees

Incentive fees are paid to the Bank's clients ("Borrowers") or end-borrowers to encourage eligible lending activities that are defined in the loan agreement between the Bank and the Borrower. The Incentive fees are recognised in the period in which they are incurred, payments are made to Borrowers and end-borrowers either on the basis of disbursement made in a relevant reporting period or verification of the investment.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the statement of comprehensive income during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the countries in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk.

The Fund's significant accounting estimates are outlined below:

Impairment of loan investments
The Fund's method for determining the level of impairment of loan investments is described within the accounting policies section of the report and further explained under credit risk within the risk management section of the report. As described in the Risk Management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank's risk processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default, whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD),and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default.

In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was an increase in ECL of €26,000

The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial institutions (FI)

2024 PD rating [3]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

[3] The Bank's internal PD rating scale is explained in detail on page 12 of the "Risk management" section.

Industry, commerce and agribusiness (ICA)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable infrastructure (SI)

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial institutions

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, commerce and agribusiness

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable infrastructure

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Bank expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment, LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non-EU country	10%	20%
Limited PCS[4]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non-EU country	10%	20%
Limited PCS[4]	20%	30%

Guarantors

Where the Bank's loans are unconditionally guaranteed at origination, on either a full or a partial basis, the guarantee is accounted for as an integral part of the loan. In this circumstance, for the portion of the loan covered by the guarantee, where the PD and/or LGD rating of the guarantor is better than the PD and/or LGD rating of the borrower, the ECL is based on the better of the PD and LGD ratings of the borrower and the guarantor. Staging continues to be based solely on the borrower's PD.

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Bank's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

[4] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Sensitivity analysis

The sensitivity of portfolio provisions to the key variables used in determining the level of impairment is provided below

Adjusted risk parameter	Recalculated provision 2024 €000	Change in provision 2024 €000	Change in provision 2024 %	Recalculated provision 2023 €000	Change in provision 2023 €000	Change in provision 2023 %
Portfolio provision (Stage 1 & 2)	427			1,182		
Staging						
All loans in Stage 1	201	(226)	(53)%	407	(775)	(66)%
All loans in Stage 2	1,379	952	223%	1,394	212	18%
PD Ratings						
All loans upgraded 1 notch	229	(198)	(46)%	935	(247)	(21)%
All loans downgraded 1 notch	493	66	15%	1,415	233	20%
All loans upgraded 3 notches	111	(316)	(74)%	246	(936)	(79)%
All loans downgraded 3 notches	2,374	1,947	456%	2,204	1,022	86%
Projected GDP						
Projected GDP increased by 1%	396	(31)	(7)%	1,124	(58)	(5)%
Projected GDP decreased by 1%	467	40	9%	1,252	70	6%
Projected GDP increased by 5%	327	(100)	(23)%	990	(192)	(16)%
Projected GDP decreased by 5%	683	256	60%	1,582	400	34%
LGD						
All loans decreased by 10%	278	(149)	(35)%	643	(539)	(46)%
All loans increased by 10%	577	150	35%	1,724	542	46%
EAD						
All undrawn commitments cancelled	383	(44)	(10)%	1,153	(29)	(2)%
All undrawn commitments disbursed within one month	489	62	15%	1,240	58	5%

Stage 3 sensitivity analysis

With respect to Stage 3 provisions, an increase or decrease of 10 percentage points on the current overall provision cover level would have an impact of €56,000 increase and €56,000 decrease (2023: nil).

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in the course of making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies critical as they involve judgements which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed “significant” and the potential impact this decision has on the measurement of the Fund’s expected credit losses.
- Classification of contributors’ resources: The classification of contributors’ resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Regulations of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

As the primary purpose of the Fund is to provide concessional lending rather than to generate a return on its assets, most financial risks are not actively managed by the Fund. As the Fund participates in investments alongside the Bank, although under different terms, credit risk is jointly managed; however the Fund does not hedge against market risk and is hence exposed to interest rate and foreign exchange risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[5] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.
In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the fund's investments could become credit-impaired. In addition, the Fund is exposed to credit risk for contributions pledged by the contributors.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet, inclusive of the undrawn commitments related to loans.

Included in the placements with credit institutions is a €113 million placement. This arrangement involves the Fund receiving, as collateral, highly liquid securities equal to the value of the placement, for a period of approximately one month. The credit risk on the placement is fully mitigated by collateral held. On termination of the arrangement, the placement and collateral are returned to the respective parties, and a new arrangement is entered into based on the Fund's excess available cash. The custodian is responsible for ensuring that the value of the securities held covers the full value of the placement on a daily basis.

The Fund is not entitled to sell or repledge the collateral outside of a default by the credit institution. The Fund has not taken possession of any securities held as collateral during the year.

[5] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

As previously stated, the Fund participates jointly with the Bank in the financing of investments in countries in which the Bank invests. It therefore benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

The Operations Committee reviews all Banking projects prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments.

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to the senior management of the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk mitigating actions Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties including borrowers, investee companies, guarantors, put counterparties and sovereigns in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 9.

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL loans held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
The Fund's placements with credit institutions were all classified at the internal risk rating range of 2 and 3 (approximately AA+ to AA- in terms of the S&P equivalent). Placements with credit institutions are considered to have low credit risk.

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

	Amortised cost carrying value					Impairment			Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Credit impaired Stage 3 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Credit impaired Stage 3 € 000	Total net of impairment € 000	Impairment provisions coverage %
4: Good	4,466	-	-	4,466	8.9%	(6)	-	-	4,460	0.1%
5: Fair	3,983	-	-	3,983	7.9%	(5)	-	-	3,978	0.1%
6: Weak	11,237	-	-	11,237	22.5%	(85)	-	-	11,152	0.8%
7: Special Attention	2,937	11,703	-	14,640	29.2%	(49)	(282)	-	14,309	2.3%
8: Non-performing	-	-	15,798	15,798	31.5%	-	-	(556)	15,242	3.6%
At 31 December 2024	**22,623**	**11,703**	**15,798**	**50,124**	**100.0%**	**(145)**	**(282)**	**(556)**	**49,141**	

	Amortised cost carrying value					Impairment			Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Credit impaired Stage 3 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Credit impaired Stage 3 € 000	Total net of impairment € 000	Impairment provisions coverage %
4: Good	872	-	-	872	1.9%	(2)	-	-	870	0.2%
5: Fair	4,385	-	-	4,385	9.6%	(3)	-	-	4,382	0.1%
6: Weak	11,124	-	-	11,124	24.3%	(36)	-	-	11,088	0.3%
7: Special Attention	-	29,415	-	29,415	64.2%	-	(1,141)	-	28,274	4.0%
At 31 December 2023	16,381	29,415	-	45,796	100.0%	(41)	(1,141)	-	44,614	

At 31 December 2024 the Fund had security arrangements for disbursed loan investments at a value of €1.6 million (2023: none).

Credit risk in the loan portfolio
As at 31 December 2024 there were distressed restructured loans[6] with a disbursed value of €1.8 million (2023: €4.2 million).

Undrawn commitments

Set out below is an analysis of the Fund's undrawn loan commitments for each of the Fund's relevant internal risk rating categories.

	Undrawn loan commitments			Undrawn loan commitments		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	2024	**2024**	**2024**	2023	2023	2023
Risk rating category	**€ 000**	**€ 000**	**€ 000**	€ 000	€ 000	€ 000
4: Good	**17,705**	**-**	**17,705**	6,677	-	6,677
6: Weak	**16,767**	**-**	**16,767**	1,458	-	1,458
7: Special Attention	**427**	**-**	**427**	-	2,019	2,019
At 31 December	**34,899**	**-**	**34,899**	8,135	2,019	10,154

The Fund would typically have conditions precedent that would need to be satisfied before further disbursements on its loan transactions.

Concentration of credit risk exposure

The following table breaks down the main credit risk exposures at their carrying amount by country.

	Undrawn loan commitments 2024 € 000	**Loans 2024 € 000**	Undrawn loan commitments 2023 € 000	Loans 2023 € 000
Bosnia and Herzegovina	**-**	**9,454**	2,213	13,456
Bulgaria	**-**	**1,809**	-	2,314
Jordan	**-**	**2,159**	-	2,418
Lithuania	**2,705**	**4,466**	6,677	872
Poland	**-**	**6,668**	-	7,123
Regional	**-**	**4,648**	-	
Romania	**-**	**3,983**	-	4,385
Serbia	**-**	**15,798**	1,264	15,228
Kazakhstan	**15,000**	**-**	-	-
Uzbekistan	**14,835**	**10**	-	-
Tunisia	**427**	**1,129**	-	-
Mongolia	**1,932**	**-**	-	-
At 31 December	**34,899**	**50,124**	10,154	45,796

The following table breaks down the main credit risk exposures at their carrying amount by the industry sector of the project.

	Undrawn loan commitments 2024 € 000	**Loans 2024 € 000**	Undrawn loan commitments 2023 € 000	Loans 2023 € 000
Agribusiness	**1,932**	**6,668**	-	7,124
Manufacturing and Services	**9,660**	**4,648**	-	4,705
Municipal and environmental infrastructure	**2,705**	**28,215**	7,942	25,216
Power and energy	**20,602**	**10,593**	2,212	8,751
At 31 December	**34,899**	**50,124**	10,154	45,796

[6] Defined as a loan in which any of the key terms and conditions have been amended due to the financial stress of the borrower, and without such amendment(s) would likely have become an impaired loan.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate risk and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the Risk Management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal. The Fund also has a fixed rate loan investment. Based on reasonable basis point change in the underlying interest rates, this potential impact on the fund's net profit is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro 2024 € 000	United States Dollar 2024 € 000	Total 2024 € 000
Total assets	**216,057**	**220,968**	**437,025**
Total liabilities[7]	**(8,854)**	**(15)**	**(8,869)**
Net currency position at 31 December	**207,203**	**220,953**	**428,156**

	Euro 2023 € 000	United States Dollar 2023 € 000	Total 2023 € 000
Total assets	202,673	198,322	400,995
Total liabilities[7]	(3,665)	-	(3,665)
Net currency position at 31 December	199,008	198,322	397,330

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on the Fund's net loss from a 6.4 per cent strengthening or weakening (2023: 6.1 per cent) is €13.3 million (2023: €11.9 million).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that loan investments are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and pledged contributions and cannot borrow funds to finance operations. If the Fund has not received sufficient contributions to fund loan disbursements, payments under the loan agreement are not legally binding. The Fund recognises contributions received as a liability, which may be returned to a contributor upon termination of a contribution agreement. Amounts returned are based on the Fund's net assets and take into account existing commitments. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

[7] The total liabilities as presented in the foreign exchange risk table is shown excluding contributor's resources.

D. Management of contributors' resources

At 31 December 2024, the Fund had eleven Sub-accounts:

- The EBRD Green Energy Special Fund (Taiwan ICDF) Sub-account;
- International Cooperation Development Fund (Taiwan ICDF) Sub-account;
- The Federal Ministry of Finance of the Republic of Austria (Austria) Sub-account;
- The Ministry of Foreign Affairs of the Netherlands (Netherlands) Sub-account;
- The Ministry of Foreign Affairs of Finland (Finland) Sub-account;
- The State Secretariat for Economic Affairs of Switzerland (SECO) Sub-account;
- The Foreign, Commonwealth and Development Office of the United Kingdom (FCDO) Sub-account; and
- The Ministry of Economic Affairs and Digital Transformation of Spain (Spain) Sub-account.
- The Department of Foreign Affairs, Trade and Development of Canada (Canada) Sub-account.
- The United States Department of State (USA) Sub-account.
- The Ministry of Economy and Finance of the Republic of Korea
- The Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (Denmark)
- The Department for the Nansen Programme for Support to Ukraine (Norway)

Pursuant to Article VI(d) of the contribution agreement with ICDF, there was a mutual termination of ICDF's agreement on 19 May 2021 in respect of the Sub-account for the EBRD Green Energy Special Fund. The sub-Fund will close following the maturity of the loan investments and the return of the remaining balance to the contributor.

Two sub-accounts were opened during 2024. The Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (Denmark) and The Department for the Nansen Programme for Support to Ukraine (Norway). At 31 December 2024, €8 million contributions were received in relation to The Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (Denmark) and €2.96 million contributions were received in relation to The Department for the Nansen Programme for Support to Ukraine (Norway).

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of Directors ("the Board") of the Bank at its meeting of 29 March 2011 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations of the Fund. The Fund became operational on 19 May 2011 following the signing of the first Contribution Agreement. On 11 December 2020, the Rules and Regulations of the Fund were amended, changing the name of the Fund from "EBRD Green Energy Special Fund" to "Special Fund for the High Impact Partnership on Climate Action".

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

The Rules and Regulations of the Fund allows the Fund to be terminated either by:
- decision by the Board after consultation between the Bank and the contributors; or
- upon closure of the last Sub-Account.

None of these conditions have occurred, or are expected to occur in the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3 in preparing the non-statutory financial statements, the Bank is responsible for:
- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. Other Operating Expenses

	2024 € 000	2023 € 000
Management fees	722	5,163
Interest expense	-	5
Year to 31 December	**722**	**5,168**

4. Provisions for impairment of loan investments

Release/(charge) for the year	**2024 € 000**	2023 € 000
Impairment of loan investments at amortised cost in stages 1 and 2	755	1,234
Impairment of loan investments at amortised cost in stage 3	(556)	-
Provisions for impairment of loan investments	**199**	**1,234**
Movement in provisions		
At 1 January	(1,182)	(2,416)
Release for the year to the income statement	199	1,234
At 31 December	**(983)**	**(1,182)**
Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	(427)	(1,182)
Stage 3 provisions for loan investments at amortised cost	(556)	-
At 31 December	**(983)**	**(1,182)**

Set out below is an analysis of the movements in the loan investments and the associated impairment provisions for each of the stages of impairment.

	12-month ECL	Lifetime ECL	Lifetime ECL	
	(Stage 1)	(Stage 2)	(Stage 3)	Total
	2024	2024	2024	2024
Movement in provisions	**€ 000**	**€ 000**	**€ 000**	**€ 000**
As at 1 January	(41)	(1,141)	-	(1,182)
New loans originated and disbursements	(96)	-	-	(96)
Transfer to stage 2 - significant increase in credit risk	1	(1)	-	-
Transfer to stage 3 - credit impaired	-	1,000	(556)	444
ECL release - repayments	-	53	-	53
Changes in model or risk parameters	(9)	(193)	-	(202)
As at 31 December	(145)	(282)	(556)	(983)

	12-month ECL	Lifetime ECL	Lifetime ECL	
	(Stage 1)	(Stage 2)	(Stage 3)	Total
	2023	2023	2023	2023
Movement in provisions	€ 000	€ 000	€ 000	€ 000
As at 1 January	(116)	(2,300)	-	(2,416)
New loans originated and disbursements	(16)	-	-	(16)
ECL release - repayments	25	158	-	183
Changes in model or risk parameters	66	1,001	-	1,067
As at 31 December	(41)	(1,141)	-	(1,182)

	Loans	Loans	Loans	
	Stage 1	Stage 2	Stage 3	Total
	2024	2024	2024	2024
Movement in loans at amortised cost	**€ 000**	**€ 000**	**€ 000**	**€ 000**
As at 1 January	16,381	29,415	-	45,796
Loan disbursements	7,003	2,015	-	9,018
Transfer to stage 2 - significant increase in credit risk	2,303	(2,303)	-	-
Transfer to stage 3 - credit impaired	-	(16,321)	16,321	-
Repayments	(2,308)	(1,384)	(523)	(4,215)
Day one fair value adjustment	(1,221)	(550)	-	(1,771)
Movement in effective interest rate adjustment	465	685	-	1,150
Foreign exchange and other movements	-	146	-	146
As at 31 December	22,623	11,703	15,798	50,124

	Loans	Loans	Loans	
	Stage 1	Stage 2	Stage 3	Total
	2023	2023	2023	2023
Movement in loans at amortised cost	€ 000	€ 000	€ 000	€ 000
As at 1 January	8,518	27,612	-	36,130
Loan disbursements	9,246	2,077	-	11,323
Repayments	(1,009)	(2,380)	-	(3,389)
Day one fair value adjustment	(1,004)	(325)	-	(1,329)
Movement in effective interest rate adjustment	630	2,522	-	3,152
Foreign exchange and other movements	-	(91)	-	(91)
As at 31 December	16,381	29,415	-	45,796

5. Concessional loan discount

Set out below is a breakdown of the change in concessional loan discount for the year:

	2024	2023
	€ 000	€ 000
Day one fair value	(7,231)	(1,093)
Change in concessional loan discount	**(7,231)**	**(1,093)**

Set out below is an analysis of the movements in the Fund's concessional loan discount liability:

	2024	2023
	€ 000	€ 000
At 1 January	(1,612)	(1,848)
Day one fair value adjustment	(7,231)	(1,093)
Derecognition of liability on loan disbursement	1,772	1,329
As at 31 December	**(7,071)**	**(1,612)**

6. Loan investments

	2024	2023
Operating Assets	€ 000	€ 000
At 1 January	45,796	36,130
Disbursements	9,018	11,323
Day one fair value adjustment	(1,772)	(1,329)
Movement in effective interest rate adjustment	1,150	3,152
Repayments	(4,215)	(3,389)
Foreign exchange movements	147	(91)
At 31 December	**50,124**	**45,796**
Impairment at 31 December	(983)	(1,182)
Total loan investments net of impairment at 31 December	**49,141**	**44,614**

7. Interest receivable

	2024	2023
	€ 000	€ 000
Interest receivable from placements with credit institutions	622	1,036
Interest receivable from loans	154	247
Fee income receivable from loans	-	2
At 31 December	**776**	**1,285**

8. Other liabilities

	2024	2023
	€ 000	€ 000
Technical cooperation expenses payable	1,490	1,895
Accrued management fees	308	158
At 31 December	**1,798**	**2,053**

9. Analysis of current and non-current assets and liabilities

Assets	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000	Current 2023 € 000	Non-current 2023 € 000	Total 2023 € 000
Placements with credit institutions	387,108	-	387,108	355,096	-	355,096
Loans at amortised cost	4,432	45,692	50,124	4,627	41,169	45,796
Provisions for impairment of loan investments	(40)	(943)	(983)	(119)	(1,063)	(1,182)
Interest receivable	776	-	776	1,285	-	1,285
Total assets	392,276	44,749	437,025	360,889	40,106	400,995
Liabilities and contributors' resources						
Other liabilities	(1,798)	-	(1,798)	(2,053)	-	(2,053)
Concessional loan discounts	(7,071)	-	(7,071)	(1,612)	-	(1,612)
Contributors' resources	(348,508)	(79,648)	(428,156)	(347,070)	(50,260)	(397,330)
Total liabilities and contributors' resources	(357,377)	(79,648)	(437,025)	(350,735)	(50,260)	(400,995)

10. Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

11. Undrawn commitments

	2024 € 000	2023 € 000
Undrawn loan commitments	34,899	10,154
Technical cooperation expenses	2,358	2,692
Incentives	503	478
Investment grant commitments	11,728	4,000
At 31 December	49,488	17,324

This represents amounts for which the Fund has legally committed which the transaction or service was not yet performed at 31 December 2024.

12. Contributions

Executing agency	Contributions pledged € 000	Contributions received € 000	Contributions Pledged not due € 000
ICDF	114,664	95,344	19,320
Netherlands	20,000	20,000	-
Austria	9,008	9,008	-
Finland	41,730	41,730	-
SECO	10,157	10,157	-
UK	42,725	40,036	2,689
Spain	8,000	8,000	-
Canada	192,794	192,794	-
USA	25,498	25,498	-
Korea	4,257	1,842	2,415
Denmark	8,000	8,000	-
Norway	6,362	2,961	3,401
At 31 December 2024	483,195	455,370	27,825

Executing agency	Contributions pledged € 000	Contributions received € 000	Contributions Pledged not due € 000
ICDF	113,400	95,344	18,056
Netherlands	20,000	15,000	5,000
Austria	7,000	7,000	-
Finland	41,730	40,730	1,000
SECO	10,177	8,557	1,620
UK	34,529	34,529	-
Spain	8,000	8,000	-
Canada	192,794	192,794	-
USA	23,574	23,574	-
Korea	4,063	-	4,063
At 31 December 2023	455,267	425,528	29,739

The next tranche of contributions can be called when the threshold of loan commitments have disbursed.

13. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

Events after the reporting period that are indicative of conditions that arose after the reporting period do not lead to adjustment of the financial statements, but are disclosed in the event that they are material.
At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

14. Related parties

The Fund's related parties are the Bank and its contributors, International Cooperation Development Fund (TaiwanICDF), the Federal Ministry of Finance of the Republic of Austria, the Ministry of Foreign Affairs of Finland, the Ministry of Foreign Affairs of the Netherlands, the State Secretariat for Economic Affairs of Switzerland, the Foreign, Commonwealth and Development Office of the United Kingdom, The Ministry of Economic Affairs and Digital Transformation of Spain, the Department of Foreign Affairs, Trade and Development of Canada, the United States Department of State, the Ministry of Economy and Finance of the Republic of Korea, the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (Denmark) and the Department for the Nansen Programme for Support to Ukraine (Norway).

The Bank is entitled to charge the Fund a management fee of an amount between 2% and 5% of each contribution received and is determined by the amount received and whether it is intended for technical assistance or investment grants. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. Contributions of €29,840,000 were received in 2024 (2023: €253,711,000), and management fees of €574,000 were paid by the Fund to the Bank (2023: €5,056,000) and there was €308,000 accrued management fees payable by the Fund to the Bank as at 31 December 2023 (2023: €158,000).

External auditors' remuneration of €24,200 (2023: €21,500) is payable by the Bank from the management fee in relation to the audit of the financial statements. The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP in their first term as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

Independent auditor's report

To the Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Special Fund for the High Impact Partnership on Climate Action.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Special Fund for the High Impact Partnership on Climate Action (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors' resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund'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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributor's objectives, are the responsibility of the Bank and the contributor and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 29 March 2011, as amended on 11 December 2020, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025

European Bank
for Reconstruction and Development

The Trust Fund for the West Bank and Gaza

Annual Financial Report
31 December 2024

The Trust Fund for the West Bank and Gaza

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The Trust Fund for the West Bank and Gaza

Statement of comprehensive income

For the year ended 31 December 2024	Note		Year to 31 December 2024 € 000		Year to 31 December 2023 € 000
Interest income					
From loans			1,493		1,269
From credit institutions			3,361		1,309
Total Interest			4,854		2,578
Technical cooperation expenses		(1,019)		(265)	
Client cost sharing for technical cooperation		-		41	
Net technical cooperation expenses			(1,019)		(224)
General adminstrative expenses and depreciation	3		(444)		(494)
Fee Income			192		97
Management fees			(600)		(600)
Dividend Income			211		-
Net gains from share investments at fair value through profit or loss	4		528		56
Foreign exchange movements			5,984		(3,167)
Impairment charge on loans	5		(871)		(77)
Change in concessional loan discount	6		(1,021)		-
Financial guarantees movement	7		6		168
Net profit/(loss) for the year			7,820		(1,663)
Attributable to:					
Contributors			7,820		(1,663)

Balance sheet

At 31 December 2024	Note	31 December 2024 € 000	31 December 2024 € 000	31 December 2023 € 000	31 December 2023 € 000
Assets					
Placements with credit institutions			112,695		99,891
Interest receivable			257		286
Contribution receivable	8		19,400		19,400
Share investments	4		15,048		108
Financial guarentee assets			125		78
Loan investments					
Loans at amortised cost	9	20,896		18,573	
Less: Provisions for impairment	5	(1,388)		(452)	
			19,508		18,121
Office equipment	10		3		4
Other financial assets			31		18
Total assets			167,067		137,906
Liabilities and contributors' resources					
Other financial liabilities	11		904		632
Concessional loan discounts	6		1,017		-
Financial guarantee liability	7		359		307
Total liabilities			2,280		939
Contributions	8		160,000		140,000
Reserves and accumulated loss			4,787		(3,033)
Total contributors' resources			164,787		136,967
Total liabilities and contributors' resources			167,067		137,906
Memorandum items					
Undrawn commitments	12		60,899		28,530

The Trust Fund for the West Bank and Gaza

Statement of changes in contributors’ resources

For the year ended 31 December 2024	Contributions € 000	Accumulated losses € 000	Total € 000
At 1 January 2023	120,000	(1,370)	118,630
Contributions received and receivable	20,000	-	20,000
Net loss and total comprehensive expense for the year	-	(1,663)	(1,663)
At 31 December 2023	140,000	(3,033)	136,967
At 1 January 2024	140,000	(3,033)	136,967
Contributions received and receivable	20,000	-	20,000
Net profit and total comprehensive income for the year	-	7,820	7,820
At 31 December 2024	**160,000**	**4,787**	**164,787**

Statement of cash flows

For the year ended 31 December 2024	Year to 31 December 2024 € 000	Year to 31 December 2024 € 000	Year to 31 December 2023 € 000	Year to 31 December 2023 € 000
Cash flows from operating activities				
Net profit/(loss) for the year	7,820		(1,663)	
Non-cash items in the income statement				
Net gains from share investments at fair value through profit or loss	(528)		(56)	
Movement in effective interest rate adjustment[1]	8		(2)	
Depreciation	1		1	
Foreign exchange movement	(5,984)		3,167	
Concessional loan discount	1,021		-	
Impairment charge on loans	871		77	
Financial guarantees movement	(6)		(168)	
	3,203		1,356	
Cash flows from the sale and purchase of operating assets				
Net placements to credit institutions				
Funds advanced for share investments	(14,417)		-	
Proceeds from the sale of share investments	5		-	
Funds advanced for loans	(9,081)		(4,566)	
Proceeds from repayments of loans	7,509		7,669	
Front end fees received	405		1	
Working capital adjustment				
Movement in interest income	29		(12)	
Movement in other financial assets	(13)		253	
Movement in other financial liabilities	272		(246)	
Net cash (used in)/generated from operating activities		**(12,088)**		**4,455**
Cash flows from financing activities				
Contributions received	20,000		20,000	
Net cash generated from financing activities		**20,000**		**20,000**
Net increase in cash and cash equivalents		**7,912**		**24,455**
Cash and cash equivalents at the beginning of the year		**99,891**		77,970
Effect of foreign exchange rate changes		**4,892**		(2,534)
Cash and cash equivalents at 31 December		**112,695**		**99,891**

Signed for and on behalf of the President of European Bank for Reconstruction and Development by:

Gordon Jones, Director - Financial Control
Date: 10 April 2025

[1] Movement in effective interest rate adjustment includes the interest income unwinding discount of €8,000 (2023: €nil). This, with loan interest income, make up the interest income from loans figure in the Income statement.

The Trust Fund for the West Bank and Gaza

Fund purpose

The purpose of the Trust Fund for the West Bank and Gaza (“the Fund”) is to provide financial assistance to support the economic development of West Bank and Gaza (“WB&G”) and thereby contribute to the stability and prosperity of the southern and eastern Mediterranean region.

The resources of the Fund may be used to finance:

- Technical assistance which involves the provision of project preparation and implementation in support of lending, guarantee or investment operational activities or other types of technical assistance; and
- Non-technical assistance initiatives which are principally used to provide incentive fees or to pay for goods and works contracts in support of a lending, guarantee or investment operational activities in the WB&G; and
- Investment activities which may include guarantees, equity or debt financing.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The financial statements have been prepared on a going concern basis. On the basis of the assessment of the Fund’s financial position and resources, the President believes that the Fund is well placed to manage its business risks and the going concern assessment was confirmed by the European Bank for Reconstruction and Development (“the Bank”) on 10 April 2025, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the Fund. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in “Accounting policies and judgements” and “Significant accounting estimates” within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Fund’s financial statements, namely:

- Amendments to: IFRS 16: Leases
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows

IFRS not yet mandatorily effective and not adopted early
The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual reporting periods beginning on or after 1 January 2025.	The Fund anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IFRS 9: Financial Instruments and IFRS 7: Financial Instruments Disclosures	The amendments introduce requirements for assessing instruments with contingent features and resulting disclosure, as well as more detailed disclosure over contracts referencing nature-dependent electricity supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2026.	The Fund anticipates no material impact as a result of adopting the changes to the standards

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements. The standard introduces additional disclosure requirements in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027	The Fund anticipates some potential impact as a result of adopting the new standard. A detailed assessment of the impact has not yet been performed.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets - Classification and measurement

The classification of the Fund’s financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets at amortised cost

An investment is classified as “amortised cost” only if both of the following criteria are met: the objective of the Fund’s business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The initial fair value of a financial asset is normally represented by the transaction price exchanged for its acquisition or origination as the price is assumed to reflect the market conditions that an entity would normally have taken into consideration in determining the transaction price. The Fund makes some loans to its borrowers at concessional rates and therefore each loan is priced at a discount to normal market rates. This discount to fair value is accounted for as a "day one" loss through the Fund's income statement, with a corresponding liability. The day one loss is recognised upon signing of the loan. Once the Fund disburses the loan to its borrower, the day one loss is reflected within the loan investment as it forms part of the initial fair value of the asset.

Subsequently, these loans are measured at amortised cost using the effective interest method, less any impairment that may be necessary. The initial fair value discount applied to each loan is therefore recovered in the effective interest rate at which income is recognised in the income statement over the tenor of the loan.

The Fund’s financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value through other comprehensive income

An investment is classified as “fair value through other comprehensive income” only if both of the following criteria are met: the objective of the Fund’s business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

The Fund does not currently have any such assets in this category.

Financial assets at fair value through profit or loss

If neither of the two classifications above apply, the financial asset is classified as ‘fair value through profit or loss’.

The share investments held by the Fund are measured at fair value through profit or loss.

When an instrument which is required to be measured at fair value through profit or loss has characteristics of both a debt and equity instrument, the Fund determines its classification as a debt or an equity instrument on the basis of the legal rights and obligations attaching to the instrument in accordance with IFRS.

The basis of fair value for listed share investments in an active market is the quoted bid market price on the balance sheet date. The basis of fair value for share investments that are unlisted is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are multiples applied to net asset value and earnings-based valuations to which a multiple is applied based on information from comparable companies and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

The Fund's share investments are recognised on a trade date basis.

At initial recognition, the Fund measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value included in the income statement in the period in which they occur.

Derecognition of financial assets

The Fund derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

i. substantially all the risks and rewards of the asset; or
ii. significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial guarantees which are measured in accordance with IFRS 9, as described under "Financial guarantees" below.

Impairment of financial assets

Financial assets at amortised cost – performing assets (Stages 1 and 2)
Under IFRS 9 the Fund's methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A "three-stage" model for impairment is applied based on changes in credit quality since origination[2], with the stage allocation being based on the financial asset's probability of default (PD). At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12 month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit-impairment is identified, the asset is reallocated to Stage 3 as described below.
The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the income statement.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

Stage assessment
In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. The determination of what constitutes a significant increase in credit risk is a critical judgement. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the "watch list" are transitioned to Stage 2.[3]

Financial assets at amortised cost – nonperforming assets (Stage 3)
Where there is objective evidence that an identified loan asset is credit-impaired, specific provisions for impairment are recognised in the income statement, and under IFRS 9, the asset is classified in Stage 3. The criteria that the Fund uses to determine that there is observable evidence that the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower

[2] For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Fund's loans at amortised cost), not the date of the initial recognition of the asset on the Fund's balance sheet.
[3] A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include firstly the continued recognition of interest income, using the effective interest rate methodology at the original rate of the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan is amended it will continue to be recognised or will be derecognised and replaced with a new loan. To the extent the original loan is retained any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the income statement.

Financial guarantees

The Fund's resources may be used to provide the following guarantees:

- Trade facilitation programme ("TFP") guarantees to international commercial banks: cover the political and commercial payment risk of the transaction undertaken by participating banks in The West Bank and Gaza in relation to the trade facilitation programme.
- Participating Bank ("PB") guarantees: cover a proportion of principal losses of loan investments made by PB's under specific signed loan agreements.

Initial recognition and measurement

When a guarantee is issued, it is initially recognised at its fair value. This is measured as the present value of the fees to be received by the Fund for the provision of those guarantees. This initial fair value represents both an asset for the Fund and a liability for the same amount. Where no fee is charged the initial fair value is estimated based off the lifetime expected credit loss associated with the financial guarantee. This initial fair value is recognised as a financial guarantee liability with a corresponding charge to the income statement.

Subsequent measurement

The carrying value of the asset is subsequently measured at initial fair value less any fee income received.

The carrying value of the liability is subsequently measured at the higher of:

- the initial fair value recognised when the guarantees were issued less cumulative amortisation, and
- the expected credit loss allowance with the financial guarantee

Financial guarantees are recognised within other financial assets and other financial liabilities.

Contributors' resources

The Fund recognises contributions received from the contributor as equity on the basis that the residual assets are only available to be distributed to the contributors upon the winding up of the Fund.

Contributions are recognised as receivable on the balance sheet on the date the conditions precedent to disbursement have been met by the Fund. Contributions receivable have not been discounted on a present value basis as there is no indication as to their precise payment date and the impact from discounting is expected to be minimal.

Foreign currencies

The functional currency of the Fund is the euro (€) as this reflects the transactions, events and conditions under which the Fund conducts its business. The Fund's reporting currency for the presentation of its financial statements is also the euro.

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and are subject to insignificant risk of changes in value.

Technical cooperation expenses and investment grants

Technical cooperation expenses, which represent the costs of services provided to beneficiaries on behalf of the Fund over a period of time, are recorded as expenditure over the period of the contractual arrangement.

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced. This approach is not materially different from recognising the recovery at the same time as performance of the service.

Capital expenditure (investment) grants are disbursed in coordination with the related Bank loan resources, generally directly to the contractor. Disbursements are made upon verification of the goods works or services that have been delivered or carried out by the contractor. The grants are non-refundable.

Interest, fees, and dividends

Interest recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attaching to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument.

Interest is recognised on impaired loans through unwinding the discount used in deriving the present value of expected future cash flows.

The unwinding of the day one loss on concessional loans is recognised in interest income as part of the effective interest rate of the loan.

Fees earned in respect of services provided over a period of time, including loan commitment fees are recognised as income as the services are provided.

Dividends relating to share investments are recognised in accordance with IFRS 9 when the Fund’s right to receive payments has been established, and when it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured.

Office equipment

Office equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over the estimated life as follows:

Office equipment	Ten years
Leasehold improvements	Lease term

All leasehold improvements were fully depreciated as at 31 December 2024.

Management fees and general administrative expenses

The Bank is entitled to charge the Fund a management fee of an amount equal to 3 per cent of contributions received or receivable.

The Bank is also entitled to recover direct costs associated with the implementation of the operations of the Fund, these are recognised in the period the service is provided as ‘general administrative expenses’.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank (“the AEB”), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services, are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the economies in which the Fund invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Fund’s significant accounting estimates are outlined below.

Financial guarantees
The Fund's method for determining the fair value of financial guarantees is described under "Financial guarantees" within the accounting policies section of the report and further explained under credit risk within the risk management section of the report.

Impairment of loan investments
The Fund’s method for determining the level of impairment of loan investments is described within the accounting policies section of the report and further explained under credit risk within the risk management section of the report. As described in the risk management section, credit risk is managed by the Bank. Accordingly, the risk management disclosures are based on the Bank’s risk processes and procedures.

In accordance with IFRS 9, ECL represents the average credit losses weighted by the PD whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan’s effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank’s historical default experience in relation to the macroeconomic environment prevailing at the time of default. In 2024 the Bank updated its methodology for collecting default data and deriving PD ratings. The changes encompassed:

- Recording observations at the level of the counterparty as opposed to the operation level.
- Refreshing the sectoral TTC PD matrices in line with the above change in observation methodology.

The impact of this change on the date of application in September 2024 was an increase in ECL of €617,000. The cumulative TTC PD rates used in 2024 and 2023 are set out by internal rating grade below:

Financial Institutions						
2024 PD rating[4]	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	0.01%	0.05%	0.09%	0.13%
2.0	AA	0.01%	0.02%	0.06%	0.10%	0.14%
3.0	A	0.02%	0.05%	0.09%	0.13%	0.18%
4.0	BBB	0.05%	0.14%	0.23%	0.38%	0.53%
5.0	BB	0.27%	0.55%	0.87%	1.31%	1.84%
6.0	B	0.41%	0.78%	1.21%	1.76%	2.49%
7.0	CCC	1.98%	3.42%	5.68%	8.59%	9.53%

[4] The Bank’s internal PD rating scale is explained in detail on page 13 of the Risk Management section.

Industry, Commerce and Agribusiness (ICA)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.18%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.21%	0.34%	0.49%
3.0	A	0.07%	0.18%	0.29%	0.46%	0.60%
4.0	BBB	0.18%	0.49%	0.79%	1.30%	1.81%
5.0	BB	0.92%	1.86%	2.97%	4.47%	6.27%
6.0	B	1.39%	2.64%	4.13%	6.00%	8.48%
7.0	CCC	6.72%	11.62%	19.32%	29.22%	32.43%

Sustainable Infrastructure (SI)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.33%
3.0	A	0.05%	0.12%	0.20%	0.31%	0.41%
4.0	BBB	0.12%	0.33%	0.56%	0.88%	1.23%
5.0	BB	0.63%	1.26%	2.02%	3.04%	4.26%
6.0	B	0.95%	1.79%	2.81%	4.07%	5.76%
7.0	CCC	4.57%	7.89%	13.13%	19.85%	22.03%

Financial Institutions						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

Industry, Commerce and Agribusiness						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

Sustainable Infrastructure						
2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 86 per cent at the end of 2024 (2023: 84 per cent). Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience, and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

LGD rates were assigned to facilities in 2024 and 2023 as described in the tables below:

2024 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	36%
Senior Loan - ICA	37%
Senior Loan - SI	28%
Subordinated Loan	46%
Covered Bonds	11.25%

2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS[5]	20%	30%

2023 Seniority - sector	Non sovereign LGD
Equity	100%
Senior Loan - FI	32%
Senior Loan - ICA	38%
Senior Loan - SI	22%
Subordinated Loan	50%
Covered Bonds	11.25%

2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
EU country	5%	15%
Non EU country	10%	20%
Limited PCS	20%	30%

Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Funds EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

[5] This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Fund could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

Sensitivity analysis

The sensitivity of portfolio provisions to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision	Change in provision	Change in provision	Recalculated provision	Change in provision	Change in provision
	2024	2024	2024	2023	2023	2023
	€thousand	€thousand	%	€thousand	€thousand	%
2024 portfolio provision (Stages 1 and 2)	1,388			452		
Staging [1]						
All loans in Stage 1	757	(631)	(45)%	362	(90)	(20)%
All loans in Stage 2	1,707	319	23%	508	56	12%
PD Ratings [2]						
All loans upgraded 1 notch	1,085	(303)	(22)%	340	(112)	(25)%
All loans downgraded 1 notch	1,390	2	0%	456	4	1%
All loans upgraded 3 notches	566	(822)	(59)%	142	(310)	(69)%
All loans downgraded 3 notches	1,457	69	5%	645	193	43%
Projected GDP [3]						
Projected GDP increased by 1%	1,349	(39)	(3)%	437	(15)	(3)%
Projected GDP decreased by 1%	1,432	44	3%	467	15	3%
Projected GDP increased by 5%	1,160	(228)	(16)%	387	(65)	(14)%
Projected GDP decreased by 5%	1,559	171	12%	530	78	17%
LGD						
All loans decreased by 10%	1,003	(385)	(28)%	311	(141)	(31)%
All loans increased by 10%	1,772	384	28%	593	141	31%
EAD						
All undrawn commitments cancelled	1,388	-	0%	452	-	0%
All undrawn commitments disbursed within one month	1,785	397	29%	453	1	0%

Financial assets at amortised cost initial recognition
The Fund's method for determining the fair value on the initial recognition of concessional loans is further detailed in the significant accounting policies section of the report.

Critical judgements

In the process of applying its accounting policies the Fund makes various judgements. The judgements that the Fund has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in the course of making accounting estimates which are described in the Significant accounting estimates section above, the Fund has deemed the following accounting policies critical as they involve a judgements which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed “significant” and the potential impact this decision has on the measurement of the Fund’s expected credit losses.
- Classification of contributors’ resources: The classification of contributors’ resources as liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the Rules and Guidelines of the Fund.

There are no other judgements that have had a significant effect on the amounts recognised in the financial statements.

Risk management

Not all financial risks are actively managed by the Fund. Credit risk is managed in line with Bank policies. The Fund does not hedge against market risk and is hence exposed to foreign exchange risk, interest rate risk and equity price risk.

Risk governance

The Fund is subject to the Bank's risk governance procedures as below:

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"[6] control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.
In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Fund may also be exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Fund is exposed to credit risk as borrowers and counterparties could default on their contractual obligations, or the value of the Fund's investments could become credit-impaired.

The Fund's maximum exposure to credit risk from financial instruments is approximated on the balance sheet.

[6] With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

Credit risk management and measurement

The Fund participates in the financing of investments in WB&G. It benefits from the same governance process employed by the Bank in the measurement and management of credit exposures, which is described below.

Individual projects
The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles and its review is submitted to the Board.

All Banking projects in WB&G (both debt and equity transactions) are reviewed by the Operations Committee prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President Risk and Compliance, CRO and the Managing Director, Risk Management. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionally. It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee. Risk Management is represented at both the Equity Committee and the Small Business Investment Committee.

Risk Management conducts reviews of all exposures within the Banking portfolio at least on an annual basis. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments and loans held at fair value.

Portfolio level reporting
Management provides the Board with quarterly updates on activities in WB&G. These updates form a part of wider reports on the development of the Bank's portfolio, which are discussed at the Audit and Risk Committee of the Board. The reports include a summary of key factors affecting the portfolio and provide analysis and commentary on trends within the portfolio and various sub-portfolios. They also include reporting on compliance with portfolio risk limits including an explanation of any limit breaches.

In addition, on an annual basis, Management provides the Board with narrative and financial reports in respect of the operational activities financed with, and the utilisation of, the resources of the Fund, including information on the current status of the approved, committed and disbursed resources.

EBRD internal ratings

Probability of default ratings (PD ratings)
The Bank assigns internal risk ratings to all counterparties in the portfolio. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. For operations in WB&G, probability of default ratings are normally capped by the rating of the territory's government, except where the Bank has recourse to a guarantor from outside the territory which may have a better rating.

The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk range 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk range 6

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special attention	Risk range 7
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Loss given default (LGD)
The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates and critical judgements" section on page 8.

Non-performing loans (NPL)

NPL definition
An asset is designated as non-performing when a client is deemed to be in default. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held.

Impairment methodology
A specific provision is raised on all NPL accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPL held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

Stage 1 and 2 provisions
In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty, the N parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

Credit risk exposures

Placements with credit institutions
The Fund's placements with credit institutions were all classified at the internal risk rating range of 3 (approximately A+ to A- in terms of S&P equivalent).

Loan investments at amortised cost
For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

Stage 1: Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12 month horizon.

Stage 2: Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full life expected credit loss from these assets.

Stage 3: Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories.

	Amortised cost carrying value				Impairment		Total net of impairment	
Risk rating category	` € 000	Stage 2 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
6: Weak	-	7,074	7,074	33.9%	-	(22)	7,052	0.3%
7: Special Attention	2,406	11,416	13,822	66.1%	(265)	(1,101)	12,456	9.9%
At 31 December 2024	**2,406**	**18,490**	**20,896**	**100.0%**	**(265)**	**(1,123)**	**19,508**	

	Amortised cost carrying value				Impairment		Total net of impairment	
Risk rating category	Stage 1 € 000	Stage 2 € 000	Total € 000	Total %	Stage 1 € 000	Stage 2 € 000	Total net of impairment € 000	Impairment provisions coverage %
6: Weak	-	7,167	7,167	38.6%	-	(25)	7,142	0.3%
7: Special Attention	346	11,060	11,406	61.4%	(103)	(324)	10,979	3.7%
At 31 December 2023	**346**	**18,227**	**18,573**	**100.0%**	**(103)**	**(349)**	**18,121**	

At 31 December 2024 the Fund had security arrangements in place for its disbursed loan investments of €2,483,000 (2023: €346,000). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Fund with rights and negotiating leverage that help mitigate the overall credit risk.

Loan investments at fair value through profit or loss
As at 31 December 2024, the Fund as no loans held at fair value (2023: nil).

Undrawn commitments and guarantees
Set out below is an analysis of the Bank's undrawn loan commitments and guarantees for each of the Bank's relevant internal risk rating categories.

	Undrawn loan commitments			Financial guarantee liability			Guarantees commitments		
Risk rating category	Stage 1 2024 € 000	Stage 2 2024 € 000	Total 2024 € 000	Stage 1 2024 € 000	Stage 2 2024 € 000	Total 2024 € 000	Stage 1 2024 € 000	Stage 2 2024 € 000	Total 2024 € 000
6: Weak	-	-	-	-	21	21	1,457	-	1,457
7: Special Attention	10,143	28,980	39,123	235	103	338	19,979	31	20,010
At 31 December	**10,143**	**28,980**	**39,123**	**235**	**124**	**359**	**21,436**	**31**	**21,467**

	Undrawn loan commitments			Financial guarantee liability			Guarantees commitments		
Risk rating category	Stage 1 2023 € 000	Stage 2 2023 € 000	Total 2023 € 000	Stage 1 2023 € 000	Stage 2 2023 € 000	Total 2023 € 000	Stage 1 2023 € 000	Stage 2 2023 € 000	Total 2023 € 000
6: Weak	-	1,806	1,806	21	116	137	1,806	-	1,806
7: Special Attention	2,500	-	2,500	170	-	170	21,668	-	21,668
At 31 December	2,500	1,806	4,306	191	116	307	23,474	-	23,474

The Fund would typically have conditions precedent that would need to be satisfied before further disbursements on its debt transactions.

Concentration of credit risk exposure
The following table breaks down the main credit risk exposures at the carrying amount by geographical region.

	Loans 2024 € 000	Undrawn loan commitments 2024 € 000	Financial guarantee liability 2024 € 000	Guarantee commitments 2024 € 000
Jordan*	-	-	-	1,457
West Bank and Gaza	20,896	39,123	359	20,010
At 31 December	**20,896**	**39,123**	**359**	**21,467**

	Loans 2023 € 000	Undrawn loan commitments 2023 € 000	Financial guarantee liability 2023 € 000	Guarantee commitments 2023 € 000
Jordan*	346	-	-	1,806
West Bank and Gaza	18,227	4,306	307	21,668
At 31 December	18,573	4,306	307	23,474

*These loans and guarantees are issued to companies headquartered in Jordan but will be used for projects benefiting the West Bank and Gaza.

The following table breaks down the main credit risk exposures at the carrying amount by industry.

	Loans	Undrawn loan commitments	Financial guarantee liability	Guarantee commitments
	2024	2024	2024	2024
	€'000	€'000	€'000	€'000
Pharmaceutical and Medicine Manufacturing	2,483	-	-	-
Depository credit (banks)	12,795	36,708	359	21,467
Non-depository Credit (non-bank)	5,618	2,415	-	-
At 31 December	20,896	39,123	359	21,467

	Loans	Undrawn loan commitments	Financial guarantee liability	Guarantee commitments
	2023	2023	2023	2023
	€ 000	€ 000	€ 000	€ 000
Pharmaceutical and Medicine Manufacturing	-	2,500	-	-
Health Care and Social Assistance	346	-	-	-
Depository credit (banks)	16,699	1,806	307	23,474
Non-depository Credit (non-bank)	1,528	-	-	-
At 31 December	18,573	4,306	307	23,474

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The driver of market risk for the Fund is interest rate risk, foreign exchange risk and equity risk.

Market risk management and measurement

As discussed at the beginning of the risk management section, the Fund does not actively monitor or hedge against market risk.

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

The Fund's placements and floating rate loan investments are repriced to market interest rates within one and six months respectively, therefore the exposure to interest rate risk is considered to be minimal.

At 31 December 2024, the Fund has fixed rate loan investments of €3.6 million (2023: €5.7 million). As all loans are held at amortised cost, a change in the underlying interest rates would not have an impact on net gains unless the loans were sold prior to their maturity date. As this is not part of the Fund’s business model no impact on other comprehensive income is expected and therefore the exposure to interest rate risk on these instruments is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro	United States dollars	Israeli new shekel	Other	Total
	2024	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000
Total financial assets	46,161	120,887	6	13	167,067
Total financial liabilities	(986)	(1,242)	(51)	-	(2,280)
Net currency position at 31 December	45,175	119,645	(45)	13	164,787

	Euro	United States dollars	Israeli new shekel	Other	Total
	2023	2023	2023	2023	2023
	€ 000	€ 000	€ 000	€ 000	€ 000
Total financial assets	52,180	85,631	94	-	137,905
Total financial liabilities	(629)	(119)	(191)	-	(939)
Net currency position at 31 December	51,551	85,512	(97)	-	136,966

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on the Fund's net profit/(loss), from a 6 per cent strengthening or weakening of the USD (2023: 6 per cent) is +/- €7.2 million (2023: €4.8 million).

Based on the average five year absolute rolling average movement in the ILS to euro exchange rate, the potential impact on the Fund's net profit is considered to be minimal.

Equity price risk
Equity price risk is the risk of unfavourable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. In terms of equity price risk, the Fund expects the effect on net profit will, on average, have a positive correlation with the movement in equity indices, for both listed and unlisted equity investments. The table below summarises the potential impact on the Fund's net profit from reasonably possible changes in equity indices.

The overall potential impact on the Fund's fair value of share investments is €376,000 (2023: €nil) based on the average five year absolute rolling average movement in equity prices of the Palestine Stock Exchange Al Quds Index at 2.5 per cent.

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that operations are financed from the resources of the Fund, which comprise of contributions received. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund also recognises contributions received as equity, which will only be returned to the contributor as part of the residual assets upon termination of the Fund. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

D. Fair value of financial assets and liabilities

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed share investments on stock exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments, derivative financial instruments and loans at fair value through profit or loss for which not all market data is observable.

The table below provides information at 31 December 2024 about the funds financial assets measured at fair value. Financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

	At 31 December 2024			At 31 December 2023	
	Level 1	**Level 3**	**Total**	Level 3	Total
	€ 000	**€ 000**	**€ 000**	€ 000	€ 000
Share Investments (Banking Portfolio)	14,394	654	15,048	108	108
Total financial assets at fair value	14,394	654	15,048	108	108

At 31 December, the Fund's balance sheet approximates to the fair value of all financial assets and liabilities.

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets and financial liabilities.

	Share investments 2024 € 000	**Total 2024 € 000**	Share investments 2023 € 000	Total 2023 € 000
Balance as at 1 January	108	108	52	52
Net (losses)/gains recognised in:				
- Net (losses)/gains from share investments at fair value through profit or loss	(384)	(384)	56	56
Purchases	935	935	-	-
Sales	(5)	(5)	-	-
Balance at 31 December	654	654	108	108
Net (losses)/gains recognised for the year for Level 3 instruments held at 31 December recognised in:				
- Net (losses)/gains from share investments at fair value through profit or loss	(281)	(281)	56	56

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2024 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

		Impact on net gain in 2024	
Assets	**Carrying amount € 000**	**Favourable change € 000**	**Unfavourable change € 000**
Share investments	654	74	(73)
At 31 December 2024	**654**	**74**	**(73)**

		Impact on net gain in 2023	
Assets	Carrying amount € 000	Favourable change € 000	Unfavourable change € 000
Share investments and associated derivatives	108	27	(55)
At 31 December 2023	108	27	(55)

Notes to the financial statements

1. Creation of the Trust Fund

The creation of the Fund was approved by the Board of Governors ("the Board") on 10 May 2017 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Guidelines ("the Rules") of the Fund. The Fund became effective after the Governors of the Bank adopted Resolution No. 203 *2016 Net Income Allocation* and Resolution No. 204 *EBRD's Engagement in the West Bank and Gaza* during its Annual Meeting on 10 May 2017.

The Fund's principal office is located in London at 5 Bank St, E14 4BG.

The Fund was established in accordance with Article 20.1 (vii) of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but the privileges and immunities available to the Bank are extended to the Fund.

The Rules allows the Board to terminate the Fund at any time. No notice has been given and none expected for the foreseeable future, as at the date of issuance of this report.

2. Statement of Bank's responsibilities

The Bank is responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies on page 3.

The Bank must not approve the non-statutory financial statements unless it is satisfied that the non-statutory financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies on page 3. In preparing the non-statutory financial statements, the Bank is responsible for:

- safeguarding the assets of the Fund and preventing and detecting fraud and error and non-compliance with the Bank's internal policies and procedures;
- ensuring that the Bank maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund;
- such internal control determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- preparing financial statements in accordance with the accounting policies.

The Bank is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund.

3. General administrative expenses and depreciation

The Fund bears the administrative expenses of the Bank in relation to the operations of the Fund and the direct costs associated with the origination and implementation of investment operations through the Fund.

	2024	2023
	€ 000	€ 000
General administrative expenses	443	493
Depreciation charge	1	1
Year to 31 December	444	494

4. Share investments

	2024 € 000	2023 € 000
Outstanding disbursements		
At 1 January	5	5
Disbursements	14,417	-
Proceeds from the sale of share investments	(5)	-
At 31 December	14,417	5

	2024 € 000	2023 € 000
Fair value adjustment		
At 1 January	103	47
Movement in fair value revaluation	528	56
At 31 December	631	103
Fair value at 31 December	15,048	108

	2024 € 000	2023 € 000
Net unrealised gain from share investments	528	56
Net gains from share investments	528	56

5. Provisions for impairment of loan investments

Loss for the year	2024 € 000	2023 € 000
Impairment loss on loan investments at amortised cost in stage 1 and stage 2	(871)	(77)
Impairment release on loan investments	(871)	(77)
Movement in provisions		
At 1 January	(452)	(385)
Charge for the year to the income statement	(871)	(77)
Foreign exchange adjustments	(65)	10
At 31 December	(1,388)	(452)
Representing:		
Stage 1 and stage 2 provisions for loan investments at amortised cost	(1,388)	(452)
At 31 December	(1,388)	(452)

Movement in ECL	12-month ECL Stage 1 2024 € 000	Lifetime ECL (Stage 2) 2024 € 000	12-month ECL Total 2024 € 000
At 1 January	(103)	(349)	(452)
New loans and disbursements	(266)	(1,174)	(1,440)
Transfer to stage 2 - significant increase in credit risk	138	(165)	(27)
ECL release - repayments/settlements	(34)	-	(34)
Changes in model or risk parameters	-	600	600
Foreign exchange and other movements	-	(35)	(35)
At 31 December	(265)	(1,123)	(1,388)

Movement in ECL	12-month ECL Stage 1 2023 € 000	Lifetime ECL (Stage 2) 2023 € 000	12-month ECL Total 2023 € 000
At 1 January	(385)	-	(385)
New loans and disbursements	(242)	-	(242)
Transfer to stage 2 - significant increase in credit risk	392	(372)	20
ECL release - repayments/settlements	56	18	74
Changes in model or risk parameters	77	-	77
Foreign exchange and other movements	(1)	5	4
At 31 December	(103)	(349)	(452)

Movement in loans at amortised cost	Loans Stage 1 2024 € '000	Loans Stage 2 2024 € '000	Total 2024 € '000
As at 1 January	346	18,227	18,573
Loan disbursements	4,818	4,263	9,081
Transfer to stage 2 - significant increase in credit risk	(2,208)	2,208	-
Repayments	(350)	(7,160)	(7,510)
Day one fair value adjustment	(34)	(24)	(58)
Movement in effective interest rate adjustment	(111)	(300)	(411)
Foreign exchange and other movements	(55)	1,276	1,221
As at 31 December	2,406	18,490	20,896

Movement in loans at amortised cost	Loans Stage 1 2023 € '000	Loans Stage 2 2023 € '000	Total 2023 € '000
As at 1 January	22,336	-	22,336
New banking loans originated	-	4,566	4,566
Transfer to stage 2 - significant increase in credit risk	(15,308)	15,308	-
Repayments and prepayments	(6,654)	(1,013)	(7,667)
Movement in effective interest rate adjustment	13	(8)	5
Foreign exchange and other movements	(41)	(626)	(667)
As at 31 December 2022	346	18,227	18,573

6. Change in concessional loan discount

	2024 € 000	2023 € 000
Day one fair value	(1,021)	-
Concessional loan discount charge to the income statement	(1,021)	-

	2024 € 000	2023 € 000
At 1 January	-	-
Day one fair value adjustment	(1,021)	-
Derecognition of liability on loan disbursement	58	-
Foreign exchange movements	(54)	-
As at 31 December	(1,017)	-

7. Financial guarantee liability

	2024	2023
	€ 000	€ 000
At 1 January	**307**	458
Financial guarantees movement	**(6)**	(168)
Issued guarantees	**46**	-
Foreign exchange movement	**12**	17
At 31 December	**359**	307

8. Contributions

	2024	2023
	€ 000	€ 000
Cumulative contributions received	**140,000**	120,000
Contributions pledged		
Contributions	**19,400**	19,400
Management fees payable	**600**	600
Total contributions at 31 December	**160,000**	140,000

9. Loan investments at amortised cost

	2024	2023
Loans	€ 000	€ 000
At 1 January	18,573	22,336
Disbursements	9,081	4,566
Repayments	(7,510)	(7,667)
Movement in effective interest rate adjustment	(411)	5
Day one fair value adjustment	(58)	-
Foreign exchange movements	1,221	(667)
At 31 December	20,896	18,573
Impairment at 31 December	(1,388)	(452)
Total loan investments net of impairment at 31 December	19,508	18,121

10. Office equipment

	Office equipment 2024	Leasehold improvements 2024	Total 2024
Cost	€ 000	€ 000	€ 000
At 1 January	11	20	31
At 31 December	11	20	31
Accumulated Depreciation			
At 1 January	(7)	(20)	(27)
Charge	(1)	-	(1)
At 31 December	(8)	(20)	(28)
Net book value at 31 December	3	-	3

	Office equipment 2023	Leasehold improvements 2023	Total 2023
Cost	€ 000	€ 000	€ 000
At 1 January	11	20	31
At 31 December	11	20	31
Accumulated Depreciation			
At 1 January	(6)	(20)	(26)
Charge	(1)	-	(1)
At 31 December	(7)	(20)	(27)
Net book value at 31 December	4	-	4

11. Other financial liabilities

	2024 € 000	2023 € 000
Technical cooperation expenses payable	687	501
General administration expenses payable	217	131
At 31 December	904	632

12. Undrawn commitments and guarantees

Analysis by instrument	2024 € 000	2023 € 000
Undrawn commitments		
Loan investments at amortised cost	39,123	4,306
Technical cooperation expenses	309	750
At 31 December	39,432	5,056
Guarantees		
Financial guarantees	21,467	23,474
At 31 December	21,467	23,474
Undrawn commitments and guarantees at 31 December	60,899	28,530

The undrawn commitments amount represents amounts for which the Fund has contracted but for which the transaction or service was not yet performed at 31 December.

13. Analysis of current and non-current assets and liabilities

The table below provides the classification of current and non-current assets and liabilities in the balance sheet.

Assets	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000	Current 2023 € 000	Non-current 2023 € 000	Total 2023 € 000
Placements with credit institutions	112,695	-	112,695	99,891	-	99,891
Interest receivable	257	-	257	286	-	286
Contribution receivable	19,400	-	19,400	19,400	-	19,400
Share investments	-	15,048	15,048	-	108	108
Financial guarentee assets	125	-	125	78	-	78
Loans at amortised cost	10,176	10,720	20,896	7,670	10,903	18,573
Provisions for impairment of loan investments	(174)	(1,214)	(1,388)	(151)	(301)	(452)
Office equipment	-	3	3	-	4	4
Other financial assets	31	-	31	18	-	18
Total assets	142,510	24,557	167,067	127,192	10,714	137,906
Liabilities						
Other liabilities	(904)	-	(904)	(632)	-	(632)
Concessional loan discounts	(1,017)	-	(1,017)	-	-	-
Financial guarantee liability	(359)	-	(359)	(307)	-	(307)
Total liabilities	(2,280)	-	(2,280)	(939)	-	(939)

14. Related parties

The Fund's only related party is the Bank.

The Bank is entitled to charge the Fund a management fee, as determined by the Board of Directors, each time a contribution is made to the Fund. The management fee covers directly attributable administrative services provided by the Bank to the Fund in relation to finance and project management. €600,000 management fees were paid during the year (2023: €600,000). As at 31 December 2024 there were accrued management fees payable by the Fund to the Bank of €600,000 (2023: €600,000). During the period the Bank incurred €441,917 (2023: €493,000) of general administrative expenses on behalf of the Fund, of which €217,450 (2023: €131,000) remains payable to the Bank at period end (note 11). As part of wider services provided to the Bank, the auditors from time to time perform non audit services in relation to activities under the Fund. There were no non audit services performed during the year (2023: €nil).

External auditors' remuneration in relation to the audit of the financial statements of €24,200 (2023: €21,500) is payable by the Bank from the management fee. The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP as the Bank's external auditors for the five-year period 2020-24. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

15. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2024.

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

At 10 April 2025 there had been no other material events after the reporting period to disclose.

On 10 April 2025 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.

Independent auditor’s report

To the Governors of the European Bank for Reconstruction and Development (the “Bank”) in respect of The Trust Fund for the West Bank and Gaza.

Our opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of The Trust Fund for the West Bank and Gaza (the Fund) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

What we have audited

The Fund’s financial statements comprise:

- the balance sheet as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in contributors’ resources for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies;
- the risk management section; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of Bank's Responsibilities in respect of the financial statements the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), and for such internal control as the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank is responsible for assessing the Fund’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 the Bank either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Bank is responsible for overseeing the Fund’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Our responsibilities as auditors are limited to the assessment of the preparation of the financial statements in accordance with the basis set out in the notes to the financial statements, and which reflect disbursement of funds to initial recipients only. Consideration of disbursements (or the application or use thereof) beyond that point, and consideration regarding whether the disbursements are required for or will satisfy achievement of the Fund or contributors' objectives, are the responsibility of the Bank and the contributors and are beyond the scope of the financial statements and our audit.

We communicate with the Bank 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.

Use of this report

This report, including the opinion, has been addressed to the Governors and prepared for and only for the benefit of the Bank to allow it to comply with the requirements of Articles 24 and 35 of the Agreement Establishing the European Bank for Reconstruction and Development, and its obligation under Section 13 of the By-Laws of the European Bank for Reconstruction and Development, as well as the Rules and Regulations of the Fund dated 10 March 2017, and as set out in our engagement letter dated 4 November 2019, incorporating variation letters dated 21 January 2021, 12 April 2021, 23 August 2021, 21 December 2021, 8 April 2022, 2 November 2022, 13 February 2023, 28 April 2023, 16 May 2023, 15 March 2024, 9 May 2024, and 13 March 2025 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Fund or the Bank, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

10 April 2025