

**European Bank
for Reconstruction and Development**

EBRD-EU Special Fund

**Annual Financial Report
31 December 2025**

EBRD-EU Special Fund

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Statement of comprehensive income

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
	Note	€ 000	€ 000
Interest income			
From loans		4,209	4,374
From credit institutions		126	280
Total Interest		4,335	4,654
Technical cooperation expenses		(78)	(9)
Net losses from share investments	3	(541)	(2,561)
Foreign exchange movements		(561)	365
Management fees		(106)	(139)
Impairment charge on loans	4	(51)	(47)
Impairment release/(charge) on placements with credit institutions	6	56	(1)
Change in concessional loan discount	5	232	(961)
Net profit and comprehensive income for the year		3,286	1,301
Attributable to:			
Contributors		3,286	1,301

Balance sheet

At 31 December 2025		31 December 2025		31 December 2024	
	Note	€ 000	€ 000	€ 000	€ 000
Assets					
Placements with credit institutions		89,145		82,185	
Less: Provisions for impairment	6	(37)		(93)	
Placements with credit institutions			89,108		82,092
Share investments	3		11,060		8,162
Deferred management fees			559		641
Loan investments					
Loans at amortised cost		116,127		120,376	
Less: Provisions for impairment	4	(487)		(436)	
			115,640		119,940
Other financial assets	7		653		525
Total assets			217,020		211,360
Liabilities and contributors' resources					
Other liabilities	8		41		53
Concessional loan discounts	5		961		1,193
Contributors' resources			216,018		210,114
Total liabilities and contributors' resources			217,020		211,360
Memorandum items					
Undrawn commitments	9		33,413		37,924

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Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € 000	Accumulated losses € 000	Total € 000
At 1 January 2024	232,640	(24,086)	208,554
Distribution of funds to contributor	(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
At 1 January 2025	232,899	(22,785)	210,114
Distribution of funds to contributor	(2,382)	-	(2,382)
Contributions received	5,000	-	5,000
Net profit and total comprehensive income for the year	-	3,286	3,286
At 31 December 2025	235,517	(19,499)	216,018

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025		Year to 31 December 2024	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	3,286		1,301	
<i>Non-cash items in the income statement</i>				
Net losses from share investments	541		2,561	
Movement in effective interest rate adjustment ¹	(2,511)		(2,541)	
Foreign exchange movement	561		(365)	
Concessional loan discount	(232)		961	
Impairment (release)/charge on placements with credit institutions	(56)		1	
Impairment charge on loans	51		47	
	<u>1,640</u>		<u>1,965</u>	
<i>Cash flows from the sale and purchase of operating assets</i>				
Funds advanced for share investments	(3,440)		(5,025)	
Proceeds from return of capital on share investments	-		20	
Proceeds from repayments of loans	6,760		3,481	
<i>Working capital adjustment</i>				
Movement in deferred management fee	82		81	
Movement in other financial assets	(128)		20	
Movement in other liabilities	(12)		(39)	
Net cash generated from operating activities	<u>4,902</u>		<u>503</u>	
Cash flows from financing activities				
Contributions received	5,000		1,057	
Distribution of funds to contributor	(2,382)		(798)	
Net cash generated from financing activities	<u>2,618</u>		<u>259</u>	
Net increase in cash and cash equivalents	<u>7,520</u>		<u>762</u>	
Cash and cash equivalents at the beginning of the year	<u>82,185</u>		<u>81,058</u>	
Effect of foreign exchange rate changes	(560)		366	
Cash and cash equivalents at 31 December	<u>89,145</u>		<u>82,185</u>	

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



Marianna Amirbekyan, Director - Financial Control

Date: 15 April 2026

¹ Movement in effective interest rate adjustment includes the interest income unwinding discount of €2,521,000 (2024: €2,549,000). This with loan interest income, make up the interest income from loans figure in the Statement of comprehensive income.

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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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to: IAS 21: *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

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New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund has completed an impact analysis, which indicates that one of the main expected changes will relate to the presentation of the income statement.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets classified or designated at fair value through profit or loss are recognised on the trade date at fair value, with any transaction costs expensed immediately in profit or loss. After initial recognition, these assets are measured at fair value, with all resulting fair value changes recognised in the statement of profit or loss.

Equity instruments

The basis of fair value of the Fund's unlisted share investments is determined using valuation techniques appropriate to the market and industry of the investment. The primary valuation technique used is net asset value.

Debt instruments

The Fund holds sustainability-linked loans whose interest varies based on the borrower's achievement of specified sustainability targets. Because these contractual cash flows do not meet the SPPI criteria, the loans are measured at fair value through profit or loss, with subsequent fair value movements recognised in profit or loss.

Derecognition

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 at amortised cost

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 origination², with the stage allocation being based on the financial asset's probability of default (PD) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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.

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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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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"³ are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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.

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 window⁴ 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.

The Fund is required to return to the contributor reflows, 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.

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.

³ A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, which 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.

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Foreign currencies

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

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 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 ESIF 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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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

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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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial Institutions						
2025 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%	0.04%	0.07%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%

Corporate Sector						
2025 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%	0.16%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%

Sustainable infrastructure (SI)						
2025 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%	0.11%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

Financial Institutions						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	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%

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

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Corporate Sector

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%

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 2025 (2024: 86 per cent).⁶ Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025 Seniority - sector	Non sovereign LGD	2025 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non EU country	10%	15%
Senior Loan - Corporate	38%	Limited PCS ⁷	15%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			

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

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.

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2024	Non sovereign	2024 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
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 Bank'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 2025 and 31 December 2024 to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	provision	provision	provision	provision	provision	provision
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Portfolio provision (Stage 1 & 2)	487			436		
Staging						
All loans in Stage 1	348	(139)	(29)%	366	(70)	(16)%
All loans in Stage 2	2,379	1,892	389%	2,854	2,418	555%
PD Ratings						
All loans upgraded 1 notch	400	(87)	(18)%	255	(181)	(42)%
All loans downgraded 1 notch	715	228	47%	742	306	70%
All loans upgraded 3 notches	190	(297)	(61)%	161	(275)	(63)%
All loans downgraded 3 notches	1,697	1,210	248%	1,976	1,540	353%
Projected GDP						
Projected GDP increased by 1%	429	(58)	(12)%	393	(43)	(10)%
Projected GDP decreased by 1%	555	68	14%	486	50	11%
Projected GDP increased by 5%	306	(181)	(37)%	301	(135)	(31)%
Projected GDP decreased by 5%	839	352	72%	687	251	58%
LGD						
All loans decreased by 10%	343	(144)	(30)%	306	(130)	(30)%
All loans increased by 10%	633	146	30%	565	129	30%
EAD						
All undrawn commitments cancelled	488	1	0%	436	-	0%
All undrawn commitments disbursed within one month	488	1	0%	444	8	2%

EBRD-EU Special Fund

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 judgements in the application of accounting policy to be critical as it involves 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 and therefore transition from Stage 1 to Stage 2, 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. The Fund’s NPL definition, which governs transition to Stage 3, is also a critical judgement owing to its subjectivity.
- **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 a liability or equity uses critical judgement to determine the substance of the contractual arrangement according to the rules of the Fund.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

EBRD-EU Special Fund

Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversee independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee review the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

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 investment grants.

Credit risk management and measurement

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.

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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 Fund 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 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	AA+	Very strong	
	2.0	AA		
3	2.3/2.5	AA-	Strong	
	2.7	A+		
	3.0	A		
4	3.3	A-	Good	
	3.7	BBB+		
	4.0	BBB		
5	4.3	BBB-	Fair	Risk range 5
	4.7	BB+		
	5.0	BB		
6	5.3	BB-	Weak	Risk range 6
	5.7	B+		
	6.0	B		
7	6.3	B-	Special attention	Risk range 7
	6.7	CCC+		
	7.0	CCC		
8	7.3	CCC-/CC/C	Non-performing	NPL/Credit-impaired assets
	8.0	D		

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.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees

EBRD-EU Special Fund

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

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	3,152	-	3,152
3: Strong	4,712	-	4,712
4: Good	81,281	(37)	81,244
At 31 December 2025	89,145	(37)	89,108

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: Fair	75,202	(93)	75,109
At 31 December 2024	82,185	(93)	82,092

A 1 notch PD upgrade or downgrade on the placement with credit institution risk rated 4 would decrease the impairment by €19,000, or increase the impairment by €19,000 (2024: €42,000, or increase the impairment by €17,000).

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

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Risk rating category	Amortised cost carrying value				Impairment		Total net of impairment	
	Stage 1	Stage 2	Total	Total %	Stage 1	Stage 2	Total	Impairment
	€ 000	€ 000	€ 000		€ 000	€ 000	€ 000	net of impairment
4: Good	85,113	-	85,113	73.3%	(144)	-	84,969	0.2%
6: Weak	27,834	-	27,834	24.0%	(146)	-	27,688	0.5%
7: Special Attention	-	3,180	3,180	2.7%	-	(197)	2,983	6.2%
At 31 December 2025	112,947	3,180	116,127	100%	(290)	(197)	115,640	

Risk rating category	Amortised cost carrying value				Impairment		Total net of impairment	
	Stage 1	Stage 2	Total	Total %	Stage 1	Stage 2	Total	Impairment
	€ 000	€ 000	€ 000		€ 000	€ 000	€ 000	net of impairment
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%	(350)	(86)	119,940	

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.

Risk rating category	Undrawn loan commitments			Undrawn loan commitments		
	Stage 1	Fair value	Total	Stage 1	Fair Value	Total
	2025	2025	2025	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
6: Weak	-	21,500	21,500	-	21,500	21,500
At 31 December	-	21,500	21,500	-	21,500	21,500

Concentration of credit risk exposure

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

	Undrawn loan	Loans	Undrawn loan	Loans
	commitments	2025	commitments	2024
	2025	2025	2024	2024
	€ 000	€ 000	€ 000	€ 000
Bulgaria	-	5,926	-	7,836
Greece	21,500	110,201	21,500	112,540
At 31 December	21,500	116,127	21,500	120,376

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

	Undrawn loan	Loans	Undrawn loan	Loans
	commitments	2025	commitments	2024
	2025	2025	2024	2024
	€ 000	€ 000	€ 000	€ 000
Municipal and environmental infrastructure	-	5,926	-	7,837
Telecommunications, media and technology	-	85,113	-	83,348
Manufacturing and services	21,500	25,088	21,500	29,191
At 31 December	21,500	116,127	21,500	120,376

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B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 2025, the Fund has fixed rate loan investments of €126.4 million⁸ (2024: €133.1 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 currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Fund does not have any exposure to foreign currency risks.

	Armenian Dram 2025 € 000	Egyptian Pound 2025 € 000	Euro 2025 € 000	Polish Zloty 2025 € 000	United States Dollar 2025 € 000	Total 2025 € 000
Total assets	1,675	2,872	207,519	1,243	3,152	216,461
Total liabilities	-	-	(961)	(41)	-	(1,002)
Net currency position at 31 December	1,675	2,872	206,558	1,202	3,152	215,459

	Armenian Dram 2024 € 000	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

The overall potential impact on the Fund's net profit/(loss) is €0.5 million (2024: €1 million) based on the average five year absolute rolling average movement in the below currencies:

- 21 per cent (2024: 21 per cent) strengthening or weakening in the Egyptian pound to euro exchange rate;
- 3 per cent (2024: 3 per cent) strengthening or weakening in the Polish zloty to euro exchange rate;
- 7 per cent (2024: 6 per cent) strengthening or weakening in the United States dollar to euro exchange rate.
- 13 per cent (2024: 12 per cent) strengthening or weakening in the Armenian dram 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.

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.

⁸The loans at amortised cost figure of €116.1 million on the balance sheet includes a day one loss adjustment of - €10.3 million (2024: - €12.7 million). Therefore the maximum amortised cost loan exposure is €126.4 million (2024: €133.1 million)

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	2025 € 000	2024 € 000
Egypt	2,872	3,808
Armenia	1,675	-
Bosnia and Herzegovina	1,954	1,089
Kosovo	1,954	1,089
Serbia	977	1,089
Albania	651	435
North Macedonia	651	435
Montenegro	326	217
At 31 December	11,060	8,162

The overall potential impact on the Fund's fair value of share investments is €3.5 million (2024: €1.5 million) based on the average five year absolute rolling average movement in equity prices in the following indexes:

- 33 per cent (2024: 29 per cent) movement in Egyptian Stock Market EGX 30 Equity index
- 30 per cent (2024: 28 per cent) movement in a benchmark of indices of regional countries⁹
- 52 per cent (2024: 28 per cent) movement in a proxy company's share price¹⁰

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.

D. Fair value of financial assets and liabilities

	Carrying amount € 000	Fair Value € 000
Financial assets at 31 December 2025		
Financial assets measured at amortised cost		
Placements with credit institutions	89,108	89,108
Interest receivable	653	653
Loans at amortised cost	115,640	120,976
Deferred management fees	559	559
	205,960	211,296
Financial assets measured at fair value through profit or loss		
Share investments	11,060	11,060
	11,060	11,060
Total financial assets	217,020	222,356
Financial liabilities at 31 December 2025		
Other financial liabilities	41	41
Concessional loan discount	961	961
Contributor's resources	216,018	221,354
Total financial liabilities	217,020	222,356

⁹ 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.

¹⁰ As there is no active stock exchange in Armenia, a proxy company share price has been used.

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	Carrying amount € 000	Fair Value € 000
Financial assets at 31 December 2024		
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	8,162	8,162
	8,162	8,162
Total financial assets	211,360	219,011
Financial liabilities at 31 December 2024		
Other financial liabilities	53	53
Concessional loan discount	1,193	1,193
Contributor's resources	210,114	217,765
Total financial liabilities	211,360	219,011

At 31 December 2025, 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 table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets.

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Carrying amount € 000	Impact on net loss in 2025	
		Favourable change € 000	Unfavourable change € 000
Assets			
Share investments	11,060	2,764	(1,724)
At 31 December 2025	11,060	2,764	(1,724)
		Impact on net loss in 2024	
	Carrying amount € 000	Favourable change € 000	Unfavourable change € 000
Assets			
Share investments	8,162	6,713	(1,170)
At 31 December 2024	8,162	6,713	(1,170)

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 2025 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

	2025	2024
	€ 000	€ 000
Outstanding disbursements		
At 1 January	14,888	9,883
Disbursements	3,440	5,025
Return of capital	-	(20)
At 31 December	18,328	14,888
	2025	2024
	€ 000	€ 000
Fair value adjustment		
At 1 January	(6,727)	(4,166)
Movement in fair value revaluation	(541)	(2,561)
At 31 December	(7,268)	(6,727)
Fair value at 31 December	11,060	8,162

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4. Provisions for impairment of loan commitments

	2025	2024
Charge for the year	€ 000	€ 000
Impairment of loan investments at amortised cost in stages 1 and 2	(51)	(47)
Provisions for impairment of loan investments	(51)	(47)
Movement in provisions		
As at 1 January	(436)	(389)
Charge for the year to the income statement	(51)	(47)
At 31 December	(487)	(436)

	12-month ECL (Stage 1) 2025 €'000	Lifetime ECL (Stage 2) 2025 €'000	Total 2025 €'000
Movement in provisions			
As at 1 January	(350)	(86)	(436)
Transfer to stage 2 - significant increase in credit risk	35	(211)	(176)
ECL release - repayments	-	81	81
Changes in model or risk parameters	25	19	44
As at 31 December	(290)	(197)	(487)

	12-month ECL (Stage 1) 2024 €'000	Lifetime ECL (Stage 2) 2024 €'000	Total 2024 €'000
Movement in provisions			
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	(350)	(86)	(436)

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	Loans Stage 1 2025 €'000	Loans Stage 2 2025 €'000	Total 2025 €'000
Movement in loans at amortised cost			
As at 1 January	118,920	1,456	120,376
Transfer to stage 2 - significant increase in credit risk	(3,178)	3,178	-
Repayments	(4,888)	(1,872)	(6,760)
Movement in effective interest rate adjustment	2,093	418	2,511
As at 31 December	112,947	3,180	116,127

	Loans Stage 1 2024 €'000	Loans Stage 2 2024 €'000	Total 2024 €'000
Movement in loans at amortised cost			
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

¹¹ Prior year figures have been updated for internal consistency.

EBRD-EU Special Fund

5. Concessional loan discounts

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

	2025	2024
	€ 000	€ 000
Day one fair value	-	(961)
Release of discount on loan cancellation	232	-
Concessional loan discount charge to the income statement	232	(961)

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

	2025	2024
	€ 000	€ 000
At 1 January	(1,193)	(232)
Day one fair value adjustment	-	(961)
Release of discount on loan cancellation	232	-
As at 31 December	(961)	(1,193)

6. Provisions for impairment of placements with credit institutions

	2025	2024
	€ 000	€ 000
Release/(charge) for the year	€ 000	€ 000
Impairment of placements with credit institutions	56	(1)
Provisions for impairment of placements with credit institutions	56	(1)
Movement in provisions		
At 1 January	(93)	(92)
Release/(charge) for the year to the income statement	56	(1)
At 31 December	(37)	(93)

7. Other financial assets

	2025	2024
	€ 000	€ 000
Loan interest receivable	496	521
Management fee refundable	150	-
Placements with credit institutions interest receivable	6	4
Bank charges refundable	1	-
At 31 December	653	525

8. Other liabilities

	2025	2024
	€ 000	€ 000
Technical cooperation expenses payable	41	-
Accrued management fees	-	53
At 31 December	41	53

9. Undrawn commitments

	2025	2024
	€ 000	€ 000
Undrawn loan commitments	21,500	21,500
Undrawn share commitments	11,899	16,333
Technical cooperation expenses	14	91
At 31 December	33,413	37,924

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

EBRD-EU Special Fund

10. Contributions received and distribution of funds to contributor

Window	Contributor	Contributions	Distribution of	Total
		received	funds to	contributions
		€ 000	contributor	€ 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 - Guarantee Window	Bulgaria FMFIB	10,000	(9,826)	174
Bulgaria ESIF Water Framework - Debt Window	Bulgaria FMFIB	22,171	(14,390)	7,781
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	10,000	-	10,000
Total contributions 31 December 2025		259,733	(24,216)	235,517

Window	Contributor	Contributions	Distribution of	Total
		received	funds to	contributions
		€ 000	contributor	€ 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 - Guarantee Window	Bulgaria FMFIB	9,974	(9,826)	148
Bulgaria ESIF Water Framework - Debt Window	Bulgaria FMFIB	22,171	(11,982)	10,189
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

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.

	Current	Non-current	Total	Current	Non-current	Total
	2025	2025	2025	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Placements with credit institutions	89,145	-	89,145	82,185	-	82,185
Provisions for impairment	(37)	-	(37)	(93)	-	(93)
Share investments	-	11,060	11,060	-	8,162	8,162
Deferred management fees	81	478	559	81	560	641
Loans at amortised cost	4,678	111,449	116,127	5,560	114,816	120,376
Provisions for impairment of loan investments	(45)	(442)	(487)	(36)	(400)	(436)
Interest receivable	653	-	653	525	-	525
Total assets	94,475	122,545	217,020	88,222	123,138	211,360
Liabilities and contributors' resources						
Other liabilities	41	-	41	53	-	53
Concessional loan discounts	961	-	961	1,193	-	1,193
Contributors' resources	60,060	155,958	216,018	47,052	163,062	210,114
Total liabilities and contributors' resources	61,062	155,958	217,020	48,298	163,062	211,360

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 2025.

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 15 April 2026 there had been no material events after the reporting period to disclose.

EBRD-EU Special Fund

13. Authorisation for issue

On 15 April 2026 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 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 €77,200 is payable by the Bank from the management fee (2024: €42,400). 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

Independent auditors' report

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of EBRD-EU Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of EBRD-EU Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

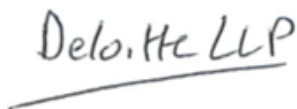
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'D' and ends under the 'P', with a small upward tick at the end.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Balkan Region Special Fund

**Annual Financial Report
31 December 2025**

The Balkan Region Special Fund

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Statement of comprehensive income

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
	Note	€ 000	€ 000
Interest income from credit institutions		157	273
Fee Income		18	27
Audit fees	3	(11)	(24)
Financial guarantees movement		-	(4)
Net profit and total comprehensive income for the year		164	272
Attributable to:			
Contributors		164	272

Balance sheet

At 31 December 2025		31 December 2025	31 December 2024
	Note	€ 000	€ 000
Assets			
Placements with credit institutions		8,436	8,258
Trade finance guarantees		3	2
Other financial assets	4	23	37
Total assets		8,462	8,297
Liabilities and contributors' resources			
Financial guarantee liability		7	6
Contributors' resources		8,455	8,291
Total liabilities and contributors' resources		8,462	8,297
Memorandum items			
Guarantees*		9,180	7,949

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

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Statement of changes in contributors' resources

For the year ended 31 December 2025

	Reserves and accumulated losses		Total € 000
	Contributions € 000	€ 000	
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
<hr/>			
At 1 January 2025	9,779	(1,488)	8,291
Net profit and total comprehensive income for the year	-	164	164
At 31 December 2025	9,779	(1,324)	8,455

Statement of cash flows

For the year ended 31 December 2025

	Year to		Year to	
	31 December 2025 € 000	€ 000	31 December 2024 € 000	€ 000
Cash flows from operating activities				
Net profit for the year	164		272	
<i>Non-cash items in the statement of comprehensive income</i>				
Financial guarantees movement	-		4	
	<u>164</u>		<u>276</u>	
<i>Working capital adjustment</i>				
Movement in other financial assets	14		(15)	
Movement in audit fees payable	-		(22)	
Net cash generated from operating activities		178		239
Net increase in cash and cash equivalents		178		239
Cash and cash equivalents at the beginning of the year		8,258		8,019
Cash and cash equivalents at 31 December		8,436		8,258

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



Marianna Amirbekyan, Director – Financial Control
Date: 15 April 2026

The Balkan Region Special Fund

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

The Balkan Region Special Fund

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

The Fund derecognizes 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.

The Balkan Region Special Fund

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 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 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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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

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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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial Institutions (FI)							
2025 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%	0.04%	0.07%	0.10%	
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	

Industry, commerce and agribusiness (ICA)							
2025 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%	0.16%	0.31%	0.44%	
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	

Sustainable Infrastructure (SI)							
2025 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%	0.11%	0.21%	0.30%	
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%	
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%	
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%	
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%	
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%	
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%	

Financial Institutions (FI)							
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
1.0	AAA	0.00%	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%	

¹The Bank's internal PD rating scale is explained in detail on pages 10 and 11 of the "Risk management" section.

The Balkan Region Special Fund

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%

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 2025 (2024: 86 per cent). Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025	Non sovereign	2025 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non EU country	10%	15%
Senior Loan - Corporate	38%	Limited PCS ²	15%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			
2024	Non sovereign	2024 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
Covered Bonds	11.25%			

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.

The Balkan Region Special Fund

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 the Bank's TFP investments are provided below.

Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	ECL	ECL	ECL	ECL	ECL	ECL
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Financial guarantee liability on stage 1 and 2 TFPs	7			6		
PD Ratings						
All loans upgraded 3 notches	2	(5)	(71%)	5	(1)	(17%)
All loans downgraded 3 notches	18	11	157%	23	17	283%
LGD						
All loans decreased by 10%	5	(2)	(29%)	4	(2)	(33%)
All loans increased by 10%	8	1	14%	6	-	0%

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 judgements in the application of accounting policy to be critical as it involves 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

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

The Balkan Region Special Fund

Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank wide risk matters are considered by the President accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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 2025 and 31 December 2024.

Credit risk management and measurement

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

The Balkan Region Special Fund

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 Fund 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 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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0 3.3	A A-		
4	3.7	BBB+	Good	
	4.0 4.3	BBB BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0 5.3	BB BB-		
6	5.7	B+	Weak	Risk range 6
	6.0 6.3	B B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0 7.3	CCC CCC-/CC/C		
8	8.0	D	Non-performing	NPL/Credit-impaired assets

The Balkan Region Special Fund

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 5.

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 2025, 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 2025, the Fund’s maximum exposure under such guarantees was €9,180 (2024: €7,949).

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

No amounts are currently recognised as required to settle a guarantee commitment (2024: 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 risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 assessed minimal.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Fund does not have any exposure to foreign currency 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 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.

The Balkan Region Special Fund

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 €11,400 for 2025 (2024: €24,200). 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 2025, there is no outstanding amount payable to the Bank in relation to the 2025 external audit (2024: 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 2024 the Board approved the appointment of Deloitte LLP as the Bank’s external auditors for the five-year period 2025-29.

4. Other financial assets

	2025	2024
	€ 000	€ 000
Fee income receivable from financial guarantees	6	21
Interest receivable from placements with credit institutions	17	16
At 31 December	23	37

The Balkan Region Special Fund

5. Contributions

Contributions received are set out below.

	2025	2025	2024	2024
Cumulative contributions received	€ 000	%	€ 000	%
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 2025 and 2024.

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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

9. Authorization for Issue

On 15 April 2026 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 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 2025, there were no management fees paid by the Fund to the Bank (2024: nil) and there was no accrued management fee payable by the Fund to the Bank at 31 December 2025 (2024: nil). Also during 2025, the Fund earned fees from the Bank in relation to TFP guarantees of €18,000 (2024: €27,000), of which €6,000 are receivable as at 31 December 2025 (2024: €21,000).

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

Contributions received from the contributors are outlined in note 5.

The Balkan Region Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Balkan Region Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Balkan Region Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income for the year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory 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

The Balkan Region Special Fund

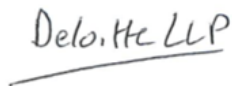
on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal line.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Baltic Investment Special Fund

**Annual Financial Report
31 December 2025**

The Baltic Investment Special Fund

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Statement of comprehensive income

For the year ended 31 December 2025

		Year to 31 December 2025	Year to 31 December 2024
	Note	€ 000	€ 000
Interest income from credit institutions		11	21
Other operating expenses	3	(9)	(24)
Net profit/(loss) and comprehensive income/(expense) for the year		2	(3)
Attributable to:			
Contributors		2	(3)

Balance sheet

At 31 December 2025

		31 December 2025	31 December 2024
	Note	€ 000	€ 000
Assets			
Placements with credit institutions		8	627
Interest receivable from placements with credit institutions		1	1
Total assets		9	628
Liabilities and contributors' resources			
Other operating expenses payable	4	9	-
Total liabilities		9	-
Contributions	5	-	27
Reserves and accumulated losses	6	-	601
Total contributors' resources		-	628
Total liabilities and contributors' resources		9	628

The Baltic Investment Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € 000	Special reserve € 000	Accumulated losses € 000	Total € 000
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
At 1 January 2025	27	173	428	628
Net profit and total comprehensive income for the year	-	-	2	2
Distribution to contributors	(27)	(173)	(430)	(630)
At 31 December 2025	-	-	-	-

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Cash flows from operating activities		
Net profit/(loss) for the year	2	(3)
	<u>2</u>	<u>(3)</u>
<i>Working capital adjustment</i>		
Movement in other operating expenses payable	9	(22)
Net cash from/(used in) operating activities	11	(25)
Cash flows from financing activities		
Distribution to contributors	(630)	-
Net cash used in financing activities	(630)	-
Net decrease in cash and cash equivalents	(619)	(25)
Cash and cash equivalents at the beginning of the year	627	652
Cash and cash equivalents at 31 December	8	627

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



Marianna Amirbekyan, Director - Financial Control

Date: 15 April 2026

The Baltic Investment Special 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”).

Going concern

In July 2006, the Board of Directors of the European Bank for Reconstruction and Development (“the Bank”) approved the termination of the Baltic Investment Special Fund (the “Fund”) following a request from its contributors. In accordance with the Fund’s Rules and Regulations, the net assets available at that time were returned to the contributors. Final distributions to contributors were completed in 2025, and the Fund’s remaining cash resources will be transferred to the Bank in line with the agreed arrangements for final settlement.

As the Fund is in the process of being wound up, these financial statements have been prepared on a basis other than going concern. Accordingly, assets and liabilities are measured at net realisable value rather than historical cost. The change in basis has not resulted in any material adjustments to the carrying amounts of assets or liabilities.

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

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates *titled Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates no impact as a result of adopting this standard.
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.
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 impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

The Baltic Investment Special Fund

B. Accounting policies and judgements

Contributors' resources

The Fund recognised contributions received from contributors as a liability. The Fund was obligated to return such contributions pending the completion of the Fund's winding up processes.

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 alongside the related accounting policies above. The Fund has deemed the following judgements in the application of 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 Baltic Investment Special Fund

Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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 2025 and 31 December 2024.

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 Baltic Investment Special Fund

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 2025 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 pay the final audit fee and administrative fee to the Bank.

The Baltic Investment Special 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 agreements the Fund has returned 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. Other operating expenses

	2025	2024
	€ 000	€ 000
Audit fees	7	24
Management Fees	2	-
Year to 31 December	9	24

Audit fees comprise of external auditors’ remuneration of €7,100 (2024: €24,200). 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 2025 audit fee of €7,100 (2024: nil) is payable to the Bank in relation to the 2025 external audit. The management fee represents the remaining balance of the Fund after the distribution to the contributors that can be retained by the Bank in line with the final transfer letters.

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 2024 the Board approved the appointment of Deloitte LLP as the Bank’s external auditors for the five-year period 2025-29.

4. Other operating expenses payable

	2025	2024
	€ 000	€ 000
Audit fees payable	7	-
Management fees payable	2	-
At 31 December	9	-

The Baltic Investment Special Fund

5. Contributions

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

	Contributions	Share of reserves	Contributions	Share of reserves
	2025	2025	2024	2024
Cumulative contributions and share of reserves	€ 000	€ 000	€ 000	€ 000
Denmark	-	-	-	126
Finland	-	-	-	123
Iceland	-	-	27	17
Norway	-	-	-	110
Sweden	-	-	-	225
At 31 December	-	-	27	601

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 balance in the reserve was paid out as part of the 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 2025.

The only event after the reporting date was the formal closure of the Fund. On 10 February 2026, the final amounts due from the Fund were transferred to the Bank, and the Fund was considered closed on that date. No other events occurred after the balance sheet date that would require adjustment to, or disclosure in, these financial statements.

8. Authorisation for issue

On 15 April 2026, 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

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, 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. As at the year ended 31 December 2025 there was an accrued audit and management fee payable by the Fund to the Bank of €9,300 (2024: nil).

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

Contributions received from the contributors are outlined in note 5.

The Baltic Investment Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Baltic Investment Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Baltic Investment Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income for the year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We draw attention to the Accounting Policies section of the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

The Baltic Investment Special Fund

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 non-statutory financial statements.

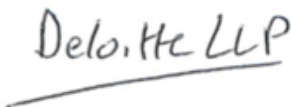
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'D' and ends under the 'P', with a small upward tick at the end.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Central Asia Risk Sharing Special Fund

**Annual Financial Report
31 December 2025**

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 2025		Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
	Note		
Interest income from credit institutions		144	247
Fee Income		36	41
Foreign exchange movements		(56)	31
Audit fees	3	(11)	(24)
Financial guarantees movement		1	-
Net profit for the year		114	295
Attributable to:			
Contributors		114	295

Balance sheet

At 31 December 2025		31 December 2025 € 000	31 December 2024 € 000
	Note		
Assets			
Placements with credit institutions		7,637	7,506
Trade finance guarantees		10	9
Other financial assets	4	21	39
Total assets		7,668	7,554
Liabilities and contributors' resources			
Financial guarantee liability		10	10
Contributors' resources		7,658	7,544
Total liabilities and contributors' resources		7,668	7,554
Memorandum items			
Guarantees*		3,301	2,490

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

The Central Asia Risk Sharing Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions	Retained earnings	Total
	€ 000	€ 000	€ 000
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
At 1 January 2025	5,553	1,991	7,544
Net profit and total comprehensive income for the year	-	114	114
At 31 December 2025	5,553	2,105	7,658

Statement of cash flows

For the year ended 31 December 2025

	Year to		Year to	
	31 December 2025		31 December 2024	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net profit for the year	114		295	
<i>Non-cash items in the statement of comprehensive income</i>				
Foreign exchange movement	56		(31)	
Financial guarantees movement	(1)		-	
	169		264	
<i>Working capital adjustment</i>				
Movement in other financial assets	18		(17)	
Movement in audit fee payable	-		(22)	
Net cash generated from operating activities		187		225
Net increase in cash and cash equivalents		187		225
Cash and cash equivalents at the beginning of the year		7,506		7,250
Effect of foreign exchange rate changes		(56)		31
Cash and cash equivalents at 31 December		7,637		7,506

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



Marianna Amirbekyan, Director – Financial Control

Date: 15 April 2026

The Central Asia Risk Sharing Special Fund

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

The Central Asia Risk Sharing Special Fund

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

The Fund derecognizes 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 Central Asia Risk Sharing Special Fund

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 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 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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

The Central Asia Risk Sharing Special Fund

Financial Institutions (FI)						
2025 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%	0.04%	0.07%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%

Industry, Commerce and agribusiness (ICA)						
2025 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%	0.16%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%

Sustainable Infrastructure (SI)						
2025 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%	0.11%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

Financial Institutions (FI)						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	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%

¹The Bank's internal PD rating scale is explained in detail on page 12 of the "Risk management" section.

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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 2025 (2024: 86 per cent). Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025		2025 Sovereign		2024		2024 Sovereign	
Seniority - sector	Non sovereign LGD	Country	Sovereign LGD	Seniority - sector	Non sovereign LGD	Country	Sovereign LGD
Equity	100%	EU country	5%	Equity	100%	EU country	5%
Senior Loan - FI	36%	Non EU country	10%	Senior Loan - FI	36%	Non EU country	10%
Senior Loan - Corporate	38%	Limited PCS ²	15%	Senior Loan - Corporate	37%	Limited PCS	20%
Senior Loan - SI	29%			Senior Loan - SI	28%		
Subordinated Loan	44%			Subordinated Loan	46%		
Covered Bonds	11.25%			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

Financial guarantee liability

The sensitivity of the financial guarantee relating to the Bank's TFP investments are provided below.

²This 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.

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Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	ECL	ECL	ECL	ECL	ECL	ECL
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Financial guarantee liability on stage 1 and 2 TFPs	10			10		
PD Ratings						
All loans upgraded 3 notches	3	(7)	(70%)	3	(7)	(70%)
All loans downgraded 3 notches	19	9	90%	34	24	240%
LGD						
All loans decreased by 10%	3	(7)	(70%)	7	(3)	(30%)
All loans increased by 10%	4	(6)	(60%)	11	1	10%

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 judgements in the application of accounting policy to be critical as it involves 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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

The Central Asia Risk Sharing Special Fund

Risk Management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank wide risk matters are considered by the President accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

provide assurance to stakeholders that risk decision-making in the Bank and in the Fund is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied

support the Bank's and the Fund's strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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 2025 and 31 December 2024.

Credit risk management and measurement

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

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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 Fund 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 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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0 3.3	A A-		
4	3.7	BBB+	Good	
	4.0 4.3	BBB BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0 5.3	BB BB-		
6	5.7	B+	Weak	Risk range 6
	6.0 6.3	B B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0 7.3	CCC CCC-/CC/C		
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.

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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 2025, 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 2025, the Fund's maximum exposure under such guarantees was €3,301 (2024: €2,490).

There is no other guarantee exposure at 31 December 2025 (2024: 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 (2024: 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 risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 assessed 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
	2025	2025	2025
	€ 000	€ 000	€ 000
Total assets	7,242	425	7,667
Total liabilities	(7,667)	-	(7,667)
Net currency position at 31 December	(425)	425	-

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

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 6.6 per cent strengthening or weakening (2024: 6.4 per cent) is €33,000 (2024: €31,000).

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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.

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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 €11,400 for 2025 (2024: €24,200). 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 2025, there is no outstanding amount payable to the Bank in relation to the 2025 external audit (2024: 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 2024 the Board approved the appointment of Deloitte LLP as the Bank’s external auditors for the five-year period 2025-29.

4. Other financial assets

	2025	2024
	€ 000	€ 000
Fee receivable guarantee fees	6	25
Interest receivable from placements with credit institutions	15	14
At 31 December	21	39

5. Contributions

Contributions received are set out below.

The Central Asia Risk Sharing Special Fund

	TFP	Total	Total
	€ 000	€ 000	%
Cumulative contributions received			
Germany	2,389	2,389	43.0
Switzerland	3,164	3,164	57.0
At 31 December 2025	5,553	5,553	100.0

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

No contributions were transferred during 2025 (2024: 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 2025 and 2024.

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 2025.

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 15 April 2026 there had been no material events after the reporting period to disclose.

9. Authorization for issue

On 15 April 2026 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, 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 2025 (2024: nil), no management fees were paid by the Fund to the Bank (2024: nil). There was no accrued management fee payable by the Fund to the Bank at 31 December 2025 (2024: nil). Also, during 2025, the Fund earned fees from the Bank in relation to TFP guarantees of €36,000 (2024: €41,000), of which €6,000 are receivable as at 31 December 2025 (2024: €25,000).

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

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

The Central Asia Risk Sharing Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Central Asia Risk Sharing Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Central Asia Risk Sharing Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income for the year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory 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.

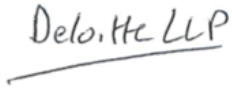
The Central Asia Risk Sharing Special Fund

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal line.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The EBRD CIF Special Fund

**Annual Financial Report
31 December 2025**

The EBRD CIF Special Fund

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The EBRD CIF Special Fund

Income statement

For the year ended 31 December 2025

	Note	Year to 31 December 2025 € million	Year to 31 December 2024 € million
Interest income			
From loans		11	9
From credit institutions		2	3
Total Interest		13	12
Technical cooperation expenses and grants		(2)	(5)
General administrative expenses		(1)	(1)
Impairment release on loan investments	3	4	8
Fair value gains from loans		1	-
Change in concessional loan discount	4	(2)	(5)
Foreign exchange movements		5	(3)
Net profit for the year		18	6
Attributable to:			
Contributors		18	6

Statement of comprehensive income

For the year ended 31 December 2025

	Year to 31 December 2025 € million	Year to 31 December 2024 € million
Net profit for the year	18	6
Other comprehensive (expense)/income for the year		
Foreign exchange movement between functional and presentational currencies	(26)	13
Total comprehensive (expense)/income for the year	(8)	19
Attributable to:		
Contributor	(8)	19

Balance sheet

At 31 December 2025

	Note	31 December 2025 € million	31 December 2024 € million
Assets			
Placements with credit institutions		68	104
Contribution receivable		25	36
Loan investments			
Loans at amortised cost	5	100	118
Loans at fair value through profit or loss	6	19	20
Less: Provisions for impairment	3	(6)	(9)
Total assets		206	269
Liabilities and contributors' resources			
Other financial liabilities	7	2	4
Concessional loan discounts	4	5	9
Contributors' resources		199	256
Total liabilities and contributors' resources		206	269
Memorandum items			
Undrawn commitments	8	35	49

The EBRD CIF Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributed Resources € million	General reserve € million	Total € million
At 1 January 2024	217	24	241
Net profit and total comprehensive income for the year	6	13	19
Contributors' resource transactions			
Contributions received/receivable	36	-	36
Distribution of funds to contributors	(40)	-	(40)
At 31 December 2024	219	37	256
			-
At 1 January 2025	219	37	256
Net profit and total comprehensive expense for the year	18	(26)	(8)
Contributors' resource transactions			
Contributions received/receivable	(7)	-	(7)
Distribution of funds to contributors	(42)	-	(42)
At 31 December 2025	188	11	199

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025 € million	Year to 31 December 2024 € million	Year to 31 December 2024 € million
Cash flows from operating activities			
Net (loss)/profit for the year	18	6	
<i>Non-cash items in the income statement</i>			
Movement in effective interest rate adjustment ¹	(7)	(6)	
Fair value gains from loans	(1)	-	
Foreign exchange movement	(5)	3	
Concessional loan discount	2	5	
Impairment release on loan investments	(4)	(8)	
	<u>3</u>	<u>-</u>	
<i>Cash flows from the sale and purchase of operating assets</i>			
Funds advanced for loans	(25)	(22)	
Proceeds from repayments of loans	33	25	
<i>Working capital adjustment</i>			
Movement in other liabilities	(2)	2	
Net cash generated from operating activities	9	5	5
Cash flows from financing activities			
Contributions received	5	31	
Distribution of funds to contributors	(42)	(40)	
Net cash used in financing activities	(37)	(9)	(9)
Net decrease in cash and cash equivalents	(28)	(4)	(4)
Cash and cash equivalents at the beginning of the year	104	104	104
Effect of foreign exchange rate changes	(8)	4	
Cash and cash equivalents at 31 December	68	104	104

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



Marianna Amirbekyan, Director - Financial Control
Date: 12 March 2026

¹ Movement in effective interest rate adjustment includes the interest income unwinding discount of €8 million (2024: €6 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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

The EBRD CIF Special Fund

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

At initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, with any transaction costs expensed immediately in profit or loss. After initial recognition, these assets are subsequently measured at fair value, with all fair value changes recognised in profit or loss.

The Fund also holds sustainability-linked loans whose interest varies based on the borrower's achievement of specified sustainability targets. Because these contractual cash flows do not meet the SPPI criteria, the loans are measured at fair value through profit or loss, with subsequent fair value movements recognised in profit or loss.

Derecognition

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.

Impairment of financial assets at amortised cost

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 origination², with the stage allocation being based on the financial asset's probability of default (PD) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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.

The EBRD CIF Special Fund

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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"³ are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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 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 a liability on the basis that the Fund is obligated to return such contributions under the terms of the agreement as set out below.

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.

³ A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, which 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.

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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.

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 Agreement"), 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.

General administrative expenses

General administrative expenses represent administrative and other costs incurred by the Bank in connection with activities undertaken to support the Fund. These costs are recognised on an accruals basis as the related services are received.

Unpaid amounts at the reporting date are recognised as a payable.

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C. Significant accounting estimates and critical judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

Since 2022, 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 €2.4 million (2024: €3.2 million) at year-end. The purpose of the adjustment is 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 (2025: 55 per cent weighting, 2024: 55 per cent), with other scenarios covering escalation (2025: 40 per cent weighting, 2024: 30 per cent) and cessation of hostilities (2025: 5 per cent weighting, 2024: 15 per cent). In 2025 the weightings of the scenarios were adjusted based on the Bank's most recent assessment of the situation in Ukraine. The loss assumptions in the different scenarios are an estimate with a high degree of expert judgement applied given the limited availability of reliable data. These assumptions are summarised as follows:

- The prolonged war scenario applies assumptions of losses based on industry sector, with provision rates ranging from 31 to 100 per cent.
- The cessation of hostilities scenario assumes that all losses have been identified with no further deterioration expected.
- The escalation scenario is split between two sub-scenarios with equal probabilities:
 1. Ceasefire is agreed on terms that retain an independent shrunken Ukraine which is either enfeebled by the loss of territory and high debt levels and lack of energy supply or enfeebled by the assets of Ukraine being passed to state donors/lenders and/or doesn't receive enough aid once peace is agreed. This sub-scenario applies assumptions of losses based on industry sector, with provision rates ranging from 31 to 100 per cent.
 2. Loss of Ukraine as an independent state sub-scenario applies an assumption of 100 per cent losses on all assets based in Ukraine.

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.

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The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial Institutions							
2025 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%	0.04%	0.07%	0.10%	
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	

Industry, Commerce and Agribusiness							
2025 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%	0.16%	0.31%	0.44%	
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	

Sustainable Infrastructure							
2025 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%	0.11%	0.21%	0.30%	
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%	
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%	
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%	
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%	
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%	
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%	

Financial Institutions							
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
1.0	AAA	0.00%	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%	

⁴ The Bank's internal PD rating scale is explained in detail on page 13 of the Risk Management section.

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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%

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 2025 (2024: 86 per cent).⁵ Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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 2025, LGD rates are assigned to facilities as described in the tables below:

2025 Seniority - sector	Non sovereign LGD	2025 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	38%	Limited PCS ⁶	20%	30%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			
2024 Seniority - sector	Non sovereign LGD	2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
Covered Bonds	11.25%			

⁵This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 10.

⁶This 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.

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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.

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 2025 €million	Change in provision 2025 €million	Change in provision 2025 %	Recalculated provision 2024 €million	Change in provision 2024 €million	Change in provision 2024 %
2025 portfolio provision (Stages 1 and 2)	4			5		
Staging [1]						
All loans in Stage 1	3	(1)	(25)%	4	(1)	(20)%
All loans in Stage 2	6	2	50%	8	3	60%
PD Ratings [2]						
All loans upgraded 1 notch	3	(1)	(25)%	5	-	-
All loans downgraded 1 notch	4	-	0%	6	1	20%
All loans upgraded 3 notches	3	(1)	(25)%	4	(1)	(20)%
All loans downgraded 3 notches	7	3	75%	10	5	100%
Projected GDP [3]						
Projected GDP increased by 1%	3	(1)	(25)%	5	-	-
Projected GDP decreased by 1%	4	-	0%	5	-	-
Projected GDP increased by 5%	3	(1)	(25)%	5	-	-
Projected GDP decreased by 5%	4	-	0%	6	1	20%
LGD						
All loans decreased by 10%	3	(1)	(25)%	4	(1)	(20)%
All loans increased by 10%	4	-	0%	6	1	20%
EAD						
All undrawn commitments cancelled	3	(1)	(25)%	5	-	-
All undrawn commitments disbursed within one month	4	-	0%	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 €0.2 million increase and €0.4 million decrease through the income statement (2024: €0.5 million increase and €0.6 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 €0.4 million (2024: €0.9 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 €0.3 million (2024: €0.7 million).

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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 judgements in the application of accounting policy to be critical as it involves 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 and therefore transition from Stage 1 to Stage 2, 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. The Fund’s NPL definition, which governs transition to Stage 3, is also a critical judgement owing to its subjectivity.
- **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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

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Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

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 sheet⁷, inclusive of the undrawn commitments related to loans and investment grants (see note 8).

Credit risk management and measurement

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.

Portfolio level review

⁷ The loans at amortised cost figure of €100 million on the balance sheet includes a day one loss adjustment of €28 million (2024: €32 million). Therefore, the maximum amortised cost loan exposure is €128 million (2024: 150 million).

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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 Fund 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 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	AA+	Very strong	
	2.0	AA		
3	2.3/2.5	AA-	Strong	
	2.7	A+		
	3.0	A		
4	3.3	A-	Good	
	3.7	BBB+		
	4.0	BBB		
5	4.3	BBB-	Fair	Risk range 5
	4.7	BB+		
	5.0	BB		
6	5.3	BB-	Weak	Risk range 6
	5.7	B+		
	6.0	B		
7	6.3	B-	Special attention	Risk range 7
	6.7	CCC+		
	7.0	CCC		
8	7.3	CCC-/CC/C	Non-performing	NPL/Credit-impaired assets
	8.0	D		

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.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees.

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

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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

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	2025	2024
	€ million	€ million
2: Very strong	68	104
At 31 December	68	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.

Risk rating category	Amortised cost carrying value					Impairment			Total net of impairment	
	Stage 1	Stage 2	Stage 3	Total	Total %	Stage 1	Stage 2	Stage 3	Total net of impairment	Total impairment coverage
5: Fair	38	-	-	38	38.0%	-	-	-	38	0.0%
6: Weak	33	5	-	38	38.0%	-	-	-	38	0.0%
7: Special Attention	14	6	-	20	20.0%	(1)	(3)	-	16	20.0%
8: Non-performing	-	-	4	4	4.0%	-	-	(2)	2	50.0%
At 31 December 2025	85	11	4	100	100.0%	(1)	(3)	(2)	94	

Risk rating category	Amortised cost carrying value					Impairment			Total net of impairment	
	Stage 1	Stage 2	Stage 3	Total	Total %	Stage 1	Stage 2	Stage 3	Total net of impairment	Total impairment 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	

At 31 December 2025 the Fund had security arrangements in place for €70.0 million of its disbursed loan investments (2024: €78.0 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 2025 there were distressed restructured loans with a disbursed value of €1.0 million (2024: €6.0 million).

Loan at fair value through profit or loss

Risk rating category	Fair value 2025	Fair value 2024
	€ million	€ million
5: Fair	4	-
6: Weak	11	13
7: Special Attention	4	7
At 31 December	19	20

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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.

Risk rating category	Undrawn loan commitments					Undrawn loan commitments				
	Stage 1	Stage 2	Stage 3	Fair value	Total	Stage 1	Stage 2	Stage 3	Fair Value	Total
	2025	2025	2025	2025	2025	2024	2024	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
5: Fair	-	-	-	1	1	3	-	-	-	3
6: Weak	7	-	-	-	7	11	-	-	6	17
7: Special Attention	6	6	-	-	12	11	6	-	-	17
8: Non-performing	-	-	4	-	4	-	-	4	-	4
At 31 December	13	6	4	1	24	25	6	4	6	41

The Fund would typically have conditions precedent that would need to be satisfied before further disbursements on debt transactions. In addition, for projects risk rated⁸, it is unlikely that commitments would be drawn down without additional assurances that credit quality would improve or without additional risk mitigants.

Concentration of credit risk exposure

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

	Undrawn loan commitments 2025 € million	Loans 2025 € million	Undrawn loan commitments 2024 € million	Loans 2024 € million
Cyprus	-	2	-	-
Kazakhstan	-	27	10	31
Morocco	-	16	-	17
North Macedonia	-	1	-	-
Tajikistan	-	3	4	3
Tunisia	-	3	-	3
Türkiye	14	56	17	63
Ukraine	10	11	10	21
At 31 December	24	119	41	138

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

	Undrawn loan commitments 2025 € million	Loans 2025 € million	Undrawn loan commitments 2024 € million	Loans 2024 € million
Agribusiness	4	23	6	23
Depository credit (banks)	-	33	3	46
Manufacturing and services	-	-	-	2
Municipal and environmental infrastructure	15	8	12	12
Power and energy	5	50	15	49
Transport	-	5	5	6
At 31 December	24	119	41	138

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The Fund does not actively monitor or hedge against market risk.

⁸Defined 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.

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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 assessed minimal.

At 31 December 2025, the Fund has fixed rate loan investments of €131.0 million (2024: €140.0 million). Of this amount, €127.1 million relates to loans held at amortised cost. Movements in 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. The remaining fixed rate loans are measured at fair value through profit or loss, for which the impact of movements in market interest rates is included within the Level 3 fair value sensitivity.

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 2025 € million	United States Dollar 2025 € million	Total 2025 € million
Total assets	60	146	206
Total liabilities	(6)	(1)	(7)
Net currency position at 31 December	54	145	199

	Euro 2024 € million	United States Dollar 2024 € million	Total 2024 € million
Total assets	57	212	269
Total liabilities	(6)	(7)	(13)
Net currency position at 31 December	51	205	256

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, from a 7 per cent strengthening or weakening (2024: 6 per cent) is €4.0 million (2024: €3.0 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

At 31 December 2025, 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 year end interest rate applicable to each loan and further discounting the value by an internal measure of credit risk.

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	Carrying amount € million	Fair value € million
Financial Assets at 31 December 2025		
Financial Assets measured at fair value through profit or loss or through other comprehensive income:		
Loans at fair value through profit or loss	19	19
	19	19
Financial assets measured at amortised cost		
Placements with credit institutions	68	68
Contributions receivable	25	25
Loans at amortised cost	94	108
	187	201
Total	206	220
Financial liabilities at 31 December 2025		
Other financial liabilities	2	2
Concessional loan discount	5	5
Contributors' resources	199	213
Total Financial liabilities	206	220

	Carrying amount € million	Fair value € million
Financial Assets at 31 December 2024		
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 assets measured at amortised cost		
Placements with credit institutions	104	104
Contributions receivable	36	36
Loans at amortised cost	109	127
	249	267
Total	269	287
Financial liabilities at 31 December 2024		
Other financial liabilities	4	4
Concessional loan discount	9	9
Contributors' resources	256	274
Total Financial liabilities	269	287

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 table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets.

	Loans 2025 € million	Loans 2024 € million
Balance as at 1 January	20	18
<i>Net gains recognised in:</i>		
Movement in fair value revaluation	1	-
Disbursements	4	3
Repayments	(3)	(2)
Foreign exchange movements	(4)	1
Balance at 31 December	19	20
<i>Net gains recognised for the year for Level 3 instruments held at 31 December recognised in:</i>		
- Net gains from loans	1	-

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Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

Assets	Main valuation model/technique	Carrying amount € 000	Impact on net profit in 2025	
			Favourable change € 000	Unfavourable change € 000
Loans at fair value through profit or loss	DCF	19	-	2
At 31 December 2025		19	-	2

Assets	Main valuation model/technique	Carrying amount € 000	Impact on net profit in 2024	
			Favourable change € 000	Unfavourable change € 000
Loans at fair value through profit or loss	DCF	20	-	-
At 31 December 2024		20	-	-

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 Agreement 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 Agreement. 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 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.

The EBRD CIF Special Fund

3. Provision for impairment of loan investments

	2025	2024
	€ million	€ million
Release for the year		
Impairment of loan investments at amortised cost in stages 1 and 2	2	2
Impairment of loan investments at amortised cost in stage 3	2	6
Release of provisions for impairment of loan investments	4	8
Movement in provisions		
At 1 January	(9)	(16)
Release for the year to the income statement	4	8
Foreign exchange adjustments	(1)	(1)
At 31 December	(6)	(9)
Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	(4)	(5)
Stage 3 provisions for loan investments at amortised cost	(2)	(4)
At 31 December	(6)	(9)

4. Concessional loan discount

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

	2025	2024
	€ million	€ million
Day one fair value	(3)	(7)
Release of discount on loan cancellation	1	2
Concessional loan discount charge to the income statement	(2)	(5)

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

	2025	2024
	€ million	€ million
At 1 January	9	13
Day one fair value adjustment	3	7
Derecognition of liability on loan disbursement	(5)	(10)
Release of discount on loan cancellation	(1)	(2)
Foreign exchange movements	(1)	1
As at 31 December	5	9

5. Loan investments at amortised cost

	2025	2024
	€ million	€ million
At 1 January	118	120
Disbursements	21	19
Day one fair value adjustment	(5)	(10)
Movement in effective interest rate adjustment	7	6
Repayments	(30)	(23)
Foreign exchange movements	(11)	6
At 31 December	100	118
Impairment at 31 December	(6)	(9)
Total loan investments net of impairment at 31 December	94	109

The EBRD CIF Special Fund

5. Loan investments at amortised cost (continued)

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.

	12-month ECL (Stage 1) 2025	Lifetime ECL (Stage 2) 2025	Lifetime ECL (Stage 3) 2025	Total 2025
	€ million	€ million	€ million	€ million
Movement in provisions - amortised cost loans				
As at 1 January	(1)	(4)	(4)	(9)
ECL release - repayments	-	-	2	2
Changes in model or risk parameters	-	2	-	2
Foreign exchange and other movements	-	(1)	-	(1)
As at 31 December	(1)	(3)	(2)	(6)

	12-month ECL (Stage 1) 2024	Lifetime ECL (Stage 2) 2024	Lifetime ECL (Stage 3) 2024	Total 2024
	€ million	€ million	€ million	€ million
Movement in provisions - amortised cost loans				
As at 1 January	-	(6)	(10)	(16)
New loans originated	(1)	-	-	(1)
Transfer to stage 2 - significant increase in credit risk	1	(1)	-	-
ECL release - repayments	-	-	6	6
Changes in model or risk parameters	(1)	3	-	2
As at 31 December	(1)	(4)	(4)	(9)

	Loans Stage 1 2025	Loans Stage 2 2025	Loans Stage 3 2025	Total 2025
	€ million	€ million	€ million	€ million
Movement in loans at amortised cost				
As at 1 January	93	19	6	118
Loan disbursements	21	-	-	21
Repayments	(17)	(9)	(4)	(30)
Day one fair value adjustment	(5)	-	-	(5)
Movement in effective interest rate adjustment	4	2	1	7
Foreign exchange and other movements	(11)	(1)	1	(11)
As at 31 December	85	11	4	100

	Loans Stage 1 2024	Loans Stage 2 2024	Loans Stage 3 2024	Total 2024
	€ million	€ million	€ million	€ million
Movement in loans at amortised cost				
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

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6. Loan investments at fair value

	2025	2024
	€ million	€ million
Movement in loans at fair value through profit or loss		
As at 1 January	20	18
Disbursements	4	3
Repayments	(3)	(2)
Movement in fair value revaluation	1	-
Foreign exchange movements	(4)	1
As at 31 December	19	20

7. Other financial liabilities

	2025	2024
	€ million	€ million
Technical cooperation expenses payable	1	3
Accrued management fees	1	1
At 31 December	2	4

8. Undrawn commitments

	2025	2024
	€ million	€ million
Undrawn loan commitments	24	41
Incentive fees	5	4
Investment Grants	3	-
Technical cooperation expenses	3	4
At 31 December	35	49

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 2025.

Total technical cooperation expenses includes amounts accrued on the balance sheet.

9. 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
	2025	2025	2025	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million
Assets						
Placements with credit institutions	68	-	68	104	-	104
Contribution receivable	25	-	25	36	-	36
Loans at amortised cost	11	89	100	17	101	118
Loans at fair value through profit or loss	5	14	19	5	15	20
Provisions for impairment of loan investments	(1)	(5)	(6)	(1)	(8)	(9)
Total assets	108	98	206	161	108	269
Liabilities and contributors' resources						
Other financial liabilities	(2)	-	(2)	(4)	-	(4)
Concessional loan discounts	(5)	-	(5)	(9)	-	(9)
Contributors' resources*	(24)	(175)	(199)	(35)	(221)	(256)
Total liabilities and contributors' resources	(31)	(175)	(206)	(48)	(221)	(269)

* In the prior year, the classification of contributors' resources as current was based on the net position of current assets less current liabilities. In the current year, management considers that a classification based on expected reflows to the donor in the next 12 months provides more relevant information. This has impacted prior year comparatives as follows: current contributors resources have decreased by €113 million and non current contributors resources have increased by €113 million.

The EBRD CIF Special Fund

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 2025.

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 2026 there had been no other material events after the reporting period to disclose.

On 12 March 2026 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, 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 2025 the Bank incurred €1.5 million of reimbursable management fee expenses on behalf of the Fund (2024: €1.4 million), of which €0.6 million remain payable at year end (2024: €0.8 million).

Included in this amount are audit fees in relation to the audit of the financial statements of €46,000 (2024: €31,000). No audit fees remain payable to the Bank at year end (2024 €31,000).

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 (2024: 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

The EBRD CIF Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD CIF Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD CIF Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the income statement for the year ended 31 December 2025;
- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of the Bank's responsibilities, the Bank is responsible for the preparation of the non-statutory financial statements in accordance with IFRS accounting standards as issued by the International Accounting, and for such internal control as they determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory 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 intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

The EBRD CIF Special Fund

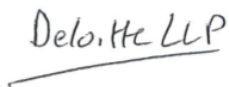
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24, 27 and 35 of the Agreement Establishing the Bank and Section 13 of the By-laws of the European Bank for Reconstruction and Development. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.



Deloitte LLP
London, United Kingdom
13 March 2026

**European Bank
for Reconstruction and Development**

The EBRD Community Special Fund

**Annual Financial Report
31 December 2025**

The EBRD Community Special Fund

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The EBRD Community Special Fund

Statement of comprehensive income

For the year ended 31 December 2025		Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
	Note		
Interest income from credit institutions		54	94
Donations and literature prize expenses		(759)	(1,189)
Net loss and comprehensive expense for the year		(705)	(1,095)
Attributable to:			
Contributors		(705)	(1,095)

Balance sheet

At 31 December 2025		31 December 2025 € 000	31 December 2024 € 000
	Note		
Assets			
Placements with credit institutions		2,066	2,885
Interest receivable from placements with credit institutions		4	6
Total assets		2,070	2,891
Liabilities and contributors' resources			
Accrued expenses	3	53	169
Total liabilities		53	169
Contributions	4	9,000	9,000
Reserves and accumulated loss		(6,983)	(6,278)
Total contributors' resources		2,017	2,722
Total liabilities and contributors' resources		2,070	2,891

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Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € 000	Accumulated losses € 000	Total € 000
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
At 1 January 2025	9,000	(6,278)	2,722
Net loss and total comprehensive expense for the year	-	(705)	(705)
At 31 December 2025	9,000	(6,983)	2,017

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Cash flows from operating activities		
Net loss for the year	(705)	(1,095)
<i>Working capital adjustment</i>		
Movement in interest receivable from placements with credit institutions	2	(4)
Movement in accrued expenses	(116)	17
Net cash used in operating activities	(819)	(1,082)
Cash flows from financing activities		
Contributions received	-	3,000
Net cash generated from financing activities	-	3,000
Net (decrease)/increase in cash and cash equivalents	(819)	1,918
Cash and cash equivalents at the beginning of the year	2,885	967
Cash and cash equivalents at 31 December	2,066	2,885

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



Amirbekyan, Marianna, Director - Financial Control

Date: 15 April 2026

The EBRD Community Special Fund

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

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.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.

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Pronouncement	Nature of change	Potential impact
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

The Fund derecognizes 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.

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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 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.

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 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.

Donations and literature prize expenses

Donations represent payments to eligible charitable organisations by the Fund. The Fund provides matching contributions of up to twice the amount donated by staff to eligible charitable causes, provided that the total staff contributions 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. Literature prize expenses refer to payments incurred in relation to the organisation of the annual EBRD literature prize, which is managed by EBRD and financed by the Fund. These expenses are recognised in the financial period during which they are incurred.

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 recognises as income any gifts received by Bank personnel in the course of official duties, provided that entitlement is established, the economic benefit is probable, and the value can be measured reliably. Material gift items are measured at a comparable market value or, where no such reference exists, by an independent external valuer. Gift items that cannot be measured reliably are not recognised as assets, as their cost is nil and their value cannot be determined until sold.

C. Significant accounting estimates and critical judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the

The EBRD Community Special Fund

accompanying disclosures. 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

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 judgements in the application of 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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

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Risk Management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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 2025 and 31 December 2024.

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The Fund does not actively monitor or hedge against market risk.

Interest rate risk

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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 assessed minimal.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Fund has minimal exposure to foreign currency 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.

	2025	2024
	€ 000	€ 000
Donations payable	53	169
At 31 December	53	169

4. Contributions

No contributions were received in 2025 (2024: 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.

The EBRD Community Special Fund

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

All assets and liabilities presented on the balance sheet are classified as current for 2024 and 2025.

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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

8. Authorisation for issue

On 15 April 2026 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 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 (2024: Nil). There was no accrued management fee payable by the Fund to the Bank at 31 December 2025 (2024: Nil).

External auditors' remuneration, in relation to the audit of the financial statements of €7,100 is payable by the Bank from the management fee (2024: €24,200). 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD Community Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD Community Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income for the year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

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

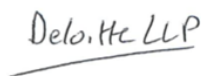
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.



Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The EBRD Crisis Response Special Fund

**Annual Financial Report
31 December 2025**

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 2025	Note	Year to 31 December 2025 € million	Year to 31 December 2024 € million
Interest income			
From loans		1	1
From credit institutions		24	31
Total interest		25	32
Net technical cooperation expenses		(5)	-
Disbursements for investment grants		(247)	(79)
Net unrealised (losses)/gains from equity related derivatives		(1)	2
Foreign exchange movements		(16)	8
Management fees		(10)	(4)
Impairment release on loan investments	3	2	1
Financial guarantees movement	4	139	(154)
Net loss and total comprehensive expense for the year		(113)	(194)
Attributable to:			
Contributors		(113)	(194)

Balance sheet

At 31 December 2025	Note	31 December 2025		31 December 2024	
		€ million	€ million	€ million	€ million
Assets					
Placements with credit institutions			1,016		980
Loan investments					
Loans at amortised cost	3	11		22	
Less: Provisions for impairment	3	(5)		(7)	
			6		15
Interest receivable from placements with credit institutions			2		1
Total assets			1,024		996
Liabilities and contributors' resources					
Management fee payable			1		2
Fair value of equity related derivatives			2		1
Financial guarantee liability	4		200		342
Contributors' resources			821		651
Total liabilities and contributors' resources			1,024		996
Memorandum items					
Undrawn commitments	5		397		378

The EBRD Crisis Response Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € million	Accumulated losses € million	Total € million
At 1 January 2024	1,142	(416)	726
Contributions received and receivable	123	-	123
Distribution to other donor funds	(4)	-	(4)
Net loss and total comprehensive expense for the year	-	(194)	(194)
At 31 December 2024	1261	(610)	651
At 1 January 2025	1,261	(610)	651
Contributions received	283	-	283
Net loss and total comprehensive expense for the year	-	(113)	(113)
At 31 December 2025	1,544	(723)	821

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025 € million	Year to 31 December 2024 € million	Year to 31 December 2024 € million
Cash flows from operating activities			
Net loss for the year	(113)		(194)
<i>Non-cash items in the income statement</i>			
Net unrealised losses/(gains) from equity related derivatives	1		(2)
Foreign exchange movement	16		(8)
Impairment release on loan investments	(2)		(1)
Financial guarantees movement	(139)		154
	(237)		(51)
<i>Cash flows from the sale and purchase of operating assets</i>			
Funds advanced for loans	(1)		(2)
Proceeds from repayments of loans	10		8
<i>Working capital adjustment</i>			
Movement in interest receivable from placements with credit institutions	(1)		1
Movement in other liabilities	(1)		2
Net cash used in operating activities		(230)	(42)
Cash flows from financing activities			
Contributions received	283		123
Distribution to other donor funds*	-		(4)
Net cash generated from financing activities	283		119
Net increase in cash and cash equivalents	53		77
Cash and cash equivalents at the beginning of the year	980		895
Effect of foreign exchange rate changes*	(17)		8
Cash and cash equivalents at 31 December	1,016		980

* prior year figures have been updated for internal consistency

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



Marianna Amirbekyan
Director – Financial Control

Date: 15 April 2026

The EBRD Crisis Response Special Fund

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 Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in "Accounting policies and judgements" and "Significant accounting estimates" sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 The Effects of Changes in Foreign Exchange Rates titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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.	The Fund anticipates minimal impact as a result of adopting the changes to the standards.

The EBRD Crisis Response Special Fund

Pronouncement	Nature of change	Potential impact
	Effective for annual reporting periods beginning on or after 1 January 2026.	
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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 origination⁴, with the stage allocation being based on the financial asset's probability of default (PD) and additional qualitative considerations. 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

⁴For 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.

The EBRD Crisis Response Special Fund

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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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"² are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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.

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 Bank's original investment.

²A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, which 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 EBRD Crisis Response Special Fund

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

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.

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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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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 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.

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The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial Institutions							
2025							
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%	0.04%	0.07%	0.10%	
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	

Corporate sector							
2025							
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%	0.16%	0.31%	0.44%	
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	

Sustainable Infrastructure							
2025							
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%	0.11%	0.21%	0.30%	
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%	
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%	
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%	
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%	
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%	
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%	

Financial Institutions							
2024							
PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
1.0	AAA	0.00%	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%	

Corporate sector							
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	

³The Bank's internal PD rating scale is explained in detail on page 13 of the "Risk management" section.

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PD rating						
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%

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 2025 (2024: 86 per cent)⁴. Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025	Non sovereign	2025 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non EU country	10%	15%
Senior Loan - Corporate	38%	Limited PCS ⁵	15%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			

2024	Non sovereign	2024 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
Covered Bonds	11.25%			

⁴This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 10.

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.

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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 €0.5 million decrease (2024: minimal increase and €0.8 million decrease).

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	Change in	Change in	Recalculated	Change in	Change in
	ECL	ECL	ECL	ECL	ECL	ECL
	2025	2025	2025	2024	2024	2024
	€ million	€ million	%	€ million	€ million	%
Financial guarantee liability on stage 1 and 2 operations	27			96		
PD Ratings						
All loans upgraded 3 notches	25	(2)	(7%)	87	(9)	(9%)
All loans downgraded 3 notches	27	-	0%	96	-	0%
LGD						
All loans decreased by 10%	26	(1)	(4%)	92	(4)	(4%)
All loans increased by 10%	27	-	0%	99	3	3%

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 -€19.2 million (2024: -€27.3 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.

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Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

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 14).

Credit risk management and measurement

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.

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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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0	A		
	3.3	A-		
4	3.7	BBB+	Good	
	4.0	BBB		
	4.3	BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0	BB		
	5.3	BB-		
6	5.7	B+	Weak	Risk range 6
	6.0	B		
	6.3	B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0	CCC		
	7.3	CCC-/CC/C		
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 and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees

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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 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.

	2025	2024
Risk rating category	€ million	€ million
2: Very strong	963	132
3: Strong	53	848
At 31 December	1,016	980

In 2025, the Fund held placements invested in externally managed money market funds. These placements are considered to be cash and cash equivalents as they are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Credit risk exposure arising from these holdings is limited, as the underlying assets of the money market funds are diversified and consist predominantly of high-quality, short-term instruments.

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.

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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.

Risk rating category	Amortised cost carrying value					Impairment			Total net of impairment	
	Stage 1 € million	Stage 2 € million	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 %
6: Weak	6	-	-	6	54.5%	-	-	-	6	0.0%
8: Non-performing	-	-	5	5	45.5%	-	-	(5)	-	100.0%
At 31 December 2025	6	-	5	11	100.0%	-	-	(5)	6	

Risk rating category	Amortised cost carrying value					Impairment			Total net of impairment	
	Stage 1 € million	Stage 2 € million	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	

At 31 December 2025 the Fund had security arrangements in place for €1 million of its disbursed loan investments (2024: €2.4 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.

Risk rating category	Financial guarantee liabilities				Undrawn loan and guarantee commitments			
	Stage 1 2025 € million	Stage 2 2025 € million	Stage 3 2025 € million	Total 2025 € million	Stage 1 2025 € million	Stage 2 2025 € million	Stage 3 2025 € million	Total 2025 € million
	7: Special Attention	-	27	43	70	2	139	27
8: Non-performing	-	-	130	130	-	-	99	99
At 31 December	-	27	173	200	2	139	126	267

Risk rating category	Financial guarantee liabilities				Undrawn loan and guarantee commitments			
	Stage 1 2024 € million	Stage 2 2024 € million	Stage 3 2024 € million	Total 2024 € million	Stage 1 2024 € million	Stage 2 2024 € million	Stage 3 2024 € million	Total 2024 € million
	6: Weak	-	-	-	-	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

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 2025, the total eligible loans and guarantee commitments outstanding under the Bank guarantees is €617 million (2024: €1,865 million). At 31 December 2025, the maximum exposure of eligible operations covered by the guarantees is €467 million (2024: €701 million). The guarantee liability on the balance sheet of €200 million (2024: €342 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.

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Concentration of credit risk exposure

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

	Financial guarantee		Undrawn loan and guarantee		Financial guarantee		Undrawn loan and guarantee	
	Loans	liabilities	commitments	Total	Loans	liabilities	commitments	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Azerbaijan	2	-	-	2	3	-	-	3
Israel	2	-	-	2	3	-	-	3
Italy	-	-	-	-	1	-	-	1
Lebanon	3	-	-	3	4	-	-	4
Lithuania	-	-	-	-	2	-	-	2
Türkiye	2	-	-	2	6	-	-	6
Uzbekistan	2	-	-	2	3	-	1	4
Ukraine	-	200	267	467	-	342	359	701
At 31 December	11	200	267	478	22	342	360	724

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

	Financial guarantee		Undrawn loan and guarantee		Financial guarantee		Undrawn loan and guarantee	
	Loans	liabilities	commitments	Total	Loans	liabilities	commitments	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Food and Agribusiness	4	11	16	31	12	37	49	98
Depository credit (banks)	7	9	84	100	10	29	117	156
Energy	-	126	97	223	-	166	57	223
Leasing finance	-	1	12	13	-	2	25	27
Manufacturing & Services	-	1	1	2	-	1	1	2
Municipal and environmental infrastructure	-	9	17	26	-	15	10	25
Natural Resources	-	-	2	2	-	75	2	77
Real estate	-	-	2	2	-	-	-	-
Transport	-	43	36	79	-	17	99	116
At 31 December	11	200	267	478	22	342	360	724

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 2025, the Fund has fixed rate loan investments of €1 million (2024: €2 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.

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

	United States		Ukrainian	Uzbekistani	Total
	Euro	dollars	Hryvnia	Som	
	2025	2025	2025	2025	2025
	€ million	€ million	€ million	€ million	€ million
Total assets	906	116	-	2	1,024
Total liabilities	(223)	(10)	(1)	-	(234)
Net currency position at 31 December	683	106	(1)	2	790

	United States		Ukrainian	Uzbekistani	Total
	Euro	dollars	Hryvnia	Som	
	2024	2024	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million
Total assets	867	127	-	2	996
Total liabilities	(323)	(21)	(1)	-	(345)
Net currency position at 31 December	544	106	(1)	2	651

Balances in Ukrainian Hryvnia and Uzbekistani Som were immaterial and their effect on the overall net loss is therefore considered as minimal.

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:

- €10 million (2024: €5.5 million) from a 6.6 per cent strengthening or weakening in the United States dollar to Euro exchange rate (2024: 6 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 2025, 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 2025 € million	Derivative financial instruments 2024 € million
Balance as at 1 January	(1)	(3)
<i>Net (losses)/gains recognised in:</i>		
- Net (losses)/gains from derivative financial instruments at fair value through profit or loss	(1)	2
Balance at 31 December	(2)	(1)
<i>Net (losses)/gains recognised for the year for Level 3 instruments held at 31 December recognised in:</i>		
- Net (losses)/gains from derivative financial instruments at fair value through profit or loss	(1)	2

The EBRD Crisis Response Special Fund

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Impact on net loss in 2025		
	Carrying amount	Favourable change	Unfavourable change
	€ million	€ million	€ million
Derivative financial instruments	2	1	(1)
At 31 December 2025	2	1	(1)

	Impact on net loss in 2024		
	Carrying amount	Favourable change	Unfavourable change
	€ million	€ million	€ million
Derivative financial instruments	1	-	-
At 31 December 2024	1	-	-

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 2025, 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 129,000. This return of funds is expected to take place in 2026.

The EBRD Crisis Response Special Fund

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.

The EBRD Crisis Response Special Fund

3. Loan investments

	2025 € million	2024 € million
At 1 January	22	28
Disbursements	1	2
Repayments	(10)	(8)
Foreign exchange movements	(2)	-
At 31 December	11	22
Impairment at 31 December	(5)	(7)
Total loan investments net of impairment at 31 December	6	15

	2025 € million	2024 € million
Release for the year		
Release of impairment of loan investments at amortised cost in stage 3	2	1
Provisions for impairment of loan investments	2	1

Movement in provisions		
At 1 January	(7)	(8)
Release for the year to the income statement	2	1
At 31 December	(5)	(7)

Analysed between		
Stage 3 provisions for loan investments at amortised cost	(5)	(7)
At 31 December	(5)	(7)

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.

	12-month ECL (Stage 1) 2025 € million	Lifetime ECL (Stage 2) 2025 € million	Lifetime ECL (Stage 3) 2025 € million	Total 2025 € million
Movement in provisions				
As at 1 January	-	-	(7)	(7)
ECL release - repayments	-	-	2	2
As at 31 December	-	-	(5)	(5)

	12-month ECL (Stage 1) 2024 € million	Lifetime ECL (Stage 2) 2024 € million	Lifetime ECL (Stage 3) 2024 € million	Total 2024 € million
Movement in provisions				
As at 1 January	-	-	(8)	(8)
ECL release - repayments	-	-	1	1
As at 31 December	-	-	(7)	(7)

The EBRD Crisis Response Special Fund

	Loans Stage 1 2025 € million	Loans Stage 2 2025 € million	Loans Stage 3 2025 € million	Total 2025 € million
Movement in loans at amortised cost				
As at 1 January	13	2	7	22
Loan disbursements	1	-	-	1
Repayments	(6)	(2)	(2)	(10)
Foreign exchange and other movements	(2)	-	-	(2)
As at 31 December	6	-	5	11

	Loans Stage 1 2024 € million	Loans Stage 2 2024 € million	Loans Stage 3 2024 € million	Total 2024 € million
Movement in loans at amortised cost				
As at 1 January	17	3	8	28
Loan disbursements	2	-	-	2
Repayments	(6)	(1)	(1)	(8)
As at 31 December	13	2	7	22

4. Financial guarantees

	2025 € million	2024 € million
Movement in financial guarantee for Stage 1 and Stage 2 guarantee instruments	56	(36)
Release/(charge) for estimated settlement of credit impaired guarantee instruments	86	(118)
Financial guarantees movement	142	(154)

	2025 € million	2024 € million
At 1 January	342	188
Financial guarantee movement*	(139)	154
Foreign exchange movements*	(3)	-
As at 31 December	200	342

Analysed between

	2025 € million	2024 € million
Stage 1 and Stage 2 guarantee instruments	27	96
Credit impaired guarantee instruments	173	246
As at 31 December	200	342

* prior year figures have been updated for internal consistency

5. Undrawn Commitments

	2025 € million	2024 € million
Financial guarantees	267	359
Investment grant commitments*	65	4
Incentive fees*	65	14
Undrawn loan commitments*	-	1
At 31 December	397	378

*This represents amounts for which the Fund has contracted but for which the transaction or service was not yet performed at 31 December 2025.

6. Contributions transferred

There were no contributions transferred from the Fund (2024: €4 million).

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.

The EBRD Crisis Response Special Fund

	Current 2025 € million	Non-current 2025 € million	Total 2025 € million	Current 2024 € million	Non-current 2024 € million	Total 2024 € million
Assets						
Placements with credit institutions	1,016	-	1,016	980	-	980
Loans at amortised cost	2	9	11	8	14	22
Provisions for impairment of loan investments	-	(5)	(5)	-	(7)	(7)
Interest receivable from placements with credit institutions	2	-	2	1	-	1
Total assets	1,020	4	1,024	989	7	996
Liabilities						
Management fee payable	1	-	1	2	-	2
Fair value of equity related derivatives	2	-	2	1	-	1
Financial guarantee liability	200	-	200	342	-	342
Contributors' resources	420	401	821	281	370	651
Total liabilities	623	401	1,024	626	370	996

8. Fair value of financial assets and liabilities

At 31 December 2025, 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 2025.

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 15 April 2026 there had been no material events after the reporting period to disclose.

10. Authorisation for issue

On 15 April 2026 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 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 €10.7 million of management fees were charged by the Bank to the Fund (2024: €3.7 million). There was €1.1 million accrued management fee payable by the Fund to the Bank at 31 December 2025 (2024: €1.8 million).

External auditors' remuneration, in relation to the audit of the financial statements, of €19,300 is payable by the Bank from the management fee (2024: €24,200). 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

The EBRD Crisis Response Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD Crisis Response Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD Crisis Response Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income for the year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

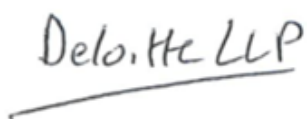
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'D' and ends under the 'P', with a small upward tick at the end.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The EBRD GEF Investment Special Fund

**Annual Financial Report
31 December 2025**

The EBRD GEF Investment Special Fund

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The EBRD GEF Investment Special Fund

Income statement

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
	Note	€ 000	€ 000
Interest income			
From loans		191	93
From credit institutions		723	831
Total interest		914	924
Technical cooperation expenses		(765)	(1,068)
Client cost sharing for technical cooperation		4	18
Net technical cooperation expenses		(761)	(1,050)
Disbursements for investment grants		(24)	(132)
Net losses from loans	6	(559)	-
Foreign exchange movements		460	(89)
Management fees		(244)	(293)
Impairment release/(charge) on loans	3	12	(110)
Change in concessional loan discount	4	-	(2,146)
Net loss for the year		(202)	(2,896)
Attributable to:			
Contributors		(202)	(2,896)

Statement of comprehensive income

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
		€ 000	€ 000
Net loss for the year		(202)	(2,896)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement between functional and presentational currencies		(4,905)	2,061
Total comprehensive expense for the year		(5,107)	(835)
Attributable to:			
Contributor		(5,107)	(835)

Balance sheet

At 31 December 2025		31 December 2025		31 December 2024	
	Note	€ 000	€ 000	€ 000	€ 000
Assets					
Placements with credit institutions			30,564		38,010
Loan investments					
Loans at amortised cost	5	2,888		3,207	
Loans at fair value through profit or loss	6	3,050		-	
Less: Provisions for impairment	3	(112)		(134)	
			5,826		3,073
Interest receivable			20		11
Total assets			36,410		41,094
Liabilities and contributors' resources					
Concessional loan discounts	4		-		128
Other financial liabilities	7		335		718
Contributors' resources			36,075		40,248
Total liabilities and contributors' resources			36,410		41,094
Memorandum items					
Undrawn commitments	8		2,122		1,168

The EBRD GEF Investment Special Fund

Statement of changes in contributor's resources

	Contributions € 000	General reserves € 000	Total € 000
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
At 1 January 2025	38,140	2,108	40,248
Contributions received	934	-	934
Net loss and total comprehensive expense for the year	(202)	(4,905)	(5,107)
At 31 December 2025	38,872	(2,797)	36,075

Statement of cash flows

For the year ended 31 December 2025	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000	Year to 31 December 2024 € 000
Cash flows from operating activities			
Net loss for the year	(202)	(2,896)	
<i>Non-cash items in the income statement</i>			
Movement in effective interest rate adjustment ¹	(95)	(72)	
Net losses from loans	559	-	
Foreign exchange movement	(460)	89	
Concessional loan discount	-	2,146	
Impairment (release)/charge on loans	(12)	110	
	<u>(210)</u>	<u>(623)</u>	
<i>Cash flows from the sale and purchase of operating assets</i>			
Funds advanced for loans	(3,889)	(4,416)	
Proceeds from repayments of loans	186	73	
<i>Working capital adjustment</i>			
Movement in interest receivable	9	(7)	
Movement in other financial liabilities	(383)	359	
Net cash used in operating activities	(4,287)	(4,614)	
Cash flows from financing activities			
Contributions received	934	13,495	
Net cash generated from financing activities	934	13,495	
Net (decrease)/increase in cash and cash equivalents	(3,353)	8,881	
Cash and cash equivalents at the beginning of the year	38,010	27,308	
Effect of foreign exchange rate changes	(4,093)	1,821	
Cash and cash equivalents at 31 December	30,564	38,010	

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



Marianna Amirbekyan, Director - Financial Control
Date: 15 April 2026

¹ Movement in effective interest rate adjustment includes the interest income unwinding discount of €98,000 (2024: €56,000). 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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

IFRS not yet mandatorily effective and not adopted early

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

<u>Pronouncement</u>	<u>Nature of change</u>	<u>Potential impact</u>
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund has completed an impact analysis, which indicates that one of the main expected changes will relate to the presentation of the income statement.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.

The EBRD GEF Investment Special Fund

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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

At initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, with any transaction costs expensed immediately in profit or loss. After initial recognition, these assets are subsequently measured at fair value, with all fair value changes recognised in profit or loss.

The Fund also holds sustainability-linked loans whose interest varies based on the borrower's achievement of specified sustainability targets. Because these contractual cash flows do not meet the SPPI criteria, the loans are measured at fair value through profit or loss, with subsequent fair value movements recognised in profit or loss.

Derecognition

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.

The EBRD GEF Investment Special Fund

Impairment of financial assets at amortised cost

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) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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"³ are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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

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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

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, which 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.

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Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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 liabilities

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

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.

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 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

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

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.

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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.

Management fee expenses

Management fee expenses represent fees charged by the Bank to the Fund on a project-by-project basis, which become payable upon the receipt of project contributions. These fees are recognised in the period in which the related contribution is received.

Unpaid amounts at the reporting date are recognised as a payable.

C. Significant accounting estimates and critical judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

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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.

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The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial institutions (FI)						
2025 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%	0.04%	0.07%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%

Corporate sector						
2025 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%	0.16%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%

Sustainable infrastructure (SI)						
2025 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%	0.11%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

Financial institutions						
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	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%

Corporate sector						
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%

⁴The Bank's internal PD rating scale is explained in detail on page 12 in the "Risk management" section.

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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%	

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 2025 (2024: 86 per cent).⁵ Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025		2025 Sovereign		Sovereign		Sub-sovereign	
Seniority - sector	Non sovereign LGD	Country	Country	LGD	LGD	LGD	LGD
Equity	100%	EU country		5%		10%	
Senior Loan - FI	36%	Non EU country		10%		15%	
Senior Loan - Corporate	38%	Limited PCS ⁶		15%		20%	
Senior Loan - SI	29%						
Subordinated Loan	44%						
Covered Bonds	11.25%						
2024		2024 Sovereign		Sovereign		Sub-sovereign	
Seniority - sector	Non sovereign LGD	Country	Country	LGD	LGD	LGD	LGD
Equity	100%	EU country		5%		15%	
Senior Loan - FI	36%	Non EU country		10%		20%	
Senior Loan - Corporate	37%	Limited PCS		20%		30%	
Senior Loan - SI	28%						
Subordinated Loan	46%						
Covered Bonds	11.25%						

⁵ This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 11.

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.

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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.

Sensitivity analysis

The sensitivity of portfolio provisions at 31 December 2025 and 31 December 2024 to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	provision	provision	provision	provision	provision	provision
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Portfolio provision (Stage 1 & 2)	112			134		
Staging						
All loans in Stage 1	105	(7)	(6)%	112	(22)	(16)%
All loans in Stage 2	614	502	448%	580	446	332%
PD Ratings						
All loans upgraded 1 notch	73	(39)	(35)%	95	(39)	(29)%
All loans downgraded 1 notch	113	1	1%	141	7	5%
All loans upgraded 3 notches	28	(84)	(75)%	32	(102)	(76)%
All loans downgraded 3 notches	116	4	4%	141	7	5%
Projected GDP						
Projected GDP increased by 1%	97	(15)	(13)%	122	(12)	(9)%
Projected GDP decreased by 1%	132	20	18%	149	15	11%
Projected GDP increased by 5%	74	(38)	(34)%	100	(34)	(25)%
Projected GDP decreased by 5%	226	114	102%	237	103	77%
LGD						
All loans decreased by 10%	74	(38)	(34)%	86	(48)	(36)%
All loans increased by 10%	151	39	35%	182	48	36%
EAD						
All undrawn commitments cancelled	112	-	0%	133	(1)	(1)%
All undrawn commitments disbursed within one month	112	-	0%	140	6	4%

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.
- 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 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.

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Risk management

Financial risks

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 sheet⁷, inclusive of the undrawn commitments related to loans and investment grants.

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.

⁷ The loans at amortised cost figure of €2.9 million on the balance sheet includes a day one loss adjustment of €2.0 million (2024: €2.2 million). Therefore, the maximum amortised cost loan exposure is €4.9 million (2024: 4.2 million)

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Credit risk management and measurement

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.

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 Fund 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 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.

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EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0 3.3	A A-		
4	3.7	BBB+	Good	
	4.0 4.3	BBB BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0 5.3	BB BB-		
6	5.7	B+	Weak	Risk range 6
	6.0 6.3	B B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0 7.3	CCC CCC-/CC/C		
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 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.

The EBRD GEF Investment Special Fund

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.

Risk rating category	Amortised cost carrying value				Impairment		Total net of impairment	
	Stage 1	Stage 2	Total	Total %	Stage 1	Stage 2	Total impairment net of	Impairment provisions coverage
	€ 000	€ 000	€ 000		€ 000	€ 000	€ 000	€ 000
7: Special Attention	2,372	516	2,888	100%	(102)	(10)	2,776	3.9%
At 31 December 2025	2,372	516	2,888	100%	(102)	(10)	2,776	

Risk rating category	Amortised cost carrying value				Impairment		Total net of impairment	
	Stage 1	Stage 2	Total	Total %	Stage 1	Stage 2	Total impairment net of	Impairment provisions coverage
	€ 000	€ 000	€ 000		€ 000	€ 000	€ 000	€ 000
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	

At 31 December 2025 the Fund had security arrangements in place for €6.3 million of its disbursed loan investments (2024: €4.9 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.

Loans at fair value through profit or loss

Risk rating category	Fair value 2025	Fair value 2024
	€ 000	€ 000
6: Weak	2,165	-
7: Special Attention	885	-
At 31 December	3,050	-

Undrawn loan 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.

Risk rating category	Undrawn loan commitments			Undrawn loan commitments		
	Stage 1	Fair value	Total	Stage 1	Fair Value	Total
	2025	2025	2025	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million
6: Weak	-	128	128	-	-	-
7: Special Attention	-	1,200	1,200	228	-	228
At 31 December	-	1,328	1,328	228	-	228

The EBRD GEF Investment Special Fund

Concentration of credit risk exposure

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

	Undrawn loan commitments		Undrawn loan	
	2025	Loans 2025	2024	Loans 2024
	€ 000	€ 000	€ 000	€ 000
Egypt	-	517	-	665
Tunisia	-	2,372	228	2,542
Serbia	1,328	833	-	-
North Macedonia	-	1,332	-	-
Bosnia and Herzegovina	-	884	-	-
At 31 December	1,328	5,938	228	3,207

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

	Undrawn loan commitments		Undrawn loan	
	2025	Loans 2025	2024	Loans 2024
	€ 000	€ 000	€ 000	€ 000
Power and energy	-	2,888	228	3,207
Manufacturing and Services	1,328	833	-	-
Agribusiness	-	2,217	-	-
At 31 December	1,328	5,938	228	3,207

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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.

At 31 December 2025, the Fund has fixed rate loan investments of €4.8 million (2024: €5.4 million). These loans are held at amortised cost. Movements in 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 is exposed to foreign currency risk arising from transactions denominated in currencies other than its functional currency (USD), primarily euro. This exposure is outlined in the table below.

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	Euro 2025 € 000	United States	Tunisian	Total 2025 € 000
		Dollar	Dinar	
		2025 € 000	2025 € 000	
Total assets	6,638	29,772	-	36,410
Total liabilities	(146)	(90)	(99)	(335)
Net currency position at 31 December	6,492	29,682	(99)	36,075

	Euro 2024 € 000	United States	Tunisian	Total 2024 € 000
		Dollar	Dinar	
		2024	2024	
		€ 000	€ 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

The overall potential impact on the Fund's net (loss) is €429,000 (2024: €62,000) based on the average five year absolute rolling average movement in the below currencies:

- 7 per cent (2024: 6 per cent) strengthening or weakening in the EUR to USD exchange rate;
- 9 per cent (2024: 10 per cent) strengthening or weakening in the Tunisian dinar to USD 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.

D. Fair value of financial assets

At 31 December 2025, the Fund's balance sheet approximates to fair value in all financial asset and liability categories.

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 GEF Investment Special Fund

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets

	Loans	Loans
	2025	2024
	€ 000	€ 000
Balance as at 1 January	-	-
<i>Net losses recognised in:</i>		
Disbursements	3,672	-
Repayments	(63)	-
Movement in fair value revaluation	(559)	-
Balance at 31 December	3,050	-
<i>Net losses recognised for the year for Level 3 instruments held at 31 December</i>		
<i>recognised in:</i>		
- Net losses from loans at fair value through profit or loss	(559)	-

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 GEF Investment 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 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 once all the funds in the 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.

The EBRD GEF Investment Special Fund

3. Provisions for impairment of loan investments

	2025	2024
	€ 000	€ 000
Release/(charge) for the year		
Impairment of loan investments at amortised cost in stages 1 and 2	12	(110)
Provisions for impairment of loan investments	12	(110)
Movement in provisions		
At 1 January	(134)	(19)
Charge for the year to the income statement	12	(110)
Foreign exchange adjustments	10	(5)
At 31 December	(112)	(134)
Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	112	(19)
At 31 December	112	(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.

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Total
	2025	2025	2025
	€ 000	€ 000	€ 000
Movement in provisions - amortised cost loans			
As at 1 January	(114)	(20)	(134)
Changes in model or risk parameters	4	8	12
Foreign exchange and other movements	8	2	10
As at 31 December	(102)	(10)	(112)
	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Total
	2024	2024	2024
	€ 000	€ 000	€ 000
Movement in provisions - amortised cost loans			
As at 1 January	-	(19)	(19)
New loans originated*	(112)	-	(112)
Changes in model or risk parameters	3	(1)	2
Foreign exchange and other movements*	(5)	-	(5)
As at 31 December	(114)	(20)	(134)
	Loans Stage 1	Loans Stage 2	Total
	2025	2025	2025
	€ 000	€ 000	€ 000
Movement in loans at amortised cost			
As at 1 January	2,542	665	3,207
Loan disbursements	217	-	217
Repayments	-	(123)	(123)
Day one fair value adjustment	(122)	-	(122)
Movement in effective interest rate adjustment	44	49	93
Foreign exchange and other movements	(309)	(75)	(384)
As at 31 December	2,372	516	2,888
	Loans Stage 1	Loans Stage 2	Total
	2024	2024	2024
	€ million	€ million	€ million
Movement in loans at amortised cost			
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

* prior year figures have been updated for internal consistency

The EBRD GEF Investment Special Fund

4. Concessional loan discount

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

	2025	2024
	€ 000	€ 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:

	2025	2024
	€ 000	€ 000
At 1 January	(128)	-
Day one fair value adjustment	-	(2,146)
Derecognition of liability on loan disbursement	122	1,980
Foreign exchange movements	6	38
As at 31 December	-	(128)

5. Loan investments at amortised cost

	2025	2024
	€ 000	€ 000
At 1 January	3,207	654
Disbursements	217	4,416
Repayments	(123)	(73)
Day one fair value adjustment	(122)	(1,980)
Movement in effective interest rate adjustment	93	74
Foreign exchange movements	(384)	116
At 31 December	2,888	3,207
Provisions for impairment at 31 December	(112)	(134)
Total loan investments net of impairment at 31 December	2,776	3,073

6. Loan investments at fair value

	2025	2024
	€ 000	€ 000
Movement in loans at fair value through profit or loss	-	-
As at 1 January	-	-
Disbursements	3,672	-
Repayments	(63)	-
Movements in fair value revaluation	(559)	-
As at 31 December	3,050	-

7. Other financial liabilities

	2025	2024
	€ 000	€ 000
Technical cooperation expenses payable	335	479
Accrued management fees	-	239
At 31 December	335	718

The EBRD GEF Investment Special Fund

8. Undrawn commitments

	2025	2024
	€ 000	€ 000
Undrawn loan commitments	1,328	229
Technical cooperation expenses	794	939
At 31 December	2,122	1,168

9. 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
	2025	2025	2025	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Placements with credit institutions	30,564	-	30,564	38,010	-	38,010
Loans at amortised cost	69	2,819	2,888	134	3,073	3,207
Loans at fair value through profit or loss	285	2,765	3,050	-	-	-
Provisions for impairment of loan investments	(2)	(110)	(112)	(3)	(131)	(134)
Interest receivable	20	-	20	11	-	11
Total assets	30,936	5,474	36,410	38,152	2,942	41,094
Liabilities						
Other liabilities	(335)	-	(335)	(718)	-	(718)
Concessional loan discounts	-	-	-	(128)	-	(128)
Contributors' resources*	(852)	(35,223)	(36,075)	(263)	(39,985)	(40,248)
Total liabilities	(1,187)	(35,223)	(36,410)	(1,109)	(39,985)	(41,094)

10. Fair value of financial assets and liabilities

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

11. 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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

12. Authorisation for issue

On 15 April 2026 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.

* In the prior year, the classification of contributors' resources as current was based on the net position of current assets less current liabilities. In the current year, management considers that a classification based on expected reflows to the donor in the next 12 months provides more relevant information. This has impacted prior year comparatives as follows: current contributors resources have decreased by €37 million and non current contributors resources have increased by €37 million.

The EBRD GEF Investment Special Fund

13. 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 2025 there was no management fee payable to the Bank (2024: €239,000).

External auditors' remuneration of €19,300 in relation to the audit of the financial statements is payable by the Bank from the management fee (2024: €24,200). 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 no non audit services performed during the year (2024: €193,000). In 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

The EBRD GEF Investment Special Fund

Independent auditor's report

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD GEF Investment Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD GEF Investment Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the income statement for the year ended 31 December 2025;
- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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

The EBRD GEF Investment Special Fund

be expected to influence the economic decisions of users taken on the basis of these non-statutory financial statements.

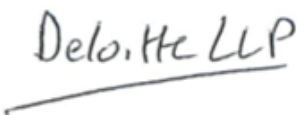
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal line.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The EBRD Green Climate Fund Special Fund

**Annual Financial Report
31 December 2025**

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 2025		Year to 31 December 2025	Year to 31 December 2024
	Note	€ million	€ million
Interest income			
From loans		13	11
From credit institutions		7	9
Total Interest		20	20
Net technical cooperation expenses		(1)	(3)
Disbursements for investment grants		(10)	(1)
Foreign exchange movements		12	(5)
Accredited entity fee expense		-	(1)
Impairment charge on loans	3	-	(1)
Change in concessional loan discount	4	(2)	(4)
Net profit for the year		19	5
Attributable to:			
Contributors		19	5

Statement of comprehensive income

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
		€ million	€ million
Net profit for the year		19	5
Other comprehensive (expense)/income for the year			
Foreign exchange movement between functional and presentational currencies		(45)	24
Total comprehensive (expense)/income for the year		(26)	29
Attributable to:			
Contributor		(26)	29

Balance sheet

At 31 December 2025		31 December 2025		Restated * 31 December 2024	
	Note	€ million	€ million	€ million	€ million
Assets					
Placements with credit institutions			215		234
Contributions receivable*			25		-
Loan investments					
Loans at amortised cost	4	201		208	
Less: Provisions for impairment	5	(2)		(2)	
			199		206
Other financial assets	6		3		2
Total assets			442		442
Liabilities and contributors' resources					
Other financial liabilities	7		3		7
Concessional loan discount	5		3		10
Contributors' resources*			436		425
Total liabilities and contributors' resources			442		442
Memorandum items					
Undrawn commitments	8		64		86

*Contributions receivable and contributors' resources in 2024 have been restated. Refer to note 3 for further detail.

The EBRD Green Climate Fund Special Fund

Statement of changes in contributors' resources

	Restated*		
	Contributed Resources	General reserve	Total
	€ million	€ million	€ million
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 and receivable	99	-	99
Distribution of funds to contributors	(50)	-	(50)
As at 31 December 2024 as previously presented	412	35	447
Contributions receivable restatement*	(22)	-	(22)
Restated at 31 December 2024	390	35	425
At 1 January 2025	390	35	425
Net profit for the year	19	-	19
Other comprehensive expense in the year	-	(45)	(45)
Contributions received and receivable	78	-	78
Distribution of funds to contributors	(41)	-	(41)
At 31 December 2025	446	(10)	436

*Refer to note 3 for further detail.

Statement of cash flows

For the year ended 31 December 2025

	Year to		Year to
	31 December 2025	31 December 2025	31 December 2024
	€ million	€ million	€ million
Cash flows from operating activities			
Net profit for the year	19		5
<i>Non-cash items in the income statement</i>			
Movement in effective interest rate adjustment on loans ¹	(5)		(4)
Foreign exchange movement	(12)		5
Concessional loan discount	2		4
Impairment charge on loans	-		1
	<u>4</u>		<u>11</u>
<i>Cash flows from the sale and purchase of operating assets</i>			
Funds advanced for loans	(56)		(83)
Proceeds from repayments of loans	42		45
<i>Working capital adjustment</i>			
Movement in other financial assets	(1)		-
Movement in other liabilities	(4)		-
	<u>(4)</u>		<u>-</u>
Net cash used in operating activities		(15)	(27)
Cash flows from financing activities			
Contributions received	54		77
Distribution of funds to contributors	(41)		(50)
	<u>(41)</u>		<u>(50)</u>
Net cash generated from financing activities		13	27
Net decrease in cash and cash equivalents		(2)	-
Cash and cash equivalents at the beginning of the year		234	224
Effect of foreign exchange rate changes		(16)	10
Cash and cash equivalents at 31 December		215	234

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



Marianna Amirbekyan, Director - Financial Control
Date: 15 April 2026

¹ Movement in effective interest rate adjustment includes the interest income unwinding discount of €6.2 million (2024: €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, unless otherwise stated.

A. Basis of preparation

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

IFRS not yet mandatorily effective and not adopted early

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

The EBRD Green Climate Fund Special Fund

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

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.

Impairment of financial assets at amortised cost

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 origination², with the stage allocation being based on the financial asset's probability of default (PD) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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.

²For 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.

The EBRD Green Climate Fund Special Fund

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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 2³.

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

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.

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.

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 EBRD Green Climate Fund Special Fund

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.

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.

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.

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.

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. As described in note 1, this exemption is extended to the Fund.

The EBRD Green Climate Fund Special Fund

C. Significant accounting estimates and critical judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial Institutions							
2025 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%	0.04%	0.07%	0.10%	
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	
Corporate sector							
2025 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%	0.16%	0.31%	0.44%	
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	

⁴ The Bank's internal PD rating scale is explained in detail on page 11 in the "Risk management" section.

The EBRD Green Climate Fund Special Fund

Sustainable Infrastructure (SI)

2025 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%	0.11%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

Financial Institutions

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	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%

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 2025 (2024: 86 per cent)⁵. Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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.

⁵This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 10.

The EBRD Green Climate Fund Special Fund

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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025	Non sovereign	2025 Sovereign	Sovereign	Sub-sovereign
Seniority – sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	10%
Senior Loan – FI	36%	Non EU country	10%	15%
Senior Loan – Corporate	38%	Limited PCS ⁶	15%	20%
Senior Loan – SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			

2024	Non sovereign	2024 Sovereign	Sovereign	Sub-sovereign
Seniority – sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	15%
Senior Loan – FI	36%	Non EU country	10%	20%
Senior Loan – Corporate	37%	Limited PCS	20%	30%
Senior Loan – SI	28%			
Subordinated Loan	46%			
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 Bank'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 Bank could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

The EBRD Green Climate Fund Special Fund

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	Change in	Change in	Recalculated	Change in	Change in
	provision 2025 €million	provision 2025 €million	provision 2025 %	provision 2024 €million	provision 2024 €million	provision 2024 %
Portfolio provision (Stage 1 & 2)	2			2		
Staging						
All loans in Stage 1	1	(1)	(50)%	1	(1)	(50)%
All loans in Stage 2	4	2	100%	6	4	200%
PD Ratings						
All loans upgraded 1 notch	1	(1)	(50)%	1	(1)	(50)%
All loans downgraded 1 notch	2	-	-	3	1	50%
All loans upgraded 3 notches	-	(2)	(100)%	-	(2)	(100)%
All loans downgraded 3 notches	7	5	250%	10	8	400%
Projected GDP						
Projected GDP increased by 1%	2	-	-	2	-	-
Projected GDP decreased by 1%	2	-	-	2	-	-
Projected GDP increased by 5%	2	-	-	2	-	-
Projected GDP decreased by 5%	4	2	100%	4	2	100%
LGD						
All loans decreased by 10%	1	(1)	(50)%	1	(1)	(50)%
All loans increased by 10%	2	-	-	3	1	50%
EAD						
All undrawn commitments cancelled	2	-	-	2	-	-
All undrawn commitments disbursed within one month	2	-	-	2	-	-

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 and therefore transition from Stage 1 to Stage 2, 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. The Fund’s NPL definition, which governs transition to Stage 3, is also a critical judgement owing to its subjectivity.
- 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.

The EBRD Green Climate Fund Special Fund

Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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.

The Fund is exposed to market risk, credit risk and liquidity risk.

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 investment grants (see note 8).

Credit risk management and measurement

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.

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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 Fund 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 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	
2	1.7	AA+	Very strong	
	2.0	AA		
3	2.3/2.5	AA-	Strong	Investment grade
	2.7	A+		
	3.0	A		
4	3.3	A-	Good	
	3.7	BBB+		
	4.0	BBB		
5	4.3	BBB-	Fair	Risk range 5
	4.7	BB+		
6	5.0	BB	Weak	Risk range 6
	5.3	BB-		
	5.7	B+		
7	6.0	B	Special attention	Risk range 7
	6.3	B-		
	6.7	CCC+		
8	7.0	CCC	Non-performing	NPL/credit-impaired assets
	7.3	CCC-/CC/C		
	8.0	D		

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.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees

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.

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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 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	2025	2024
	€ million	€ million
2: Very strong	112	167
3: Strong	103	67
At 31 December	215	234

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.

Risk rating category	Amortised cost carrying value				Impairment	Total net of impairment	
	Stage 1 € million	Stage 2 € million	Total € million	Total %	Stage 2 € million	Total	Impairment
						net of impairment	provisions coverage
5: Fair	60	-	60	29.9%	-	60	0.0%
6: Weak	80	-	80	39.8%	-	80	0.0%
7: Special Attention	33	28	61	30.3%	(2)	59	3.3%
At 31 December 2025	173	28	201	100.0%	(2)	199	

Risk rating category	Amortised cost carrying value				Impairment	Total net of impairment	
	Stage 1 € million	Stage 2 € million	Total € million	Total %	Stage 2 € million	Total	Impairment
						net of impairment	provisions coverage
5: Fair	41	-	41	19.7%	-	41	0.0%
6: Weak	106	-	106	51.0%	-	106	0.0%
7: Special Attention	26	35	61	29.3%	(2)	59	3.3%
At 31 December 2024	173	35	208	100.0%	(2)	206	

At 31 December 2025 the Fund had security arrangements in place for loan investments with a disbursed value of €112 million (2024: €112 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.

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Risk rating category	Undrawn loan commitments			Undrawn loan commitments		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	2025	2025	2025	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million
5: Fair	6	-	6	6	-	6
6: Weak	20	-	20	24	-	24
7: Special Attention	9	2	11	18	3	21
At 31 December	35	2	37	48	3	51

Concentration of credit risk exposure

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

	Undrawn loan commitments	Loans	Undrawn loan commitments	Loans
	2025	2025	2024	2024
	€ million	€ million	€ million	€ million
Armenia	-	10	-	4
Austria	-	2	-	-
Egypt	16	58	26	61
Georgia	4	28	4	28
Jordan	4	7	6	4
Kazakhstan	-	38	10	40
Moldova	1	1	1	-
Mongolia	-	19	-	22
Morocco	12	20	-	23
Qatar	-	3	-	9
Republic of Serbia	-	-	-	2
Tajikistan	-	15	4	15
At 31 December	37	201	51	208

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

	Undrawn loan commitments	Loans	Undrawn loan commitments	Loans
	2025	2025	2024	2024
	€ million	€ million	€ million	€ million
Depository credit (banks)	26	91	11	99
Leasing finance	-	4	-	3
Municipal and environmental infrastructure	9	47	7	-
Power and energy	2	59	33	106
At 31 December	37	201	51	208

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B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 assessed minimal.

At 31 December 2025, the Fund has fixed rate loan investments of €145 million (2024: €154 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 currency 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 is exposed to foreign currency risk arising from transactions denominated in currencies other than its functional currency (USD), primarily euro. This exposure is outlined in the table below.

	United States		Total 2025 € million
	Euro 2025	Dollar 2025	
	€ million	€ million	
Total assets	187	255	442
Total liabilities	(6)	(4)	(10)
Net currency position at 31 December	181	251	432

	United States		Total 2024 € million
	Euro 2024	Dollar 2024	
	€ million	€ million	
Total assets*	84	358	442
Total liabilities	(5)	(12)	(17)
Net currency position at 31 December	79	346	425

*Refer to note 3 for further detail.

Based on the average five year absolute rolling average movement in the USD to euro exchange rate, the potential impact on Fund's net profit, from a 7 per cent strengthening or weakening (2024: 6 per cent) is €8 million (2024: €3 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 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.

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D. Fair value of financial assets and liabilities

	Carrying amount	Fair value
	€ million	€ million
Financial Assets as at 31 December 2025		
Placements with credit institutions	215	215
Other financial assets	3	3
Loan investments	199	224
Contributions receivable	25	25
Total	442	467

Financial liabilities as at 31 December 2025		
Other financial liabilities	3	3
Concessional loan discount	3	3
Contributors' resources	436	461
Total	442	467

	Carrying amount	Fair value
	€ million	€ million
Financial Assets as at 31 December 2024		
Placements with credit institutions	234	234
Other financial assets	2	2
Loan investments	206	231
Contributions receivable*	-	-
Total	442	467

*Refer to note 3 for further detail.

Financial Liabilities as at 31 December 2024		
Other financial liabilities	7	7
Concessional loan discount	10	10
Contributors' resources*	425	450
Total	442	467

*Refer to note 3 for further detail.

At 31 December 2025, 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.

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. Restatement

The value of the Fund's contributions receivable in 2024 have been restated. The value of this receivable was overstated due to an error. The receivable amount had been received in 2024. The effect from the error was that the balance sheet and contributors' resources for the year was overstated. The previous incorrect treatment assumed there was \$22 million contributions receivable in 2024. The corrected value is a €nil receivable to be recognised in the 2024 financial year, rather than €22 million previously reported. This restatement has affected the 2024 balance sheet and statement of changes in contributors' resources. The impact of the restatement is summarised in the table below.

	Previous 2024 € million	Adjustment 2024 € million	Restated 2024 € million
Contributions receivable	22	(22)	-
Contributors' resources	447	(22)	425

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4. Loan investments

	2025	2024
	€ million	€ million
Operating assets		
At 1 January	208	172
Disbursements	56	83
Repayments	(42)	(45)
Day one fair value adjustment	(8)	(16)
Movement in effective interest rate adjustment	5	4
Foreign exchange movements	(18)	10
At 31 December	201	208
Impairment at 31 December	(2)	(2)
Total loan investments net of impairment at 31 December	199	206

Provisions for impairment

	2025	2024
	€ million	€ million
Charge for the year		
Impairment of loan investments at amortised cost in stages 1 and 2	-	(1)
Provisions for impairment of loan investments	-	(1)

Movement in provisions

At 1 January	(2)	(1)
Charge for the year to the income statement	-	(1)
At 31 December	(2)	(2)

Analysed between

Stage 1 and 2 provisions for loan investments at amortised cost	(2)	(2)
At 31 December	(2)	(2)

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 2025, the Fund has no loan investments or undrawn commitments in Stage 3 (2024: none in Stage 3).

	Lifetime ECL (Stage 2) 2025	Total 2025
	€ million	€ million
Movement in provisions - amortised cost loans		
As at 1 January	(2)	(2)
As at 31 December	(2)	(2)

	Lifetime ECL (Stage 2) 2024	Total 2024
	€ million	€ million
Movement in provisions - amortised cost loans		
As at 1 January	(1)	(1)
Transfer to stage 2 - significant increase in credit risk	(1)	(1)
As at 31 December	(2)	(2)

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	Loans Stage 1 2025 € million	Loans Stage 2 2025 € million	Total 2025 € million
Movement in loans at amortised cost			
As at 1 January	173	35	208
Disbursements	56	-	56
Repayments	(36)	(6)	(42)
Day one fair value adjustment	(8)	-	(8)
Movement in effective interest rate adjustment	5	1	6
Foreign exchange and other movements	(17)	(2)	(19)
As at 31 December	173	28	201

	Loans Stage 1 2024 € million	Loans Stage 2 2024 € million	Total 2024 € million
Movement in loans at amortised cost			
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)
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

5. Concessional loan discount

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

	2025 € million	2024 € million
Day one fair value	(2)	(4)
Concessional loan discount charge to the income statement	(2)	(4)

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

	2025 € million	2024 € million
At 1 January	10	22
Day one fair value adjustment	2	4
Derecognition of liability on loan disbursement	(8)	(16)
Foreign exchange movements	(1)	-
As at 31 December	3	10

6. Other financial assets

	2025 € million	2024 € million
Interest receivable from placements with credit institutions	1	2
Interest receivable from loans	2	-
At 31 December	3	2

7. Other financial liabilities

	2025 € million	2024 € million
Technical cooperation expenses payable	3	5
Accredited entity fees payable	-	2
At 31 December	3	7

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8. Undrawn commitments

	2025 € million	2024 € million
Undrawn loan commitments	37	51
Technical cooperation expenses	8	3
Investment grant commitments	19	32
At 31 December	64	86

This represents amounts for which the Fund has contracted for but for which the transaction or service was not undertaken at 31 December.

9. Contributions

As at 31 December 2025, the total contributions pledged per the signed FAAs is equivalent to €1,140 million (2024: €1,074 million). The next tranche of contributions can be called when conditions precedent stipulated in the relevant FAA have been met.

During 2025, €41 million was distributed to the contributor (2024: €50 million).

10. 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 2025 € million	Non-current 2025 € million	Total 2025 € million	Current 2024 € million	Non-current 2024 € million	Total 2024 € million
Assets						
Placements with credit institutions	215	-	215	234	-	234
Contributions receivable*	25	-	25	-	-	-
Loans at amortised cost	34	167	201	44	164	208
Provisions for impairment of loan investments	-	(2)	(2)	-	(2)	(2)
Other financial assets	3	-	3	2	-	2
Total assets	277	165	442	280	162	442
Liabilities and contributors' resources						
Other financial liabilities	3	-	3	7	-	7
Concessional loan discount	3	-	3	10	-	10
Contributors' resources*	271	165	436	177	162	339
Total liabilities and contributors' resources	277	165	442	194	162	356

*Refer to note 3 for further detail.

11. 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 2025.

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 15 April 2026 there had been no material events after the reporting period to disclose.

12. Authorisation for issue

On 15 April 2026 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.

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13. 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 €19,300 in relation to the audit of the financial statements is payable by the Bank from the accredited entity fee (2024: €24,200). 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. In 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

The Accredited entity fees payable from the Fund to the Bank are outlined in note 7.

Contributions received and receivable from the contributor and amounts returned to the contributor are outlined in note 9.

Independent auditors' report

To the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD Green Climate Fund Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD Green Climate Fund Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the income statement for the year ended 31 December 2025;
- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The EBRD Shareholder Special Fund

**Annual Financial Report
31 December 2025**

The EBRD Shareholder Special Fund

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The EBRD Shareholder Special Fund

Statement of comprehensive income

For the year ended 31 December 2025

		Year to	
		31 December 2025	31 December 2024
	Note	€ million	€ million
Interest income from credit institutions			16
Technical cooperation expenses		(51)	(55)
Client cost sharing for technical cooperation		2	2
Net technical cooperation expenses		(49)	(53)
Disbursements for investment grants		(14)	(13)
Incentive fees		(7)	(4)
Net (losses)/gains from share investments	3	(4)	7
Foreign exchange movements		(6)	2
Management fees		(6)	(5)
Net loss and comprehensive expense for the year		(70)	(46)
Attributable to:			
Contributors		(70)	(46)

Balance sheet

At 31 December 2025

		31 December 2025	31 December 2024
	Note	€ million	€ million
Assets			
Placements with credit institutions		687	598
Contribution receivable	5	189	152
Share investments	3	56	60
Other financial assets		2	1
Total assets		934	811
Liabilities and contributors' resources			
Technical cooperation expenses payable		34	36
Financial guarantee liability	4	12	12
Total liabilities		46	48
Contributions		1,769	1,574
Reserves and accumulated loss		(881)	(811)
Total contributors' resources		888	763
Total liabilities and contributors' resources		934	811
Memorandum items			
Undrawn commitments	6	270	211

The EBRD Shareholder Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € million	Accumulated losses € million	Total € million
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
At 1 January 2025	1,574	(811)	763
Contributions received and receivable	195	-	195
Net loss and total comprehensive expense for the year	-	(70)	(70)
At 31 December 2025	1,769	(881)	888

Statement of cash flows

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025		Year to 31 December 2024	
	€ million	€ million	€ million	€ million
Cash flows from operating activities				
Net loss for the year	(70)		(46)	
<i>Non-cash items in the income statement</i>				
Net losses/(gains) from share investments	4		(7)	
Foreign exchange movement	6		(2)	
	<u>(60)</u>		<u>(55)</u>	
<i>Cash flows from the sale and purchase of operating assets</i>				
Net placements to credit institutions	-		200	
<i>Working capital adjustment</i>				
Movement in other financial assets	(1)		-	
Movement in technical cooperation expenses payable	(2)		6	
Movement in accrued management fee*	1		2	
Net cash (used in)/generated from operating activities		(62)		153
Cash flows from financing activities				
Contributions received	157		108	
Net cash generated from financing activities		157		108
Net increase in cash and cash equivalents		95		261
Cash and cash equivalents at the beginning of the year		598		335
Effect of foreign exchange rate changes*		(6)		2
Cash and cash equivalents at 31 December		687		598

*In the current year amounts for management fee expenses were reallocated to accrued management fees, this reallocation has affected the prior year comparatives as well with no impact on total cash and cash equivalents.

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



Marianna Amirbekyan,

Director - Financial Control

Date: 15 April 2026

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.

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.
- Guarantee investment guarantees: cover the Bank’s principal losses on their guarantee investments, limited to the debt proceeds recovered on the Fund’s guarantee investment.
- Trade Facilitation Programme (TFP) guarantees; to cover principal losses the Bank may incur from providing its own guarantees under its TFP portfolio. The Fund’s resources are allocated into a TFP sub-account and the TFP guarantees are provided on a first-loss basis.

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss.	The Fund anticipates minimal impact as a result of adopting this standard.

The EBRD Shareholder Special Fund

Pronouncement	Nature of change	Potential impact
	Effective for annual reporting periods beginning on or after 1 January 2027.	
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through profit or loss

The Fund's share investments are recognised on a trade date basis. At initial recognition, the Fund measures these assets at their fair value with transaction costs related to these assets recognised in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value recognised in the statement of 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.

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Derecognition

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.

Impairment of financial assets at amortised cost

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, with the stage allocation being based on the financial asset's probability of default (PD) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

The EBRD Shareholder Special Fund

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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 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

Initial recognition and measurement

A financial liability is recognised once the financial guarantee contract is effective. As the Fund does not charge 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 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.

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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.

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.

Client cost sharing for technical cooperation

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 and is shown as net of technical cooperate expenses in the income statement. This approach is not materially different from recognising the recovery at the same time as performance of the service.

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.

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 3. 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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

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Financial Institutions

2025 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%	0.04%	0.07%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%

Corporate Sector

2025 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%	0.16%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%

Sustainable Infrastructure

2025 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%	0.11%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

Financial Institutions

2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.00%	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%

Corporate Sector

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%

¹The Bank's internal PD rating scale is explained in detail on page 12 in the "Risk management" section.

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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 2025 (2024: 86 per cent). Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025	Non sovereign	2025 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non EU country	10%	15%
Senior Loan - Corporate	38%	Limited PCS ²	15%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			
2024	Non sovereign	2024 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
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 Bank's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

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.

The EBRD Shareholder Special Fund

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.

Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	ECL	ECL	ECL	ECL	ECL	ECL
	2025	2025	2025	2024	2024	2024
	€ million	€ million	%	€ million	€ million	%
Financial guarantee liability on stage 1 and 2 operations	9			11		
PD Ratings						
All loans upgraded 3 notches	8	(1)	(11%)	10	(1)	(9%)
All loans downgraded 3 notches	9	-	0%	11	-	0%
LGD						
All loans decreased by 10%	8	(1)	(11%)	11	-	0%
All loans increased by 10%	9	-	0%	11	-	0%

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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

The EBRD Shareholder Special Fund

Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank wide risk matters are considered by the President accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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.

The carrying amount of placements presented on the balance sheet represents the Fund's maximum exposure to credit risk at 31 December 2025 and 31 December 2024.

Credit risk management and measurement

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.

The EBRD Shareholder Special Fund

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 Fund 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 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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0 3.3	A A-		
4	3.7	BBB+	Good	
	4.0 4.3	BBB BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0 5.3	BB BB-		
6	5.7	B+	Weak	Risk range 6
	6.0 6.3	B B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0 7.3	CCC CCC-/CC/C		
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 7.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees

The EBRD Shareholder Special Fund

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

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

Risk rating category	2025	2024
	€ million	€ million
2: Very strong	687	83
3: Strong	-	515
At 31 December	687	598

In 2025, the Fund held placements invested in externally managed money market funds. These placements are considered to be cash and cash equivalents as they are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Credit risk exposure arising from these holdings is limited, as the underlying assets of the money market funds are diversified and consist predominantly of high-quality, short-term instruments.

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 2025, the total eligible loans outstanding under the Bank and PB guarantees is €515 million (2024: €549 million). At 31 December 2025, the maximum exposure of eligible operations covered by the guarantees is €75 million (2024: €58 million). The guarantee liability on the balance sheet of €12 million (2024: €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				Undrawn guarantee commitments			
	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million
5: Fair	-	-	-	-	6	-	-	6
6: Weak	-	-	-	-	6	-	-	6
7: Special attention	3	7	1	11	23	12	1	36
8: Non-performing	-	-	1	1	15	-	1	16
At 31 December 2025	3	7	2	12	50	12	2	64

Risk rating category	Financial guarantee liabilities				Undrawn guarantee commitments			
	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million	Stage 1 € million	Stage 2 € million	Stage 3 € million	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

The EBRD Shareholder Special Fund

Concentration of credit risk exposure

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

	Financial guarantee liabilities 2025 € million	Undrawn guarantee commitments 2025 € million	Financial guarantee liabilities 2024 € million	Undrawn guarantee commitments 2024 € million
Azerbaijan	-	-	-	1
Egypt	-	1	-	-
Kazakhstan	-	2	-	1
Kosovo	-	1	-	1
Mongolia	-	1	-	-
Lebanon	-	15	-	-
Montenegro	-	1	-	1
Morocco	-	4	-	3
Serbia	-	3	-	4
Tajikistan	-	1	-	1
Tunisia	-	1	-	1
Ukraine	12	33	12	32
Uzbekistan	-	1	-	1
At 31 December	12	64	12	46

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

	Financial guarantee liabilities 2025 € million	Undrawn guarantee commitments 2025 € million	Financial guarantee liabilities 2024 € million	Undrawn guarantee commitments 2024 € million
Depository Credit (banks)	7	56	6	38
Energy	1	1	1	1
Food and Agribusiness	2	-	3	-
Leasing Finance	-	1	-	1
Manufacturing & Services	-	1	-	1
Non-depository Credit (non-bank)	-	4	-	4
Transport	2	1	2	1
At 31 December	12	64	12	46

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price 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 assessed 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.

The EBRD Shareholder Special Fund

	United States		Total 2025 € million
	Euro 2025 € million	dollars 2025 € million	
	Total assets	816	
Total liabilities	(40)	(6)	(46)
Net currency position at 31 December 2025	776	112	888

	United States		Total 2024 € million
	Euro 2024 € million	dollars 2024 € million	
	Total assets	702	
Total liabilities	(39)	(9)	(48)
Net currency position at 31 December 2024	663	100	763

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 6.60 per cent strengthening or weakening (2024: 6.40 per cent) is +/- €7 million (2024: +/- €6 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.

Assets	Carrying amount € million	Impact on net loss in 2025	
		Favourable change € million	Unfavourable change € million
		Share investments	56
At 31 December 2025	56	2	(1)

Assets	Carrying amount € million	Impact on net loss in 2024	
		Favourable change € million	Unfavourable change € million
		Share investments	60
At 31 December 2024	60	1	(2)

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 agreement 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.

	2025	2024
	€ million	€ million
Outstanding disbursements		
At 1 January	48	48
Disbursements	-	-
At 31 December	48	48
Fair value adjustment		
At 1 January	12	5
Movement in fair value revaluation	(4)	7
At 31 December	8	12
Fair value at 31 December	56	60
	2025	2024
	€ million	€ million
Net unrealised (loss)/gain from share investments	(4)	7
Net (loss)/gain from share investments	(4)	7

The EBRD Shareholder Special Fund

4. Financial guarantee movement

	2025	2024
	€ million	€ million
At 1 January	12	12
Movement in financials guarantee for Stage 1 and Stage 2 Loans	-	-
As at 31 December	12	12

5. Contributions received and receivable

	2025	2024
	€ million	€ million
Cumulative contributions received	1,574	1,417
Contributions receivable	189	152
Management fee	6	5
Total contributions at 31 December	1,769	1,574

6. Undrawn commitments

	2025	2024
	€ million	€ million
Investment grant commitments*	140	105
Financial guarantees	64	46
Technical cooperation expenses*	46	45
Incentive fees*	20	15
At 31 December	270	211

*This represents amounts for which the Fund has contracted but for which the transaction or service was not yet performed at 31 December 2025. Undrawn commitments for technical cooperation expenses excludes amounts accrued on the balance sheet.

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

	Current 2025	Non-current 2025	Total 2025	Current 2024	Non-current 2024	Total 2024
	€ million	€ million	€ million	€ million	€ million	€ million
Assets						
Placements with credit institutions	687	-	687	598	-	598
Contribution receivable	189	-	189	152	-	152
Share investments	-	56	56	-	60	60
Other financial assets	2	-	2	1	-	1
Total assets	878	56	934	751	60	811
Liabilities						
Technical cooperation expenses payable	34	-	34	36	-	36
Financial guarantee liability	12	-	12	12	-	12
Total liabilities	46	-	46	48	-	48

8. 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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

9. Authorisation for issue

On 15 April 2026 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

The EBRD Shareholder Special Fund

by the Bank to the Fund in relation to finance and project management. Management fees of €6 million were charged during the year (2024: €5 million). There was an accrued management fee payable of €6 million by the Fund to the Bank at 31 December 2025 (2024: €5 million), offset against contributions receivable.

External auditors' remuneration of €19,300 (2024: €24,200) 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 €524,200 in non-audit services performed during the year (2024: €390,000). 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

As at 31 December 2025, €17,000 is receivable from the Bank for bank charges incurred (2024: €17,000).

Guarantees issued by the Fund to the Bank are disclosed under credit risk exposures.

The EBRD Shareholder Special Fund

Independent auditors' report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD Shareholder Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD Shareholder Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income for the year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

The EBRD Shareholder Special Fund

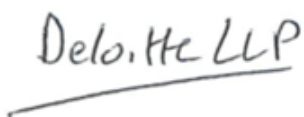
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'D' and ends under the 'P', with a small upward tick at the end.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The EBRD SME Special Fund

**Annual Financial Report
31 December 2025**

The EBRD SME Special Fund

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The EBRD SME Special Fund

Income statement

For the year ended 31 December 2025	Note	Year to 31 December 2025 € 000	Restated * Year to 31 December 2024 € 000
Interest income			
From credit institutions		388	448
Total interest		388	448
Technical cooperation expenses		(119)	(83)
Client cost sharing for technical cooperation		10	-
Net technical cooperation expenses		(109)	(83)
Disbursements for local currency subsidies*		(1,872)	(1,048)
Foreign exchange movements		45	(30)
Other operating expenses	4	(7)	(211)
Net loss for the year		(1,555)	(924)
Attributable to:			
Contributors		(1,555)	(924)

*Disbursements for local currency subsidies in 2024 have been restated. Refer to note 3 for further detail.

Statement of comprehensive income

For the year ended 31 December 2025	Year to 31 December 2025 € 000	Restated * Year to 31 December 2024 € 000
Net loss for the year*	(1,555)	(924)
Other comprehensive (expense)/profit for the year		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement between functional and presentational currencies	(2,218)	1,033
Total comprehensive (expense)/profit for the year	(3,773)	109
Attributable to:		
Contributor	(3,773)	109

*Disbursements for local currency subsidies in 2024 have been restated. Refer to note 3 for further detail.

Balance sheet

At 31 December 2025	Note	31 December 2025 € 000	Restated * 31 December 2024 € 000
Assets			
Placements with credit institutions		13,806	18,625
Interest receivable		-	1
Total assets		13,806	18,626
Liabilities and contributors' resources			
Other financial liabilities*	5	14	1,061
Contributors' resources*		13,792	17,565
Total liabilities and contributors' resources		13,806	18,626
Memorandum items			
Undrawn commitments	6	3,107	1,082

*Other financial liabilities and contributors' resources in 2024 have been restated. Refer to note 3 for further detail.

Statement of changes in contributors' resources

For the year ended 31 December 2025	Contributions € 000	General Reserve € 000	Restated * Accumulated losses € 000	Total € 000
At 1 January 2024	45,902	(270)	(37,390)	8,242
Contributions received and receivable	9,214	-	-	9,214
Net profit and total comprehensive income for the year as previously presented	-	1,033	124	1,157
At 31 December 2024 as previously presented	55,116	763	(37,266)	18,613
Local currency subsidies restatement *	-	-	(1,048)	(1,048)
Restated at 31 December 2024	55,116	763	(38,314)	17,565
At 1 January 2025	55,116	763	(38,314)	17,565
Net loss and total comprehensive expense for the year	-	(2,218)	(1,555)	(3,773)
At 31 December 2025	55,116	(1,455)	(39,869)	13,792

* Refer to note 3 for further detail.

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Statement of cash flows

For the year ended 31 December 2025

	Year to		Restated *	
	31 December 2025		Year to	
	€ 000	€ 000	€ 000	31 December 2024
			€ 000	€ 000
Cash flows from operating activities				
Net loss for the year *	(1,555)		(924)	
<i>Non-cash items in the income statement</i>				
Foreign exchange movement	(45)		30	
	(1,600)		(894)	
<i>Working capital adjustment</i>				
Movement in interest receivable	1		20	
Movement in other financial liabilities *	(1,047)		1,035	
Net cash (used in)/generated from operating activities		(2,646)		161
Cash flows from financing activities				
Contributions received	-		9,214	
Net cash generated from financing activities		-		9,214
Net (decrease)/increase in cash and cash equivalents *		(2,646)		9,375
Cash and cash equivalents at the beginning of the year		18,625		8,247
Effect of foreign exchange rate changes		(2,173)		1,003
Cash and cash equivalents at 31 December		13,806		18,625

*Refer to note 3 for further detail.

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



Marianna Amirbekyan, Director - Financial Control
Date: 15 April 2026

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

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New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at fair value through profit or loss

The Fund's share investments are recognised on a trade date basis. At initial recognition, the Fund measures these assets at their fair value with transaction costs related to these assets recognised in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value recognised in the statement of profit or loss.

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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.

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

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.
- 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 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

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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

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.

Local currency subsidies

The Fund's resources were used to provide an interest rate subsidy grant to the European Bank for Reconstruction and Development (the "Bank") to compensate for a below market rate loan made to a Partner Finance Institution (PFI).

A provision is recognised on the balance sheet for grants payable to the extent that there is a present legal obligation as a result of a past event, it is probable that there will be an outflow of resources to settle the obligation, and a reliable estimate of the amount can be made.

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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

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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 10.

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 judgements in the application of 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 of the Fund.

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

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Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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 2025 and 31 December 2024.

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The Fund does not actively monitor or hedge against market risk.

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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 assessed 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 (EUR to USD) is outlined in the table below.

	Euro 2025 € 000	United States Dollar 2025 € 000	Total 2025 € 000
Total assets	313	13,493	13,806
Total liabilities	(14)	-	(14)
Net currency position at 31 December 2025	299	13,493	13,792

	Euro 2024 € 000	United States Dollar 2024 € 000	Total 2024 € 000
Total assets	418	18,208	18,626
Total liabilities*	(1,061)	-	(1,061)
Net currency position at 31 December 2024	(643)	18,208	17,565

*Refer to note 3 for further detail.

Based on the average five year absolute rolling average movement in the USD to EUR exchange rate, the potential impact on the Fund's net loss from a 7 per cent strengthening or weakening (2024: 6 per cent) is +/- €13,000 (2024 €23,000).

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.

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D. Fair value of financial assets and liabilities

At 31 December 2025, the Fund's balance sheet approximates to fair value in all financial asset and liability categories.

The technique used for the Fund's share investment in the SME Local Currency Special Fund is net asset value (NAV).

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.

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 table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

Assets	Main valuation models/techniques	Carrying amount € 000	Impact on net gain in 2025	
			Favourable change € 000	Unfavourable change € 000
Share investments	NAV	-	544	-
At 31 December 2025		-	544	-

Assets	Main valuation models/techniques	Carrying amount € 000	Impact on net gain in 2024	
			Favourable change € 000	Unfavourable change € 000
Share investments	NAV	-	103	-
At 31 December 2024		-	103	-

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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. Restatement

The value of the Fund’s disbursements for local currency subsidies in 2024 have been restated. The value of these disbursements was understated due to an error in the recognition of local currency subsidy obligations. Although the local currency subsidy payments were contractually due in 2024, these were not recognised. There was no liability recorded in 2024 to recognise the outstanding payable and the associated disbursements. The effect from the error was that the net profit for the year was overstated. The previous incorrect treatment assumed there was no local currency subsidies payable in 2024. The corrected value is €1,048,000 to be recognised in the 2024 financial year, rather than €nil previously reported. This restatement has affected the 2024 income statement, statement of comprehensive income, balance sheet, statement of changes in contributors’ resources, statement of cashflows and undrawn commitments. The impact of the restatement is summarised in the table below.

	Previous 2024 € 000	Adjustment 2024 € 000	Restated 2024 € 000
Disbursements for local currency subsidies	-	(1,048)	(1,048)
Other financial liabilities	13	1,048	1,061
Contributors' resources	18,613	(1,048)	17,565
Undrawn commitments for local currency subsidies	-	997	997

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4. Other operating expenses

	2025	2024
	€ 000	€ 000
Management fees	-	187
Audit fees	7	24
Year to 31 December	7	211

Other operating expenses comprise of administrative expenses directly related to the Fund and include management fees of nil (2024: €187,000) and external auditors' remuneration of €7,100 (2024: €24,200). 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 2025 there was no auditors' remuneration payable to the bank in relation to these audit fees (2024: 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 2024 the board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

5. Other financial liabilities

	2025	Restated *
	€ 000	2024 € 000
Technical cooperation expenses payable	14	13
Local currency subsidies payable*	-	1,048
At 31 December	14	1,061

*Refer to note 3 for further detail.

6. Undrawn commitments

	2025	Restated *
	€ 000	2024 € 000
Technical cooperation expenses	21	85
Local currency subsidies*	3,086	997
Undrawn commitments at 31 December	3,107	1,082

*Refer to note 3 for further detail.

This represents amounts for which the Fund has contracted for but for which the transaction or service was not undertaken at 31 December.

7. Share investment

	2025	2024
	€ 000	€ 000
Outstanding disbursements		
At 1 January	3,747	3,747
At 31 December	3,747	3,747
	2025	2024
	€ 000	€ 000
Fair value adjustment		
At 1 January	(3,747)	(3,747)
At 31 December	(3,747)	(3,747)
Fair value at 31 December	-	-

8. Contributions

No contributions were received during the year (2024: €9,214,000).

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

	Current 2025 € 000	Non-current 2025 € 000	Total 2025 € 000	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000
Assets						
Placements with credit institutions	13,806	-	13,806	18,625	-	18,625
Interest receivable	-	-	-	1	-	1
Total assets	13,806	-	13,806	18,626	-	18,626
Liabilities and contributors' resources						
Other financial liabilities	14	-	14	1,061	-	1,061
Contributors' resources ¹	10,685	3,107	13,792	16,483	1,082	17,565
Total liabilities and contributors' resources	10,699	3,107	13,806	17,544	1,082	18,626

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 2025.

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 15 April 2026 there had been no material events after the reporting period to disclose.

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 nil were paid by the Fund to the Bank in 2025 (2024: €187,000) and there is no balance payable by the Fund to the Bank at 31 December 2025 (2024: nil). Audit fees paid to the bank are outlined in note 4.

12. Authorisation for Issue

On 15 April 2026 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.

¹ In the prior year, the classification of contributors' resources as current was based on the net position of current assets less current liabilities. In the current year, management considers that a current classification based on the share of contributors' resources which are not needed to meet existing commitments and obligations provides more relevant information. This has impacted prior year comparatives as follows: current contributors resources have decreased by €1,082,000 and non current contributors resources have increased by €1,082,000.

The EBRD SME Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The EBRD SME Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The EBRD SME Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the income statement for the year ended 31 December 2025;
- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

The EBRD SME Special Fund

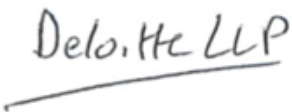
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'D' and ends under the 'P', with a small tick mark at the end.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Italian Investment Special Fund

**Annual Financial Report
31 December 2025**

The Italian Investment Special Fund

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Statement of comprehensive income

For the year ended 31 December 2025

	Note	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Interest income			
From loans		(12)	10
From credit institutions		173	272
Total interest		161	282
Fee Income		1	2
Dividend income		143	119
Net gains from share investments	3	1,329	630
Financial guarantees movement	4	135	263
Audit fees	5	(19)	(24)
Impairment release on loans	6	17	8
Net profit and comprehensive income for the year		1,767	1,280
Attributable to:			
Contributors		1,767	1,280

Balance sheet

At 31 December 2025

	Note	31 December 2025		31 December 2024	
		€ 000	€ 000	€ 000	€ 000
Assets					
Placements with credit institutions			9,740		8,544
Loan investments					
Loans at amortised cost		112		189	
Less: Provisions for impairment	6	(4)		(21)	
	7		108		168
Financial guarantee assets	8		-		1
Share investments	9		3,243		2,753
Interest receivable			21		18
Total assets			13,112		11,484
Liabilities and contributors' resources					
Fair value of equity related derivatives			-		4
Financial guarantee liability	8		12		147
Total liabilities			12		151
Contributions			13,524		13,524
Reserves and accumulated loss			(424)		(2,191)
Total contributors' resources			13,100		11,333
Total liabilities and contributors' resources			13,112		11,484
Memorandum items					
Undrawn commitments	10		4,635		2,906

The Italian Investment Special Fund

Statement of changes in contributor's resources

For the year ended 31 December 2025

	Contributions	Accumulated losses	Total
	€ 000	€ 000	€ 000
At 1 January 2023	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
At 1 January 2024	13,524	(2,191)	11,333
Net profit and total comprehensive income for the year	-	1,767	1,767
At 31 December 2025	13,524	(424)	13,100

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025	Year to 31 December 2024
	€ 000	€ 000
Cash flows from operating activities		
Net profit for the year	1,767	1,280
<i>Non-cash items in the statement of comprehensive income</i>		
Movement in effective interest rate adjustment	21	6
Net gains from share investments	(1,329)	(630)
Impairment release on loans	(17)	(8)
Financial guarantees movement	(135)	(263)
	<u>307</u>	<u>385</u>
<i>Cash flows from the sale and purchase of operating assets</i>		
Proceeds from return of capital on share investments	836	526
Loan repayments	56	56
<i>Working capital adjustment</i>		
Movement in audit fee payable	-	(22)
Movement in interest receivable	(3)	-
Net cash generated from operating activities	1,196	945
Net increase in cash and cash equivalents	1,196	945
Cash and cash equivalents at the beginning of the year	8,544	7,599
Cash and cash equivalents at 31 December	9,740	8,544

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



Marianna Amirbekyan, Director - Financial Control
Date: 15 April 2026

The Italian Investment Special Fund

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

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B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through profit or loss

The Fund's share investments are recognised on a trade date basis. At initial recognition, the Fund measures these assets at their fair value with transaction costs related to these assets recognised in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value recognised in the statement of 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 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.

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.

Financial assets at fair value through profit or loss

At initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, with any transaction costs expensed immediately in profit or loss. After initial recognition, these assets are subsequently measured at fair value, with all fair value changes recognised in profit or loss.

The Fund also holds sustainability-linked loans whose interest varies based on the borrower's achievement of specified sustainability targets. Because these contractual cash flows do not meet the SPPI criteria, the loans are measured at fair value through profit or loss, with subsequent fair value movements recognised in profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

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Derecognition

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

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) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund’s income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank’s internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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”² are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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, which 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.

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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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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.

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

The Fund's resources may be used to provide the following guarantees

- 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.
- Parallel guarantee investment guarantees: cover the Bank's principal losses on guarantee investments, limited to the debt proceeds recovered on the Fund's guarantee investment.

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.

Contributor's 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.

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.

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Foreign currencies

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

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, 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.

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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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 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.

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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. The determination of PD, LGD and EAD are key assumptions in this estimate, and are explained in greater depth below.

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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial Institutions							
2025 PD rating³	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%	0.04%	0.07%	0.10%	
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	
Industry, Commerce and Agribusiness (ICA)							
2025 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%	0.16%	0.31%	0.44%	
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	

³ The Bank's internal PD rating scale is explained in detail on page 12 of the Risk Management section.

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Sustainable Infrastructure (SI)							
2025 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%	0.11%	0.21%	0.30%	
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%	
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%	
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%	
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%	
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%	
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%	

Financial Institutions							
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
1.0	AAA	0.00%	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%	

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 2025 (2024: 86 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.

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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 2025 and 2024 as described in the tables below:

2025 Seniority – sector	Non sovereign LGD	2025 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	10%
Senior loan – FI	36%	Non-EU country	10%	15%
Senior loan – Corporate	38%	Limited PCS ⁴	15%	20%
Senior loan – SI	29%			
Subordinated loan	44%			
Covered bonds	11.25%			

2024 Seniority - sector	Non sovereign LGD	2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
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 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 2025 (2024: no Stage 1 provisions).

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

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.

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Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	provision	provision	provision	provision	provision	provision
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Portfolio provision (Stage 1 & 2)	4			21		
Staging						
All loans in Stage 1	4	-	-	15	(6)	(29)%
All loans in Stage 2	4	-	-	21	-	-
PD Ratings						
All loans upgraded 1 notch	3	(1)	(25)%	14	(7)	(33)%
All loans downgraded 1 notch	4	-	-	21	-	-
All loans upgraded 3 notches	1	(3)	(75)%	8	(13)	(62)%
All loans downgraded 3 notches	4	-	-	21	-	-
Projected GDP						
Projected GDP increased by 1%	4	-	-	20	(1)	(5)%
Projected GDP decreased by 1%	5	1	25%	23	2	10%
Projected GDP increased by 5%	3	(1)	(25)%	16	(5)	(24)%
Projected GDP decreased by 5%	7	3	75%	32	11	52%
LGD						
All loans decreased by 10%	3	(1)	(25)%	15	(6)	(29)%
All loans increased by 10%	5	1	25%	27	6	29%
EAD						
All undrawn commitments cancelled	4	-	-	21	-	-
All undrawn commitments disbursed within	13	9	225%	21	-	-

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 €20,000 (2024: €95,000). Conversely, a 3 notch PD downgrade would have increased the ECL of the financial guarantee liability nil (2024: nil).

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 +€8,000/-€8,000 (2024: +€40,000/-€40,000) 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 and therefore transition from Stage 1 to Stage 2, 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. The Fund's NPL definition, which governs transition to Stage 3, is also a critical judgement owing to its subjectivity.
- **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 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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

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Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent "second line of defence"⁵ control functions, including Risk Management, Office of the Chief Compliance Officer, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

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).

Credit risk management and measurement

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.

⁵With 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.

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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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0 3.3	A A-		
4	3.7	BBB+	Good	
	4.0 4.3	BBB BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0 5.3	BB BB-		
6	5.7	B+	Weak	Risk range 6
	6.0 6.3	B B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0 7.3	CCC CCC-/CC/C		
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.

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

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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 2025, the Fund has no loan investments in Stage 1 or Stage 3 (2024: no loans in Stage 1 or Stage 3).

Risk rating category	Amortised cost carrying value			Impairment	Total net of impairment	
	Stage 2	Total	Total %	Stage 2	Total net of impairment	Impairment provisions coverage
	€ 000	€ 000	Total %	€ 000	€ 000	%
7: Special Attention	112	112	100.0%	(4)	108	3.6%
At 31 December 2025	112	112	100.0%	(4)	108	

Risk rating category	Amortised cost carrying value			Impairment	Total net of impairment	
	Stage 2	Total	Total %	Stage 2	Total net of impairment	Impairment provisions coverage
	€ 000	€ 000	Total %	€ 000	€ 000	%
7: Special Attention	189	189	100.0%	(21)	168	11.1%
At 31 December 2024	189	189	100.0%	(21)	168	

At 31 December 2025 the Fund had security arrangements in place for €111,000 of its disbursed loan investments (2024: €168,000). 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.

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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

Risk rating category	Financial guarantee liabilities		Undrawn loan and guarantee commitments	
	Stage 2	Total	Stage 2	Total
	2025	2025	2025	2025
	€ 000	€ 000	€ 000	€ 000
7: Special Attention	12	12	274	274
At 31 December 2025	12	12	274	274

Risk rating category	Financial guarantee liabilities		Undrawn loan and guarantee commitments	
	Stage 2	Total	Stage 2	Total
	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000
7: Special Attention	147	147	146	146
At 31 December 2024	147	147	146	146

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 2025 the relevant amounts outstanding were €3.5 million (2024: €4.6 million). At 31 December 2025, the Fund's maximum exposure under such guarantees was €112,000 (2024: €147,000).

Concentration of credit risk exposure

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

	Loans	Financial guarantee liabilities	Undrawn loan commitments	Total	Loans	Financial guarantee liabilities	Undrawn loan commitments	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Serbia*	112	12	274	398	189	147	146	482
At 31 December	112	12	274	398	189	147	146	482

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

	Loans	Financial guarantee liabilities	Undrawn loan commitments	Total	Loans	Financial guarantee liabilities	Undrawn loan commitments	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Manufacturing and services	112	12	274	398	189	147	146	482
At 31 December	112	12	274	398	189	147	146	482

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The Fund does not actively monitor or hedge against market risk.

Derivative financial instrument liabilities

An amount of €200 (2024: €237,000) is recognised as "Derivative financial instrument liabilities" in relation to the share investments and an amount of €12,000 (2024: €147,000) 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 (2024: Nil).

⁶ Guarantees include both on-balance sheet liabilities and off-balance sheet undrawn commitments.

* In the prior year, the financial guarantee liability and undrawn loan commitment was allocated to Croatia. In the current year, it has been updated to reflect a reallocation to Serbia.

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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 currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Fund does not have any exposure to foreign currency risks.

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.

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 2025 € 000	Equities 2024 € 000
Albania	1	34
Bosnia and Herzegovina	2	61
Croatia	11	261
Kosovo	3,216	2,084
North Macedonia	3	70
Serbia	10	243
At 31 December	3,243	2,753

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 15 per cent movement (2024: 14 per cent) in equity prices is €488,000 (2024: €373,000).

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

At 31 December 2025, 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.

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.

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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.

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets and financial liabilities.

	Share investments 2025 € 000	Derivative financial instruments 2025 € 000	Total 2025 € 000	Share investments 2024 € 000	Derivative financial instruments 2024 € 000	Total 2024 € 000
Balance as at 1 January	2,753	(4)	2,749	2,684	(39)	2,645
<i>Net gains/(losses) recognised in:</i>						
- Net gains/(losses) from share investments at fair value through profit or loss	1,008	4	1,012	595	35	630
Sales	(518)	-	(518)	(526)	-	(526)
Balance at 31 December	3,243	-	3,243	2,753	(4)	2,749
<i>Net gains/(losses) recognised for the year for Level 3 instruments held at 31 December recognised in:</i>						
- Net gains/(losses) from share investments at fair value through profit or loss	1,008	4	1,012	595	35	630

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Carrying amount € 000	Impact on net profit in 2025	
		Favourable change € 000	Unfavourable change € 000
Assets			
Share investments and associated derivatives	3,243	465	(810)
At 31 December 2025	3,243	465	(810)

	Carrying amount € 000	Impact on net profit in 2024	
		Favourable change € 000	Unfavourable change € 000
Assets			
Share investments and associated derivatives	2,645	896	(487)
At 31 December 2024	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.

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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

	2025	2024
	€ 000	€ 000
Net unrealised gains from share investments	1,008	595
Net realised gains from equity related derivatives	317	-
Net unrealised gains from equity related derivatives	4	35
Net gains from share investments	1,329	630

4. Financial guarantees movement

	2025	2024
	€ 000	€ 000
Movement in financial guarantee for Stage 1 and Stage 2 loans	(135)	(263)
Financial guarantees movement	(135)	(263)

5. Audit fees

Audit fees comprise external auditor’s remuneration of €19,300 (2024: €24,000). 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 2025 there was no fee payable (2024: nil) to the Bank in relation to the 2024 or 2025 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 2024 the Board approved the appointment of Deloitte LLP as the Bank’s external auditors for the five-year period 2025-29.

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6. Provision for impairment of loan investments

	2025	2024
	€ 000	€ 000
Release for the year		
Impairment of loan investments at amortised cost in stages 1 and 2	17	8
Provisions for impairment of loan investments	17	8
Movement in provisions		
At 1 January	(21)	(29)
Release for the year to the income statement	17	8
At 31 December	(4)	(21)
Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	(4)	(21)
At 31 December	(4)	(21)

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 2025, the Fund has no loan investments in Stage 1 or Stage 3 (2024: no loans in Stage 1 or Stage 3).

	Lifetime ECL (Stage 2) 2025 € 000	Total 2025 € 000
Movement in provisions - amortised cost loans		
As at 1 January	(21)	(21)
Changes in model or risk parameters	17	17
As at 31 December	(4)	(4)

	Lifetime ECL (Stage 2) 2024 € 000	Total 2024 € 000
Movement in provisions - amortised cost loans		
As at 1 January	(29)	(29)
Changes in model or risk parameters	8	8
As at 31 December	(21)	(21)

	Loans Stage 2 2025 € 000	Total 2025 € 000
Movement in loans at amortised cost		
As at 1 January	189	189
Repayments	(56)	(56)
Movement in effective interest rate adjustment	(21)	(21)
As at 31 December	112	112

The Italian Investment Special Fund

	Loans Stage 2 2024	Total 2024
	€ 000	€ 000
Movement in loans at amortised cost		
As at 1 January	251	251
Repayments	(56)	(56)
Movement in effective interest rate adjustment	(6)	(6)
As at 31 December	189	189

7. Loan investments

	2025 € 000	2024 € 000
At 1 January	189	251
Movement in effective interest rate adjustment	(21)	(6)
Repayments	(56)	(56)
At 31 December	112	189
Impairment at 31 December	(4)	(21)
Total loan investments net of impairment at 31 December	108	168

8. Financial guarantee assets and liabilities

	2025 € 000	2024 € 000
At 1 January	1	13
Financial guarantees movement	(1)	(12)
Total financial guarantee asset at 31 December	-	1

Represented by:

Guarantees on Stage 1 and Stage 2 loans	-	1
Guarantees on credit impaired loans	-	-
At 31 December	-	1

	2025 € 000	2024 € 000
At 1 January	147	422
Financial guarantees movement	(135)	(275)
Total financial guarantee liability at 31 December	12	147

Represented by:

Guarantees on Stage 1 and Stage 2 loans	12	147
At 31 December	12	147

9. Share investments

	2025 € 000	2024 € 000
Outstanding disbursements		
At 1 January	1,541	2,067
Return of capital	(518)	(526)
At 31 December	1,023	1,541

	2025 € 000	2024 € 000
Fair value adjustment		
At 1 January	1,212	617
Movement in fair value revaluation	1,008	595
At 31 December	2,220	1,212

Fair value at 31 December	3,243	2,753
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The Italian Investment Special Fund

10. Undrawn commitments

	2025	2024
	€ 000	€ 000
Guarantees	274	146
Undrawn derivative commitments	3,208	1,880
Undrawn share commitments	1,153	880
Undrawn commitments and guarantees at 31 December	4,635	2,906

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
	2025	2025	2025	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Placements with credit institutions	9,740	-	9,740	8,544	-	8,544
Share investments	-	3,243	3,243	-	2,753	2,753
Loans at amortised cost	56	56	112	56	133	189
Provisions for impairment of loan investments	(2)	(2)	(4)	(7)	(14)	(21)
Financial guarantee assets	-	-	-	1	-	1
Interest receivable	21	-	21	18	-	18
Total assets	9,815	3,297	13,112	8,612	2,872	11,484
Liabilities						
Fair value of equity related derivatives	-	-	-	-	4	4
Financial guarantee liability	12	-	12	147	-	147
Total liabilities	12	-	12	147	4	151

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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

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 2025, there were no management fees paid by the Fund to the Bank (2024: nil) and there was no accrued management fee payable by the Fund to the Bank at 31 December 2025 (2024: 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 2025 nothing was owing to the Fund from the Bank (2024: nil). At 31 December 2025 no amounts were owing from the Bank to the Fund. (2024: nil).

14. Authorisation for Issue

On 15 April 2026 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.

The Italian Investment Special Fund

Independent auditors' report to the Governors

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Italian Investment Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Italian Investment Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

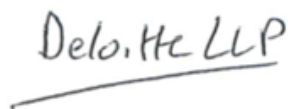
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal line.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
For Reconstruction and Development**

The Multi-Donor Trust Fund for the West Bank and Gaza

**Annual Financial Report
31 December 2025**

The Multi-Donor Trust Fund for the West Bank and Gaza

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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 2025	Year to	Year to
	31 December 2025	31 December 2024
	€ 000	€ 000
Interest income from credit institutions	75	51
Technical cooperation expenses	(11)	(145)
Disbursements for investment grants	(117)	(35)
Management fees	-	(125)
Net loss and comprehensive expense for the year	(53)	(254)
Attributable to:		
Contributors	(53)	(254)

Balance sheet

At 31 December 2025	Note	31 December 2025	31 December 2024
		€ 000	€ 000
Assets			
Placements with credit institutions		3,927	4,289
Interest receivable from placements with credit institutions		8	6
Total assets		3,935	4,295
Liabilities and contributors' resources			
Other financial liabilities	3	81	388
Total liabilities		81	388
Contributions	4	5,862	5,862
Reserves and accumulated loss		(2,008)	(1,955)
Total contributors' resources		3,854	3,907
Total liabilities and contributors' resources		3,935	4,295

The Multi-Donor Trust Fund for the West Bank and Gaza

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions	Reserves and accumulated losses	Total
	€ 000	€ 000	€ 000
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
At 1 January 2025	5,862	(1,955)	3,907
Net loss and total comprehensive expense for the year	-	(53)	(53)
At 31 December 2025	5,862	(2,008)	3,854

Statement of cash flows

For the year ended 31 December 2025

	€ 000	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Cash flows from operating activities			
Net loss for the year	(53)		(254)
<i>Working capital adjustment:</i>			
Movement in interest receivable from placements with credit institutions	(2)		(3)
Movement in other liabilities	(307)		138
Net cash used in operating activities		(362)	(119)
Cash flows from financing activities			
Contributions received	-		3,000
Net cash (used in)/generated from financing activities		-	3,000
Net (decrease)/Increase in cash and cash equivalents		(362)	2,881
Cash and cash equivalents at the beginning of the year		4,289	1,408
Cash and cash equivalents at 31 December		3,927	4,289

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



Marianna Amirbekyan, Director – Financial Control
Date: 15 April 2026

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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

The Multi-Donor Trust Fund for the West Bank and Gaza

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss.	IFRS 18: Presentation and Disclosure in Financial Statements
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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling

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 (€).

The Multi-Donor Trust Fund for the West Bank and Gaza

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.

The Multi-Donor Trust Fund for the West Bank and Gaza

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.

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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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 judgements in the application of 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 Guidelines of the Fund.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies 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

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank wide risk matters are considered by the President accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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 2025 and 31 December 2024.

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.

The Multi-Donor Trust Fund for the West Bank and Gaza

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0	A		
	3.3	A-		
4	3.7	BBB+	Good	
	4.0	BBB		
	4.3	BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0	BB		
	5.3	BB-		
6	5.7	B+	Weak	Risk range 6
	6.0	B		
	6.3	B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0	CCC		
	7.3	CCC-/CC/C		
8	8.0	D	Non-performing	NPL/Credit-impaired assets

Credit risk exposures

Set out below is an analysis of the Fund's cash and cash equivalents classified by internal credit rating risk rankings.

Risk rating category	2025 € 000	2024 € 000
2: Very Strong	3,916	4,254
3: Strong	11	35
At 31 December	3,927	4,289

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 assessed minimal.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

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

The Multi-Donor Trust Fund for the West Bank and Gaza

	Euro 2025 € 000	United States dollar 2025 € 000	Total 2025 € 000
Total assets	3,935	-	3,935
Total liabilities	(79)	(2)	(81)
Net currency position at 31 December	3,856	(2)	3,854

	Euro 2024 € 000	United States dollar 2024 € 000	Total 2024 € 000
Total assets	4,295	-	4,295
Total liabilities	(209)	(179)	(388)
Net currency position at 31 December	4,086	(179)	3,907

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 6.6 per cent strengthening or weakening (2024: 6.4 percent) is +/- €124 (2024: +/- €11,850).

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

	2025	2024
	€ 000	€ 000
Technical cooperation expenses payable	81	263
Accrued Management Fees	-	125
At 31 December	81	388

4. Contributions received

	2025	2024
	€ 000	€ 000
Cumulative contributions received		
Netherlands	1,200	1,200
Spain	3,000	3,000
United Kingdom	662	662
Luxembourg	1,000	1,000
At 31 December	5,862	5,862

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

All assets and liabilities on the balance sheet are classified as current for both 2025 and 2024.

The Multi-Donor Trust Fund for the West Bank and Gaza

6. 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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

7. Authorisation for issue

On 15 April 2026 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. No management fees were paid during the period (2024: €125,000).

External auditors' remuneration of €7,100 (2024: €24,200) 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

Contributions received from the contributors are outlined in note 4.

The Multi-Donor Trust Fund for the West Bank and Gaza

Independent auditor's report to the Board 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

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Multi-Donor Trust Fund for the West Bank and Gaza (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory 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

The Multi-Donor Trust Fund for the West Bank and Gaza

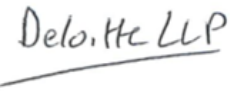
on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Russia Small Business Investment Special Fund

**Annual Financial Report
31 December 2025**

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 2025

	Note	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Interest income from credit institutions		28	40
Dividend income		214	288
Net gains/(loss) from share investments	3	40	(72)
Foreign exchange movements		2	(96)
Audit fees	4	(19)	(24)
Net unrealised gains/(losses) from equity related derivatives		172	(207)
Net profit/(loss) for the year		437	(71)
Attributable to:			
Contributors		437	(71)

Statement of comprehensive income

For the year ended 31 December 2025

		Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Net profit/(loss) for the year		437	(71)
Other comprehensive (expense)/income for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement between functional and presentational currencies		(66)	107
Total comprehensive income for the year		371	36
Attributable to:			
Contributors		371	36

Balance sheet

At 31 December 2025

	Note	31 December 2025 € 000	31 December 2024 € 000
Assets			
Placements with credit institutions		1,846	1,687
Share investments	3	193	153
Bank charges refundable		1	1
Total assets		2,040	1,841
Liabilities and contributors' resources			
Fair value of equity related derivatives		35	207
Total liabilities		35	207
Reserves and accumulated loss		2,005	1,634
Total contributors' resources		2,005	1,634
Total liabilities and contributors' resources		2,040	1,841
Memorandum items			
Guarantees		820	820

The Russia Small Business Investment Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € 000	General Reserve € 000	Accumulated losses € 000	Total € 000
At 1 January 2024	-	2,399	(801)	1,598
Net loss and total comprehensive expense for the year	-	107	(71)	36
At 31 December 2024	-	2,506	(872)	1,634
As at 1 January 2025	-	2,506	(872)	1,634
Net loss and total comprehensive income for the year	-	(66)	437	371
At 31 December 2025	-	2,440	(435)	2,005

Statement of cash flows

For the year ended 31 December 2025

	31 December 2025 € 000	Year to 31 December 2025 € 000	Year to 31 December 2024 € 000
Cash flows from operating activities			
Net profit/(loss) for the year	438		(71)
<i>Non-cash items in the income statement</i>			
Net (gains)/loss from share investments	(41)		72
Foreign exchange movement	(2)		96
Net unrealised losses from equity related derivatives	(172)		207
	<u>223</u>		<u>304</u>
<i>Working capital adjustment</i>			
Movement in bank charges refundable	-		(1)
Movement in audit fee payable	-		(22)
Net cash generated from operating activities		223	281
Net increase in cash and cash equivalents		223	281
Cash and cash equivalents at the beginning of the year		1,687	1,395
Effect of foreign exchange rate changes		(64)	11
Cash and cash equivalents at 31 December		1,846	1,687

Also within the 31 December 2025 balance is €662,000 (2024: €354,000) 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:



Marianna Amirbekyan, Director - Financial Control

Date: 15 April 2026

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 requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to: IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund anticipates minimal impact as a result of adopting this standard.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.

The Russia Small Business Investment Special Fund

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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets designated at fair value through profit or loss

The Fund's share investments are recognised on a trade date basis. At initial recognition, the Fund measures these assets at their fair value with transaction costs related to these assets recognised in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value recognised in the statement of 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 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. 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 Russia Small Business Investment Special Fund

Derecognition

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.

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.

All derivatives are measured at fair value through the Income statement. Fair values are derived from applicable yield curves. 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.

The Russia Small Business Investment Special Fund

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 3. Where unobservable market data has been used, a sensitivity analysis has been included within the risk management 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 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.

The Russia Small Business Investment Special Fund

Risk Management

Financial risks

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 risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument 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 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.

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 2025 and 31 December 2024, without taking account of any collateral held or other credit enhancements.

Credit risk management and measurement

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.

The Russia Small Business Investment Special Fund

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 Fund 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 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	AA+	Very strong	
	2.0	AA		
	2.3/2.5	AA-		
3	2.7	A+	Strong	
	3.0	A		
	3.3	A-		
4	3.7	BBB+	Good	
	4.0	BBB		
	4.3	BBB-		

The Russia Small Business Investment Special Fund

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.

	2025	2024
Risk rating category	€ 000	€ 000
2: Very strong	1,184	1,333
7: Special attention	662	354
At 31 December	1,846	1,687

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 assessed minimal.

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.

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 is exposed to foreign currency risk arising from transactions denominated in currencies other than its functional currency (USD), primarily euro. This exposure is outlined in the table below.

The Russia Small Business Investment Special Fund

	Euro 2025 € 000	Russian Rouble 2025 € 000	United States Dollar 2025 € 000	Total 2025 € 000
Placements with credit institutions	3	662	1,181	1,846
Other financial assets	-	1	-	1
Share investments	-	193	-	193
Equity related derivative	-	(35)	-	(35)
Net currency position at 31 December	3	821	1,181	2,005

	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
Total liabilities	-	(207)	-	(207)
Net currency position at 31 December	3	301	1,330	1,634

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 13 per cent strengthening or weakening (2024: 12 per cent) is €84,000 (2024: €33,000).

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 7 per cent strengthening or weakening (2024: 6 per cent) is €51,000 (2024: €25,000).

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 minimal impact of equity price risk on net profit) as there is sale agreement in place, the potential favourable/unfavourable impact of sensitivity to this is set out in level 3 analysis below in section D.

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 2025, the Bank had share investments amounting to €820,000 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 (2024; €800,000). An amount of €35,000 (2024: €207,000) is recognised on the Balance Sheet as "Fair value of equity related derivatives" in relation to share investments. At 31 December 2025, the Fund's maximum exposure under such derivatives was €820,000 (2024: €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.

The Russia Small Business Investment Special Fund

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 2025 € 000	Derivative financial instruments 2025 € 000	Total 2025 € 000	Share investments 2024 € 000	Derivative financial instruments 2024 € 000	Total 2024 € 000
Balance as at 1 January	153	(207)	(54)	225	-	225
<i>Net losses recognised in:</i>						
- Net losses from share investments at fair value through profit or loss	40	-	40	(72)	-	(72)
- Net losses from derivative financial instruments at fair value through profit or loss:	-	172	172	-	(207)	(207)
Balance at 31 December	193	(35)	158	153	(207)	(54)
<i>Net losses recognised for the year for Level 3 instruments held at 31 December recognised in:</i>						
- Net losses from share investments at fair value through profit or loss	40	-	40	(72)	-	(72)
- Net losses from derivative financial instruments at fair value through profit or loss:	-	172	172	-	(207)	(207)

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Carrying amount € 000	Impact on net gain in 2025	
		Favourable change € 000	Unfavourable change € 000
Share investments and associated derivatives	158	16	(16)
At 31 December 2025	158	16	(16)

	Carrying amount € 000	Impact on net gain in 2024	
		Favourable change € 000	Unfavourable change € 000
Share investments and associated derivatives	(54)	75	(76)
At 31 December 2024	(54)	75	(76)

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.

The Russia Small Business Investment Special Fund

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 an estimate exit date, the RUB RUONIA OIS yield curve and the valuation of the underlying parallel investments. Reasonable possible alternative valuations have been determined based on the favourable and unfavourable change in the underlying direct share investments.

The Russia Small Business Investment Special Fund

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.

The Russia Small Business Investment Special Fund

3. Share investments

	2025	2024
	€ 000	€ 000
Outstanding disbursements		
At 1 January	206	206
Disbursements	-	-
Return of capital	-	-
At 31 December	206	206
	2025	2024
	€ 000	€ 000
Fair value adjustment		
At 1 January	(53)	19
Movement in fair value revaluation	40	(72)
At 31 December	(13)	(53)
Fair value at 31 December	193	153
	2025	2024
	€ 000	€ 000
Net unrealised gains/(losses) from share investments	40	(72)
Net gains/(loss) from share investments	40	(72)

Dividend income of €214,000 was received on these share investments during 2025 (2024: €288,000).

4. Audit fees

External auditors' remuneration for 2025 in relation to the audit of the financial statements totals €19,300 (2024: €24,200). The Bank pays the external auditors' remuneration on behalf of the Fund, which in turn reimburses the Bank in full. At 31 December 2025 there was no auditor's remuneration payable to the Bank in relation to the 2025 external audit (2024: 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 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

Contributions received are set out below:

	2025		2024	
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 paid back to the contributors' 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 2025 contributions are nil (2024: nil).

The Russia Small Business Investment Special Fund

6. 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.

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

	Current 2025 € 000	Non-current 2025 € 000	Total 2025 € 000	Current 2024 € 000	Non-current 2024 € 000	Total 2024 € 000
Assets						
Placements with credit institutions	1,846	-	1,846	1,687	-	1,687
Share investments	-	193	193	-	153	153
Bank charges refundable	1	-	1	1	-	1
Total assets	1,847	193	2,040	1,688	153	1,841
Liabilities						
Contributors' resources	-	2,005	2,005	-	1,634	1,634
Fair value of equity related derivatives	-	35	35	-	207	207
Total liabilities	-	2,040	2,040	-	1,841	1,841

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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

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 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 2025, there were no management fees paid by the Fund to the Bank (2024: nil) and there was no accrued management fee payable by the Fund to the Bank at 31 December 2025 (2024: nil).

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 4.

Contributions received from the contributors are outlined in note 5.

10. Authorisation for issue

On 15 April 2026 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.

The Russia Small Business Investment Special Fund

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Russia Small Business Investment Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Russia Small Business Investment Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the income statement for the year ended 31 December 2025;
- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We draw attention to the Accounting Policies section of the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

The Russia Small Business Investment Special Fund

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 non-statutory financial statements.

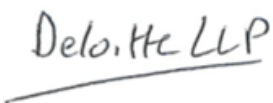
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The SME Local Currency Special Fund

**Annual Financial Report
31 December 2025**

The SME Local Currency Special Fund

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The SME Local Currency Special Fund

Income statement

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
	Note	€ 000	€ 000
Interest income from credit institutions		3,058	3,572
Financial guarantees movement	3	476	283
Net profit for the year		3,534	3,855
Attributable to:			
Contributors		3,534	3,855

Statement of comprehensive income

For the year ended 31 December 2025		Year to 31 December 2025	Year to 31 December 2024
		€ 000	€ 000
Net profit for the year		3,534	3,855
Other comprehensive (expense)/profit for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement between functional and presentational currencies		(8,022)	4,267
Total comprehensive (expense)/profit for the year		(4,488)	8,122
Attributable to:			
Contributor		(4,488)	8,122

Balance sheet

As at 31 December 2025		31 December 2025	31 December 2024
	Note	€ 000	€ 000
Assets			
Placements with credit institutions		74,772	81,415
Interest receivable from placements with credit institutions		46	97
Total assets		74,818	81,512
Liabilities and contributors' resources			
Financial guarantee liability	3	12,414	14,620
Total liabilities		12,414	14,620
Contributions	4	60,731	60,731
Reserves and accumulated loss		1,673	6,161
Total contributors' resources		62,404	66,892
Total liabilities and contributors' resources		74,818	81,512
Memorandum items			
Undrawn commitments	5	276,884	219,659

The SME Local Currency Special Fund

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions	General	Accumulated	Total
	€ 000	reserve	losses	€ 000
	€ 000	€ 000	€ 000	€ 000
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
At 1 January 2025	60,731	10,865	(4,704)	66,892
Net profit and total comprehensive expense for the year	-	(8,022)	3,534	(4,488)
At 31 December 2025	60,731	2,843	(1,170)	62,404

Statement of cash flows

For the year ended 31 December 2025

	Year to		Year to
	31 December 2025		31 December 2024
	€ 000	€ 000	€ 000
Cash flows from operating activities			
Net profit for the year	3,534		3,855
Financial guarantees movement	(476)		(283)
	<u>3,058</u>		<u>3,572</u>
<i>Working capital adjustment</i>			
Movement in interest receivable from placements with credit institutions	51		(27)
Net cash generated from operating activities		3,109	3,545
Net increase in cash and cash equivalents		3,109	3,545
Cash and cash equivalents at the beginning of the year		81,415	72,628
Effect of foreign exchange rate changes		(9,752)	5,242
Cash and cash equivalents at 31 December		74,772	81,415

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



Amirbekyan Marianna, Director - Financial Control

Date: 15 April 2026

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 first-loss guarantees to the European Bank for Reconstruction and Development (“the Bank”) under the SME Local Currency Programme, covering principal losses on the Bank’s loan investments and on guarantees the Bank issues, limited to the resources of 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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

New and amended IFRS mandatorily effective for the current reporting period

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21: The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund has completed an impact analysis, which indicates that one of the main expected changes will relate to the presentation of the income statement.
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.
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 minimal impact as a result of adopting the changes to the standards.

The SME Local Currency Special Fund

Pronouncement	Nature of change	Potential impact
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

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.

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.

The SME Local Currency Special Fund

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'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.

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.

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C. Significant accounting estimates and critical judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial institutions							
2025 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%	0.04%	0.07%	0.10%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	6.93%

Corporate sector							
2025 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%	0.16%	0.31%	0.44%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	29.39%

¹ The Bank's internal PD rating scale is explained in detail on page 11 in the "Risk management" section.

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Sustainable infrastructure (SI)							
2025 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%	0.11%	0.21%	0.30%	
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%	
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%	
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%	
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%	
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%	
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%	

Financial institutions							
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
1.0	AAA	0.00%	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%	

Corporate sector							
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%	

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 2025 (2024: 86 per cent).² Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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.

² This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 9

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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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025 Seniority - sector	Non sovereign LGD	2025 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non EU country	10%	15%
Senior Loan - CA	38%	Limited PCS ³	15%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			
2024 Seniority - sector	Non sovereign LGD	2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan - CA	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
Covered Bonds	11.25%			

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.

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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 2025.

Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	ECL	ECL	ECL	ECL	ECL	ECL
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Financial guarantee liability on stage 1 and 2 loans	1,257			1,400		
PD Ratings						
All loans upgraded 3 notches	327	(930)	(74%)	363	(1,037)	(74%)
All loans downgraded 3 notches	4,020	2,763	220%	3,497	2,089	149%
LGD						
All loans decreased by 10%	972	(285)	(23%)	1,102	(298)	(21%)
All loans increased by 10%	1,543	286	23%	1,715	315	22%

With respect to the portion of the guarantee liability related to Stage 3 loans (€11.2 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 €1.1 million respectively in 2025 (2024: €0.5 million increase and €1.3 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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

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Risk management

Financial risks

Risk governance

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

The Bank's risk management framework is supported by independent second-line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank-wide risk matters are considered by the President-accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

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 2025 and 31 December 2024. For more details see the "Credit risk exposures" section on page 12.

Included in the placements with credit institutions is a €68.9 million (2024: €74.9 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.

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

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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 map 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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0 3.3	A A-		
4	3.7	BBB+	Good	
	4.0 4.3	BBB BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0 5.3	BB BB-		
6	5.7	B+	Weak	Risk range 6
	6.0 6.3	B B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0 7.3	CCC CCC-/CC/C		
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.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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

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its credit obligations in full without recourse by the Bank to actions such as realising security, if held. This assessment is made solely based on the client's financial situation and before the impact of any guarantees

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 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.

	2025	2024
Risk rating category	€ 000	€ 000
2: Very strong	5,780	6,550
3: Strong	68,992	74,865
At 31 December	74,772	81,415

Guarantees

At 31 December 2025, the Bank had outstanding loans and guarantees amounting to €289.3 million (2024: €241.8 million) 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 2025, the Fund's maximum exposure under such guarantees is limited to the total assets of the Fund of €74.8 million (2024: €81.5 million). At 31 December 2025, the guarantee liability on the balance sheet is €12.4 million (2024: €14.6 million). 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 (2024: nil) for losses incurred by the Bank on a loan covered under the Fund's guarantee.

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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.

Risk rating category	Guarantee commitments				Guarantee commitments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
5: Fair	27,628	6,033	-	33,661	65,545	-	-	65,545
6: Weak	112,698	-	-	112,698	64,104	-	-	64,104
7: Special Attention	117,185	12,226	-	129,411	81,929	6,770	-	88,699
8: Non-performing	-	-	1,114	1,114	-	-	1,311	1,311
At 31 December	257,511	18,259	1,114	276,884	211,578	6,770	1,311	219,659

Risk rating category	Financial guarantee liability				Financial guarantee liability			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
5: Fair	38	2	-	40	69	-	-	69
6: Weak	202	-	-	202	176	-	-	176
7: Special Attention	742	273	-	1,015	599	556	-	1,155
8: Non-performing	-	-	11,157	11,157	-	-	13,220	13,220
At 31 December	982	275	11,157	12,414	844	556	13,220	14,620

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	Financial	Undrawn	Financial
	Guarantee	guarantee	Guarantee	guarantee
	commitments	liability	commitments	liability
	2025	2025	2024	2024
	€ 000	€ 000	€ 000	€ 000
Armenia	70,840	176	29,925	77
Azerbaijan	15,145	11,308	8,090	13,282
Egypt	4,049	8	12,167	65
Georgia	32,841	86	44,351	65
Kazakhstan	1,567	12	-	-
Kyrgyz Republic	30,771	92	29,055	87
Moldova	21,603	34	5,245	9
Mongolia	9,915	32	7,260	34
Morocco	5,453	185	352	388
Serbia	6,033	2	22,523	17
Tajikistan	25,880	75	24,251	151
Tunisia	52,338	402	32,784	418
Uzbekistan	449	2	3,656	27
At 31 December	276,884	12,414	219,659	14,620

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

Industry	Undrawn	Financial	Undrawn	Financial
	Guarantee	guarantee	Guarantee	guarantee
	commitments	liability	commitments	liability
	2025	2025	2024	2024
	€ 000	€ 000	€ 000	€ 000
Depository credit (banks)	200,267	501	160,558	420
Food and Agribusiness	6,415	246	458	1,064
Leasing finance	20,401	141	12,029	110
Manufacturing and services	12,528	11,283	7,176	12,692
Non-depository credit (non-bank)	33,720	216	37,710	317
Real Estate	1,474	14	1,728	17
Telecommunications, Media and	512	1	-	-
Transport	1,567	12	-	-
At 31 December	276,884	12,414	219,659	14,620

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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 is exposed to foreign currency risk arising from transactions denominated in currencies other than its functional currency (USD), primarily euro. This exposure is outlined in the table below.

	Total financial assets 2025 € 000	Total financial liabilities 2025 € 000	Net currency position 2025 € 000	5 Year rolling average movement 2025 %	Impact on net profits 2025 %
Euro	-	(70)	(70)	-	-
United States dollar	74,818	(6)	74,812	7%	4,939
Azerbaijani manat	-	(11,308)	(11,308)	6%	722
Moroccan dirham	-	(185)	(185)	3%	6
Tunisian dinar	-	(347)	(347)	5%	18
Other non EUR	-	(499)	(499)	6%	26
	74,818	(12,415)	62,403		5,711

	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
Moroccan dirham	-	(388)	(388)	3%	11
Tunisian dinar	-	(419)	(419)	7%	29
Other non EUR	-	(520)	(520)	6%	42
	81,512	(14,620)	66,892		6,131

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

	2025	2024
Financial guarantee liability	€ 000	€ 000
At 1 January	14,620	13,928
Financial guarantees movement	(476)	(283)
Foreign exchange movement	(1,730)	975
At 31 December	12,414	14,620
Represented by:	2025	2024
Guarantees on Stage 1 and Stage 2 loans	1,257	1,400
Guarantees on credit impaired loans	11,157	13,220
At 31 December	12,414	14,620

The SME Local Currency Special Fund

4. Contributions

	2025	2024
	€ 000	€ 000
Cumulative contributions received		
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. Undrawn Commitments

	2025	2024
	€ 000	€ 000
Undrawn Commitments		
Financial Guarantees	276,884	219,659
At 31 December	276,884	219,659

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 2025.

6. 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
	2025	2025	2025	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Placements with credit institutions	74,772	-	74,772	81,415	-	81,415
Interest receivable from placements with credit institutions	46	-	46	97	-	97
Total assets	74,818	-	74,818	81,512	-	81,512
Liabilities						
Financial guarantee liability	12,414	-	12,414	13,719	901	14,620
Total liabilities	12,414	-	12,414	13,719	901	14,620

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 2025.

The SME Local Currency Special Fund

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 15 April 2026 there had been no material events after the reporting period to disclose.

9. Authorisation for issue

On 15 April 2026 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 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 (2024: nil). At 31 December 2025 there was no management fee payable to the Bank (2024: nil).

Guarantees issued by the Fund to the Bank are disclosed under credit risk exposures.

External auditors' remuneration of €11,400 (2024: €24,200) 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 2024, the Board approved the appointment of Deloitte LLP as the Bank's external auditors for the five-year period 2025-29.

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The SME Local Currency Special Fund

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The SME Local Currency Special Fund (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the income statement for the year ended 31 December 2025;
- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory 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

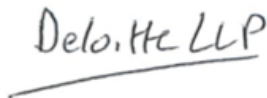
on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Special Fund for the High Impact Partnership on Climate Action

**Annual Financial Report
31 December 2025**

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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 2025

	Note	Year to		Year to	
		31 December 2025	31 December 2025	31 December 2024	31 December 2024
		€ million	€ million	€ million	€ million
Interest income					
From loans			2		3
From credit institutions			9		13
Total Interest			11		16
Technical cooperation expenses		(2)		(3)	-
Client cost sharing for technical cooperation		-		-	-
Net technical cooperation expenses			(2)		(3)
Disbursements for investment grants			(1)		(2)
Fair value losses from loans			(1)		-
Foreign exchange movements			(26)		14
Management fees			-		(1)
Change in concessional loan discount	3		(14)		(7)
Net (loss)/profit and comprehensive (expense)/income for the year			(33)		17
Attributable to:					
Contributors			(33)		17

Balance sheet

As at 31 December 2025

	Note	31 December 2025		31 December 2024	
		€ million	€ million	€ million	€ million
Assets					
Placements with credit institutions			354		387
Loan investments					
Loans at amortised cost	4	53		50	
Loans at fair value through profit or loss	5	1		-	
Less: Provisions for impairment	6	(1)		(1)	
			53		49
Other financial assets			1		1
Total assets			408		437
Liabilities					
Technical cooperation expenses payable			1		2
Concessional loan discounts	3		16		7
Contributors' resources			391		428
Total liabilities and contributors' resources			408		437
Memorandum items					
Undrawn commitments	7		73		35

The Special Fund for the High Impact Partnership on Climate Action

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € million	Profit and loss account € million	Total € million
At 1 January 2024	410	(13)	397
Net profit and total comprehensive income for the year	-	17	17
Contributors' resource transactions			-
Contributions received	30	-	30
Distribution of funds to the contributors	(16)	-	(16)
At 31 December 2024	424	4	428
At 1 January 2025	424	4	428
Net loss and total comprehensive expense for the year	-	(33)	(33)
Contributors' resource transactions			
Contributions received	8	-	8
Distribution of funds to the contributors	(12)	-	(12)
At 31 December 2025	420	(29)	391

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025 € million	Year to 31 December 2024 € million	Year to 31 December 2024 € million
Cash flows from operating activities			
Net (loss)/profit for the year	(33)	18	
<i>Non-cash items in the statement of comprehensive income</i>			
Movement in effective interest rate adjustment*	1	(1)	
Net losses from loans	1	-	
Foreign exchange movement	26	(15)	
Concessional loan discount	14	7	
	<u>9</u>	<u>9</u>	
<i>Cash flows from the sale and purchase of operating assets</i>			
Funds advanced for loans	(20)	(9)	
Proceeds from repayments loans	10	4	
<i>Working capital adjustment</i>			
Movement in deferred management fee		-	
Movement in other financial assets	-	1	
Movement in other liabilities	(1)	-	
Net cash generated (used in)/ from operating activities	(2)		5
Cash flows from financing activities			
Contributions received	8	30	
Distribution of funds to the contributors	(12)	(17)	
Net cash (used in)/generated from financing activities	(4)		13
Net (decrease)/increase in cash and cash equivalents	(6)		18
Cash and cash equivalents at the beginning of the year	387		355
Effect of foreign exchange rate changes	(27)		14
Cash and cash equivalents at 31 December	354		387

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



Marianna Amirbekyan, Director - Financial Control
Date: 15 April 2026

* Movement in effective interest rate adjustment includes the interest income unwinding discount of €2 million (2024: €1 million). 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, funded guarantees, 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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund has completed an impact analysis, which indicates that one of the main expected changes will relate to the presentation of the income statement.
IFRS 19: Subsidiaries without Public Accountability: Disclosures 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.
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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

The Special Fund for the High Impact Partnership on Climate Action

B. Accounting policies and judgements

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

At initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, with any transaction costs expensed immediately in profit or loss. After initial recognition, these assets are subsequently measured at fair value, with all fair value changes recognised in profit or loss.

The Fund holds sustainability linked loans whose interest varies based on the borrower's achievement of specified sustainability targets. Because these contractual cash flows do not meet the SPPI criteria, the loans are measured at fair value through profit or loss, with subsequent fair value movements recognised in profit or loss.

Derecognition

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.

Impairment of financial assets at amortised cost

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) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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.

The Special Fund for the High Impact Partnership on Climate Action

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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"² are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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 first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and second 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.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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 liabilities

The Fund does not designate any financial liabilities at fair value through profit or loss. 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's resources may be used to provide 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.

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

² A project is assigned to the "watch list" when a risk officer determines that there is a heightened risk, which 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 Special Fund for the High Impact Partnership on Climate Action

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.

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.

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.

Foreign currencies

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

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.

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.

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.

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.

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 that have been delivered or carried out by the contractor. The grants are non-refundable.

C. Significant accounting estimates and critical judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

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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.

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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial institutions (FI)							
2025 PD rating ³	External rating	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
	equivalent						
1.0	AAA	0.00%	0.01%	0.04%	0.07%	0.10%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%	6.93%
Industry, commerce and agribusiness (ICA)							
2025 PD rating	External rating	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
	equivalent						
1.0	AAA	0.01%	0.04%	0.16%	0.31%	0.44%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%	29.39%
Sustainable infrastructure (SI)							
2025 PD rating	External rating	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
	equivalent						
1.0	AAA	0.01%	0.03%	0.11%	0.21%	0.30%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%	0.33%

³ The Bank's internal PD rating scale is explained in detail on page 11 in the "Risk management" section.

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3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

Financial institutions

2024	External rating	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
PD rating	equivalent					
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	External rating	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
PD rating	equivalent					
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	External rating	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
PD rating	equivalent					
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%

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 2025 (2024: 86 per cent).⁴ Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the

⁴ This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 10.

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ratio 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.

LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025 Seniority - sector	Non sovereign LGD	2025 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non-EU country	10%	15%
Senior Loan - Corporate	38%	Limited PCS ⁵	15%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			

2024 Seniority - sector	Non sovereign LGD	2024 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non-EU country	10%	20%
Senior Loan - Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
Covered Bonds	11.25%			

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.

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.

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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 2025 €million	Change in provision 2025 €million	Change in provision 2025 %	Recalculated provision 2024 €million	Change in provision 2024 €million	Change in provision 2024 %
Portfolio provision (Stage 1 & 2)	1			-		
Staging						
All loans in Stage 1	-	(1)	(100)%	-	-	0%
All loans in Stage 2	2	1	100%	1	1	0%
PD Ratings						
All loans upgraded 1 notch	1	-	0%	-	-	0%
All loans downgraded 1 notch	1	-	0%	-	-	0%
All loans upgraded 3 notches	1	-	0%	-	-	0%
All loans downgraded 3 notches	4	3	300%	2	2	0%
Projected GDP						
Projected GDP increased by 1%	1	-	0%	-	-	0%
Projected GDP decreased by 1%	1	-	0%	-	-	0%
Projected GDP increased by 5%	1	-	0%	-	-	0%
Projected GDP decreased by 5%	2	1	100%	1	-	0%
LGD						
All loans decreased by 10%	1	-	0%	-	-	0%
All loans increased by 10%	2	1	100%	1	-	0%
EAD						
All undrawn commitments cancelled	1	-	0%	-	-	0%
All undrawn commitments disbursed within	1	-	0%	-	-	0%

With respect to Stage 3 provisions, an increase or decrease of 10 percentage points on the current overall provision cover level would have no impact (2024: €56,000 increase and €56,000 decrease).

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 or downgrade, or a LGD increase or decrease of 10 percent on the Bank's loan investments covered by the Fund's guarantees would have an immaterial impact (2024: nil) 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. The Fund has deemed the following judgements in the application of accounting policy to be critical as it involves 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 and therefore transition from Stage 1 to Stage 2, 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. The Fund's NPL definition, which governs transition to Stage 3, is also a critical judgement owing to its subjectivity.
- **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.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other critical judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

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Risk Management

Risk governance

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

The Bank's risk management framework is supported by independent second line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank wide risk matters are considered by the President accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument either due to 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 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 2025 and 31 December 2024.

Credit risk management and measurement

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.

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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 Fund 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 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	AA+	Very strong	
	2.0	AA		
3	2.3/2.5	AA-	Strong	
	2.7	A+		
	3.0	A		
4	3.3	A-	Good	
	3.7	BBB+		
	4.0	BBB		
5	4.3	BBB-	Fair	Risk range 5
	4.7	BB+		
	5.0	BB		
6	5.3	BB-	Weak	Risk range 6
	5.7	B+		
	6.0	B		
7	6.3	B-	Special attention	Risk range 7
	6.7	CCC+		
	7.0	CCC		
8	7.3	CCC-/CC/C	Non-performing	NPL/Credit-impaired assets
	8.0	D		

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 7.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees

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.

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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

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.

Risk rating category	Amortised cost carrying value					Impairment			Total net of impairment	
	Credit impaired				Total %	Stage 1	Stage 2	Stage 3	Total net of impairment	Impairment coverage
	Stage 1	Stage 2	Stage 3	Total						
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	%	
5: Fair	17	-	-	17	32.2%	-	-	-	17	0.0%
6: Weak	10	4	-	14	26.4%	-	-	-	14	0.0%
7: Special Attention	1	21	-	22	41.4%	-	(1)	-	21	4.5%
At 31 December 2025	28	25	-	53	100.0%	-	(1)	-	52	

Risk rating category	Amortised cost carrying value					Impairment			Total net of impairment	
	Credit impaired				Total %	Stage 1	Stage 2	Stage 3	Total net of impairment	Impairment coverage
	Stage 1	Stage 2	Stage 3	Total						
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	%	
4: Good	4	-	-	4	7.5%	-	-	-	4	0.0%
5: Fair	4	-	-	4	7.5%	-	-	-	4	0.0%
6: Weak	11	-	-	11	20.8%	-	-	-	11	0.0%
7: Special Attention	3	12	-	15	28.3%	-	-	-	15	0.0%
8: Non-performing	-	-	16	16	30.2%	-	-	(1)	15	6.3%
At 31 December 2024	22	12	16	50	100.0%	-	-	(1)	49	

At 31 December 2025 the Fund had security arrangements for disbursed loan investments at a value of €16 million (2024: €2 million).

Credit risk in the loan portfolio

As at 31 December 2025 there were distressed restructured loans⁶ with a disbursed value of €18 million (2024: €2 million).

Loan at fair value through profit or loss

Risk rating category	2025	2024
	Fair value € million	Fair value € million
6: Weak	1	-
At 31 December	1	-

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.

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Financial guarantee liabilities and undrawn loan and guarantee 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.

Risk rating category	Undrawn loan and guarantee commitments			Undrawn loan and guarantee commitments		
	Stage 1	Fair value	Total	Stage 1	Fair value	Total
	2025	2025	2025	2024	2024	2024
	€ million	€ million	€ million	€ million	€ million	€ million
4: Good	15	-	15	18	-	18
5: Fair	2	-	2	17	-	17
6: Weak	27	1	28	-	-	-
At 31 December	44	1	45	35	-	35

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

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 2025, the total eligible loans and guarantee commitments outstanding under the Bank guarantees is €11 million (2024: nil), At 31 December 2025, the maximum exposure of eligible operations covered by the guarantees is €1 million (2024: nil). The guarantee liability on the balance sheet of nil (2024: nil) 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.

	Undrawn loan and guarantee commitments		Undrawn loan and guarantee commitments	
	2025	Loans 2025	2024	Loans 2024
	€ million	€ million	€ million	€ million
Bosnia and Herzegovina	-	8	-	9
Bulgaria	-	1	-	2
Jordan	-	1	-	2
Kazakhstan	15	-	15	-
Kosovo	-	1	-	-
Lithuania	-	6	3	4
Moldova	1	-	-	-
Mongolia	1	1	2	-
Morocco	4	1	-	-
Poland	-	6	-	7
Regional	-	-	-	5
Romania	-	3	-	4
Serbia	-	15	-	16
Tunisia	-	1	-	1
Uzbekistan	24	10	15	-
At 31 December	45	54	35	50

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

	Undrawn loan and guarantee commitments		Undrawn loan and guarantee commitments	
	2025	Loans 2025	2024	Loans 2024
	€ million	€ million	€ million	€ million
Agribusiness	1	7	2	7
Depository credit (banks)	6	1	-	-
Manufacturing and services	-	7	10	5
Municipal and environmental infrastructure	-	27	3	28
Power and energy	37	12	20	10
Residential	1	-	-	-
At 31 December	45	54	35	50

The Special Fund for the High Impact Partnership on Climate Action

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 assessed minimal.

At 31 December 2025, the Fund has fixed rate loan investments of €8 million (2024: nil). Of this amount, €6 million relates to loans held at amortised cost. Movements in 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. The remaining fixed rate loans are measured at fair value through profit or loss, for which the impact of movements in market interest rates is included within the Level 3 fair value sensitivity.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure 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 2025 € million	United States Dollar 2025 € million	Total 2025 € million
Total assets	215	193	408
Total liabilities⁷	80	(97)	(17)
Net currency position at 31 December	295	96	391

	Euro 2024 € million	United States Dollar 2024 € million	Total 2024 € million
Total assets	216	221	437
Total liabilities ⁷	(9)	-	(9)
Net currency position at 31 December	207	221	428

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 6.6 per cent strengthening or weakening (2024: 6.4 per cent) is €12 million (2024: €13 million).

C. Fair value of financial assets

At 31 December 2025, 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.

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.

⁷ The total liabilities as presented in the foreign exchange risk table is shown excluding contributor's resources.

The Special Fund for the High Impact Partnership on Climate Action

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 table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Carrying amount € million	Impact on net profit in 2025	
		Favourable change € million	Unfavourable change € million
Assets			
Loans at fair value through profit or loss	1	-	-
At 31 December 2025	1	-	-

	Carrying amount € million	Impact on net profit in 2024	
		Favourable change € million	Unfavourable change € million
Assets			
Loans at fair value through profit or loss	-	-	-
At 31 December 2024	-	-	-

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.

D. 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 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 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.

E. Management of contributors' resources

At 31 December 2025, 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.

The Special Fund for the High Impact Partnership on Climate Action

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 agreement 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. Concessional loan discount

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

	2025	2024
	€ million	€ million
Day one fair value	(14)	(7)
Change in concessional loan discount	(14)	(7)

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

	2024	2024
	€ million	€ 000
At 1 January	(7)	(2)
Day one fair value adjustment	(14)	(7)
Derecognition of liability on loan disbursement	5	2
As at 31 December	(16)	(7)

The Special Fund for the High Impact Partnership on Climate Action

4. Loan investments at amortised cost

	2025	2024
	€ million	€ million
Operating Assets		
At 1 January	50	46
Disbursements	18	9
Day one fair value adjustment	(5)	(2)
Movement in effective interest rate adjustment	(1)	1
Repayments	(10)	(4)
Foreign exchange movements	1	-
At 31 December	53	50
Impairment at 31 December	(1)	(1)
Total loan investments net of impairment at 31 December	52	49

5. Loan investments at fair value

	2025	2024
	€ million	€ million
Movement in loans at fair value through profit or loss		
As at 1 January	-	-
Disbursements	2	-
Fair value adjustment	(1)	-
As at 31 December	1	-

6. Provisions for impairment of loan investments

	2025	2024
	€ million	€ million
Release/(charge) for the year		
Impairment of loan investments at amortised cost in stages 1 and 2	(1)	1
Impairment of loan investments at amortised cost in stage 3	1	(1)
Provisions for impairment of loan investments	-	-
Movement in provisions		
At 1 January	(1)	(1)
Release for the year to the income statement	-	-
At 31 December	(1)	(1)
Analysed between		
Stage 1 and 2 provisions for loan investments at amortised cost	(1)	-
Stage 3 provisions for loan investments at amortised cost	-	(1)
At 31 December	(1)	(1)

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 (Stage 1) 2025	Lifetime ECL (Stage 2) 2025	Lifetime ECL (Stage 3) 2025	Total 2025
	€ million	€ million	€ million	€ million
Movement in provisions - amortised cost loans				
As at 1 January	-	-	(1)	(1)
Transfer to stage 2	-	(1)	1	-
As at 31 December	-	(1)	-	(1)

	12-month ECL (Stage 1) 2024	Lifetime ECL (Stage 2) 2024	Lifetime ECL (Stage 3) 2024	Total 2024
	€ million	€ million	€ million	€ million
Movement in provisions - amortised cost loans				
As at 1 January	-	(1)	-	(1)
Transfer to stage 3	-	1	(1)	-
As at 31 December	-	-	(1)	(1)

The Special Fund for the High Impact Partnership on Climate Action

	Loans Stage 1 2025 € million	Loans Stage 2 2025 € million	Loans Stage 3 2025 € million	Total 2025 € million
Movement in loans at amortised cost				
As at 1 January	22	12	16	50
Loan disbursements	18	-	-	18
Transfer to stage 2 - significant increase in credit risk	(4)	19	(15)	-
Repayments	(4)	(5)	(1)	(10)
Day one fair value adjustment	(5)	-	-	(5)
Movement in effective interest rate adjustment	-	(1)	-	(1)
Foreign exchange and other movements	1	-	-	1
As at 31 December	28	25	-	53

	Loans Stage 1 2024 € million	Loans Stage 2 2024 € million	Loans Stage 3 2024 € million	Total 2024 € million
Movement in loans at amortised cost				
As at 1 January	16	29	-	45
Loan disbursements	7	2	-	9
Transfer to stage 2 - significant increase in credit risk	2	(2)	-	-
Transfer to stage 3 - credit impaired	-	(16)	16	-
Repayments	(2)	(1)	-	(3)
Day one fair value adjustment	(1)	(1)	-	(2)
Movement in effective interest rate adjustment	-	1	-	1
As at 31 December	22	12	16	50

7. Undrawn commitments

	2025 € million	2024 € million
Financial guarantees	1	-
Undrawn loan commitments	44	35
Technical cooperation expenses	5	2
Incentives	6	-
Investment grant commitments	17	12
At 31 December	73	49

This represents amounts for which the Fund has legally committed which the transaction or service was not yet performed at 31 December 2025.

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

	Current 2025 € million	Non-current 2025 € million	Total 2025 € million	Current 2024 € million	Non-current 2024 € million	Total 2024 € million
Assets						
Placements with credit institutions	354	-	354	387	-	387
Loans at amortised cost	6	47	53	4	46	50
Loans at fair value through profit or loss	-	1	1	-	-	-
Provisions for impairment of loan investments	-	(1)	(1)	-	(1)	(1)
Interest receivable from placements with credit institutions	1	-	1	1	-	1
Total assets	361	47	408	392	45	437
Liabilities and contributors' resources						
Technical cooperation expenses payable	(1)	-	(1)	(2)	-	(2)
Concessional loan discounts	(16)	-	(16)	(7)	-	(7)
Contributors' resources*	(15)	(376)	(391)	(17)	(411)	(428)
Total liabilities and contributors' resources	(32)	(376)	(408)	(26)	(411)	(437)

* In the prior year, the classification of contributors' resources as current was based on the net position of current assets less current liabilities. In the current year, management considers that a classification based on expected reflows to the donor in the next 12 months provides more relevant information. This has impacted prior year comparatives as follows: current contributor's resources have decreased by €331 million and non-current contributor's resources have increased by €331 million.

The Special Fund for the High Impact Partnership on Climate Action

9. Contributions

Executing agency	Contributions	Contributions	Contributions
	pledged € million	received € million	Pledged not due € million
ICDF	142	95	47
Netherlands	20	20	-
Austria	9	9	-
Finland	42	42	-
SECO	10	10	-
UK	47	47	-
Spain	8	8	-
Canada	193	193	-
USA	25	25	-
Korea	4	3	1
Denmark	8	8	-
Norway	6	3	3
At 31 December 2025	514	463	51

Executing agency	Contributions	Contributions	Contributions
	pledged € million	received € million	Pledged not due € million
ICDF	115	95	20
Netherlands	20	20	-
Austria	9	9	-
Finland	42	42	-
SECO	10	10	-
UK	43	40	3
Spain	8	8	-
Canada	193	193	-
USA	25	25	-
Korea	4	2	2
Denmark	8	8	-
Norway	6	3	3
At 31 December 2024	483	455	28

The next tranche of contributions can be called when the threshold of loan commitments have disbursed.

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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

11. Authorisation for issue

On 15 April 2026 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.

The Special Fund for the High Impact Partnership on Climate Action

12. Related parties

The Fund's related parties are the Bank and its contributors, International Cooperation Development Fund (Taiwan)ICDF), the EBRD Green Energy Special Fund (Taiwan ICDF), 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 (SECO), 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 €8 million were received in 2025 (2024: €30 million), and management fees of nil were paid by the Fund to the Bank (2024: €1 million) and there was no accrued management fees payable by the Fund to the Bank as at 31 December 2025 (2024: nil).

External auditors' remuneration of €19,300 (2024: €24,200) 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

The Special Fund for the High Impact Partnership on Climate Action

Independent auditor's report to the Board 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

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Special Fund for the High Impact Partnership on Climate Action (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

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

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

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

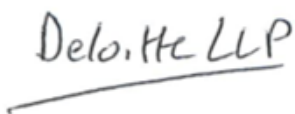
The Special Fund for the High Impact Partnership on Climate Action

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Deloitte LLP
London, United Kingdom
15 April 2026

**European Bank
for Reconstruction and Development**

The Trust Fund for the West Bank and Gaza

**Annual Financial Report
31 December 2025**

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 2025		Year to 31 December 2025	Year to 31 December 2024
	Note	€ 000	€ 000
Interest income			
From loans		2,273	1,493
From credit institutions		2,831	3,361
Total Interest		5,104	4,854
Technical cooperation expenses		(169)	(1,019)
General administrative expenses and depreciation	3	(565)	(444)
Fee Income		251	192
Management fees		(300)	(600)
Dividend Income		-	211
Net (losses)/gains from share investments at fair value through profit or loss	4	(1,457)	528
Foreign exchange movements		(12,485)	5,984
Impairment release/(charge) on loans	5	590	(871)
Change in concessional loan discount	6	(259)	(1,021)
Financial guarantees movement	7	72	6
Net (loss)/profit for the year		(9,218)	7,820
Attributable to:			
Contributors		(9,218)	7,820

Balance sheet

At 31 December 2025		31 December 2025		31 December 2024	
	Note	€ 000	€ 000	€ 000	€ 000
Assets					
Placements with credit institutions			104,964		112,695
Interest receivable			498		257
Contribution receivable	8		9,700		19,400
Share investments	4		14,423		15,048
Financial guarantee assets			107		125
Loan investments					
Loans at amortised cost	9	37,258		20,896	
Less: Provisions for impairment	5	(661)		(1,388)	
			36,597		19,508
Office equipment			-		3
Other financial assets			38		31
Total assets			166,327		167,067
Liabilities and contributors' resources					
Other financial liabilities	10		451		904
Concessional loan discounts	6		55		1,017
Financial guarantee liability	7		252		359
Total liabilities			758		2,280
Contributions	8		170,000		160,000
Reserves and accumulated loss			(4,431)		4,787
Total contributors' resources			165,569		164,787
Total liabilities and contributors' resources			166,327		167,067
Memorandum items					
Undrawn commitments	11		16,589		60,899

The Trust Fund for the West Bank and Gaza

Statement of changes in contributors' resources

For the year ended 31 December 2025

	Contributions € 000	Accumulated losses € 000	Total € 000
At 1 January 2024	140,000	(3,033)	136,967
Contributions received and receivable	20,000	-	20,000
Net loss and total comprehensive expense for the year	-	7,820	7,820
At 31 December 2024	160,000	4,787	164,787
At 1 January 2025	160,000	4,787	164,787
Contributions received and receivable	10,000	-	10,000
Net profit and total comprehensive income for the year	-	(9,218)	(9,218)
At 31 December 2025	170,000	(4,431)	165,569

Statement of cash flows

For the year ended 31 December 2025

	Year to 31 December 2025		Year to 31 December 2024	
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Net (loss)/profit for the year	(9,218)		7,820	
<i>Non-cash items in the income statement</i>				
Net (losses)/gains from share investments at fair value through profit or loss	1,457	-	528	
Movement in effective interest rate adjustment ¹	(342)	-	8	
Depreciation	3	-	1	
Foreign exchange movement	12,485	-	5,984	
Concessional loan discount	259	-	1,021	
Impairment (release)/charge on loans	(590)	-	871	
Financial guarantees movement	(72)	-	6	
	<u>3,982</u>		<u>3,203</u>	
<i>Cash flows from the sale and purchase of operating assets</i>				
Funds advanced for share investments	(832)	-	14,417	
Proceeds from the sale of share investments	-	-	5	
Funds advanced for loans	(29,107)	-	9,081	
Proceeds from repayments of loans	8,871	-	7,509	
Front end fees received	228	-	405	
<i>Working capital adjustment</i>				
Movement in interest income	(241)	-	29	
Movement in other financial assets	(7)	-	13	
Movement in management fees payable	(300)	-	-	
Movement in other financial liabilities	(453)	-	272	
Net cash used in operating activities		(17,859)	-	12,088
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		2,141		7,912
Cash and cash equivalents at the beginning of the year		112,695		99,891
Effect of foreign exchange rate changes		(9,872)		4,892
Cash and cash equivalents at 31 December		104,964		112,695

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



Marianna Amirbekyan, Director - Financial Control
Date: 15 April 2026

¹ Movement in effective interest rate adjustment includes the interest income unwinding discount of €86,000 (2024: €8,000). 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

The financial statements of the Fund 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 on a historical cost basis, except for certain financial assets and liabilities and derivative contracts that have been measured at fair value.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern. 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 15 April 2026, the date on which they signed the financial statements.

In making this assessment, the Fund considered its available financial resources, expected cash flows, committed donor contributions and the robustness of its risk management framework. The Fund also evaluated plausible downside scenarios, including potential adverse developments in the market environment and the impact these could have on liquidity and operational activities

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures presented in “Accounting policies and judgements” and “Significant accounting estimates” sections.

New and amended IFRS mandatorily effective for the current year

In the current year, the Fund has applied the following amendment to IFRS Accounting Standards issued by the IASB, which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to: IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Pronouncement	Nature of change	Potential impact
IFRS 18: Presentation and Disclosure in Financial Statements	IFRS 18 was issued to replace IAS 1 Presentation of Financial Statements. This standard introduces additional required disclosures in the statement of profit or loss. Effective for annual reporting periods beginning on or after 1 January 2027.	The Fund has completed an impact analysis, which indicates that one of the main expected changes will relate to the presentation of the income statement.
IFRS 19: Subsidiaries without Public Accountability: Disclosures IFRS 19	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

The Trust Fund for the West Bank and Gaza

Pronouncement	Nature of change	Potential impact
Subsidiaries without Public Accountability: Disclosures		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 minimal impact as a result of adopting the changes to the standards.
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments cover various accounting standards including IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows and primarily relate to changes in disclosures.	The Fund anticipates no impact as a result of adopting the changes to the standard.

B. Accounting policies and judgements

Financial assets – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss (equity instruments)

The Fund's share investments are recognised on a trade date basis. At initial recognition, the Fund measures these assets at their fair value with transaction costs related to these assets recognised in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value recognised in the statement of 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 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.

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 Trust Fund for the West Bank and Gaza

Derecognition

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.

Impairment of financial assets at amortised cost

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) and additional qualitative considerations. 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, the Fund 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. The Fund additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Fund's income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

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 is employed. All loans with at least a three-notch downgrade in PD on the Bank's internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), 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"³ are transitioned to Stage 2.

Where there is objective evidence that an identified loan asset is credit-impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Fund uses to determine if 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.

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 first the continued recognition of interest income, using the effective interest rate

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, which 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 Trust Fund for the West Bank and Gaza

methodology at the original rate on the loan, based on the remaining net book value, and second 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.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it 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 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'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 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.

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

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.

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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.

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

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures. 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.

The Trust Fund for the West Bank and Gaza

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. 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.

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.

The cumulative TTC PD rates used in 2025 and 2024 are set out by internal rating grade below:

Financial institutions						
2025 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%	0.04%	0.07%	0.10%
2.0	AA	0.01%	0.02%	0.05%	0.08%	0.11%
3.0	A	0.01%	0.04%	0.07%	0.10%	0.14%
4.0	BBB	0.04%	0.11%	0.18%	0.29%	0.41%
5.0	BB	0.22%	0.44%	0.71%	1.07%	1.50%
6.0	B	0.31%	0.59%	0.92%	1.48%	2.01%
7.0	CCC	1.56%	2.69%	4.18%	6.27%	6.93%

Industry, Commerce and Agribusiness						
2025 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%	0.16%	0.31%	0.44%
2.0	AA	0.03%	0.07%	0.19%	0.34%	0.48%
3.0	A	0.06%	0.16%	0.28%	0.44%	0.59%
4.0	BBB	0.18%	0.47%	0.76%	1.25%	1.73%
5.0	BB	0.93%	1.88%	3.00%	4.52%	6.34%
6.0	B	1.30%	2.52%	3.89%	6.28%	8.54%
7.0	CCC	6.62%	11.40%	17.74%	26.57%	29.39%

Sustainable infrastructure (SI)						
2025 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%	0.11%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.13%	0.23%	0.33%
3.0	A	0.04%	0.11%	0.19%	0.30%	0.40%
4.0	BBB	0.12%	0.32%	0.52%	0.85%	1.18%
5.0	BB	0.63%	1.28%	2.04%	3.08%	4.32%
6.0	B	0.88%	1.71%	2.65%	4.28%	5.82%
7.0	CCC	4.51%	7.76%	12.08%	18.10%	20.02%

⁴ The Bank's internal PD rating scale is explained in detail on page 12 in the "Risk management" section.

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Financial Institutions							
2024 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon	
1.0	AAA	0.00%	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 (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%	

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 2025 (2024: 86 per cent). Given the regions in which the Fund operates, there is a relative scarcity of applicable historical macro-financial data. Of these, GDP growth has been assessed as having comfortably the most significant correlation 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, benefiting 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 creditor status (PCS), primarily through reviewing the ratio 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.

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LGD rates were assigned to facilities in 2025 and 2024 as described in the tables below:

2025	Non sovereign	2025 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	10%
Senior Loan - FI	36%	Non EU country	10%	15%
Senior Loan – Corporate	38%	Limited PCS ⁵	20%	20%
Senior Loan - SI	29%			
Subordinated Loan	44%			
Covered Bonds	11.25%			

2024	Non sovereign	2024 Sovereign	Sovereign	Sub-sovereign
Seniority - sector	LGD	Country	LGD	LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	36%	Non EU country	10%	20%
Senior Loan – Corporate	37%	Limited PCS	20%	30%
Senior Loan - SI	28%			
Subordinated Loan	46%			
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 Bank'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.

Sensitivity analysis on provision for impairment of loan investments

Adjusted risk parameter	Recalculated provision	Change in provision	Change in provision	Recalculated provision	Change in provision	Change in provision
	2025 €000	2025 €000	2025 %	2024 €000	2024 €000	2024 %
Portfolio provision (Stage 1 & 2)	661			1,388		
Staging						
All loans in Stage 1	523	(138)	(21)%	757	(631)	(45)%
All loans in Stage 2	990	329	50%	1,707	319	23%
PD Ratings						
All loans upgraded 1 notch	466	(195)	(30)%	1,085	(303)	(22)%
All loans downgraded 1 notch	661	-	0%	1,390	2	-
All loans upgraded 3 notches	221	(440)	(67)%	566	(822)	(59)%
All loans downgraded 3 notches	699	38	6%	1,457	69	5%
Projected GDP						
Projected GDP increased by 1%	631	(30)	(5)%	1,349	(39)	(3)%
Projected GDP decreased by 1%	691	30	5%	1,432	44	3%
Projected GDP increased by 5%	519	(142)	(21)%	1,160	(228)	(16)%
Projected GDP decreased by 5%	811	150	23%	1,559	171	12%
LGD						
All loans decreased by 10%	479	(182)	(28)%	1,003	(385)	(28)%
All loans increased by 10%	842	181	27%	1,772	384	28%
EAD						
All undrawn commitments cancelled	661	-	0%	1,388	-	-
All undrawn commitments disbursed within one month	671	10	2%	1,785	397	29%

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.

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Sensitivity analysis on financial guarantee liability

Adjusted risk parameter	Recalculated	Change in	Change in	Recalculated	Change in	Change in
	ECL	ECL	ECL	ECL	ECL	ECL
	2025	2025	2025	2024	2024	2024
	€000	€000	%	€000	€000	%
Financial guarantee liability on stage 1 and 2 operations	252			359		
PD Ratings						
All loans upgraded 3 notches	252	-	0%	344	(15)	(4%)
All loans downgraded 3 notches	291	39	15%	379	20	6%
LGD						
All loans decreased by 10%	252	-	0%	354	(5)	(1%)
All loans increased by 10%	252	-	0%	364	5	1%

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.

The Trust Fund for the West Bank and Gaza

Risk management

Financial Risks

Risk governance

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

The Bank's risk management framework is supported by independent second line control functions, including Risk Management, Compliance, Environment and Sustainability, Finance, Evaluation and other relevant units. The Vice President and Chief Risk Officer (CRO) oversees independent risk management of Banking and Treasury exposures, while the Audit and Risk Committee reviews the effectiveness and independence of these control functions.

Bank wide risk matters are considered by the President accountable Risk Committee, chaired by the CRO, with senior management participation. Risk Management, led by the Managing Director reporting to the CRO, provides independent risk assessments, monitors credit, market and liquidity risks, manages concentration and operational risks, and maintains the Bank's risk management policies and systems.

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

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

The Fund is exposed to market risk, credit risk and liquidity risk.

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 investment grants.

Credit risk management and measurement

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.

The Trust Fund for the West Bank and Gaza

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 Fund 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 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	AA+	Very strong	
	2.0 2.3/2.5	AA AA-		
3	2.7	A+	Strong	
	3.0	A		
	3.3	A-		
4	3.7	BBB+	Good	
	4.0	BBB		
	4.3	BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0	BB		
	5.3	BB-		
6	5.7	B+	Weak	Risk range 6
	6.0	B		
	6.3	B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0	CCC		
	7.3	CCC-/CC/C		
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 7.

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. 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. This assessment is made solely based on the client's financial situation and before the impact of any guarantees.

The Trust Fund for the West Bank and Gaza

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.

Risk rating category	Amortised cost carrying value				Impairment		Total net of impairment	
	Stage 1	Stage 2	Total	Total %	Stage 1	Stage 2	Total net of impairment	Impairment provisions coverage
	€ 000	€ 000	€ 000		€ 000	€ 000	€ 000	€ 000
5. Fair	4,104	-	4,104	11.0%	(4)	-	4,100	0.1%
6. Weak	-	3,704	3,704	10.0%	-	(3)	3,701	0.1%
7: Special Attention	14,122	15,328	29,450	79.0%	(314)	(340)	28,796	2.2%
At 31 December 2025	18,226	19,032	37,258	100%	(318)	(343)	36,597	

Risk rating category	Amortised cost carrying value				Impairment		Total net of impairment	
	Stage 1	Stage 2	Total	Total %	Stage 1	Stage 2	Total net of impairment	Impairment provisions coverage
	€ 000	€ 000	€ 000		€ 000	€ 000	€ 000	€ 000
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%	(265)	(1,123)	19,508	

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At 31 December 2025 the Fund had security arrangements in place for its disbursed loan investments of €2,083,000 (2024: €2,483,000). 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 2025, the Fund as no loans held at fair value (2024: 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.

Risk rating category	Undrawn loan commitments			Financial guarantee liability			Guarantees commitments		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	2025	2025	2025	2025	2025	2025	2025	2025	2025
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
6: Weak	-	-	-	-	18	18	1,704	-	1,704
7: Special Attention	-	2,555	2,555	143	91	234	10,681	27	10,708
At 31 December	-	2,555	2,555	143	109	252	12,385	27	12,412

Risk rating category	Undrawn loan commitments			Financial guarantee liability			Guarantees commitments		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	2024	2024	2024	2024	2024	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 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

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	Undrawn loan commitments	Financial guarantee liability	Guarantee commitments
	2025	2025	2025	2025
	€ 000	€ 000	€ 000	€ 000
Jordan*	7,808	-	-	1,704
West Bank and Gaza	29,450	2,555	252	10,708
At 31 December	37,258	2,555	252	12,412

	Loans	Undrawn loan commitments	Financial guarantee liability	Guarantee commitments
	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 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

*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
	2025	2025	2025	2025
	€ 000	€ 000	€ 000	€ 000
Pharmaceutical and Medicine Manufacturing	2,054	-	-	-
Depository Credit (banks)	28,231	-	252	12,412
Non-depository Credit (non-bank)	6,973	2,555	-	-
At 31 December	37,258	2,555	252	12,412

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	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

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

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 2025, the Fund has fixed rate loan investments of €1 million (2024: €3.6 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 an exposure will fluctuate because of changes in foreign exchange rates.

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

	United States			
	Euro	dollars	Other	Total
	2025	2025	2025	2025
	€ 000	€ 000	€ 000	€ 000
Total financial assets	55,977	110,328	22	166,327
Total financial liabilities	(526)	(206)	(26)	(758)
Net currency position at 31 December	55,451	110,122	(4)	165,569

	United States			
	Euro	dollars	Other	Total
	2024	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000
Total financial assets	46,161	120,887	19	167,067
Total financial liabilities	(986)	(1,242)	(52)	(2,280)
Net currency position at 31 December	45,175	119,645	(33)	164,787

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 7 per cent strengthening or weakening of the USD (2024: 6 per cent) is +/- €6.8 million (2024: €7.2 million).

The potential impact on the Fund's net profit from its remaining foreign currency exposures 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.

The Trust Fund for the West Bank and Gaza

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 €361,000 (2024: €376,000) 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. The funding requirements to the Fund are based on its cash requirements and net disbursed lending exposure. 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

At 31 December 2025, 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.

	Carrying amount	Fair value
	€ 000	€ 000
Financial Assets at 31 December 2025		
Financial assets measured at amortised cost		
Placements with credit institutions	104,964	104,964
Contributions receivable	9,700	9,700
Loans at amortised cost	36,597	41,195
Interest receivable	498	498
Share investments	14,423	14,423
Financial guarantee assets	107	107
Other financial assets	38	38
Total	166,327	170,925
Financial liabilities at 31 December 2025		
Other financial liabilities	451	451
Concessional loan discount	55	55
Financial guarantee liability	252	252
Total Financial liabilities	758	758

At 31 December 2024, the Fund's balance sheet approximated to the fair value of all financial assets and liabilities.

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. 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.

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The table below provides information at 31 December 2025 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 2025			At 31 December 2024		
	Level 2	Level 3	Total	Level 2*	Level 3	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Share Investments (Banking Portfolio)	13,509	914	14,423	14,394	654	15,048
Total financial assets at fair value	13,509	914	14,423	14,394	654	15,048

The table below provides a reconciliation of the fair values of the Fund's Level 3 financial assets and financial liabilities.

	Share Investments 2025 € 000	Total 2025 € 000	Share investments 2024 € 000	Total 2024 € 000
Balance as at 1 January	654	654	108	108
Net (losses)/gains recognised in:				
- Net (losses)/gains from share investments at fair value through profit or loss	(188)	(188)	(384)	(384)
Purchases	448	448	935	935
Sales	-	-	(5)	(5)
Balance at 31 December	914	914	654	654
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	(469)	(469)	(281)	(281)

Level 3 - sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2025 and shows reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

	Carrying amount € 000	Impact on net gain in 2025	
		Favourable change € 000	Unfavourable change € 000
Assets			
Share investments	914	104	(102)
At 31 December 2025	914	104	(102)
	Carrying amount € 000	Impact on net gain in 2024	
Assets		Favourable change € 000	Unfavourable change € 000
Share investments and associated derivatives	654	74	(73)
At 31 December 2024	654	74	(73)

*Share investments previously disclosed as Level 1 in the prior year are now disclosed as Level 2 in the comparative information.

The 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”) 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.

	2025	2024
	€ 000	€ 000
General administrative expenses	562	443
Depreciation charge	3	1
Year to 31 December	565	444

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4. Share investments

	2025 € 000	2024 € 000
Outstanding disbursements		
At 1 January	14,417	5
Disbursements	832	14,417
Proceeds from the sale of share investments	-	(5)
At 31 December	15,249	14,417
	2025 € 000	2024 € 000
Fair value adjustment		
At 1 January	631	103
Movement in fair value revaluation	(1,457)	528
At 31 December	(826)	631
Fair value at 31 December	14,423	15,048
	2025 € 000	2024 € 000
Net unrealised (losses)/gain from share investments	(1,457)	528
Net (losses)/gains from share investments	(1,457)	528

5. Provisions for impairment of loan investments

	2025 € 000	2024 € 000
Release/(charge) for the year		
Impairment release/(charge) on loan investments at amortised cost in stage 1 and stage 2	590	(871)
Impairment release on loan investments	590	(871)
Movement in provisions		
At 1 January	(1,388)	(452)
Release/(charge) for the year to the income statement	590	(871)
Foreign exchange adjustments	137	(65)
At 31 December	(661)	(1,388)
Representing:		
Stage 1 and stage 2 provisions for loan investments at amortised cost	(661)	(1,388)
At 31 December	(661)	(1,388)

	12-month ECL (Stage 1) 2025 € 000	Lifetime ECL (Stage 2) 2025 € 000	Total 2025 € 000
Movement in ECL			
As at 1 January	(265)	(1,123)	(1,388)
New loans originated	(271)	-	(271)
Transfer to stage 2 - significant increase in credit risk	317	(464)	(147)
ECL release- repayments/settlements	-	1,236	1,236
Changes in model or risk parameters	(113)	(115)	(228)
Foreign exchange and other movements	14	123	137
As at 31 December	(318)	(343)	(661)

	12-month ECL (Stage 1) 2024 € 000	Lifetime ECL (Stage 2) 2024 € 000	Total 2024 € 000
Movement in ECL			
As at 1 January	(103)	(349)	(452)
New loans originated	(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)
As at 31 December	(265)	(1,123)	(1,388)

The Trust Fund for the West Bank and Gaza

	Loans Stage 1	Loans Stage 2	Total
	2025	2025	2025
	€ 000	€ 000	€ 000
Movement in loans at amortised cost			
As at 1 January	2,406	18,490	20,896
Loan disbursements	26,930	2,177	29,107
Transfer to stage 2 - significant increase in credit risk	(8,893)	8,893	-
Repayments	(754)	(8,117)	(8,871)
Day one fair value adjustment	(1,081)	(39)	(1,120)
Movement in effective interest rate adjustment	219	35	254
Foreign exchange and other movements	(601)	(2,407)	(3,008)
As at 31 December	18,226	19,032	37,258

	Loans Stage 1	Loans Stage 2	Total
	2024	2024	2024
	€ million	€ million	€ million
Movement in loans at amortised cost			
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

6. Change in concessional loan discount

	2025	2024
	€ 000	€ 000
Day one fair value	(954)	(1,021)
Release of discount on loan cancellation	695	-
Concessional loan discount charge to the income statement	(259)	(1,021)

	2025	2024
	€ 000	€ 000
At 1 January	(1,017)	-
Day one fair value adjustment	(954)	(1,021)
Derecognition of liability on loan disbursement	1,120	58
Release of discount on loan cancellation	695	-
Foreign exchange movements	101	(54)
As at 31 December	(55)	(1,017)

7. Financial guarantee liability

	2025	2024
	€ 000	€ 000
At 1 January	359	307
Financial guarantees movement	(72)	(6)
Issued guarantees	(13)	46
Foreign exchange movement	(22)	12
At 31 December	252	359

8. Contributions

	2025	2024
	€ 000	€ 000
Cumulative contributions received	160,000	140,000
Contributions pledged		
Contributions	9,700	19,400
Management fees payable	300	600
Total contributions at 31 December	170,000	160,000

The Trust Fund for the West Bank and Gaza

9. Loan investments at amortised cost

	2025	2024
	€ 000	€ 000
Loans		
At 1 January	20,896	18,573
Disbursements	29,107	9,081
Repayments	(8,871)	(7,510)
Movement in effective interest rate adjustment	254	(411)
Day one fair value adjustment	(1,120)	(58)
Foreign exchange movements	(3,008)	1,221
At 31 December	37,258	20,896
Impairment at 31 December	(661)	(1,388)
Total loan investments net of impairment at 31 December	36,597	19,508

10. Other financial liabilities

	2025	2024
	€ 000	€ 000
Technical cooperation expenses payable	273	687
Accrued Management Fees	135	217
Other liabilities	43	-
At 31 December	451	904

11. Undrawn commitments and guarantees

	2025	2024
	€ 000	€ 000
Analysis by instrument		
Undrawn commitments		
Loan investments at amortised cost	2,555	39,123
Share investments	1,283	-
Technical cooperation expenses	339	309
At 31 December	4,177	39,432
Financial guarantees	12,412	21,467
At 31 December	12,412	21,467
Undrawn commitments and guarantees at 31 December	16,589	60,899

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.

12. 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
	2025	2025	2025	2024	2024	2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Placements with credit institutions	104,964	-	104,964	112,695	-	112,695
Interest receivable	498	-	498	257	-	257
Contribution receivable	9,700	-	9,700	19,400	-	19,400
Share investments	-	14,423	14,423	-	15,048	15,048
Financial guarantee assets	107	-	107	125	-	125
Loans at amortised cost	8,994	28,264	37,258	10,176	10,720	20,896
Provisions for impairment of loan investments	(159)	(502)	(661)	(174)	(1,214)	(1,388)
Office equipment	-	-	-	-	3	3
Other financial assets	38	-	38	31	-	31
Total assets	124,142	42,185	166,327	142,510	24,557	167,067
Liabilities						
Other financial liabilities	(451)	-	(451)	(904)	-	(904)
Concessional loan discounts	(55)	-	(55)	(1,017)	-	(1,017)
Financial guarantee liability	(252)	-	(252)	(359)	-	(359)
Total liabilities	(758)	-	(758)	(2,280)	-	(2,280)

The Trust Fund for the West Bank and Gaza

13. 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 (2024: €600,000). As at 31 December 2025 there were accrued management fees payable by the Fund to the Bank of €300,000 (2024: €600,000). During the period the Bank incurred €561,600 (2024: €441,917) of general administrative expenses on behalf of the Fund, of which €135,490 (2024: €217,450) remains payable to the Bank at period end (note 10). 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 (2024: €nil).

External auditors' remuneration in relation to the audit of the financial statements of €19,300 (2024: €24,200) 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 2024 the Board approved the appointment of Deloitte LLP as the Bank's subsequent external auditors for the five-year period 2025-29.

14. 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 2025.

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 15 April 2026 there had been no other material events after the reporting period to disclose.

15. Authorisation for issue

On 15 April 2026 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.

The Trust Fund for the West Bank and Gaza

Independent auditors report

Independent auditor's report to the Board Governors of the European Bank for Reconstruction and Development (the "Bank") in respect of The Trust Fund for the West Bank and Gaza

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Trust Fund for the West Bank and Gaza (the 'Fund') for the year ended 31 December 2025 have been properly prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet as at 31 December 2025;
- the statement of changes in contributors' resources;
- the statement of cashflows;
- the accounting policies; and
- the related 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 non-statutory financial statements section of our report.

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank for the financial statements

As explained more fully in the Statement of the Bank's responsibilities, the Bank is responsible for the preparation of the non-statutory financial statements in accordance with IFRS accounting standards as issued by the International Accounting, and for such internal control as they determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory 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 intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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

The Trust Fund for the West Bank and Gaza

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-statutory financial statements.

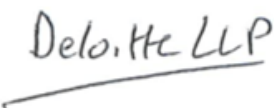
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

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 our report

This report is made to the Board of Governors as required by Articles 24 and 35 of the Agreement Establishing the Bank, Section 13 of the By-Laws of the European Bank for Reconstruction and Development, and the Rules and Regulations of the Fund. Our audit work has been undertaken so that we might state to the Board of Governors, those matters we are required or have agreed to state to them in an independent auditors' audit report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Bank for our audit work, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Deloitte LLP
London, United Kingdom
15 April 2026