European Bank
for Reconstruction and Development

The EBRD Shareholder Special Fund

Annual Financial Report
31 December 2014

The EBRD Shareholder Special Fund

Contents

The EBRD Shareholder Special Fund

Statement of comprehensive income

For the year ended 31 December 2014	Note	Year to 31 December 2014 € million	Year to 31 December 2013 € million
Disbursements for technical cooperation	3	**(29)**	(22)
Disbursements for investment grants		**(3)**	(3)
Incentive fees		**(2)**	(1)
Disbursement to other funds	4	**(2)**	(5)
Foreign exchange movement		**1**	-
Other operating expenses		**-**	(1)
Net loss and comprehensive expense for the year		**(35)**	(32)
Total comprehensive expense attributable to:			
Contributor		**(35)**	(32)

Balance sheet

At 31 December 2014	Note	31 December 2014 € million	31 December 2014 € million	31 December 2013 € million	31 December 2013 € million
Assets					
Placements with credit institutions			**250**		255
Other assets	5		**1**		1
Total assets			**251**		256
Liabilities and contributor's resources					
Disbursements for technical cooperation			**18**		13
Total liabilities			**18**		13
Contributions	7	**410**		385	
Reserves and accumulated loss		**(177)**		(142)	
Total contributor's resources			**233**		243
Total liabilities and contributor's resources			**251**		256

The EBRD Shareholder Special Fund

Statement of changes in contributor's resources

For the year ended 31 December 2014

	Contributions	Accumulated loss	Total
	€ million	€ million	€ million
At 31 December 2012	295	(110)	185
Contributions received	90	-	90
Total comprehensive expense for the year	-	(32)	(32)
At 31 December 2013	385	(142)	243
Contributions received	25	-	25
Total comprehensive expense for the year	-	(35)	(35)
At 31 December 2014	**410**	**(177)**	**233**

Statement of cash flows

For the year ended 31 December 2014		Year to 31 December 2014		Year to 31 December 2013
	€ million	€ million	€ million	€ million
Cash flows used in operating activities				
Net loss for the year	**(35)**		(32)	
Adjustments for:				
Foreign exchange movement	**(1)**		-	
	(36)		(32)	
Increase in operating assets:				
Other assets	-		(1)	
Increase/(decrease) in operating liabilities:				
Accrued expenses	**5**		(1)	
Net cash used in operating activities		**(31)**		(34)
Cash flows from financing activities				
Contributions received	**25**		90	
Net cash from financing activities		**25**		90
Net (decrease)/increase in cash and cash equivalents		**(6)**		56
Effect of foreign exchange rate changes		**1**		-
Cash and cash equivalents at the beginning of the year		**255**		199
Cash and cash equivalents at 31 December		**250**		255

The EBRD Shareholder 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"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss. The financial statements have been prepared on a going concern basis.

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

New and amended IFRS mandatorily effective for the current reporting period

The following new and amended standards are effective for the current reporting period:

Pronouncement	Nature of change	Impact
Investment entities – amendments to IFRS 10, IFRS 12 and IAS 27	Introduces an exception to consolidating particular subsidiaries for "investment entities", requiring instead such subsidiaries to be measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. New disclosure requirements are also introduced.	Not applicable as the Fund is not an investment entity.
IAS 32 (Amendment) Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities	Updates the application guidance and basis of conclusions in relation to the offsetting of financial assets and financial liabilities.	Applicable but no changes of presentation required.

IFRS not yet mandatorily effective but adopted early

IFRS 9: Financial Instruments is the IASB's replacement project for IAS 39. The Standard has developed in phases and was completed in July 2014 with a mandatory application date for annual reporting periods beginning on or after January 1, 2018. The Fund adopted the first phase 'recognition and measurement of financial assets' (November 2009) in its 2010 financial statements. See the accounting policy for financial assets for more details.

IFRS not yet mandatorily effective and not adopted early

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

Pronouncement	Nature of change	Potential Impact
IFRS 9 Financial Instruments	Classification and measurement of financial liabilities (October 2010) Hedge accounting (November 2013) Impairment methodology and introduction of 'fair value through other comprehensive income' measurement category for financial assets represented by simple debt instruments (July 2014). IFRS 9 to be adopted in its entirety for annual reporting periods beginning on or after January 1, 2018.	The Fund is yet to assess the potential impact of adopting this standard
Amendments to: IFRS 10: Consolidation Financial Statements and IAS 28: Investments in Associates and Joint Ventures	Provides guidance for the accounting for the loss of control of a subsidiary as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Effective for annual reporting periods beginning on or after 1 January 2016.	The Fund is yet to assess the potential impact of adopting this standard
Amendments to: IFRS 11: Joint Arrangements	Provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. Effective for accounting periods beginning on or after 1 July 2016.	The Fund is yet to assess the potential impact of adopting this standard
IFRS 15: Revenue from Contracts with Customers	Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Effective for annual reporting periods beginning on or after 1 January 2017.	The Fund is yet to assess the potential impact of adopting this standard
Amendments to: IAS 1: Presentation of Financial Statements	Various amendments to improve presentation and disclosure under IAS 1. Effective for annual reporting periods beginning on or after 1 January 2016.	The Fund is yet to assess the potential impact of adopting this standard
Amendments to: IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets	Clarification of acceptable methods of depreciation and amortisation Effective for annual reporting periods beginning on or after 1 January 2016.	The Fund is yet to assess the potential impact of adopting this standard

A number of existing standards were reviewed by the IASB in December 2014 as part of the IFRS annual improvements cycle. It is the Fund's opinion that none of these amendments, effective for accounting periods beginning on or after 1 January 2016, will have a material impact on the Fund's financial statements.

B. Significant accounting policies

Financial assets - Classification and measurement

The Fund early adopted the first instalment of IFRS 9: Financial Instruments, concerning the classification and measurement of financial assets, with effect from 1 January 2010. Pursuant to that adoption, the Fund classifies its financial assets in the following categories: those measured at amortised cost and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

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

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

Financial assets at fair value
If either of the two criteria above is not met, the debt instrument is classified as 'fair value through profit or loss'. All of the share investments held by the Fund are measured at fair value through profit or loss.

The basis of fair value for share investments that are unlisted is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation technique used is net asset value.

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

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

Financial liabilities

The Fund has not adopted early that part of IFRS 9 which relates to financial liabilities and therefore still applies IAS 39: Financial Instruments.

All financial liabilities are measured at amortised cost.

Financial guarantees

The Fund's resources are also used to guarantee a proportion of principal losses of loan investments made by participating banks ("PB") under specific signed loan agreements. When a guarantee is issued, its initial fair value reflects the fees charged for such guarantee, assuming an arm's-length commercial transaction. As the Fund does not charge the PB any fee for its guarantee, its initial fair value is estimated based on the fee that the Fund might otherwise have charged, given the credit risk attaching to the guaranteed portfolio. This initial fair value is recognised as a financial guarantee liability with a corresponding charge to the income statement. Subsequently the guarantee is measured at the higher of the initial fair value less cumulative amortisation or, if appropriate, the expenditure required to settle the commitment at the balance sheet date. When it is probable that the guarantee will need to be settled and the settlement amount can be reliably estimated, a financial guarantee contract is recognised. There are no liabilities recognised in 2014 or 2013.

Contributor's resources

The Fund recognises contributions received from the contributor as equity on the basis that the termination of the contribution agreement would lead to the winding up of the Fund and the distribution of the residual assets to the contributor.

Foreign currencies

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

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

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.

Interest

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

Disbursements for technical cooperation

Disbursements for technical cooperation, which represent payments for consultancy services provided to the Fund over a period of time, are recorded as expenditure over the period during which the services are received.

Incentive fees

Incentive fees represent amounts incurred for the period by clients of the European Bank for Reconstruction and Development (“the Bank”) to encourage investment in sustainable energy projects. Fees are calculated for each project, based on either the expected carbon dioxide emission reductions to be generated by the project or the actual costs of implementation. Payment is made on technical completion of the project, following verification by an external consultant. The incentive fees are then paid to the client via a one-off payment (upon submission of a fee application form to the bank) or are used to reduce the outstanding principal on the corresponding loan made by the Bank.

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 and all taxes and duties levied upon goods and services acquired or imported, 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 accounting estimates and judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates and judgements 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. The Fund’s outstanding share investments are considered immaterial at 31 December 2014 and 31 December 2013.

The Fund’s critical accounting estimates and judgements are as follows:

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 within credit risk within the risk management section of the report.

Risk management

The purpose of the Fund is to assist the Bank to achieve its mandate of promoting transition towards open market-oriented economies by preparing the way for future Bank-financed projects and improving the investment climate in the Bank's countries of operations.

The resources of the Fund may be used to finance:

- Technical assistance (or cooperation) which involves the provision of services, usually those of consultants, to provide expertise to clients in the Bank's countries of operations;
- Non-technical assistance initiatives which are principally used to provide working capital, incentive fees or to pay for goods and works contracts in support of Bank investment operations; and
- Investment activities which may include guarantees, equity or debt financing.

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

Risk governance

The Fund follows the Bank's risk governance procedures as below:

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is accountable to the President. It oversees all aspects of the Banking portfolio 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. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking and the Office of the General Counsel.

The Risk Committee is chaired by the Vice President Risk and Chief Risk Officer (VP & CRO) who is ultimately responsible for the independent identification, measurement, monitoring and mitigation of all risks incurred by the Bank. The VP & CRO has the overall responsibility for formulating the risk management strategy.

The Managing Director Risk Management reports directly to the VP & CRO and leads the overall management of the Risk Department. The Risk Department provides an independent assessment of risks associated with individual projects investments and loans undertaken by the Bank and performs an ongoing review of the portfolio to monitor the risk presented by projects investments and loans from inception to exit. It develops and maintains the Risk Management policies to facilitate Banking 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 appetite, and that control processes are rigorously designed and applied; and
- 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 is the risk arising from too high a proportion of the portfolio being allocated to a specific country, industry sector or obligor, or to a particular type of instrument or individual transaction.

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

The carrying amounts of financial assets presented on the balance sheet best represents the Fund's maximum exposure to credit risk at 31 December 2014 and 31 December 2013, without taking account of any collateral held or other credit enhancements.

Included in the placements with credit institutions is a €174.6 million (2013: €221 million) placement with the Royal Bank of Scotland via a tri-party repurchase arrangement, with Euroclear acting as the tri-party. This arrangement involves the Fund receiving, as collateral, highly liquid securities equal to the value of the placement, for a period of approximately one month. The credit risk on the placement is fully mitigated by collateral held. On termination of the arrangement, the placement and collateral are returned to the respective parties, and a new arrangement is entered into based on the Fund's excess available cash. Euroclear ensures 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. 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 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.

Underlying principles and procedures
The Board of Directors ("the Board") approves a credit process document that defines the procedures for the approval, management and review of Banking exposures. The Audit Committee periodically reviews the credit process and its review is submitted to the Board for approval.

Individual projects
The Operations Committee, which is chaired by the First Vice President Banking and whose membership comprises senior managers of the Bank, including the VP & CRO and Managing Director Risk Management, reviews all Banking projects prior to their submission for Board approval. 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 Executive Committee, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee.

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

Portfolio level review
Risk Management reports on the development of the portfolio as a whole on a quarterly basis to the Audit 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 all portfolio risk limits including an explanation of any limit breaches.

EBRD internal ratings
Probability of default (PD)
The Bank assigns its internal risk ratings to all counterparties, including borrowers, investee companies, guarantors and sovereigns in the Banking 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 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 category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment Grade
2	1.7 2.0 2.3/2.5	AA+ AA AA-	Very Strong	
3	2.7 3.0 3.3	A+ A A-	Strong	
4	3.7 4.0 4.3	BBB+ BBB BBB-	Good	
5	4.7 5.0 5.3	BB+ BB BB-	Fair	Risk class 5
6	5.7 6.0 6.3	B+ B B-	Weak	Risk class 6
7	6.7 7.0 7.3	CCC+ CCC CCC-/CC/C	Special Attention	Classified
8	8.0	D	Expected Loss/Impaired	

Credit risk exposures

Placements with credit institutions

The Fund's placements with credit institutions were all classified in internal credit rating risk categories 2 and 3 (approximately AA+ to A- in terms of the S&P equivalent).

Other financial assets

Other financial assets include Business Advisory Services Programme ("BAS") and Secretariat Office advances. BAS and Secretariat Office advances are held with institutions in local countries of operations and may be risk rated below A-; however balances are monitored to ensure credit exposure is minimal.

Financial guarantees

During the year, the Bank signed a loan agreement with a PB which includes a first loss risk sharing guarantee from the Fund. At 31 December 2014 the loan to the PB remains undrawn.

The guarantee is provided over the sub-loans made from the PB to a sub-borrower. A guarantee liability will be recognised when the loan from the Bank has been disbursed to the PB, and the PB has the funds available to on lend to sub-borrowers.

Accordingly, no liability or expense is recognised in the financial statements as the loan remains undrawn. The maximum exposure under the guarantee is €0.2 million.

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, foreign exchange and equity price risk.

Market risk management and measurement

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

Interest rate risk

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

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

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

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

	Euro 2014 € million	**United States dollars 2014 € million**	**Total € million**
Total assets	239	12	**251**
Total liabilities	(15)	(3)	**(18)**
Net currency position at 31 December 2014	**224**	**9**	**233**

	Euro 2013 € million	United States dollars 2013 € million	Total € million
Total assets	249	7	256
Total liabilities	(12)	(1)	(13)
Net currency position at 31 December 2013	237	6	243

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’s share investment is immaterial at 31 December 2014 and 31 December 2013. As such, the movement in market prices is considered to have a minimal impact on the Fund.

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 share investments and technical assistance 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, 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 EBRD Shareholder Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board on 15 April 2008 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations 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 One Exchange Square, EC2A 2JN.

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 the privileges and immunities available to the Bank are extended to the Fund.

2. President's responsibilities

The President is responsible for preparing the financial statements in accordance with IFRS issued by the IASB.

3. Disbursements for technical cooperation

	Commitments approved € million	Disbursements € million	Undrawn commitments € million
Total projects			
At 31 December 2012	104	(89)	15
Movement in the year	25	(22)	3
As at 31 December 2013	129	(111)	18
Movement in the year	29	(29)	-
As at 31 December 2014	**158**	**(140)**	**18**

4. Disbursement to other funds

In 2014 the Board approved a disbursement of €2.3 million to the ETC Local Currency Risk Sharing Special Fund (2013: €5 million).

5. Other assets

	2014 € 000	2013 € 000
Share investments (note 6)	**84**	82
Interest receivable	**-**	5
BAS and Secretariat Office advances	**514**	725
Bank charges refundable	**2**	2
At 31 December	**600**	814

6. Share investments

IFRS 7 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.

No reasonably plausible alternative valuations have been determined as the effect on the financial statements is considered immaterial.

7. Contributions

Contributions of €25 million were received during the year (2013: €90 million).

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

Assets and liabilities on the balance sheet are classified as current for both 2014 and 2013. Share investments detailed in note 6 were considered non-current in 2013.

9. Undrawn commitments

	2014	2013
	€ million	€ million
Disbursements for technical cooperation	**18**	18
Incentive payments	**2**	1
Investment grants	**13**	11
At 31 December	**33**	**30**

10. Events after the reporting period

There have been no material post-reporting date events that would require disclosure or adjustment to these financial statements.

11. 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. Management fees of €250,000 were charged during the year (2013: €900,000). There was no accrued management fee payable by the Fund to the Bank at 31 December 2014 (2013: nil).

External auditor's remuneration of €7,200 (2013: €6,500) is payable by the Bank from the management fee. In 2014 the Bank approved an extension of the term of appointment from four years to five with a maximum of two consecutive terms. Deloitte LLP (UK) completes its first four-year term in 2014 and has been re-appointed for the five year period 2015 - 2019.

During 2014 the Bank reimbursed the Fund €21,000 of bank charges (2013: €13,000), of which €2,000 are receivable as at 31 December 2014 (2013: €2,000).

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNORS OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT ("THE BANK")

Report on the financial statements

We have audited the financial statements of the EBRD Shareholder Special Fund ("the Fund") for the year ended 31 December 2014 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in contributor's resources, the statement of cash flows for the year then ended together with the accounting policies, the risk management statement and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is the International Financial Reporting Standards as issued by the International Accounting Standards Board.

President's responsibility for the financial statements

The President is responsible for the preparation and fair presentation of the Financial Statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the President determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion the Financial Statements present fairly, in all material respects, the financial position of the EBRD Shareholder Special Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Other reporting responsibilities

We also report to you if, in our opinion, the Financial Statements are not in agreement with the accounting records, if the proper accounting records have not been kept, or if we have not received all the information and explanations we require for our audit. We have nothing to report in connection with these matters.

Other matters

This report, including the opinion, has been prepared for, and only for, the Bank in accordance with Article 24 of the Agreement Establishing the Bank dated 29 May 1990, and for the use of the contributor and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this Report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP
Chartered Accountants
London, United Kingdom
8 April 2015