

European Bank for Reconstruction and Development



Credit strengths

- Very strong mandate; ESG pioneer
- Excellent capitalisation
- Excellent access to capital markets
- Very high liquidity buffers
- Highly rated shareholders

Credit challenges

- Weaker asset quality and elevated NPLs compared to peers given high exposure to Turkey and Ukraine

Ratings and Outlook

Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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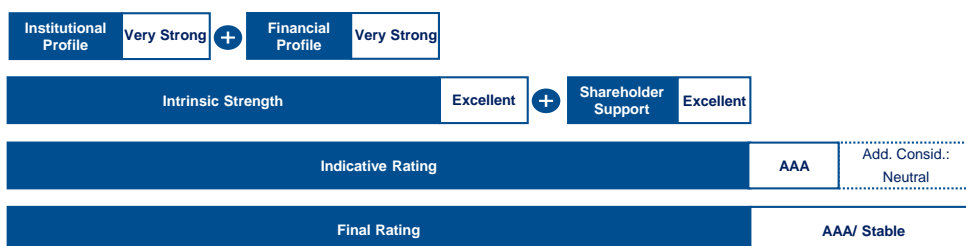
Rating rationale and Outlook: The EBRD's AAA rating reflects its 'excellent' intrinsic strength and shareholder support. In detail:

- **Institutional profile:** The EBRD has a proven track record of excellent governance and a very strong mandate from its shareholders, being at the forefront of facilitating the transition to market and sustainable economies in its countries of operation.
- **Financial profile:** The EBRD is highly capitalised and benefits from strong liquidity policies and conservative risk management practices. The bank's paid-in capital ratio of 21% is one of the highest among peers, while sustained profits in its core business have built its reserves. The bank's capital buffers will absorb the loss for 2022, which we expect to be below the EUR 1.7bn loss recorded as of Q3 2022, and thus to be fully covered by the 2021 record profit of EUR 2.5bn. Prudent capital and liquidity management, along with excellent market access, are important mitigating factors for the EBRD's comparatively risky business profile.

The bank's focus on the private sector in transition and emerging market economies, mostly via loans and equity investments, results in higher NPLs and more volatile returns compared to peers. NPLs rose to 7.3% of exposures in Q3 2022 driven by the war in Ukraine but are well provisioned for. The bank's diversified portfolio across geographies, sectors and counterparties mitigates asset quality risk.

- **Shareholder support:** The EBRD benefits from a globally diversified, growing, highly rated shareholder base. The G7 holds more than 50% of its capital.
- **Outlook and triggers:** The Stable Outlook reflects our view that risks are balanced over the next 12 to 18 months. The ratings/Outlooks could be downgraded if, individually or collectively: i) the EBRD's asset quality deteriorated materially, resulting in sustained losses; and/or ii) liquidity buffers were significantly reduced.

Scope's assessment of the EBRD's rating drivers



Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Losses that reduce capital base
- Reduced liquidity buffers

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I Indicative Rating: European Bank for Reconstruction and Development

Indicative rating: AAA

We first map the assessments for the institutional and financial profiles to determine the supranational's intrinsic strength. In a second step, we map this assessment against the shareholder support to determine the indicative rating.

Intrinsic Strength: Mapping institutional and financial profiles for the EBRD

Intrinsic Strength		Institutional Profile				
		Very Strong	Strong	Moderate	Weak	Very Weak
Financial Profile	Excellent	Excellent	Excellent	Excellent	Very Strong (+)	Very Strong
	Very Strong (+)	Excellent	Excellent	Very Strong (+)	Very Strong	Very Strong (-)
	Very Strong	Excellent	Very Strong (+)	Very Strong	Very Strong (-)	Strong (+)
	Very Strong (-)	Very Strong (+)	Very Strong	Very Strong (-)	Strong (+)	Strong
	Strong (+)	Very Strong	Very Strong (-)	Strong (+)	Strong	Strong (-)
	Strong	Very Strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)
	Strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)	Adequate
	Adequate (+)	Strong	Strong (-)	Adequate (+)	Adequate	Adequate (-)
	Adequate	Strong (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)
	Adequate (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate
	Moderate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)
	Moderate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)
	Moderate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)	Weak
	Weak (+)	Moderate	Moderate (-)	Weak (+)	Weak	Weak (-)
	Weak	Moderate (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)
	Weak (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak
	Very Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)
Very Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	
Very Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	Very Weak (-)	

Source: Scope Ratings

Indicative Rating: Mapping intrinsic strength and shareholder support for the EBRD

Indicative Rating		Shareholder Support			
		Excellent	Very High	High	Moderate
Intrinsic Strength	Excellent	AAA	AAA	AAA / AA	AA+ / AA-
	+	AAA	AAA / AA	AA+ / AA-	AA / A+
	Very strong	AAA / AA	AA+ / AA-	AA / A+	AA- / A
	-	AA+ / AA-	AA / A+	AA- / A	A+ / A-
	+	AA / A+	AA- / A	A+ / A-	A / BBB+
	Strong	AA- / A	A+ / A-	A / BBB+	A- / BBB
	-	A+ / A-	A / BBB+	A- / BBB	BBB+ / BBB-
	+	A / BBB+	A- / BBB	BBB+ / BBB-	BBB / BB+
	Adequate	A- / BBB	BBB+ / BBB-	BBB / BB+	BBB- / BB
	-	BBB+ / BBB-	BBB / BB+	BBB- / BB	BB+ / BB-
	+	BBB / BB+	BBB- / BB	BB+ / BB-	BB / B+
	Moderate	BBB- / BB	BB+ / BB-	BB / B+	BB- / B
	-	BB+ / BB-	BB / B+	BB- / B	B+ / B-
	+	BB / B+	BB- / B	B+ / B-	B / CCC
	Weak	BB- / B	B+ / B-	B / CCC	B- / CCC
	-	B+ / B-	B / CCC	B- / CCC	CCC
	+	B / CCC	B- / CCC	CCC	CCC
Very Weak	B- / CCC	CCC	CCC	CCC	
-	CCC	CCC	CCC	CCC	

Source: Scope Ratings GmbH.



European Bank for Reconstruction and Development

II Key Shareholders: European Bank for Reconstruction and Development

EUR m

EBRD shareholders	Paid-in capital	Callable capital	Subscribed capital	Key (%)	Rating	Callable capital ≥ AA-
United States	626.04	2,375.44	3,001.48	10.09	AA	2,375.44
France	533.23	2,023.28	2,556.51	8.59	AA	2,023.28
Germany	533.23	2,023.28	2,556.51	8.59	AAA	2,023.28
Italy	533.23	2,023.28	2,556.51	8.59	BBB+	
Japan	533.23	2,023.28	2,556.51	8.59	A	
United Kingdom	533.23	2,023.28	2,556.51	8.59	AA	2,023.28
Russian Federation	250.41	950.17	1,200.58	4.03		
Canada	212.85	807.64	1,020.49	3.43		807.64
Spain	212.85	807.64	1,020.49	3.43	A-	
European Investment Bank	187.81	712.63	900.44	3.03	AAA	712.63
European Union	187.81	712.63	900.44	3.03	AAA	712.63
Netherlands	155.25	589.10	744.35	2.50	AAA	589.1
Austria	142.73	541.59	684.32	2.30	AAA	541.59
Belgium	142.73	541.59	684.32	2.30	AA-	541.59
Sweden	142.73	541.59	684.32	2.30	AAA	541.59
Switzerland	142.73	541.59	684.32	2.30	AAA	541.59
Key shareholders*	5,070.09	19,238.01	24,308.10	81.68	AA-	13,433.64
Other 57 shareholders	1,147.36	4,303.28	5,450.64	18.32		1,712.57
Total	6,217.5	23,541.3	29,758.7	100.0		15,146.2

We include shareholders whose cumulative capital share, starting from the largest shareholder, comprises at least 75% of the supranational's capital. We add all marginal shareholders with identical capital subscription to calculate the key shareholder rating.

Source: EBRD, Scope Ratings. Figures may not add up due to rounding.



European Bank for Reconstruction and Development

III Scope's supranational scorecard: European Bank for Reconstruction and Development

Risk factors	Variables	Unit									EBRD			
			+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches		
Institutional Profile	Mandate & ESG (-2; +2)	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High		
		Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1	
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong		
	Governance	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	600.0	Strong		
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	10.0	Strong	1	
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong		
Institutional Profile											Very Strong			
Intrinsic Strength	Capitalisation (-3; +6)	Capital/ Potential assets	%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	50.0	Excellent	4	
		Capital/ Actual assets*	%	--	--	--	≥ 30	< 30	--	--	59.0	Excellent	1	
		Profitability (Return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	8.0	Adequate	1	
	Trend (-1; +1)												0	
	Asset quality (-3; +5)	Portfolio quality	Incl. risk mitigants	Qualitative	--	--	Very Strong	Strong	Adequate	Moderate	Weak	Adequate	Adequate	0
		Asset performance	NPLs	% total loans	--	≤ 0.5	> 0.5; ≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5	--	5.0	Adequate	0
		Trend (-1; +1)												-1
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	145.0	Excellent	4
		Maturity gap		Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.5	< 0.5	--	0.9	Strong	1
		Funding	Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	11.0	Strong	1
Currency diversification			Top 1 share	--	--	--	≤ 70	> 70	--	--	47.0	Strong	1	
Trend (-1; +1)												0		
Financial Profile											Very Strong			
Intrinsic Strength											Excellent			
Shareholder Support	Shareholder strength (0; +3)	Weighted average rating of key shareholders	Avg. rating	--	≥ AA-	≥ A-	≥ BBB-	< BBB-	--	--	--	AA-		
		Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	0.0	Low / No adjustment	3	
		Adjusted key shareholder rating	Avg. rating	--	--	--	--	--	--	--	--	AA-		
	Extraordinary Support (0; +2)	Callable capital [rated ≥ AA-]/ Actual assets	%	--	--	≥ 100	< 100; ≥ 20	< 20	--	--	43.0	Strong	1	
Additional support mechanisms		Qualitative	--	--	Very Strong	Strong	N/A	--	--	N/A				
Shareholder Support											Excellent			
Indicative Rating											AAA			
Additional considerations (-1; +1)											Neutral			
Final Rating											AAA			

Figures in the financial profile relate to a weighted three-year average for 2019-21.

Source: Scope Ratings

IV Asset quality assessment

Portfolio quality (initial assessment)	Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality	aaa/aa	a	bbb	bb	b/cc
Notches	+2	+1	0	-1	-2

Adjustments		Indicator	Assessment/ Thresholds								
Points			+5	+4	+3	+2	+1	0	-1	-2	-3
Credit Protection	Sovereign PCS	% of loan portfolio	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20			
	Private sector secured										
Diversification	Geography	HHI				≤ 1000	≤ 2000	> 2000			
	Sector	HHI					≤ 2000	> 2000			
	Top 10 exposures	% of loan portfolio				≤ 25	≤ 75	> 75			
Equity Exposure		% of equity						≤ 25	> 25	> 50	> 75
		Total points	+6								
		Adjustments	+2 categories								

Portfolio quality (final assessment)	Very Strong	Strong	Adequate	Moderate	Weak
Notches	+2	+1	0	-1	-2

Source: Scope Ratings. Three points usually correspond to one assessment category. In the case of the EBRD, this implies up to two higher categories from the initial portfolio quality assessment based on the estimated average borrower quality.

V Statistical tables

	2016	2017	2018	2019	2020	2021
Capitalisation (EUR m)						
Mandated potential assets	39,700.0	40,300.0	40,500.0	41,200.0	41,400.0	42,500.0
Mandated (disbursed) assets	30,290.0	29,425.0	31,120.0	33,026.0	34,900.0	35,994.0
Capitalisation ratio, potential (%)	41.2	41.6	40.7	46.5	43.6	53.6
Capitalisation ratio, actual (%)	54.0	57.0	53.0	58.0	51.8	63.3
Profitability (EUR m)						
Net income	811.0	592.0	210.0	1,315.0	175.0	2,422.0
Return on equity (%)	5.2	3.7	1.3	7.4	1.0	11.9
Asset quality (EUR m)						
Total gross loans	23,325.0	23,002.0	24,610.0	27,021.0	28,615.0	29,690.0
of which in Turkey, Egypt and Ukraine (% , total)	34.3	35.6	34.6	34.0	32.4	32.6
Non-performing loans / Gross loans (%)	5.2	3.7	4.6	4.2	5.5	4.9
Stage 3 provisions (% , NPLs)	62.9	71.0	59.5	57.3	51.5	51.0
Equity investments	5,265.0	4,834.0	4,745.0	5,070.0	4,872.0	6,010.0
Equity investments (% equity and reserves)	36.0	32.3	30.2	27.9	28.1	31.5
Liquidity (EUR m)						
Liquid assets	22,543.0	23,082.0	26,605.0	29,599.0	27,864.0	32,099.0
Cash and deposits	14,110.0	14,605.0	16,014.0	18,368.0	18,681.0	22,619.0
Treasury assets rated AA- or above	8,433.0	8,477.0	10,591.0	11,231.0	9,183.0	9,480.0
Liabilities maturing within 12 months and disbursements	24,096.0	22,385.0	25,596.0	26,972.0	22,658.0	19,958.0
Liabilities ≤ 12 months	16,296.0	16,185.0	18,396.0	19,372.0	15,358.0	11,958.0
Disbursements over the next 12 months	7,800.0	6,200.0	7,200.0	7,600.0	7,300.0	8,000.0
Liquid assets ratio (%)	93.6	103.1	103.9	109.7	123.0	160.8
Funding (EUR m)						
Annual issuance	5,900.0	8,200.0	8,700.0	8,600.0	13,100.0	9,600.0
USD (% , total outstanding)	68.1	63.2	60.4	50.1	50.1	45.7
EUR (% , total outstanding)	10.0	8.5	9.3	12.8	12.9	16.7
GBP (% , total outstanding)	7.1	5.7	8.6	12.4	13.1	14.6
ESG issuance	958.9	614.9	300.8	2,849.5	1,658.8	1,630.9
% total	16.3	7.5	3.5	33.1	12.7	17.0
Equity (EUR m)						
Paid-in capital	6,207.0	6,211.0	6,215.0	6,217.0	6,217.0	6,217.0
Reserves	9,351.0	9,961.0	10,068.0	11,613.0	11,674.0	14,128.0
Total equity and reserves	15,558.0	16,172.0	16,283.0	17,830.0	17,891.0	20,345.0
Key shareholders						
Average capital-key weighted rating	AA-	AA-	AA-	AA-	AA-	AA-
Shareholders rated at least AA- (%)	64.1	64.0	64.0	63.9	64.0	64.3
Callable capital [rated ≥ AA-] / Mandated assets	49.7	51.1	48.4	45.6	43.2	42.1

Source: EBRD, Scope Ratings.



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