

# 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 higher NPLs compared to peers

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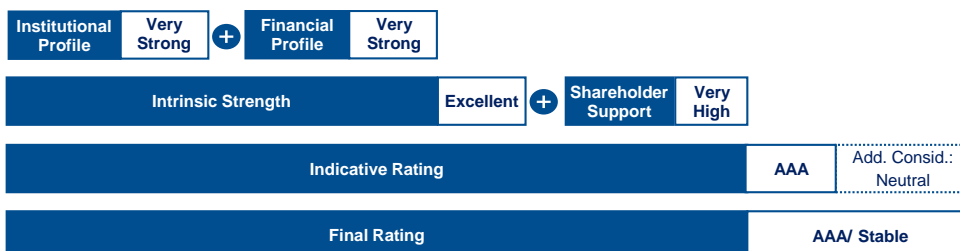
**Rating rationale and Outlook:** The EBRD's AAA rating reflects its 'excellent' intrinsic strength and 'very high' shareholder support. In detail:

- **Institutional profile:** The EBRD has a proven track record of excellent governance and a very strong mandate for its shareholders, being at the forefront of facilitating the transition to market and greener 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 continue to build its reserves (EUR 14.1bn at end-2021). 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. Still, NPLs of around 4.9% at end-2021, down from 5.5% in 2020, are well provisioned for at around 50%. In addition, exposures to Ukraine, Russia and Belarus have declined by more than half to around EUR 2.8bn as of January 2022 from about EUR 6.2bn in 2010. Finally, the bank's diversified portfolio across geographies, sectors and counterparties further mitigates asset quality risks.

- **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 Scope's 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.

**Figure 1: Our 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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Bloomberg: SCOP

## 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 shareholder support to determine the indicative rating.

Figure 3a: 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 (-)	

Figure 3b: Mapping intrinsic strength and shareholder support for the EBRD

Indicative Rating		Shareholder Support				
		Very High	High	Moderate	Weak	
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-	
	Strong	+	AA / A+	AA- / A	A+ / A-	A / BBB+
		-	AA- / A	A+ / A-	A / BBB+	A- / BBB
		-	A+ / A-	A / BBB+	A- / BBB	BBB+ / BBB-
	Adequate	+	A / BBB+	A- / BBB	BBB+ / BBB-	BBB / BB+
		-	A- / BBB	BBB+ / BBB-	BBB / BB+	BBB- / BB
		-	BBB+ / BBB-	BBB / BB+	BBB- / BB	BB+ / BB-
	Moderate	+	BBB / BB+	BBB- / BB	BB+ / BB-	BB / B+
		-	BBB- / BB	BB+ / BB-	BB / B+	BB- / B
		-	BB+ / BB-	BB / B+	BB- / B	B+ / B-
	Weak	+	BB / B+	BB- / B	B+ / B-	B / CCC
		-	BB- / B	B+ / B-	B / CCC	B- / CCC
		-	B+ / B-	B / CCC	B- / CCC	CCC
	Very Weak	+	B / CCC	B- / CCC		CCC
-		B- / CCC	CCC		CCC	
	-	CCC	CCC		CCC	

Source: Scope Ratings.



# European Bank for Reconstruction and Development

## I 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
<b>Key shareholders*</b>	<b>5,070.09</b>	<b>19,238.01</b>	<b>24,308.10</b>	<b>81.68</b>	<b>AA-</b>	<b>13,433.64</b>
Other 55 shareholders	1,147.36	4,303.28	5,450.64	18.32		1,712.57
<b>Total</b>	<b>6,217.5</b>	<b>23,541.3</b>	<b>29,758.7</b>	<b>100.0</b>		<b>15,146.2</b>

\* 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. Russia was rated C before the rating was withdrawn in line with EU sanctions and policies.

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



# European Bank for Reconstruction and Development

## II 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			
<b>Institutional Profile</b>											<b>Very Strong</b>			
Intrinsic Strength	Capitalisation (-3; +6)	Capital/ Potential assets	%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	44.0	Excellent	4	
		Capital/ Actual assets*	%	--	--	--	≥ 40	< 40	--	--	54.0	Excellent	1	
		Profitability (Return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	3.0	Adequate	1	
	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	--	5.1	Weak	-1
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	115.0	Excellent	4
		Maturity gap		Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.50	< 0.50	--	1.0	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	--	--	51.0	Strong	1		
<b>Financial Profile</b>											<b>Very Strong</b>			
<b>Intrinsic Strength</b>											<b>Excellent</b>			
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	--	--	44.0	Strong	1	
		Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	N/A	Strong	1	
<b>Shareholder Support</b>											<b>Very High</b>			
<b>Indicative Rating</b>											<b>AAA</b>			
Additional considerations (-1; +1)											Neutral			
<b>Final Rating</b>											<b>AAA</b>			

Figures in the financial profile relate to a weighted three-year average for 2018-20.

Source: Scope Ratings



## III Asset quality assessment

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

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

<b>Portfolio quality (final assessment)</b>	Very Strong	Strong	Adequate	Moderate	Weak
<b>Notches</b>	+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.

## IV Statistical tables

	2015	2016	2017	2018	2019	2020
<b>Capitalisation (EUR m)</b>						
Mandated potential assets	39,200.0	39,700.0	40,300.0	40,500.0	41,200.0	41,400.0
Mandated (disbursed) assets	29,217.0	30,290.0	29,425.0	31,120.0	33,026.0	34,900.0
Capitalisation ratio, potential (%)	38.6	41.2	41.6	40.7	46.5	43.6
Capitalisation ratio, actual (%)	51.8	54.0	57.0	53.0	58.0	51.8
<b>Profitability (EUR m)</b>						
Net income	442.0	811.0	592.0	210.0	1,315.0	175.0
Return on equity (%)	3.0	5.2	3.7	1.3	7.4	1.0
<b>Asset quality (EUR m)</b>						
Total gross loans	22,156.0	23,325.0	23,002.0	24,610.0	27,021.0	28,615.0
of which in Turkey, Egypt and Ukraine (% , total)	33.5	34.3	35.6	34.6	34.0	32.4
Non-performing loans / Gross loans (%)	5.7	5.2	3.7	4.6	4.2	5.5
Stage 3 provisions (% , NPLs)	64.0	62.9	71.0	59.5	57.3	51.5
Equity investments	5,033.0	5,265.0	4,834.0	4,745.0	5,070.0	4,872.0
Equity investments (% equity and reserves)	37.8	36.0	32.3	30.2	27.9	28.1
<b>Liquidity (EUR m)</b>						
Liquid assets	21,852.0	22,543.0	23,082.0	26,605.0	29,599.0	27,864.0
Cash and deposits	11,724.0	14,110.0	14,605.0	16,014.0	18,368.0	18,681.0
Treasury assets rated AA- or above	10,128.0	8,433.0	8,477.0	10,591.0	11,231.0	9,183.0
Liabilities maturing within 12 months and disbursements	26,647.0	24,096.0	22,385.0	25,596.0	26,572.0	22,958.0
Liabilities ≤ 12 months	20,147.0	16,296.0	16,185.0	18,396.0	19,372.0	15,358.0
Disbursements over the next 12 months	6,500.0	7,800.0	6,200.0	7,200.0	7,200.0	7,600.0
Liquid assets ratio (%)	82.0	93.6	103.1	103.9	111.4	121.4
<b>Funding (EUR m)</b>						
Volume	4,200.0	5,900.0	8,200.0	8,700.0	8,600.0	13,100.0
USD (%)	60.8	66.6	68.1	63.2	60.4	50.1
EUR (%)	11.7	9.5	10.0	8.5	9.3	12.8
GBP (%)	10.6	10.6	7.1	5.7	8.6	12.4
ESG issuance	323.2	918.6	571.8	287.1	3,909.8	1,247.9
% total	7.7	15.6	7.0	3.3	45.5	9.5
<b>Equity (EUR m)</b>						
Paid-in capital	6,202.0	6,207.0	6,211.0	6,215.0	6,217.0	6,217.0
Reserves	8,504.0	9,351.0	9,961.0	10,068.0	11,613.0	11,674.0
Total equity and reserves	14,706.0	15,558.0	16,172.0	16,283.0	17,830.0	17,891.0
<b>Key shareholders</b>						
Average capital-key weighted rating	AA-	AA-	AA-	AA-	AA-	AA-
Shareholders rated at least AA- (%)	64.1	64.1	64.0	64.0	63.9	64.0
Callable capital [rated ≥ AA-] / Mandated assets	51.5	49.7	51.1	48.4	45.6	43.2

Source: EBRD, Bloomberg, Scope Ratings



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