

# European Bank for Reconstruction and Development



**AAA**  
STABLE  
OUTLOOK

## Credit strengths

- Very strong mandate; ESG pioneer
- Excellent capitalisation, supported by upcoming paid-in capital increase
- 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 Ukraine and Turkey

## 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 European Bank for Reconstruction and Development's (EBRD) AAA rating reflects its 'Excellent' intrinsic strength and 'Excellent' shareholder support. In detail:

**Institutional profile:** The EBRD displays excellent governance, with a strong mandate from its shareholders of facilitating the transition to market and sustainable economies in its countries of operation. A recently-approved paid-in capital increase will underpin the bank's sustained activities in Ukraine and highlights shareholders' strong support.

**Financial profile:** The EBRD is highly capitalised and displays conservative risk management practices. The bank's paid-in capital ratio of 21% is one of the highest among peers. This will further increase with the increase of EUR 4bn in paid-in capital, while sustained profits in its core business have built its reserves. The bank recorded EUR 1.66bn in net income in the first nine months of 2023, which overcompensates a net loss of EUR 1.1bn in 2022. Prudent capital and liquidity management and excellent market access are important mitigating factors for a comparatively risky business profile.

The bank's focus on the private sector in transition and EMEs results in relatively higher non-performing loans (NPLs) and volatile returns. NPLs amounted to 7.7% of gross loans at Q3 2023, but are well provisioned for. Further, risks related to the EBRD's new investments of EUR 3bn in Ukraine in 2022-23 are mitigated by shareholder guarantees of an average 50%. 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. Strong shareholder support has recently been underpinned by the Board of Governor's decision to initiate a capital increase in 2024. Shareholder governments belonging to the G7 hold over 50% of its capital.

## Scope's assessment of the EBRD's rating drivers

Institutional Profile **Very Strong** + Financial Profile **Very Strong**

Intrinsic Strength **Excellent** + Shareholder Support **Excellent**

Indicative Rating **AAA** Add. Consid.: Neutral

Final Rating **AAA/ Stable**

### Positive rating-change drivers

- N/A

### Negative rating-change drivers

- Losses that reduce capital base
- Reduced liquidity buffers

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Bloomberg: RESP SCOP

## 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 (-)	

#### 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
Very Weak	B- / CCC	CCC		CCC	
-	CCC	CCC		CCC	

Source: Scope Ratings



## 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	626.0	2,375.4	3,001.5	10.1	AA	2,375.4
France	533.2	2,023.3	2,556.5	8.6	AA	2,023.3
Germany	533.2	2,023.3	2,556.5	8.6	AAA	2,023.3
Italy	533.2	2,023.3	2,556.5	8.6	BBB+	
Japan	533.2	2,023.3	2,556.5	8.6	A	
United Kingdom	533.2	2,023.3	2,556.5	8.6	AA	2,023.3
Russia	250.4	950.2	1,200.6	4.0		
Canada	212.9	807.6	1,020.5	3.4		807.6
Spain	212.9	807.6	1,020.5	3.4	A-	
European Investment Bank	187.8	712.6	900.4	3.0	AAA	712.6
European Union	187.8	712.6	900.4	3.0	AAA	712.6
Netherlands	155.3	589.1	744.4	2.5	AAA	589.1
Austria	142.7	541.6	684.3	2.3	AAA	541.6
Belgium	142.7	541.6	684.3	2.3	AA-	541.6
Sweden	142.7	541.6	684.3	2.3	AAA	541.6
Switzerland	142.7	541.6	684.3	2.3	AAA	541.6
<b>Key shareholders*</b>	<b>5,070.1</b>	<b>19,238.0</b>	<b>24,308.1</b>	<b>81.7</b>	<b>AA-</b>	<b>13,433.6</b>
Other 57 shareholders	1,147.4	4,303.3	5,450.6	18.3		1,641.4
<b>Total</b>	<b>6,217.5</b>	<b>23,541.3</b>	<b>29,758.7</b>	<b>100.0</b>		<b>15,075.1</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.

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

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

Risk factors	Variables	Unit									Value	EBRD		
			+4	+3	+2	+1	0	-1	-2	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	46.0	Excellent	4	
		Capital/ Actual assets*	%	--	--	--	≥ 30	< 30	--	--	56.0	Excellent	1	
		Profitability (Return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	0.0	Moderate	0	
	Trend (-1; +1)												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	--	6.8	Weak	-1
		Trend (-1; +1)												0
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	140.0	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	--	8.0	Strong	1
Currency diversification			Top 1 share	--	--	--	≤ 70	> 70	--	--	46.0	Strong	1	
Trend (-1; +1)												0		
<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				
<b>Shareholder Support</b>											<b>Excellent</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 2020-22.

Source: Scope Ratings

## IV Asset quality assessment

<b>Portfolio quality (initial assessment)</b>	Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality	aaa/aa	a	bbb	bb	b/ccc
<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	+6
Adjustments	+2 categories

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

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.

Source: Scope Ratings

## V Statistical table

	2017	2018	2019	2020	2021	2022
<b>Capitalisation (EUR m)</b>						
Mandated potential assets	40,300.0	40,500.0	41,200.0	41,400.0	42,500.0	43,000.0
Mandated (disbursed) assets	28,100.0	29,500.0	31,100.0	32,500.0	33,600.0	35,500.0
Capitalisation ratio, potential (%)	40.1	40.2	43.3	43.2	47.9	45.0
Capitalisation ratio, actual (%)	57.6	55.2	57.3	55.0	60.6	54.5
<b>Profitability (EUR m)</b>						
Net income (incl. transfers)	592.0	210.0	1,315.0	175.0	2,422.0	- 1,240.0
Return on equity (%)	3.7	1.3	7.4	1.0	11.9	- 6.4
<b>Asset quality (EUR m)</b>						
Total gross loans	23,002.0	24,610.0	27,021.0	28,615.0	29,690.0	31,862.0
of which in Turkey, Egypt and Ukraine (% total*)	35.6	34.6	34.0	32.4	32.6	31.3
Non-performing loans / gross loans (%)	3.7	4.6	4.5	5.6	4.9	8.0
Stage 3 provisions (% NPLs)	71.0	59.5	57.3	51.5	51.0	60.0
Equity investments	4,834.0	4,745.0	5,070.0	4,872.0	6,010.0	4,885.0
Equity investments (% equity and reserves)	29.9	29.1	28.4	27.2	29.5	25.3
<b>Liquidity (EUR m)</b>						
Liquid assets and undrawn credit facilities	23,082.0	26,605.0	29,599.0	27,864.0	32,099.0	29,696.0
Cash and deposits	14,605.0	16,014.0	18,368.0	18,681.0	22,619.0	21,402.0
Treasury assets rated AA- or above	8,477.0	10,591.0	11,231.0	9,183.0	9,480.0	8,294.0
Liabilities ≤ 12 months and disbursements	22,385.0	25,596.0	26,972.0	22,658.0	20,758.0	21,295.0
Liabilities ≤ 12 months	16,185.0	18,396.0	19,372.0	15,358.0	11,958.0	13,795.0
Disbursements over the next 12 months	6,200.0	7,200.0	7,600.0	7,300.0	8,800.0	7,500.0
Liquid assets ratio (%)	103.1	103.9	109.7	123.0	154.6	139.5
<b>Funding (EUR m)</b>						
Issuance outstanding	35,116.0	40,729.0	45,821.0	46,926.0	49,126.0	43,418.0
USD (%)	63.2	60.4	50.1	50.1	45.7	45.8
EUR (%)	8.5	9.3	12.8	12.9	16.7	15.6
GBP (%)	5.7	8.6	12.4	13.1	14.6	12.4
ESG issuance outstanding	2,072.8	1,787.7	3,751.7	5,048.7	6,503.4	6,873.0
% total	5.9	4.4	8.2	10.8	13.2	16.2
<b>Equity (EUR m)</b>						
Paid-in capital	6,211.0	6,215.0	6,217.0	6,217.0	6,217.0	6,217.0
Retained earnings and reserves	9,961.0	10,068.0	11,613.0	11,674.0	14,128.0	13,119.0
Total equity	16,172.0	16,283.0	17,830.0	17,891.0	20,345.0	19,336.0
<b>Key shareholders</b>						
Average capital-key weighted rating	AA-	AA-	AA-	AA-	AA-	AA-
Shareholders rated at least AA- (%)	64.0	64.0	63.9	64.0	65.0	65.0
Callable capital [rated ≥ AA-] / Mandated assets (%)	53.6	51.0	48.4	46.4	45.6	43.1

\* Total loans and guarantees, including undrawn, respectively.

Source: EBRD, Scope Ratings



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