Highlights

The EBRD[1] recorded a net profit of €2.5 billion, an increase from the €0.3 billion profit recorded for 2020 and the largest annual profit in the history of the Bank.

Of this total profit, the largest contributory factor was equity gains of €1.7 billion, the majority of which were unrealised fair value increases. While equity markets in general were profitable in 2021, the Bank's equity investments performed particularly well, significantly outperforming benchmarks applicable to the regions in which the Bank invests.

The Bank's loan investments not only continued to provide a stable flow of revenue, but also demonstrated resilience after recording significant provisioning losses in the previous year. The Bank's net interest income increased to €0.9 billion, from €0.8 billion in 2020; and there was a net release of €0.2 billion of provisions, in contrast to the €0.5 billion charge the previous year. Simultaneously there was a reduction in non-performing loans (NPLs) with the proportion of NPLs falling to 4.9 per cent from 5.5 per cent in 2020.

Allowing for income allocations of €80 million and movements recorded in the statement of other comprehensive income, the Bank's reserves increased by €2.4 billion to €14.1 billion overall. The EBRD continues to be rated AAA with a stable outlook, and was affirmed as such by all three major ratings agencies in 2021.

Financial results 2017-21

€ million	2021	2020	2019	2018	2017
Net profit	2,502	290	1,432	340	772
Transfers of net income approved by the Board of Governors[2]	(80)	(115)	(117)	(130)	(180)
Net profit after transfers of net income approved by the Board of Governors	2,422	175	1,315	210	592
Paid-in capital	6,217	6,217	6,217	6,215	6,211
Reserves and retained earnings	14,128	11,674	11,613	10,068	9,961
Total members' equity	20,345	17,891	17,830	16,283	16,172

Operational results 2017-21

	2021	2020	2019	2018	2017
Number of projects[3]	413	411	452	395	412
Annual Bank Investment[4] (€ million)	10,446	10,995	10,092	9,547	9,670
Annual mobilised investment[5] (€ million)	1,750	1,240	1,262	1,467	1,054
of which private direct mobilisation[6]	908	411	460	1,059	669
Total project value[7] (€ million)	39,781	27,224	34,884	32,570	38,439

1 The European Bank for Reconstruction and Development (the Bank).
2 Transfers of net income are accounted for as a transaction with equity holders recognised in the statement of changes in equity.
3 The number of projects to which the Bank made commitments in the year.
4 Volume of commitments made by the Bank during the year. This includes (i) new commitments (less any amount cancelled or syndicated within the year); (ii) restructured commitments; and (iii) trade finance (TFP) amounts issued during the year and outstanding at year-end.
5 Annual mobilised investment is the volume of commitments from entities other than the Bank made available to the client that is explicitly due to the Bank's direct involvement.
6 Financing from a private entity on commercial terms due to the Bank's active involvement.
7 Total project value is the total amount of finance provided to a project, including both EBRD and non-EBRD finance, and is reported in the year in which the project first signs. EBRD financing may be committed over more than one year with "Annual Bank Investment" reflecting EBRD finance by year of commitment. The amount of finance to be provided by non-EBRD parties is reported in the year the project first signs.

The Bank engages primarily in Banking and Treasury activities. Banking activities represent investments in projects that, in accordance with the Agreement Establishing the Bank, are made for the purpose of assisting the economies in which the Bank invests in their transition to open, market economies whilst fostering sustainable and inclusive growth and applying sound banking principles. The main investment products are loans, share investments and guarantees. Treasury activities include raising debt finance, investing surplus liquidity, managing the Bank's foreign exchange and interest rate risks and assisting clients in asset and liability management.

Banking operations

Operational results

Annual Bank Investment amounted to €10.4 billion[8] in 2021, comprising 413 investment operations and activity in 82 trade finance agreements under the Trade Facilitation Programme (2020: €11.0 billion, 411 investment operations and 85 trade finance agreements).

The EBRD invested in 36 economies in 2021 with investment by region as follows: €2.0 billion in Turkey; €1.8 billion in south-eastern Europe; €1.7 billion in eastern Europe and the Caucasus; €1.5 billion in the southern and eastern Mediterranean (SEMED); €1.3 billion in central Asia; €1.3 billion in central Europe and the Baltic states; and €0.8 billion in Greece.

The Bank's activity in 2021 remained largely shaped by the Covid-19 pandemic as the world continued to face major disruption to global economic activity and business conditions were yet to return to normal. In 2021, Annual Bank Investment in the financial sector reached €4.3 billion, with the majority of financing directed via partner banks to small and medium-sized enterprises, to projects supporting environmental sustainability, to facilitating international trade and to projects developing capital markets. A further €3.6 billion was invested in the sustainable infrastructure sector and €2.5 billion in the diversified corporate sectors.

The Bank's portfolio of investment operations[9] increased from €48.4 billion in 2020 to €50.2 billion by the end of 2021. The growth in the Bank's portfolio reflected the strong level of new investments and the strengthening of the US dollar during 2021 (€/$1.23 at end-2020 compared with €/$1.13 at end-2021) resulting in an increase in the euro value of the Bank's US dollar-denominated assets.

Gross disbursements[10] reached €7.3 billion in 2021, below the €7.6 billion disbursed in 2020 but above 2018 and 2019 (both at €7.2 billion). Loan repayments of €6.2 billion (2020: €4.1 billion), reflecting increased levels of reflows from short-term liquidity following the Bank's Solidarity Package in 2020, and equity divestments of €0.7 billion (2020: €0.5 billion) resulted in operating assets[11] of €34.3 billion at end-2021, up from €33.3 billion at end-2020.

Operating assets comprised €29.9 billion of disbursed outstanding loans (2020: €28.8 billion) and €4.4 billion of disbursed outstanding equity investments at historic cost (2020: €4.5 billion) at 31 December 2021.

In addition to Annual Bank Investment, annual mobilised investment reached €1.8 billion, comprising €0.9 billion of direct mobilisation from the private sector, principally through syndicated and parallel loans and a further €0.5 billion of unfunded risk participations the Bank attracted on its own projects. In addition, the Bank mobilised €0.4 billion from public sector sources.

The total value of projects signed in 2021 (corresponding to the total amount of EBRD finance and non-EBRD finance including direct mobilisation and additional investment attracted by projects the Bank invested in) reached €39.8 billion in 2021 compared with €27.2 billion in 2020.

The Bank's activities in 2021 remained strongly supported by donor funding, including the Special Funds, the Cooperation Funds and the Trust Funds to support the economic development of the West Bank and Gaza.

These broad-based results reflect an ongoing commitment to the transition of members within the EBRD regions as they build and strengthen sustainable, inclusive, open market economies.

Financial performance

Banking operations recorded a net gain of €2.3 billion[12] for 2021, compared with the gain of €0.1 billion for 2020. The Banking profit for the year is primarily attributable to €1.7 billion in gains from equity investments, €0.9 billion of net interest and fee income and a €0.2 billion release of provisions for impairment, offset by €0.4 billion of expenses and depreciation. In comparison to 2020, gains from equity investments increased by €1.4 billion, and there was a net release of loan provisioning charges of €0.7 billion year on year following the substantial charge in 2020.

The sizeable gains delivered by the Bank's equity investments in 2021 were driven by strong performance from all areas of the Bank's equity portfolio. The most notable gains were delivered by investments in the technology sector, which performed particularly well relative to other sectors during the course of the Covid-19 pandemic.

The gains and losses from both share investments and provisioning are expected to continue to show significant variability from year to year, given the volatility of markets in which the Bank invests.

8 As region/sector amounts and disbursements/repayments are individually reported to one decimal point, the sum of these amounts may create a rounding difference with the Annual Bank Investment total.
9 The Bank's loans and equity investments at cost together with undrawn commitments.
10 Principal outflows from the Bank to a client or other agreed third parties.
11 Operating assets are the total amounts disbursed less reflows.
12 See note 2 on page 61 for further detail.

Treasury operations

Portfolio

The value of assets under Treasury management at 31 December 2021 was €34.0 billion (2020: €31.7 billion) and borrowings were €50.1 billion (2020: €48.2 billion). The size of Treasury's balance sheet is primarily driven by the requirements of the Bank's internal liquidity policies. The 2021 funding programme was completed as planned with the Bank raising medium- and long-term debt of €9.6 billion (2020: €13.1 billion).

Financial performance

Before allowing for the impact of non-qualifying and ineffective hedges, Treasury returned a profit of €130 million in 2021 compared with the €155 million gain in 2020. Treasury's performance is internally evaluated before the impact of non-qualifying and ineffective hedges, which is considered to represent an accounting mismatch rather than an underlying economic gain or loss.[13] After allowing for hedge accounting adjustments Treasury's operating profit for 2021 was €190 million (2020: €152 million). Treasury's performance is primarily driven by the generation of net interest income and the fair valuations of derivatives used to manage interest rate and currency risks in the Bank's balance sheet.

Capital

The Bank's authorised share capital is €30.0 billion, of which subscribed capital amounts to €29.8 billion and paid-in capital €6.2 billion. This is unchanged from 31 December 2020.

The calculation of capital for gearing purposes under the Agreement Establishing the Bank is explained in the "Capital management" section of this report on page 55.

Reserves

The Bank's reserves increased by €2.4 billion to €14.1 billion at the end of 2021.

Expenses

General administrative expenses for 2021, inclusive of depreciation and amortisation, were €474 million (2020: €466 million). The pound sterling equivalent of this figure was £423 million (2020: £394 million).

Outlook for 2022

The repercussions of the war on Ukraine are expected to have a significant financial impact on the Bank given the scale of the Bank's investments in the region. It is anticipated that the effects of the conflict will cause an increase in non-performing loans amongst Ukrainian clients. At the same time, it is expected that equity investments based in Russia, Belarus and Ukraine, and to an extent in neighbouring countries, will suffer significant declines in fair value. Furthermore, the resulting contagion, including through higher energy and food prices and disrupted economic linkages, will adversely affect the performance of Bank clients across significant part of its overall region.

The Bank's net interest and fee income may come under some pressure if non-performing loans increase sharply, while general administrative expenses may increase to accommodate crisis response and administrative adjustments. Geopolitical uncertainty in the Bank's region of operations will remain elevated, continuing to contribute to volatility in the Bank's earnings, particularly in the valuations of its equity portfolio and the level of provisioning against its loan investments.

Notwithstanding these unprecedented challenges, the Bank expects its capital strength and liquidity to remain adequate to support its operations throughout 2022 and beyond.

[13] See note 9 on page 64 for a more detailed explanation.