

Highlights

The EBRD¹ recorded a net loss of €1.1 billion in 2022, reversing a portion of the €2.5 billion gains achieved in 2021. In the face of strong financial headwinds caused by the Russian invasion of Ukraine, the Bank's prudently managed balance sheet demonstrated resilience and the Bank's financial position remains strong.

The war on Ukraine was the main driver of the losses. Impairment losses, primarily on loans based in Ukraine, the Russian Federation and Belarus reached €1.4 billion, with the proportion of non-performing loans (NPLs) increasing from 4.9 per cent to 7.9 per cent during the year. The invasion also led to a significant fall in the value of the Bank's equity investments based in the Russian Federation, where a relatively large legacy portfolio of assets remained. Overall equity losses were €1.1 billion as a result.

Offsetting these negative factors, the Bank's portfolio of loan investments continued to provide a stable flow of revenue and net interest income of €1.1 billion was recorded in the year. Treasury performance was also strong, aided in part by rising interest rates.

Allowing for income allocations of €123 million, movements recorded in the statement of other comprehensive income, and the consolidation of the EBRD Shareholder Special Fund, the Bank's reserves fell by €1.0 billion to €13.1 billion overall. The EBRD continues to be rated triple-A with a stable outlook, and was affirmed as such by all three major credit ratings agencies in 2022.

Financial results 2018–22

| € million | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------|--------|--------|--------|--------|
| Net (loss)/profit | (1,117) | 2,502 | 290 | 1,432 | 340 |
| Transfers of net income approved by the Board of Governors ² | (123) | (80) | (115) | (117) | (130) |
| Net (loss)/profit after transfers of net income approved by the Board of Governors | (1,240) | 2,422 | 175 | 1,315 | 210 |
| Paid-in capital | 6,217 | 6,217 | 6,217 | 6,217 | 6,215 |
| Reserves and retained earnings | 13,119 | 14,128 | 11,674 | 11,613 | 10,068 |
| Total members' equity | 19,336 | 20,345 | 17,891 | 17,830 | 16,283 |

Operational results 2018–22

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------|--------|--------|--------|--------|
| Number of projects ³ | 431 | 413 | 411 | 452 | 395 |
| Annual Bank Investment ⁴ (€ million) | 13,071 | 10,446 | 10,995 | 10,092 | 9,547 |
| Annual mobilised investment ⁵ (€ million) | 1,746 | 1,750 | 1,240 | 1,262 | 1,467 |
| of which private direct mobilisation ⁶ | 803 | 908 | 411 | 460 | 1,059 |
| Total project value ⁷ (€ million) | 38,028 | 39,781 | 27,224 | 34,884 | 32,570 |

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 countries 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 a record €13.1 billion⁸ in 2022, comprising 431 investment operations and activity in 81 trade finance agreements under the Trade Facilitation Programme (2021: €10.4 billion, 413 investment operations and 82 trade finance agreements).

The EBRD invested in 35 countries in 2022⁹ with investment by region as follows: €2.4 billion in each of eastern Europe and the Caucasus, southern and eastern Mediterranean (SEMED) and central Europe and the Baltic states; €2.1 billion in south eastern Europe; €1.6 billion in Türkiye; €1.5 billion in central Asia; and €0.7 billion in Greece.

The Bank's activity in 2022 was delivered in the context of the unprecedented war on Ukraine and its effects on neighbouring countries of operations. In 2022, Annual Bank Investment in the financial sector reached €5.6 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 €4.0 billion was invested in the sustainable infrastructure sector and €3.5 billion in the diversified corporate sectors.

The Bank's portfolio of investment operations¹⁰ increased from €50.2 billion in 2021 to €53.5 billion by the end of 2022. This growth reflected the record level of new investments and the strengthening of the US dollar during 2022 (€/US\$1.13 at end-2021 compared with €/US\$1.06 at end-2022) resulting in an increase in the euro value of the Bank's US dollar-denominated assets.

Gross disbursements¹¹ also reached a record €8.8 billion in 2022, above the €7.3 billion disbursed in 2021. Loan repayments of €6.3 billion (2021: €6.2 billion), reflecting increased levels of reflows from short-term liquidity provided to support clients during the pandemic in 2020, and equity divestments of €0.4 billion

(2021: €0.7 billion) resulted in operating assets¹² of €36.8 billion at end-2022, up from €34.3 billion at end-2021.

Operating assets comprised €32.2 billion of disbursed outstanding loans (2021: €29.9 billion) and €4.6 billion of disbursed outstanding equity investments at historic cost (2021: €4.4 billion) at 31 December 2022.

In addition to Annual Bank Investment, Annual Mobilised Investment reached €1.7 billion, comprising €0.8 billion of direct mobilisation from the private sector, principally through syndicated and parallel loans and a further €0.8 billion of unfunded risk participations that the Bank attracted on its own projects. In addition, the Bank mobilised €0.2 billion from public sector sources.

The total value of projects signed in 2022 (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 €38.0 billion in 2022 compared with €39.8 billion in 2021.

The Bank's activities in 2022 were strongly supported by donors and shareholders, including Special Funds, Cooperation Funds and the Trust Funds. Donor funding played a critical role in the EBRD's engagement in Ukraine with the Bank mobilising more than €1.2 billion from donors to support operations in the country.

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 loss of €1.8 billion¹³ for 2022, compared with the gain of €2.3 billion for 2021. The Banking loss for the year is primarily attributable to €1.4 billion in impairment charges, €1.1 billion losses from equity investments, and €0.5 billion of expenses and depreciation, offset by €1.2 billion of net interest and fee income. In comparison to 2021, returns from equity investments fell by €2.8 billion, and impairment charges increased by €1.6 billion year on year following the small release in 2021.

The impairment losses and the equity losses were driven by the financial consequences of the Russian invasion of Ukraine, with the losses being almost entirely concentrated on the Bank's investments based in Ukraine, the Russian Federation and Belarus.

The gains and losses from both impairment and equity investments 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 In 2022 the Bank announced that access to its resources by the Russian Federation and Belarus was to be suspended with immediate effect.

¹⁰ The Bank's loans and equity investments at cost together with undrawn commitments.

¹¹ Principal outflows from the Bank to a client or other agreed third parties.

¹² Operating assets are the total amounts disbursed less reflows.

¹³ See note 3 on page 63 for further detail.

Treasury operations

Portfolio

The value of assets under Treasury management at 31 December 2022 was €30.5 billion (2021: €34.0 billion) and borrowings were €44.0 billion (2021: €50.1 billion). The size of Treasury's balance sheet is primarily driven by the requirements of the Bank's internal liquidity policies. The 2022 funding programme was completed with the Bank raising medium- and long-term debt of €6.7 billion (2021: €9.6 billion).

Financial performance

Before allowing for the impact of non-qualifying and ineffective hedges, Treasury returned a profit of €0.2 billion in 2022 compared with the €0.1 billion gain in 2021. Treasury's performance is internally evaluated before both the impact of non-qualifying and ineffective hedges, which is considered to represent an accounting mismatch rather than an underlying economic gain or loss, and the return on assets funded by capital.¹⁴ After allowing for hedge accounting adjustments and the return on capital, Treasury's operating profit for 2022 was €0.7 billion (2021: €0.2 billion). 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 2021.

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 56.

Reserves

The Bank's reserves decreased by €1.0 billion to €13.1 billion at the end of 2022.

Expenses

General administrative expenses for 2022, inclusive of depreciation and amortisation, were €538 million (2021: €474 million). The pound sterling equivalent of this figure was £457 million (2021: £423 million).

Outlook for 2023

Geopolitical uncertainty in the Bank's regions of operation is expected to remain elevated, continuing to contribute to volatility in the Bank's earnings, particularly in the valuations of its equity portfolio and the level of expected credit losses against its loan investments.

Notwithstanding these challenges, the Bank expects its capital strength and liquidity to remain adequate to support its operations throughout 2023 and beyond.

¹⁴ See note 10 on page 68 for a more detailed explanation.