Highlights

The EBRD[1] recorded a net profit of €2.1 billion in 2023, offsetting all of the €1.1 billion losses incurred in 2022 following the Russian invasion of Ukraine.

The most significant driver of the year-on-year change in profitability was equity gains of €1.0 billion, compared to a loss of €1.1 billion in 2022. While equity markets in general were profitable in 2023, the Bank's equity investments performed particularly well, exceeding benchmarks applicable to the regions in which the Bank invests.

The Bank's loan investments also continued to provide a stable flow of revenue, with Banking net interest income[2] reaching €1.1 billion, compared with €1.2 billion in 2022. The proportion of non-performing loans remained stable at 7.9 per cent, consistent with 2022, and a net release of impairment charges provided an additional gain of €0.1 billion.

The Bank's overall profitability also benefitted from rising interest rates which increased the Bank's return on capital, that is the interest earned on assets funded by members' equity, to €0.5 billion in 2023 from €0.1 billion in 2022.

Allowing for income allocations of €23 million and movements recorded in the statement of other comprehensive income, the Bank's reserves increased by €3.0 billion to €16.1 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 2023.

1 The European Bank for Reconstruction and Development (the Bank).
2 Banking segment interest income less internal funding charges. See note 3 on page 66.

Financial results 2019-23

€ million	2023	2022	2021	2020	2019
Net profit/(loss)	2,098	(1,117)	2,502	290	1,432
Transfers of net income approved by the Board of Governors	(23)	(123)	(80)	(115)	(117)
Net profit/(loss) after transfers of net income approved by the Board of Governors	2,075	(1,240)	2,422	175	1,315
Paid-in capital	6,218	6,217	6,217	6,217	6,217
Reserves and retained earnings	16,050	13,119	14,128	11,674	11,613
Total members' equity	22,268	19,336	20,345	17,891	17,830

Operational results 2019-23

	2023	2022	2021	2020	2019
Number of projects[3]	464	431	413	411	452
Annual Bank Investment[4] (€ million)	13,129	13,071	10,446	10,995	10,092
Annual mobilised investment[5] (€ million)	2,819	1,746	1,750	1,240	1,262
of which private direct mobilisation[6]	1,499	803	908	411	460
Private indirect mobilisation[7] (€ million)	23,400	12,957	16,613	9,324	11,663
Total mobilisation[8] (€ million)	26,220	14,703	18,363	10,564	12,925

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 Multilateral Development Bank (MDB)-agreed Private indirect mobilisation (PIM) is defined as financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. This amount includes many instances where the EBRD was instrumental in the underlying transaction but the structure of the project did not allow it to evidence the qualification of the mobilised amount as direct mobilisation.
8 The sum of annual mobilised investment and private indirect mobilisation in a given year.

The Bank engages primarily in Banking and Treasury activities. Banking activities represent investments in projects that, in accordance with the Agreement Establishing the EBRD, are made for the purpose of assisting the countries in which the Bank invests in their transition to open, market economies while 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

In a year of significant milestones, the activity of the Bank has been dominated by the war on Ukraine and the ever more urgent need to fight the effects of climate change. Standing by its clients and the economies where it operates in a difficult economic context marred by persistent inflation, the EBRD has also been swift in deploying responses to the devastating earthquakes in Morocco and Türkiye. In these challenging conditions, the Bank delivered record-equalling levels of activity with Annual Bank Investment reaching €13.1 billion[9] in 2023, comprising 464 investment operations and activity in 81 trade finance agreements under the Trade Facilitation Programme (2022: €13.1 billion, 431 investment operations and 81 trade finance agreements).

The EBRD invested in 34 economies in 2023 with investment by region as follows: €2.5 billion in Türkiye; €2.4 billion in each of south-eastern Europe and central Europe and the Baltic states; €2.1 billion in eastern Europe and the Caucasus; €1.9 billion in southern and eastern Mediterranean (SEMED); €1.2 billion in central Asia and €0.5 billion in Greece.

In 2023, Annual Bank Investment in the financial sector reached €5.8 billion, with most of the 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 €3.8 billion was invested in the sustainable infrastructure sector and €3.5 billion in the diversified corporate sectors.

The Bank's portfolio of investment operations[10] increased from €53.5 billion in 2022 to €55.9 billion by the end of 2023. The growth in the Bank's portfolio reflected the record level of new investments although the strengthening of the euro against the US dollar during 2023 (€/US$ 1.06 at end-2022 compared with €/US$ 1.11 at end-2023) resulted in a slight decrease in the euro value of the Bank's US dollar-denominated assets.

Gross disbursements[11] reached a record €9.8 billion in 2023, above the €8.8 billion disbursed in 2022. Gross disbursements combined with loan repayments of €6.3 billion (2022: €6.3 billion) and equity divestments of €0.5 billion (2022: €0.4 billion) resulted in operating assets[12] of €39.1 billion at end 2023, up from €36.8 billion at end 2022. Operating assets comprised €34.7 billion of disbursed outstanding loans (2022: €32.2 billion) and €4.5 billion of disbursed outstanding equity investments at historic cost (2022: €4.6 billion) as at 31 December 2023.

In addition to Annual Bank Investment, Annual Mobilised Investment reached a record €2.8 billion, comprising €1.5 billion of direct mobilisation from the private sector, principally through syndicated and parallel loans, €0.6 billion of unfunded risk participations the Bank attracted on its own projects and a further €0.7 billion through trade facilitation, equity participations and public sources. In addition to direct mobilisation, the Bank indirectly mobilised private finance of €23.4 billion in 2023 corresponding to additional investment attracted by projects the Bank invested in. The combined value of Annual Mobilised Investment and indirect mobilisation totalled €26.2 billion in 2023, up from €14.7 billion in 2022.

The Bank's activities in 2023 were strongly supported by donors and shareholders, including Special Funds, Cooperation Funds and the Trust Funds to support the economic development of the West Bank and Gaza. Donor funding played a critical role in the EBRD's engagement in Ukraine, with the Bank mobilising more than €0.4 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 profit of €1.9 billion[13] for 2023, compared with a loss of €1.8 billion in 2022. The Banking profit for the year is primarily attributable to €1.2 billion of net interest and fee income, €1.0 billion gains from equity investments, and a €0.1 billion release of impairment charges, offset by €0.5 billion of expenses and depreciation.

In comparison to 2022, returns from equity increased by €2.1 billion, and impairment charges improved by €1.5 billion year on year following the large charge incurred in 2022. Whereas in 2022 the impairment losses and the equity losses were driven by the financial consequences of the Russian invasion of Ukraine, in 2023 the Bank's investments based in Ukraine, Russia and Belarus did not significantly impact annual profitability.

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.

[9] 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.

[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 65 for further detail.

Treasury operations

Portfolio

The value of assets under Treasury management at 31 December 2023 was €28.1 billion (2022: €30.5 billion) and borrowings were €45.2 billion (2022: €44.0 billion). The size of Treasury's balance sheet is primarily driven by the requirements of the Bank's internal liquidity policies. The 2023 funding programme was completed with the Bank raising medium- and long-term debt of €9.6 billion (2022: €6.7 billion).

Financial performance

Before allowing for the impact of non-qualifying and ineffective hedges and the Bank's return on capital, Treasury returned a profit of €0.4 billion in 2023 compared with the €0.2 billion gain in 2022. 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 2023 was €0.3 billion (2022: €0.7 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. Subscribed capital amounts to €29.8 billion and paid-in capital €6.2 billion. This is unchanged from 31 December 2022.

In 2023 the Board of Governors approved an increase to the authorised share capital of €4.0 billion new paid-in shares. The effective date of this capital increase will be 31 December 2024.

The calculation of capital for gearing purposes under the Agreement Establishing the EBRD is explained in the "Capital management" section of this report on page 58.

Reserves

The Bank's reserves increased by €3.0 billion to €16.1 billion at the end of 2023.

Expenses

General administrative expenses for 2023, inclusive of depreciation and amortisation, were €538 million (2022: €538 million). The pound sterling equivalent of this figure was £473 million (2022: £457 million).

Outlook for 2024

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 2024 and beyond.

[14] See note 10 on page 71 for a more detailed explanation.