

# Consolidated income statement

These financial statements have been approved for issue by the Board of Directors on 10 April 2024.

		Year to 31 Dec 2023	Year to 31 Dec 2022
For the year ended 31 December 2023	Note	€ million	€ million
<b>Interest income</b>			
From Banking loans		2,526	1,759
From fixed-income debt securities and other interest		1,374	511
Net interest income on derivatives		225	-
		4,125	2,270
<b>Other interest</b>			
Interest expense and similar charges		(2,291)	(1,119)
Net interest expense on derivatives		-	(12)
<b>Net interest income</b>	4	1,834	1,139
<b>Fee and commission income</b>			
Fee and commission income		144	99
Fee and commission expense		(117)	(35)
<b>Net fee and commission income</b>	5	27	64
<b>Donor-related income</b>			
Donor-related income		28	19
Donor-related expense		(20)	(15)
<b>Net donor-related income</b>		8	4
<b>Dividend income</b>			
Dividend income		82	98
Net gains/(losses) from share investments at fair value through profit or loss	6	919	(1,150)
Net losses from loans	7	(5)	(57)
Net gains from Treasury assets held at amortised cost	8	1	4
Net gains from Treasury activities at fair value through profit or loss and foreign exchange	9	210	343
Fair value movement on non-qualifying and ineffective hedges	10	(554)	393
Impairment provisions on Banking loan investments	11	100	(1,390)
Impairment provisions on guarantees		14	(27)
General administrative expenses	12	(479)	(468)
Depreciation and amortisation	21, 22	(59)	(70)
<b>Net profit/(loss)</b>		2,098	(1,117)
<b>Attributable to:</b>			
Equity holders		2,098	(1,117)
<b>Memorandum items</b>			
Transfers of net income approved by the Board of Governors	27	(23)	(123)
<b>Net profit/(loss) after transfers of net income approved by the Board of Governors</b>		2,075	(1,240)

Pages 18 to 93 are an integral part of these financial statements.

# Consolidated statement of comprehensive income

		Year to 31 December 2023	Year to 31 December 2022
For the year ended 31 December 2023	Note	€ million	€ million
Net profit/(loss)		2,098	(1,117)
Other comprehensive income/(expense)			
1. Items that will not be reclassified subsequently to profit or loss			
– Gains on share investments designated as fair value through other comprehensive income	20	17	9
– Actuarial gains on defined benefit scheme	30	35	21
2. Items that may be reclassified subsequently to profit or loss			
– Gains/(losses) on cash flow hedges		384	(27)
– Gains/(losses) on fair value hedges		267	(190)
– Gains/(losses) on loans measured at fair value through other comprehensive income		153	(209)
Other comprehensive income/(expense)		856	(396)
Total comprehensive income/(expense)		2,954	(1,513)
Attributable to:			
Equity holders		2,954	(1,513)

Pages 18 to 93 are an integral part of these financial statements.

# Consolidated balance sheet

At 31 December 2023	Note	€ million	31 Dec 2023 € million	€ million	31 Dec 2022 € million
<b>Assets</b>					
Placements with and advances to credit institutions	13				
Cash and cash equivalents		6,324		6,640	
Other placements and advances		12,405		14,762	
			18,729		21,402
<b>Debt securities</b>					
At fair value through profit or loss	14	962		854	
At amortised cost		8,392		8,275	
			9,354		9,129
<b>Other financial assets</b>					
Derivative financial instruments	15	5,561		5,069	
Other financial assets		939		632	
			6,500		5,701
<b>Loan investments</b>					
Loans at amortised cost	16	32,948		29,932	
Less: Provisions for impairment	11	(1,831)		(2,075)	
Loans at fair value through other comprehensive income	17	1,024		1,183	
Loans at fair value through profit or loss	18	843		747	
			32,984		29,787
<b>Share investments</b>					
<i>Banking portfolio:</i>					
At fair value through profit or loss	19	5,620		4,885	
<i>Treasury portfolio:</i>					
Share investments at fair value through other comprehensive income	20	157		140	
			5,777		5,025
Intangible assets	21		152		141
Property and equipment	22		426		440
<b>Total assets</b>			<b>73,922</b>		<b>71,625</b>
<b>Liabilities</b>					
<b>Borrowings</b>					
Amounts owed to credit institutions and other third parties	23	911		571	
Debts evidenced by certificates	24	44,298		43,418	
			45,209		43,989
<b>Other financial liabilities</b>					
Derivative financial instruments	25	4,939		7,063	
Other financial liabilities		1,506		1,237	
			6,445		8,300
<b>Total liabilities</b>			<b>51,654</b>		<b>52,289</b>
<b>Members' equity attributable to equity holders</b>					
Paid-in capital	26	6,218		6,217	
Reserves and retained earnings	27	16,050		13,119	
<b>Total members' equity</b>			<b>22,268</b>		<b>19,336</b>
<b>Total liabilities and members' equity</b>			<b>73,922</b>		<b>71,625</b>
<b>Memorandum items</b>					
Undrawn commitments	28		16,631		16,670

Pages 18 to 93 are an integral part of these financial statements.

# Consolidated statement of changes in equity

	Subscribed capital € million	Callable capital € million	Revaluation reserve € million	Hedging reserve € million	Actuarial remeasurement € million	EBRD Shareholder Special Fund € million	Retained earnings € million	Total equity € million
<b>At 31 December 2021</b>	<b>29,759</b>	<b>(23,542)</b>	<b>98</b>	<b>(55)</b>	<b>83</b>	<b>-</b>	<b>14,002</b>	<b>20,345</b>
Profit and loss for the year	-	-	-	-	-	-	(1,117)	(1117)
Other comprehensive (expense)/income for the year	-	-	(200)	(217)	21	-	-	(396)
Transfers of net income approved by the Board of Governors	-	-	-	-	-	-	(123)	(123)
EBRD Shareholder Special Fund (SSF) consolidation <sup>19</sup>	-	-	-	-	-	627	-	627
<b>At 31 December 2022</b>	<b>29,759</b>	<b>(23,542)</b>	<b>(102)</b>	<b>(272)</b>	<b>104</b>	<b>627</b>	<b>12,762</b>	<b>19,336</b>
<b>At 31 December 2022</b>	<b>29,759</b>	<b>(23,542)</b>	<b>(102)</b>	<b>(272)</b>	<b>104</b>	<b>627</b>	<b>12,762</b>	<b>19,336</b>
Profit and loss for the year	-	-	-	-	-	(64)	2,162	2,098
Other comprehensive income for the year	-	-	170	651	35	-	-	856
Transfers of net income approved by the Board of Governors	-	-	-	-	-	108	(131)	(23)
Capital contributions	2	(1)	-	-	-	-	-	1
<b>At 31 December 2023</b>	<b>29,761</b>	<b>(23,543)</b>	<b>68</b>	<b>379</b>	<b>139</b>	<b>671</b>	<b>14,793</b>	<b>22,268</b>

Refer to note 27 "Reserves and retained earnings" on page 84 for a further explanation of the Bank's reserves.

Pages 18 to 93 are an integral part of these financial statements.

<sup>19</sup> For further information on the consolidation of the EBRD Shareholder Special Fund please see note 2 on page 65.

# Consolidated statement of cash flows

			Year to 31 Dec 2023	Year to 31 Dec 2022
For the year ended 31 December 2023	Note	€ million	€ million	€ million
<b>Cash flows from operating activities</b>				
Net profit/(loss) for the year		2,098		(1,117)
<b>Adjustments to reconcile net profit/(loss) to net cash flows:</b>				
<i>Non-cash items in the income statement</i>				
Depreciation and amortisation	21, 22	59		70
Net provisions (release)/charge for Banking loan losses and guarantees	11	(114)		1,417
Fair value movement on share investments	6	(919)		1,150
Net losses from loans	7	5		57
Fair value movement on Treasury investments	9	(210)		(343)
Other unrealised fair value movements		558		(393)
<i>Cash flows from the sale and purchase of operating assets</i>				
Proceeds from repayments of Banking loans		8,988		8,242
Funds advanced for Banking loans		(11,822)		(10,134)
Proceeds from sale of Banking share investments		661		568
Funds advanced for Banking share investments		(492)		(587)
Net cash flows from Treasury derivative settlements		(1,719)		1,131
Net placements to credit institutions		2,488		3,013
<i>Working capital adjustment:</i>				
Movement in interest income		(756)		(165)
Movement in interest expense		(249)		121
Movement in net fee and commission income		3		(13)
Movement in accrued expenses		(15)		(144)
<b>Net cash (used in)/generated from operating activities</b>			(1,436)	<b>2,873</b>
<b>Cash flows from investing activities</b>				
Proceeds from debt securities at amortised cost		2,625		12,391
Purchases of debt securities at amortised cost		(2,673)		(10,626)
Proceeds from debt securities at fair value through profit or loss		3,548		3,978
Purchases of debt securities at fair value through profit or loss		(3,649)		(3,882)
Purchase of intangible assets, property and equipment		(42)		(141)
SSF consolidation		-		320
<b>Cash flows (used in)/generated from investing activities</b>			(191)	<b>2,040</b>
<b>Cash flows from financing activities</b>				
Capital received		1		-
Transfers of net income paid		(22)		(116)
Lease liability payments		21		(43)
Issue of debts evidenced by certificates		10,956		8,396
Redemption of debts evidenced by certificates		(9,709)		(11,769)
<b>Net cash generated from/(used in) financing activities</b>			1,247	<b>(3,532)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			(380)	<b>1,381</b>
Effect of foreign exchange rate changes			64	<b>83</b>
<b>Cash and cash equivalents at 1 January</b>			<b>6,640</b>	<b>5,176</b>
<b>Cash and cash equivalents at 31 December</b>	<b>13</b>		<b>6,324</b>	<b>6,640</b>

Cash and cash equivalents are amounts with less than three months to maturity from the date of the transactions, which are available for use at short notice and are subject to insignificant risk of change in value. Within the 31 December 2023 balance is €2 million restricted for technical assistance to be provided to member economies in the SEMED region (2022: €4 million). Also within the 31 December 2023 balance is €18 million (2022: €4 million) of "restricted cash". The restricted cash cannot be transferred out of Russia. See note 13 on page 77 for total amounts in "Placements with and advances to credit institutions". Interest received was €5,411 million (2022: €2,248 million) and interest paid was €4,407 million (2022: €1,496 million). Pages 18 to 93 are an integral part of these financial statements.

# Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## A. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. In addition, financial assets and liabilities subject to amortised cost measurement which form part of a qualifying hedge relationship have been accounted for in accordance with hedge accounting rules – see “Derivative financial instruments and hedge accounting” on page 21.

2022 was the first year for which consolidated financial statements have been presented. From 31 December 2022 the Bank began to control the EBRD Shareholder Special Fund. As the parent entity, the Bank is therefore required to present consolidated financial statements. There is no statutory or other requirement for the Bank to present standalone parent entity accounts.

The financial statements have been prepared on a going-concern basis owing to the strength of the Bank’s capital and liquidity positions, the level of operational resilience demonstrated in previous years and the high level of shareholder support (as demonstrated through the authorisation in 2023 of a capital increase effective from 31 December 2024). The Bank’s Board of Directors considered the Bank’s ongoing financial sustainability when approving the Bank’s “Strategy Implementation Plan 2024-26” in December 2023, which analysed the Bank’s capital and liquidity position. The going-concern assessment was confirmed by the President and Vice President, Finance and Chief Financial Officer on 10 April 2024, the date on which they signed the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank’s policies. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in “Accounting policies and judgements” on page 19 and “Significant accounting estimates and critical judgements” on page 28.

## New and amended IFRS mandatorily effective for the current reporting period

There were a number of amendments to existing standards, effective for the current reporting period, which have negligible or no impact on the Bank’s financial statements, namely:

- IFRS 17: Insurance Contracts
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12 on deferred tax

## IFRS not yet mandatorily effective and not adopted early

The following standards and amendments are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential impact
Amendments to: IFRS 16: Leases	The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. Effective for annual reporting periods beginning on or after 1 January 2024.	The Bank anticipates no impact as a result of adopting the changes to the standard.
Amendments to: IAS 1: Presentation of Financial Statements	The amendments concern the classification of liabilities and the classification of debt with covenants. Effective for annual reporting periods beginning on or after 1 January 2024.	The Bank anticipates no material impact as a result of adopting the changes to the standards.
Amendments to: IFRS 7: Financial Instruments: Disclosures and IAS 7: Statement of cash flows	The amendments require more detailed disclosure over supplier finance arrangements. Effective for annual reporting periods beginning on or after 1 January 2024.	The Bank anticipates no material impact as a result of adopting the changes to the standards.

## B. Accounting policies and judgements

### Consolidation

The consolidated financial statements of the Bank combine the financial statements of the European Bank for Reconstruction and Development and its wholly controlled subsidiary, the EBRD Shareholder Special Fund (SSF). The Bank has control over another entity when it has each of the following:

- Power over the relevant activities of the entity
- Exposure to, or rights to, variable returns from its involvement with the entity, and
- The ability to affect those returns through its power over the entity.

The assessment of control is based on the consideration of all facts and circumstances. The Bank reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. On 31 December 2022 the rules of the SSF were amended such that, in the event of its liquidation, all remaining resources of the fund would be passed to the Bank. This amended the EBRD's assessment of control as, through the change, the Bank became exposed to variable returns through its involvement with the SSF, whereas previously it was not. The Bank consolidated the SSF on an acquisition accounting basis, whereby the Bank recognised the identifiable assets and liabilities of the SSF at the date of consolidation and paid no monetary consideration to obtain control of the SSF. As the Bank paid no cash consideration to acquire the SSF, and only an implied capital contribution which was recognised, no goodwill arose on consolidation. As the change was delivered through a change in the rules of the SSF approved by the shareholders of the Bank, the change has been accounted for as a transaction with shareholders in the consolidated statement of changes in equity.

Intra-group transactions and balances are eliminated on consolidation. Consistent accounting policies are used across the Bank and its subsidiary for the purposes of consolidation.

### Financial assets – classification and measurement

The classification of the Bank's financial assets depends on both the contractual characteristics of the assets and the business model adopted for their management. Based on this, financial assets are classified in one of three categories: those measured at amortised cost, those measured at fair value through other comprehensive income and those measured at fair value through profit or loss.

#### Financial assets at amortised cost

An investment is classified as "amortised cost" only if both of the following criteria are met: the objective of the Bank's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. Except for debt securities held at amortised cost, which are recognised on trade date, the Bank's financial assets at amortised cost are recognised at settlement date.

#### Financial assets at fair value through other comprehensive income

The Bank accounts for a small number of strategic equity investments<sup>20</sup> at fair value through other comprehensive income with no recycling of such fair value gains or losses through the income statement on derecognition. Dividend income received on these investments is recognised in the income statement. Such a classification is available only for equity investments that are not held for trading purposes, following an irrevocable election to do so at the point of initial recognition.

In addition to the above class of financial assets at fair value through other comprehensive income, a category is available whereby gains or losses recognised in other comprehensive income are subsequently recognised in the income statement. An investment is classified as "fair value through other comprehensive income" in this manner only if both of the following criteria are met: the objective of the Bank's business model is achieved by both holding the asset to collect the contractual cash flows and selling the asset; and the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

<sup>20</sup> See note 20 to the financial statements on page 79.

---

A subsection of the Bank's loan investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at fair value, but until derecognition the amounts recorded in the income statement are the interest income measured using the effective interest method less any impairment. The difference between the fair value movements and the amounts recorded in the income statement is recognised in the statement of other comprehensive income. Upon derecognition the fair value gains or losses previously recognised as other comprehensive income are then recycled to the income statement. The Bank's financial assets at fair value through other comprehensive income are recognised at settlement date.

### Financial assets at fair value through profit or loss

If neither of the classifications above apply, the financial asset is classified as "fair value through profit or loss". The presence of an embedded derivative, or other features which could potentially change the cash flows arising on a financial asset so that they no longer represent solely payments of principal and interest, requires that instrument to be classified at fair value through profit or loss, an example being a convertible loan.

Financial assets classified at fair value through profit or loss are recognised on a settlement-date basis if within the Banking loan portfolio and on a trade-date basis if within the Treasury portfolio.

The Bank's share investments – equity investments held within its Banking portfolio – are measured at fair value through profit or loss, including associate investments. The Bank considers the latter to be venture capital investments for which IAS 28: Investments in Associates and Joint Ventures does not require the equity method of accounting. This is a critical judgement. The Bank's financial objectives through these investments are to generate returns from capital appreciation and dividend income. The Bank plays no active role in their management and their performance is measured by the Bank on a fair-value basis.

The basis of fair value for listed share investments in an active market is the quoted bid market price on the balance sheet date. The basis of fair value for share investments that are either unlisted or listed in an inactive market is determined using valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are net asset value and earnings-based valuations, to which a multiple is applied based on information from comparable companies and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

The Bank's share investments are recognised on a trade-date basis.

At initial recognition, the Bank measures these assets at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement. Such assets are carried at fair value on the balance sheet with changes in fair value included in the income statement in the period in which they occur.

### Derecognition of financial assets

The Bank derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

- 1) substantially all the risks and rewards of the asset, or
- 2) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Where significant risks and rewards have been transferred, but the transferee does not have the unconditional ability to sell or pledge the asset, the Bank continues to account for the asset to the extent of its continuing involvement. Where neither derecognition nor continuing involvement accounting is appropriate, the Bank continues to recognise the asset in its entirety and recognises any consideration received as a financial liability.

### Financial liabilities

With the exception of derivative instruments that must be measured at fair value, and the Bank's obligations to the Equity Participation Fund,<sup>21</sup> the Bank does not designate any financial liabilities at fair value through profit or loss. All are measured at amortised cost, unless they are part of a designated fair value hedge in which case the amortised cost is adjusted for the fair value movements attributable to the risks being hedged. Liabilities are recognised when the Bank becomes party to the contractual provisions of the instrument.

---

<sup>21</sup> See note 32 on page 92 for further details on the Equity Participation Fund.



Interest expense is accrued using the effective interest rate method and is recognised within the “interest expense and similar charges” line of the income statement, except for the allocated cost of funding Treasury’s trading assets which is recognised within “net gains from Treasury activities at fair value through profit or loss”.

Where a financial liability contains an embedded derivative, which is of a different economic character to the host instrument, that embedded derivative is bifurcated and measured at fair value through the income statement. IFRS does not require bifurcation of embedded derivatives in the case of financial assets.

## Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable, or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

## Derivative financial instruments and hedge accounting

The Bank primarily makes use of derivatives for five purposes:

- 1) to swap the majority of the Bank’s issued securities, excluding commercial paper, back to back so as to convert the issuance proceeds into the currency and interest rate structure sought by the Bank
- 2) to manage the net interest rate risks and foreign exchange risks arising from all of its financial assets and liabilities
- 3) to provide potential exit strategies for its unlisted equity investments through negotiated put and call options
- 4) through currency swaps, to manage funding requirements for the Bank’s loan portfolio
- 5) to manage the foreign exchange risks arising from the Bank’s expenses, the majority of which are incurred in pound sterling

All derivatives are measured at fair value through profit and loss unless they form part of a qualifying cash flow hedge, in which case the fair value movement is taken into reserves and released into the income statement at the same time as the risks on the hedged cash flows are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value movement remaining in the income statement.

Derivative fair values are derived primarily from discounted cash flow (DCF) models, option pricing models and from third party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative.

The Bank applies additional valuation measures for its over-the-counter (OTC)<sup>22</sup> derivatives portfolio to reflect credit and funding cost adjustments which the Bank reasonably anticipates will be incorporated into the exit price for such instruments.

In line with market practice, the Bank also applies valuation adjustments to these derivatives attributable to “cheapest-to-deliver” factors, reflecting the value of terms and conditions relating to the posting of collateral in the Bank’s Credit Support Annexes (CSA) to the ISDA Master Agreements.

The valuation adjustment deriving from these factors is detailed within the “Risk management” section of the report on page 45.

## Hedge accounting

Hedge accounting is designed to bring accounting consistency to financial instruments that would not otherwise be permitted. A valid hedge relationship exists when a specific relationship can be identified between two or more financial instruments in which the change in value of one instrument (the hedging instrument) is highly negatively correlated to the change in value of the other (the hedged item).

The Bank applies IFRS 9 hedge accounting treatment to individually identified hedge relationships. The Bank documents the relationship between hedging instruments and hedged items upon initial recognition of the transaction. The Bank also documents its assessment, on an ongoing basis, of whether the derivatives that are used in hedging transactions have an economic relationship with the hedged items, offsetting changes in their fair values or cash flows.

<sup>22</sup> OTC derivatives are those not settled through a central clearing party.

---

The gains and losses associated with these hedge relationships are recognised within “Fair value movement on non-qualifying and ineffective hedges”. Also included within this portion of the income statement are the gains and losses attributable to derivatives that the Bank uses for managing interest-rate risk on a macro basis, but for which the Bank does not apply hedge accounting.

### Fair value hedges

The Bank’s hedging activities are primarily designed to mitigate interest rate risk by using swaps to convert the interest rate risk profile, on both assets and liabilities, into floating rate risk. Such hedges are known as “fair value” hedges. Changes in the fair value of the derivatives that are designated and qualify as fair value hedges are included in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk. In the event that a hedge relationship ceases prior to the maturity of the hedged item, any accumulated fair value adjustments applied to the hedged item are amortised to the income statement over the remaining life of the instrument.

To qualify for hedge accounting under IFRS 9, there must be a demonstrable economic relationship between the hedged item and the hedging instrument, where credit risk is not a dominant factor in the value changes expected in that relationship.

One of the principal causes of ineffectiveness in the Bank’s fair value hedging relationships is the foreign currency basis spread, a pricing factor applicable to the cross-currency swaps designated as hedging items in many of the Bank’s hedge relationships. Changes in foreign currency basis risk leads to hedge ineffectiveness as it causes movements in the value of the hedging instrument, the cross-currency swap, but does not directly lead to movements in the value of the hedged item. The Bank applies the option available under IFRS 9 to separate the foreign currency basis spread of a financial instrument in a hedging relationship, with changes in its value recognised in “Other comprehensive income”. The amounts recognised in “Other comprehensive income” are subsequently amortised through the income statement over the remaining life of the hedging relationship in “Fair value movement on non-qualifying and ineffective hedges”.

Any remaining ineffectiveness arising from the Bank’s fair value hedging relationships after separating the foreign currency basis risk is recognised in “Fair value movement on non-qualifying and ineffective hedges” in the income statement.

### Cash flow hedges

The Bank typically engages in cash flow hedges for two purposes. These are to minimise the exchange rate risk associated with the fact that the majority of its administrative expenses are incurred in pound sterling, and to minimise the volatility of its euro denominated interest income. The amount and timing of such hedges fluctuate in line with the Bank’s view on opportune moments to execute the hedges. The movement in the fair value of these hedges is recognised as other comprehensive income until such time as the relevant income or expenditure occurs, when the hedge gains or losses will be reflected as part of the hedged income statement line item for the year. At 31 December 2023 the Bank has hedged a portion of the 2024 anticipated pound sterling administrative expenditure and a portion of its forecast euro interest income.

For further information on risk and related management policies see the “Risk management” section of this report on page 33.

### Interest rate benchmark reforms

A number of interest rate benchmarks to which the Bank is exposed have undergone reform. The reforms are intended to create a more transparent system that minimises the reliance on judgement and maximises the use of observable trade data in producing the benchmarks. After 31 December 2021, euro and Swiss franc LIBORs and the one-week and two-month US dollar LIBORs were no longer published. Some pound sterling and Japanese yen LIBOR settings (one-month, three-month and six-month) continue to be published using a synthetic methodology. The publication of synthetic Japanese yen LIBOR ceased from 31 December 2022. The remaining US dollar LIBOR settings (the overnight, one-month, three-month, six-month, and twelve-month US dollar LIBOR) ceased to be published from 30 June 2023, while synthetic US dollar LIBOR settings (one-month, three-month and six-month) are expected to continue to be published until September 2024.

The majority of the Bank’s trades that referenced interest rate benchmarks subject to these reforms have now transitioned, including all those instruments to which the Bank applies hedge accounting. The table below shows the Bank’s exposure at the year end to significant benchmark interest rates subject to reform and where the trades have yet to transition.<sup>23</sup> These instruments are subject to fallback provisions which are designed to address the transition-related issues for those contracts that continue to reference the previous benchmarks, pending their transition to a new benchmark rate.

---

<sup>23</sup> These remaining trades are anticipated to transition in 2024.

At 31 December 2023	Benchmark	Non-derivative financial assets € million	Non-derivative financial liabilities € million	Derivatives not in hedge relationship Nominal € million
	USD LIBOR	865	-	441
		865	-	441

At 31 December 2022	Benchmark	Non-derivative financial assets € million	Non-derivative financial liabilities € million	Restated <sup>24</sup> Derivatives not in hedge relationship Nominal € million
	GBP LIBOR	-	(577)	-
	USD LIBOR	4,699	(29)	911
		4,699	(606)	911

## Issued financial guarantees

Issued financial guarantees are initially recognised at their fair value, with an asset representing the discounted value of the guarantee fee income and a liability representing the expected credit loss (ECL). After initial recognition, the guarantee asset continues to be recognised at the discounted value of the future fee income. The guarantee liability is subsequently measured at the higher of the amortised value at initial recognition or the expected credit losses. The differences between the unwinding of the discount on the asset and the movements of the liability are recognised in the income statement. The financial guarantee assets and liabilities are recognised within “other financial assets” and “other financial liabilities”.

## Impairment of financial assets

### Financial assets at amortised cost – performing assets (Stages 1 and 2)

Under IFRS 9 the Bank’s methodology is to calculate impairment on an expected credit loss basis. Provisions for impairment for assets that are not individually identified as credit-impaired are calculated on a portfolio basis.

A “three-stage” model for impairment is applied based on changes in credit quality since origination,<sup>25</sup> with the stage allocation being based on the financial asset’s probability of default (PD) and additional qualitative considerations. At origination loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the asset, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12-month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of credit impairment is identified, the asset is reallocated to Stage 3 as described below.

The staging model relies on a relative assessment of credit risk, that is, a loan with the same characteristics could be included in Stage 1 or in Stage 2, depending on the credit risk at origination of the loan. As a result, the Bank could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

For Stage 1 and Stage 2 assets impairment is deducted from the asset categories on the balance sheet and charged to the income statement. The Bank additionally makes transfers within its reserves, maintaining a separate loan loss reserve to supplement the cumulative amount provisioned through the Bank’s income statement for Stage 1 assets. The amounts held within the loan loss reserve equate to the difference between the ECL calculated on a lifetime basis and the ECL calculated over a 12-month horizon for the assets held in Stage 1.

Assets that have been modified will continue to be assessed for staging purposes against the PD from the original inception of the asset, unless the modified cash flows are sufficiently different that the original asset has been derecognised and a new asset, with a new inception PD, has been recognised in its place.

## Stage assessment

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2 is required, a combination of quantitative and qualitative risk metrics are employed. All loans with at least a three-notch downgrade in PD on the Bank’s internal ratings scale since origination (or a two-notch downgrade in the case of loans originated with a higher level of credit risk), all

<sup>24</sup> The US dollar LIBOR-linked derivatives not in hedge relationships at 31 December 2022 have been restated from a nominal value of €13 million to €911 million. This restatement reflects a correction of an error, where in the previous presentation, nominal values were presented on a net basis, rather than on a gross basis.

<sup>25</sup> For the purpose of calculating impairment, origination is the trade date of the asset (that is, the signing date in the case of the Bank’s loans at amortised cost), not the date of the initial recognition of the asset on the Bank’s balance sheet.

---

loans for which the contractual payments are overdue by between 31 and 89 days inclusive, as well as all loans placed on the “watch list”<sup>26</sup> are transitioned to Stage 2.

### Financial assets at amortised cost – non-performing assets (Stage 3)

Where there is objective evidence that an identified loan asset is credit impaired, any specific provisions for impairment that are required are recognised in the income statement and, under IFRS 9, the asset is classified in Stage 3. The data that the Bank uses to determine if there is observable evidence that the asset is credit-impaired include:

- delinquency in contractual payments of principal or interest
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower’s competitive position.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an offsetting impairment account and the amount of the loss is recognised in the income statement. After initial impairment, subsequent adjustments include first the continued recognition of interest income, using the effective interest rate methodology at the original rate on the loan, based on the remaining net book value, and secondly any adjustments required in respect of a reassessment of the initial impairment.

The carrying amount of the asset is reduced directly only through repayment or upon write-off. When a loan is deemed uncollectible the principal is written off against the related impairment provision. Such loans are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the income statement.

Loans and advances may be renegotiated in response to an adverse change in the circumstances of the borrower. Where the original loan has been significantly amended it will be derecognised and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will be recognised as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognised in the income statement.

### Financial assets at fair value through other comprehensive income

Impairment of financial assets held at fair value through other comprehensive income is assessed in the same way as for financial assets at amortised cost. The impairment gains and losses thus calculated are recorded in the income statement within impairment provisions on Banking loan investments. Unlike amortised cost instruments, no separate provision is recorded on the balance sheet, with the impairment gains and losses instead forming part of the overall fair value of these assets.

### Write offs

Financial assets are written off when the Bank assesses that there is no longer any reasonable expectation of further recoveries. The Bank continues to apply its enforcement processes even for financial assets that have been written off. In the event that further recoveries are made after a financial asset has been written off, these are credited to the income statement as a reversal of previous impairment losses.

### Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months’ maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

### Foreign currencies

The Bank’s reporting currency for the presentation of its financial statements is the euro. The functional currency of the Bank is also the euro, the currency in which the receipts from its operating activities are retained and which, in line with its risk management strategies, most faithfully represents the economic effects of the Bank’s underlying transactions, events and conditions.

---

<sup>26</sup> A project is assigned to the “watch list” when a risk officer determines that there is a heightened risk, that needs to be flagged to management and Corporate Recovery, of the project failing to meet debt service and the Bank subsequently suffering a financial loss.

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement, except when deferred in reserves as qualifying cash flow hedges.

## Capital subscriptions

The Bank's share capital is denominated in euros and is divided into paid-in and callable shares. Paid-in shares are recognised on the balance sheet as "Members' equity". The paid-in shares are puttable instruments where the Bank has made a critical judgement by electing to assess the present value of the puttable amount by assessing the timing of the expected future cash flows. At the point of issuance, and at subsequent reporting dates, there was no significant likelihood that members would exercise their right to request repurchase of their shares by the Bank within the foreseeable future. This is due to the fact that the terms of this option are not financially advantageous, and also because the EBRD benefits from very strong support for its mandate from shareholders, whose backing is not primarily driven by the financial returns associated with their membership of the Bank. Consequently the future redemption amount associated with this option had no material present value at issuance and at subsequent reporting dates, and no separate liability representing the option has therefore been recognised. To date no member has ever exercised this option or given notice to exercise this option.

New subscriptions to paid-in shares are recognised at the date the subscription becomes effective. Callable shares will not be recorded on the balance sheet unless the Bank exercises its right to call the shares.

## Transfers of net income

Transfers of net income approved by the Board of Governors are accounted for, at the date of approval, as transactions with equity holders recorded in the statement of changes in equity.

## Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the staff costs of the software development team.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and is added to the original cost of the software. Computer software development costs recognised as intangible assets are amortised using the straight-line method over an estimated life of three to ten years.

## Accounting for leases

Short-term leases of 12 months or less and low-value leases of assets worth less than £5,000 are accounted for as a general administrative expense, recognised in the income statement on a straight-line basis over the period of the lease.

The leases for the Bank's office accommodation do not qualify for this simplified treatment under IFRS 16. Instead, at the inception of such a lease, the Bank recognises a lease liability and a "right-of-use" asset on the balance sheet.

The lease liability is calculated as the present value of the remaining lease payments, discounted at the Bank's incremental cost of borrowing. Over the life of the lease the discount to the future lease payments is unwound and recognised in the income statement as an interest expense. The right-of-use asset represents the value to the Bank of its right to operate the leased asset over the life of the lease. This asset is depreciated on a straight-line basis over the life of the lease. The total cost of the lease is therefore recognised through a combination of both interest expense and depreciation over the life of the lease.

Under the terms of the Bank's headquarters lease, the Bank has a reinstatement obligation to restore the premises at end of its tenancy. A provision of €7 million for the estimated cost of this obligation is recognised in other financial liabilities.

## Property and equipment

In 2017 the Bank took legal ownership of a stock of railcars in part settlement of a loan which was in default, and which had been fully provisioned. The loan and associated provision were each reduced by the value attributed to the railcars. The railcars are classified as "property and equipment" with income generated from the operation of the railcars classified as fee and commission income.

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over the estimated life as follows:

Improvements on leases of less than 50 years unexpired	Unexpired periods
Right-of-use assets (leases)	Unexpired periods
Office equipment	Between three and ten years
Other (railcars)	20 years

## Interest, fees, commissions and dividends

Interest income and expense is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts to the gross carrying amount of the financial instrument. This method requires that, in addition to the contractual interest rate attached to a financial instrument, those fees and direct costs associated with originating the instrument are also recognised as interest income or expense over the life of the instrument. Further details are provided below.

- **Banking loans:** this represents interest income on banking loans. Interest is recognised on credit-impaired loans through unwinding the discount used in deriving the present value of expected future cash flows.
- **Fixed-income debt securities and other:** this represents interest income on Treasury investments with the exception of those measured at fair value where the interest is recognised in “net gains from Treasury activities at fair value through profit or loss”. Where hedge accounting is applied to an underlying investment – typically using a swap to convert fixed-rate interest into floating – the net interest of the swap is included within this interest income line.
- **Interest expense and similar charges:** this represents interest expense on all borrowed funds. The majority of the Bank’s borrowings are undertaken through the issuance of bonds that are usually paired with a one-to-one swap to convert the proceeds into the currency and floating rate profile sought by the Bank. Hedge accounting is applied to such relationships and the net interest of the associated swap is included within interest expense.
- **Net interest income/(expense) on derivatives:** in addition to swaps where the interest is associated with specific investments or borrowings, the Bank also employs a range of derivatives to manage the risk deriving from interest rate mismatches between the asset and liability side of the balance sheet. The net interest associated with these derivatives is presented separately as it is not identifiable to individual assets or liabilities presented elsewhere within “net interest income”. This lack of specific “matching” also means that hedge accounting is not applied in respect of the risks hedged by these derivatives.

Fees earned in respect of services provided over a period of time, including loan commitment fees, are recognised as income as the services are provided and the performance obligations met. Fees and commissions in respect of other services are recognised in the income statement, as the right to consideration or payment accrues through performance of services. Issuance fees and redemption premiums or discounts are amortised over the period to maturity of the related borrowings on an effective yield basis.

Dividends relating to share investments are recognised when the Bank’s right to receive payments has been established, and when it is probable that the economic benefits will flow to the Bank and the amount can be reliably measured.

## Staff retirement schemes

The Bank has a defined contribution scheme and a defined benefit scheme to provide retirement benefits to its staff. The Bank keeps all contributions to the schemes, and all other assets and income held for the purposes of the schemes, separately from all of its other assets.

Under the defined contribution scheme, the Bank and staff contribute a set amount to provide a lump sum benefit, such contributions being charged to the income statement and transferred to the scheme’s independent custodians.

The defined benefit scheme is funded entirely by the Bank and benefits are based on years of service and a percentage of final gross base salary as defined in the scheme. The Bank’s contributions to the defined benefit scheme are determined by the Retirement Plan Committee, with advice from the Bank’s actuaries, and the contributions are transferred to the scheme’s independent custodians.

The defined benefit cost charged to the income statement represents the service cost, the net interest income/(cost) and any foreign exchange movements on the plan’s net asset or liability. Remeasurements due to actuarial assumptions, including the difference between expected and actual net interest, are recognised in “other comprehensive income”. The net defined benefit or liability recognised on the balance sheet is equal to the difference between the fair value of the plan assets and the liabilities of the defined benefit plan as determined using the projected unit credit method.

---

## Taxation

In accordance with Article 53 of the Agreement, within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes. Taxes and duties levied on goods or services are likewise exempted or reimbursable except for those parts of taxes or duties that represent charges for public utility services.

## Funds administered by the Bank

The Bank administers a number of funds on behalf of donors; these are described in detail in note 31 on page 90 and note 32 on page 91. With the exception of the EBRD Shareholder Special Fund, the Bank does not control these funds as it manages the funds as an agent, on behalf and for the benefit of the donors, and does not have significant exposure to variability of returns through its administration of the funds. The funds are therefore not consolidated within the Bank's financial statements.

Following a change to its rules on 31 December 2022 the EBRD Shareholder Special Fund (SSF) is now controlled by the Bank and is therefore consolidated within its financial statements. For further information on the consolidation of the SSF, please see note 2 on page 65.



---

## C. Significant accounting estimates and critical judgements

Preparing financial statements in conformity with IFRS requires the Bank to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are highly dependent on a number of variables that reflect the economic environment and financial markets of the economies in which the Bank invests, but which are not directly correlated to market risks such as interest rate and foreign exchange risk. The Bank's significant accounting estimates are outlined below.

### Fair value of derivative financial instruments

The fair values of the Bank's derivative financial instruments are determined by using discounted cash flow models and option pricing models. These cash flow models are based on underlying market prices for currencies, interest rates and option volatilities. Where market data are not available for all elements of a derivative's valuation, extrapolation and interpolation of existing data has been used. Where significant unobservable inputs have been used, a sensitivity analysis has been included under "Fair value hierarchy" within the "Risk management" section of the report on page 61.

### Fair value of Banking loans

The fair values of the Bank's loans carried at fair value are determined by using a combination of third-party valuations, whole firm valuations based on multiples, discounted cash flow models and options pricing models. These models incorporate relevant market data pertaining to interest rates, a borrower's credit spreads, underlying equity prices and dividend cash flows. Where relevant market data are not available extrapolation and interpolation of existing data has been used. Where significant unobservable inputs have been used, a sensitivity analysis has been included under "Fair value hierarchy" within the "Risk management" section of the report on page 61. While this population, as a result of its relatively small size, does not carry a significant risk of material changes in estimate over the next 12 months, it is nonetheless an area of greater estimation uncertainty.

### Fair value of share investments

The Bank's method for determining the fair value of share investments is described under "Financial assets" in the "Accounting policies" section of the report and an analysis of the share investment portfolio is provided in note 19 on page 79. In relation to the Bank's share investments where the valuations are based on significant unobservable market inputs, additional sensitivity information has been included under "Fair value hierarchy" in the "Risk management" section of the report on page 61.

### Staff retirement defined benefit obligation

Independent actuaries calculate the defined benefit obligation at least every three years by using the projected unit credit method. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the balance sheet date) using the yields available on high-quality corporate bonds. The determination of this rate is a significant assumption within this accounting estimate. The Bank utilises an industry-standard third-party classification system to determine the population of bonds used to make this estimate. The valuation of the pension obligation is a significant accounting estimate, the sensitivities in respect of this estimate are described in note 30 on page 88.

### Impairment of loan investments

The Bank's method for determining the level of impairment of loan investments is described within the "Accounting policies and judgements" section of the report (page 23) and further explained under "Credit risk" within the "Risk management" section of the report (page 36).

In accordance with IFRS 9, ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan. The determination of PD, LGD and EAD are key assumptions in this estimate, and are explained in greater depth below.



In both 2023 and 2022, in addition to the modelled ECL for loans in Stage 1 and Stage 2, the Bank further included a post model adjustment (PMA) increasing the provision for impairments of amortised cost loan investments based in Ukraine by €387 million (2022: €502 million) at year end. The purpose of the adjustment was to cater for the uncertainties related to the war on Ukraine where the inputs for the ECL model are unable to appropriately reflect the impact and expectations of deterioration within affected portfolios. The PMA is scenario based, centralising on the assumption of a prolonged war (70 per cent weighting), with other scenarios covering escalation (20 per cent weighting) and cessation of hostilities (10 per cent weighting). The loss assumptions in the different scenarios are an estimate with a high degree of expert judgement applied given the limited availability of data. These assumptions are summarised as follows:

- The prolonged war scenario applies assumptions of losses based on industry sector, with provision rates ranging from 38 to 100 per cent.
- The escalation scenario applies an assumption of 100 per cent losses on all assets based in Ukraine.
- The cessation of hostilities scenario assumes that all losses have been identified with no further deterioration expected.

### Point-in-time PD rates

To calculate expected credit losses for both Stage 1 and Stage 2 assets, a default probability is mapped to each PD rating using historical default data. The Bank uses forward looking point-in-time (PIT) PD rates to calculate the ECL. The PIT PD rates are derived from through-the-cycle (TTC) PD rates adjusted for projected macroeconomic conditions.

TTC PD rates express the likelihood of a default based on long-term credit risk trend rates, and are constructed by using external benchmarks for investment grades and internal default experience for sub-investment grades. These are then adjusted based on analysis of the Bank's historical default experience in relation to the macroeconomic environment prevailing at the time of default. The cumulative TTC PD rates used in 2023 and 2022 are set out by internal rating grade below:

#### Financial institutions (FI)

2023 PD rating <sup>27</sup>	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.09%	0.16%	0.24%	0.32%
4.0	BBB	0.09%	0.26%	0.42%	0.69%	0.96%
5.0	BB	0.26%	0.70%	1.27%	1.92%	2.60%
6.0	B	0.36%	0.88%	1.61%	2.37%	3.17%
7.0	CCC	4.63%	8.07%	11.38%	14.52%	16.74%

#### Industry, commerce and agribusiness (ICA)

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.36%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.14%	0.25%	0.39%	0.52%
4.0	BBB	0.14%	0.41%	0.68%	1.11%	1.54%
5.0	BB	0.42%	1.12%	2.04%	3.09%	4.19%
6.0	B	0.58%	1.42%	2.58%	3.81%	5.09%
7.0	CCC	7.45%	12.99%	18.32%	23.37%	26.93%

#### Sustainable infrastructure (SI)

2023 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.30%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.34%
3.0	A	0.05%	0.12%	0.21%	0.32%	0.43%
4.0	BBB	0.12%	0.34%	0.56%	0.92%	1.28%
5.0	BB	0.35%	0.93%	1.69%	2.56%	3.47%
6.0	B	0.48%	1.18%	2.14%	3.16%	4.22%
7.0	CCC	6.18%	10.77%	15.18%	19.36%	22.32%

<sup>27</sup> The Bank's internal PD rating scale is explained in detail on page 36 of the "Risk management" section.

## Financial institutions

2022 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.02%	0.09%	0.16%	0.23%
2.0	AA	0.02%	0.04%	0.11%	0.17%	0.26%
3.0	A	0.04%	0.10%	0.17%	0.25%	0.33%
4.0	BBB	0.10%	0.27%	0.44%	0.73%	1.01%
5.0	BB	0.27%	0.72%	1.31%	2.00%	2.72%
6.0	B	0.39%	0.91%	1.64%	2.45%	3.28%
7.0	CCC	4.45%	7.43%	10.31%	13.00%	15.00%

## Industry, commerce and agribusiness

2022 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.04%	0.14%	0.25%	0.37%
2.0	AA	0.02%	0.06%	0.17%	0.28%	0.41%
3.0	A	0.06%	0.16%	0.27%	0.40%	0.53%
4.0	BBB	0.16%	0.43%	0.71%	1.17%	1.62%
5.0	BB	0.43%	1.16%	2.10%	3.22%	4.37%
6.0	B	0.63%	1.46%	2.64%	3.95%	5.27%
7.0	CCC	7.16%	11.95%	16.58%	20.92%	24.13%

## Sustainable infrastructure

2022 PD rating	External rating equivalent	1-year horizon	2-year horizon	3-year horizon	4-year horizon	5-year horizon
1.0	AAA	0.01%	0.03%	0.12%	0.21%	0.31%
2.0	AA	0.02%	0.05%	0.14%	0.23%	0.35%
3.0	A	0.05%	0.13%	0.22%	0.33%	0.44%
4.0	BBB	0.13%	0.36%	0.59%	0.97%	1.34%
5.0	BB	0.36%	0.96%	1.74%	2.67%	3.62%
6.0	B	0.52%	1.21%	2.19%	3.27%	4.37%
7.0	CCC	5.93%	9.90%	13.74%	17.33%	20.00%

The Bank has applied forward-looking macroeconomic scenario information in the ECL calculation by breaking down TTC PD rates into PD rates applicable during periods of macroeconomic growth and recession, therefore considering two distinct forward-looking macroeconomic scenarios for each country. The probabilities of growth and recession are derived from GDP forecasts, sourced from the IMF, using the normal distribution of forecasted GDP with standard deviation equal to historical mean forecasting error for the country. The weighted average one-year probability of growth was 84 per cent at the end of 2023 (2022: 84 per cent).<sup>28</sup> Given the regions in which the Bank operates, there is a relative scarcity of applicable historical macro-financial data. Of these, no other variable besides GDP growth has been assessed as significantly correlating with historic loss experience, and therefore GDP growth is the sole variable used in establishing PIT PD rates. Forward-looking country-specific probabilities of macroeconomic growth and recession using a three-year GDP horizon are a key driver of PIT PD rates, and therefore a key driver of the level of impairment recognised by the Bank.

## Loss given default rates

A loss given default (LGD) rate is assigned to individual facilities indicating how much the Bank expects to lose on each facility if the borrower defaults. The rates for non-sovereign senior and subordinated loans are derived from the Bank's default and recovery experience,<sup>29</sup> and rates for covered bonds are in line with the guidance provided by the European Banking Authority.

In the case of a sovereign default, the Bank believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure. Different categories of LGD rates are established based on the ability of the state to extend preferred credit status (PCS), primarily through reviewing the proportion of preferred creditor debt to overall public debt and the overall institutional and governance effectiveness. Sub-sovereign recovery rates are adjusted in line with the recovery rates associated with the respective sovereigns.

Aside from through a post model adjustment, LGD rates assigned by the Bank do not vary with economic conditions or scenarios, reflecting the relatively long recovery periods at the EBRD as well as the evidence from the Bank's experience that there is no correlation between the

<sup>28</sup> This metric is sensitive to changes in projected GDP, for which quantitative sensitivity disclosures are made on page 31.

<sup>29</sup> Prior to 2023, LGD rates for non-sovereign senior and subordinated loans were derived in accordance with the Foundation-IRB (internal ratings based) approach under the Basel accord. The impact of moving to the new methodology for deriving LGD rates resulted in a release of impairment of €90 million on the date of application on 30 September 2023.

level of recoveries made and macro-financial information. As a result, these LGD rates are deemed to adequately reflect all forward-looking information available at the reporting date.

Following the change in methodology applied in 2023, LGD rates are assigned to facilities as described in the tables below:

2023 Seniority - sector	Non sovereign LGD	2023 Sovereign Country	Sovereign LGD	Sub-sovereign LGD
Equity	100%	EU country	5%	15%
Senior Loan - FI	32%	Non-EU country	10%	20%
Senior Loan - ICA	38%	Limited PCS <sup>30</sup>	20%	30%
Senior Loan - SI	22%			
Subordinated Loan	50%			
Covered Bonds	11.25%			

## Guarantors

Where the Bank's loans are unconditionally guaranteed at origination, on either a full or a partial basis, the guarantee is accounted for as an integral part of the loan. In this circumstance, for the portion of the loan covered by the guarantee, where the PD and/or LGD rating of the guarantor is better than the PD and/or LGD rating of the borrower, the ECL is based on the better of the PD and LGD ratings of the borrower and the guarantor. Staging continues to be based solely on the borrower's PD.<sup>31</sup>

## Exposure at default

EAD estimates the outstanding balance at the point of default. EAD is modelled at an individual loan level, with all future expected contractual cash flows including disbursements, cancellations, prepayments and interest being considered. The Bank's EAD combines actual and contractual cash flows and models future disbursements and repayments based on the Bank's own experience.

## Sensitivity analysis<sup>32</sup>

The sensitivity of portfolio provisions to the key variables used in determining the level of impairment is provided below.

Adjusted risk parameter	Recalculated provision 2023 € million	Change in provision 2023 € million	Change in provision 2023 %	Recalculated provision 2022 € million	Change in provision 2022 € million	Change in provision 2022 %
Portfolio provision (Stages 1 and 2)	201	-	-	279	-	-
<b>Staging<sup>33</sup></b>						
All loans in Stage 1	120	(81)	(40)%	158	(121)	(43)%
All loans in Stage 2	478	277	138%	671	392	141%
<b>PD ratings<sup>34</sup></b>						
All loans upgraded 1 notch	126	(75)	(37)%	163	(116)	(42)%
All loans downgraded 1 notch	374	173	86%	493	214	77%
All loans upgraded 3 notches	58	(143)	(71)%	85	(194)	(69)%
All loans downgraded 3 notches	936	736	367%	1,246	967	347%
<b>Projected GDP<sup>35</sup></b>						
Projected GDP increased by 1%	192	(9)	(4)%	266	(13)	(5)%
Projected GDP decreased by 1%	212	11	5%	294	15	5%
Projected GDP increased by 5%	173	(28)	(14)%	239	(40)	(14)%
Projected GDP decreased by 5%	275	74	37%	366	87	32%

<sup>30</sup> This category applies to countries where the Bank has determined that PCS has limited value because there are few private investors over whom the Bank could be preferred, or where the Bank has determined the effectiveness of governance to be weak.

<sup>31</sup> For further information on the assignment of PD ratings see the Risk management section on page 35.

<sup>32</sup> For the purposes of this disclosure the €387 million post-model adjustment (2022: €502 million) has been deemed to be a constant, with the sensitivities applied at the level of the ECL model.

<sup>33</sup> The provision is sensitive to an adverse move in stage allocation. This sensitivity is driven by relatively long maturity of the underlying assets, as well as the fact that 82 per cent of performing assets are currently in Stage 1.

<sup>34</sup> Adjusting the PD ratings has a dual impact in that a changed PD rating results in a change in the PD rate applied in the ECL calculation, but can also lead to a change in the staging of a loan, given that a rating downgrade since inception can trigger including an asset in Stage 2. Both of these effects are captured here.

<sup>35</sup> The relatively low sensitivity to changes in GDP is due to high historical volatilities of GDP growth in the economies where the Bank invests, resulting in substantial uncertainty around GDP forecasts. This analysis of sensitivity excludes any stage transition effects that might occur in parallel to such changes in GDP forecasts.

Adjusted risk parameter	Recalculated provision 2023 € million	Change in provision 2023 € million	Change in provision 2023 %	Recalculated provision 2022 € million	Change in provision 2022 € million	Change in provision 2022 %
<b>LGD</b>						
All loans decreased by 10%	124	(77)	(38)%	195	(84)	(30)%
All loans increased by 10%	285	84	42%	362	83	30%
<b>EAD</b>						
All undrawn commitments cancelled	160	(41)	(20)%	234	(45)	(16)%
All undrawn commitments disbursed within one month	258	57	28%	339	60	22%

With respect to Stage 3 provisions, an increase or decrease of 10 percentage points on the current overall provision cover level would have an impact of ±€262 million (2022: €254 million).

With respect to the PMA due to the war on Ukraine, reasonable plausible alternative scenarios for the outcome were modelled. The weighting of the three scenarios envisioned is the most significant assumption in this estimate. Increased weighting towards a stressed scenario with an emphasis on significant deterioration in affected portfolios (an increase of 10 per cent to the escalation scenario with a corresponding reduction in the weighting given to the cessation of hostilities scenario) would have increased the PMA by €106 million (2022: €134 million) whilst a higher emphasis on a prolonged, but less severe outcome (an increase of 10 per cent to this scenario with a corresponding reduction in the weighting of the escalation scenario) would have decreased it by €81 million (2022: €101 million).

### Stage 3 loans based in Ukraine

As a deviation from the Bank's standard impairment approach for NPLs,<sup>36</sup> for those Stage 3 loans based in Ukraine, in the absence of reasonable exit scenarios and where there is no clear evidence or information about the current or future state of the business, the Bank has applied a collective impairment approach. Fixed percentage ECLs have been applied depending on the sector of the business and the geographical location of, and known level of damage to, its assets. These fixed percentage ECLs are a significant assumption. The ECL rates applied using this methodology range from 40 per cent to 100 per cent. The methodology as well as the percentages are reviewed on a regular basis. Stage 3 Ukrainian loans held at amortised cost carried a provision of €443 million (2022: €333 million) at the end of the year. An increase or decrease of 10 percentage points in the ECL rates applied in the collective impairment approach on the current provision level would have an impact on the ECL of +€132 million and -€104 million respectively.

### Critical judgements

In the process of applying its accounting policies the Bank makes various judgements. The judgements that the Bank has made that have had a significant impact on its financial statements are disclosed alongside the related accounting policies above. Other than the judgements applied in making accounting estimates, which are described in the "Significant accounting estimates" section above, the Bank has deemed the following judgements in the application of accounting policies to be critical as they involve a judgement which could have a material impact on the financial statements:

- Impairment of financial assets held at amortised cost – stage assessment: The determination of what constitutes a significant increase in credit risk, and therefore transition from Stage 1 to Stage 2, is a critical judgement given the subjectivity involved in assessing whether an increase should be deemed "significant" and the potential impact this decision has on the measurement of the Bank's expected credit losses. The Bank's NPL definition described on page 36, which governs transition to Stage 3, is also a critical judgement owing to its subjectivity.
- Financial assets at fair value through profit or loss: The decision to apply IFRS 9 accounting to the Bank's associate equity investments is a critical judgement that materially affects the presentation of these investments in the Bank's balance sheet and income statement.
- Capital subscriptions: The decision to assess the present value of the puttable amount of paid in-shares by assessing the timing of the expected future cash flows has a potentially material impact on the split of these instruments between liability and equity classifications.

The basis for these critical judgements is explained in the relevant accounting policy disclosure above. There are no other judgements relating to accounting policies that have had a significant effect on the amounts recognised in the financial statements.

<sup>36</sup> See page 36 of the Risk management section.

# Risk management

## Financial risks

In carrying out its mission, the Bank is exposed to financial risks through both its Banking and Treasury activities. These are principally credit, market, liquidity and operational risks.

## Risk governance

The Bank's overall framework for identification and management of risks is underpinned by independent "second line of defence"<sup>37</sup> control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environment and Sustainability Department, Finance Department, Evaluation Department and other relevant units. The Vice President, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking and Treasury exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit and Risk Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is chaired by the Vice President, CRO and is accountable to the President. It oversees all aspects of the Banking and Treasury portfolios across all sectors and countries, and provides advice on risk management policies, measures and controls. It also approves proposals for new products submitted by Banking or Treasury. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking, Transformation and the Office of the General Counsel.

The Managing Director, Risk Management reports to the Vice President, CRO and leads the overall management of the department. Risk Management provides an independent assessment of risks associated with individual investments undertaken by the Bank, and performs an ongoing review of the portfolio to monitor credit, market and liquidity risks and to identify appropriate risk management actions. It also assesses and proposes ways to manage risks arising from correlations and concentrations within the portfolio, and ensures that adequate systems and controls are put in place for identification and management of operational risks across the Bank. It develops and maintains the risk management policies to facilitate Banking and Treasury operations and promotes risk awareness across the Bank.

In exercising its responsibilities, Risk Management is guided by its mission to:

- provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed risk appetite, and that control processes are rigorously designed and applied
- support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision-making.

## Unaudited sections

Certain sections of the remainder of the "Risk management" section of this report are unaudited, forming part of the "Other information" which is not covered by the opinion of the independent auditor. These unaudited elements are presented in italics.

### War on Ukraine

*The war on Ukraine, and its geopolitical consequences, has impacted and will continue to materially affect the Bank across several critical dimensions. Notwithstanding these, the Bank expects to maintain adequate operational capacity and retain its strong capital and liquidity positions.*

*As a triple-A rated institution, the Bank is extremely well capitalised. The capital base of €22.3 billion at December 2023 is comprised solely of fully loss-absorbing paid-in capital and reserves (common equity tier 1). In terms of capital strength the Bank operates in excess of triple-A requirements as determined by credit ratings agencies and expects to remain strongly capitalised.*

*At December 2023, the Bank held €28.1 billion of liquid assets with an average rating of between AA and AA- within its Treasury portfolio. While the Bank has excellent access to funding markets, and is expected to continue to do so, this liquidity cushion ensures continued business operations in the foreseeable future.*

<sup>37</sup> With the Banking Vice Presidency being the first line of defence in identifying and managing risks related to Banking debt and equity operations and the Treasury department being the first line of defence in identifying and managing risks related to Treasury exposure.

---

Nevertheless the Bank has exposure to adverse effects, as the war on Ukraine will critically affect the local economy, and the wider impact of resulting international tensions will affect other economies based in the region and international markets. In particular:

- The war on Ukraine has severely impacted the local economy, placing significant pressure on the cash flows of borrowers. At December 2023 the NPL ratio for Ukraine debt projects reached 51 per cent (2022: 48 per cent) with an expectation that further deterioration is likely as the war continues.
- Disruption to economic linkages and trade within the region, including increases in the prices of food, agricultural products and energy, has further exacerbated the economic slowdown and increased inflationary pressures in wider markets. The full impact of these factors has not yet been realised but is likely to have long term effects.

## Other risks in 2024

There are several additional risks that, if they were to crystallise, would have the potential to negatively affect the Bank's ability to carry out its mandate and/or cause a material deterioration in its portfolio. These risks are key to understanding changes in the Bank's risk profile and exposures and therefore are closely monitored by management.

- Further geopolitical tensions in the region in which the EBRD operates with spillover effects on the region and other economies in which the Bank invests.
- Deterioration in the relationships between key economies where the Bank operates and their main international partners. Such deterioration could lead to progressive fragmentation of the regional economy and reduced levels of trade, hence increasing the challenge of delivering on transition and the Bank's mission overall.
- While there is ongoing conflict in Gaza, and the threat of spillover into nearby economies where the Bank invests is of real concern and under close scrutiny, there is yet to be any material impact to Bank exposures.
- The year 2024 is an exceptional election year, with more than 2 billion people across 50 countries participating in elections. This has the potential to cause bouts of political and market volatility. While elections in EBRD economies should not trigger significant changes in economic policy, US Presidential elections and, to a lesser extent, European Parliamentary elections may lead to changes in their positions/attitudes on global trade, energy transition and support for Ukraine.

All of the above risks are factored into the estimation of the Bank's impairment through their impact on projected GDP levels which are used in the calculation of point in time (PIT) PDs.<sup>38</sup>

---

<sup>38</sup> For further information see Point-in-time PD rates on page 29.

## A. Credit risk

Credit risk is the potential loss to a portfolio that could result from either the default of a counterparty or the deterioration of its creditworthiness. The Bank is also exposed to concentration risk, which arises from too high a proportion of the portfolio being exposed to a single obligor and/or exposure that has the potential to simultaneously deteriorate due to correlation to an event. Exposure to obligors in the same country or sector are examples but such concentrations could also include clusters or subsets of country or sector portfolios.

The Bank is exposed to credit risk in both its Banking and Treasury activities, as Banking and Treasury counterparties could default on their contractual obligations, or the value of the Bank's investments could become credit impaired. The Bank's maximum exposure to credit risk from financial instruments is approximated on the balance sheet, inclusive of the undrawn commitments related to loans and guarantees (see note 28 on page 85).

Details of collateral and other forms of risk reduction are provided within the respective sections on Banking and Treasury below.

### Credit risk in the Banking portfolio: Management

#### Individual projects

The Board of Directors approves the principles underlying the credit process for the approval, management and review of Banking exposures. The Audit and Risk Committee periodically reviews these principles, and its review is submitted to the Board.

The Operations Committee reviews all Banking projects (both debt and equity transactions) prior to their submission for Board approval. The Committee is chaired by the First Vice President and Head of Client Services Group and its membership comprises senior managers of the Bank, including the Vice President, CRO and the Managing Director, Risk Management. A number of frameworks for smaller projects are considered by the Small Business Investment Committee or by senior management under a delegated authority framework supervised by the Operations Committee. The project approval process is designed to ensure compliance with the Bank's criteria for sound banking, transition impact and additionality.<sup>39</sup> It operates within the authority delegated by the Board, via the President, to approve projects within Board-approved framework operations. The Operations Committee is also responsible for approving significant changes to existing operations.

The Equity Committee acts as the governance committee for the equity portfolio and reports to the Operations Committee. Risk Management is represented at both the Equity Committee and the Small Business Investment Committee.

Risk Management conducts reviews of all exposures within the Banking portfolio. At each review, Risk Management assesses whether there has been any change in the risk profile of the exposure, recommends actions to mitigate risk and reconfirms or adjusts the risk rating. It also reviews the fair value of equity investments and loans held at fair value.

#### Portfolio-level review

Risk Management reports on the development of the portfolio as a whole on a quarterly basis to senior management and the Board. The report includes a summary of key factors affecting the portfolio and provides analysis and commentary on trends within the portfolio and various sub-portfolios. It also includes reporting on compliance with portfolio risk limits.

To identify emerging risk and enable appropriate risk-mitigating actions, Risk Management also conducts regular Bank-wide (top-down) and regional (bottom-up) stress testing exercises and comprehensive reviews of its investment portfolios. The Bank recognises that any resulting risk mitigation is constrained by the limited geographical space within which the Bank operates.

### EBRD internal ratings

#### *Probability of default ratings (PD ratings)*

The Bank assigns internal risk ratings to all counterparties, including borrowers, investee companies, guarantors, put counterparties and sovereigns in the Banking and Treasury portfolios. Risk ratings reflect the financial strength of the counterparty as well as consideration of any implicit support, for example from a major shareholder. The sovereign rating takes into consideration the ratings assigned by external ratings agencies. For sovereign risk projects, the overall rating is the same as the sovereign rating. For non-sovereign operations, probability of default ratings are normally capped by the sovereign rating, except where the Bank has recourse to a guarantor from outside the country which may have a better rating than the local sovereign rating.

<sup>39</sup> For further information on the concepts of transition impact and additionality, visit: [www.ebrd.com/our-values.html](http://www.ebrd.com/our-values.html)



The table below shows the Bank's internal probability of default rating scale from 1.0 (lowest risk) to 8.0 (highest risk) and how this maps to the external ratings of Standard & Poor's (S&P). References to risk rating through this text relate to probability of default ratings unless otherwise specified.<sup>40</sup>

EBRD risk rating category	EBRD risk rating	External rating equivalent	Category name	Broader category
1	1.0	AAA	Excellent	Investment grade
2	1.7	AA+	Very strong	
	2.0	AA		
	2.3/2.5	AA-		
3	2.7	A+	Strong	
	3.0	A		
	3.3	A-		
4	3.7	BBB+	Good	
	4.0	BBB		
	4.3	BBB-		
5	4.7	BB+	Fair	Risk range 5
	5.0	BB		
	5.3	BB-		
6	5.7	B+	Weak	Risk range 6
	6.0	B		
	6.3	B-		
7	6.7	CCC+	Special attention	Risk range 7
	7.0	CCC		
	7.3	CCC-/CC/C		
8	8.0	D	Non-performing	NPL/Credit-impaired assets

#### Loss given default

The Bank assigns loss given default percentages on a scale of 5 to 100 determined by the seniority of the instrument in which the Bank invested. For more details on LGD rates see the "Significant accounting estimates" section on page 30.

#### Non-performing loans (NPLs)

##### Definition of NPLs

An asset is designated as non-performing when a client is deemed to be in default and is moved to Stage 3. For the purpose of financial reporting, the Bank defines default as when either the borrower is past due on payment to any material creditor for 90 days or more, or when Risk Management considers that the counterparty is unlikely to pay its credit obligations in full without recourse by the Bank to actions such as realising security, if held. This assessment is made solely based on the client's financial situation and before the impact of any guarantees.<sup>41</sup>

##### Impairment methodology

A specific provision is raised on all NPLs (Stage 3 loans) accounted for at amortised cost. The provision represents the amount of anticipated loss, based on multiple probability-weighted scenarios, being the difference between the outstanding amount from the client and the expected recovery amount. The expected recovery amount is equal to the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For NPLs held at fair value through either profit and loss or other comprehensive income, the fair value of the loan equates to the expected recovery amount thus calculated.

As a deviation from this approach, for those NPLs based in Ukraine, in the absence of reasonable exit scenarios and where there is no clear evidence or information about the current or future state of the business, the Bank has applied a collective impairment approach. For further information on the collective impairment approach please see the "Significant accounting estimates and critical judgements" section on page 32.

<sup>40</sup> The TTC probabilities of default associated with these risk ratings are summarised in the "Significant accounting estimates" section on page 29.

<sup>41</sup> For further details see the "Accounting policies and judgements" section on page 24.



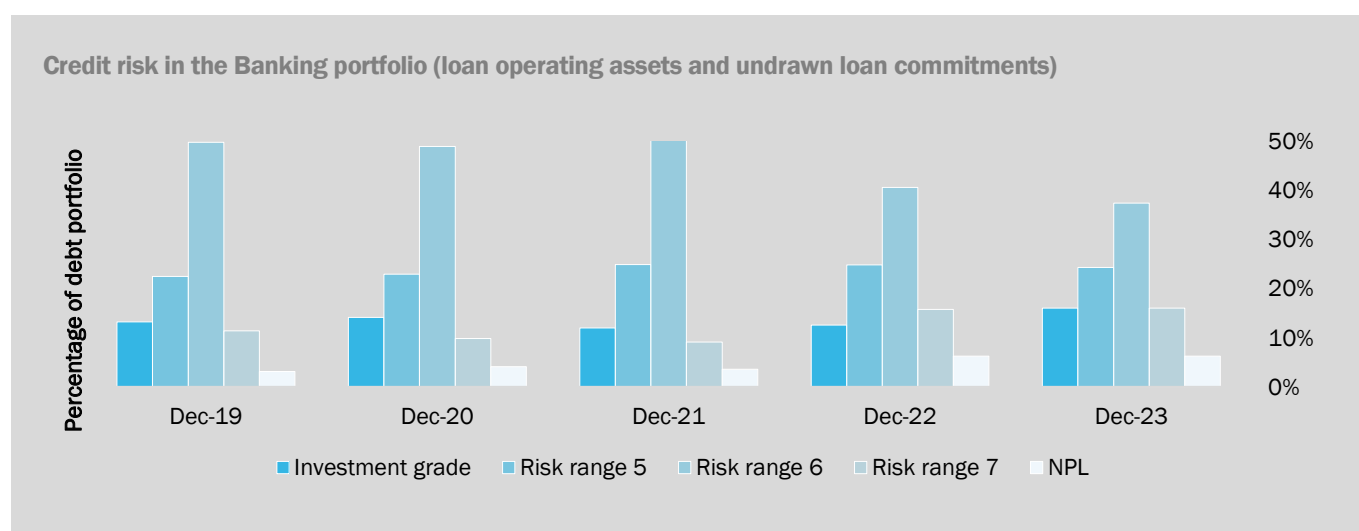
## Stage 1 and 2 provisions

In the performing amortised cost portfolio, provisions are held against expected credit losses. These amounts are based on the PD rates associated with the rating assigned to each counterparty and the sector of the exposure, the LGD parameters reflecting product seniority, the effective interest rate of the loan and the exposure at default.

## Credit risk in the Banking portfolio: 2023

Total Banking loan exposure (operating assets including fair value adjustments but before provisions) increased during the year from €31.9 billion at 31 December 2022 to €34.8 billion at 31 December 2023. The total signed Banking loan portfolio and guarantees increased from €46.9 billion at 31 December 2022 to €49.7 billion at 31 December 2023.

The average credit profile of the debt portfolio improved in 2023 as the weighted average probability of default (WAPD) rating decreased to 5.69<sup>42</sup> (2022: 5.80). Concentration of Risk range 7 loans (those risk rated 6.7 to 7.3) increased from 15.8 to 16.0 per cent and the absolute level now stands at €8.0 billion (2022: €7.5 billion).



NPLs<sup>43</sup> increased in 2023, amounting to €2.7 billion or 7.9 per cent of operating assets at year-end (2022: €2.5 billion or 7.9 per cent). Net write-offs amounted to €70 million in 2023 (2022: €37 million). Stage 3 provision cover decreased from 60 per cent in 2022 to 52 per cent in 2023.<sup>44</sup>

*Distressed restructured loans (DRLs)<sup>45</sup> decreased to €0.3 billion or 1.0 per cent of operating assets at year-end 2023 (2022: €0.4 billion or 1.2 per cent). The decrease in DRLs was driven by repayments (€0.1 billion), movements to NPLs (€0.1 billion) and declassification of previous DRLs (€0.1 billion). €0.1 billion new DRLs were modified in 2023 (2022: €0.1 billion), with no gains or losses recorded as a result of the modifications (2022: €nil).*

	2023 € million	2022 € million
<b>Movement in NPLs<sup>46</sup></b>		
Opening balance	2,538	1,467
Repayments	(464)	(288)
Write-offs	(70)	(37)
New credit-impaired assets	300	1,338
Disbursements <sup>47</sup>	616	203
Assets no longer credit-impaired	(128)	(88)
Other movements	(56)	(57)
<b>Closing balance</b>	<b>2,736</b>	<b>2,538</b>

<sup>42</sup> In 2023 this measure was improved to factor in partial guarantees over the debt portfolio. At the point of application on 30 September 2023 this change in methodology reduced the WAPD by 0.13.

<sup>43</sup> NPLs include credit-impaired loans at amortised cost of €2.4 billion (2022: €2.2 billion), loans at fair value through profit or loss with an original cost of €99 million (2022: €104 million) and loans at fair value through other comprehensive income of €248 million (2022: €245 million).

<sup>44</sup> Stage 3 provision cover is the ratio of Stage 3 provisions to amortised cost loan operating assets. A reconciliation of the movement in Stage 3 provisions during the year is available in note 11 on page 73.

<sup>45</sup> Defined as a loan in which any of the key terms and conditions have been amended due to the financial stress of the borrower, and without such amendment(s) would have been likely to become credit impaired. If after three years there have been no further changes and the loan continues to be performing, it is no longer considered a DRL. All DRL held amortised cost are in Stage 2 for ECL purposes.

<sup>46</sup> Includes loans measured at fair value that have no associated specific provisions.

<sup>47</sup> The circumstances under which the Bank will disburse to a non-performing client are discussed on page 40.

## Loan investments at amortised cost

For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.<sup>48</sup>

- **Stage 1:** Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12-month horizon.
- **Stage 2:** Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the full-life expected credit loss from these assets.
- **Stage 3:** Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the Banking loan investments and the associated impairment provisions for each of the Bank's internal risk rating categories:

At 31 December 2023						Amortised cost carrying value			Impairment			Total net of impairment	
	Stage 1	Stage 2	Credit-impaired Stage 3	Total	Total	Stage 1	Stage 2	Credit-impaired Stage 3	Total net of impairment	Impairment provisions coverage			
Risk rating category	€ million	€ million	€ million	€ million	%	€ million	€ million	€ million	€ million	%			
2: Very strong	3	-	-	3	0.0	-	-	-	3	-			
3: Strong	964	78	-	1,042	3.2	-	-	-	1,042	-			
4: Good	3,924	623	-	4,547	13.8	(3)	(2)	-	4,542	0.1			
5: Fair	8,308	1,257	-	9,565	29.0	(9)	(34)	-	9,522	0.4			
6: Weak	10,539	827	-	11,366	34.5	(34)	(9)	-	11,323	0.4			
7: Special attention	1,887	2,149	-	4,036	12.2	(34)	(452)	-	3,550	12.0			
8: Non-performing <sup>49</sup>	-	-	2,389	2,389	7.3	-	-	(1,254)	1,135	52.5			
	25,625	4,934	2,389	32,948	100.0	(80)	(497)	(1,254)	31,117				

At 31 December 2022						Amortised cost carrying value			Impairment			Total net of impairment	
Risk rating category	Stage 1	Stage 2	Credit-impaired Stage 3	Total	Total	Stage 1	Stage 2	Credit-impaired Stage 3	Total net of impairment	Impairment provisions coverage			
	€ million	€ million	€ million	€ million	%			€ million			€ million	%	
3: Strong	621	52	-	673	2.2	-	-	-	673	-			
4: Good	3,236	521	-	3,757	12.6	(3)	(2)	-	3,752	0.1			
5: Fair	6,345	776	-	7,121	23.8	(9)	(2)	-	7,110	0.2			
6: Weak	10,844	1,532	-	12,376	41.4	(45)	(33)	-	12,298	0.6			
7: Special attention	1,296	2,520	-	3,816	12.7	(55)	(612)	-	3,149	17.5			
8: Non-performing	-	-	2,189	2,189	7.3	-	-	(1,314)	875	60.0			
	22,342	5,401	2,189	29,932	100.0	(112)	(649)	(1,314)	27,857				

At the end of 2023, €106 million of loans were past due but not credit impaired (2022: €302 million). No loans were past due for 30 days or less (2022: €205 million) and €106 million were past due for more than 30 days but fewer than 90 days (2022: €97 million).

At 31 December 2023 the Bank had security arrangements in place for €8.0 billion of its loan operating assets (2022: €8.0 billion). Although this security is generally illiquid and its value is closely correlated to the performance of the relevant loan operating assets, it does provide the Bank with rights and negotiating leverage that help mitigate the overall credit risk. As part of the Bank's financial collateral-backed senior lending operations, collateral of €120 million was held at the end of 2023 (2022: €107 million). The Bank also benefitted from guarantees and risk-sharing facilities extended by non-consolidated Special Funds and Cooperation Funds (see note 31 "Related parties" on page 90) which provided credit enhancement of approximately €468 million at the year-end (2022: €381 million) including support of the Bank's engagement in Ukraine.

<sup>48</sup> For further information about stage assessment see the "Accounting policies and judgements" section on page 24.

<sup>49</sup> This ratio of amortised cost credit-impaired loans is based on the balance sheet carrying value rather than operating assets. Total NPLs including fair value loans were 7.9 per cent of operating assets (2022: 7.9 per cent).

## Loans at fair value through other comprehensive income

Set out below is an analysis of the Bank's loans held at fair value through other comprehensive income for each of the Bank's relevant internal risk rating categories.

Risk rating category	Fair value 2023				Fair value 2022			
	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million
3: Strong	203	-	-	203	251	-	-	251
4: Good	202	-	-	202	234	4	-	238
5: Fair	329	2	-	331	444	33	-	477
6: Weak	77	-	-	77	147	-	-	147
7: Special attention	-	67	-	67	-	17	-	17
8: Non performing	-	-	144	144	-	-	53	53
<b>At 31 December</b>	<b>811</b>	<b>69</b>	<b>144</b>	<b>1,024</b>	<b>1,076</b>	<b>54</b>	<b>53</b>	<b>1,183</b>

## Loans at fair value through profit or loss

Set out below is an analysis of the Bank's loans held at fair value through profit or loss for each of the Bank's relevant internal risk rating categories.

Risk rating category	Fair value 2023 € million	Fair value 2022 € million
4: Good	56	56
5: Fair	217	135
6: Weak	398	370
7: Special attention	131	178
8: Non-performing	41	8
<b>At 31 December</b>	<b>843</b>	<b>747</b>

## Undrawn loan commitments and guarantees

Set out below is an analysis of the Bank's undrawn loan commitments and guarantees for each of the Bank's relevant internal risk rating categories.

Risk rating category	Undrawn commitments 2023					Guarantees 2023			
	Stage 1 € million	Stage 2 € million	Stage 3 <sup>50</sup> € million	Fair value <sup>51</sup> € million	Total € million	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million
2: Very strong	19	-	-	-	19	-	-	-	-
3: Strong	95	-	-	-	95	-	-	-	-
4: Good	808	153	-	-	961	51	-	-	51
5: Fair	3,380	96	-	-	3,476	575	-	-	575
6: Weak	4,834	69	-	3	4,906	1,248	-	-	1,248
7: Special attention	740	1,473	194	73	2,480	568	358	-	926
8: Non performing	-	-	160	-	160	-	-	15	15
<b>At 31 December</b>	<b>9,876</b>	<b>1,791</b>	<b>354</b>	<b>76</b>	<b>12,097</b>	<b>2,442</b>	<b>358</b>	<b>15</b>	<b>2,815</b>

Risk rating category	Undrawn commitments 2022					Guarantees 2022			
	Stage 1 € million	Stage 2 € million	Stage 3 € million	Fair value € million	Total € million	Stage 1 € million	Stage 2 € million	Stage 3 € million	Total € million
4: Good	732	179	-	-	911	35	-	-	35
5: Fair	3,563	68	-	-	3,631	322	-	-	322
6: Weak	5,022	78	-	3	5,103	1,233	-	-	1,233
7: Special attention	1,101	1,456	419	-	2,976	506	180	-	686
8: Non performing	-	-	118	-	118	-	-	14	14
<b>At 31 December</b>	<b>10,418</b>	<b>1,781</b>	<b>537</b>	<b>3</b>	<b>12,739</b>	<b>2,096</b>	<b>180</b>	<b>14</b>	<b>2,290</b>

<sup>50</sup> This table presents the overall risk rating of undrawn commitments inclusive of guarantees. As staging is assessed based solely on the borrower's risk, there may be Stage 3 commitments with a risk rating other than 8 in this table. See page 24 for a more detailed explanation of stage assessment.

<sup>51</sup> Undrawn commitments for loans that will be classified at fair value through profit and loss and are therefore not relevant for IFRS impairment staging.

The Bank would typically have conditions precedent that would need to be satisfied before further disbursements on its debt transactions. In addition, for projects where the borrower is risk rated 8 and hence the project is in stage 3, it is unlikely that commitments would be drawn down without additional assurances that credit quality would improve or without additional risk mitigants such as a third-party guarantee.

## Credit risk in the Banking portfolio: Concentration

### Concentration by country

The following table breaks down the main Banking credit risk exposures in their carrying amounts by country. The EBRD is generally well diversified by country. The largest concentrations are in Türkiye, Poland, Egypt and Ukraine which account for 15.2, 9.4, 7.9 and 7.0 per cent of loans drawn down respectively (as shown below) and 13.6, 7.8, 9.0 and 9.2 per cent of the Bank's total loans and guarantees, including undrawn, respectively. However, by the nature of the regional focus of the EBRD's business model, some groups of countries in which the Bank operates are highly correlated.

Country	Loans 2023 € million	Undrawn loan commitments and guarantees 2023 € million	Total 2023 € million	Loans 2022 € million	Undrawn loan commitments and guarantees 2022 € million	Total 2022 € million
Albania	555	463	1,018	567	471	1,038
Armenia	226	75	301	248	138	386
Azerbaijan	710	219	929	724	106	830
Belarus	240	-	240	313	-	313
Bosnia and Herzegovina	764	504	1,268	759	431	1,190
Bulgaria	494	155	649	562	97	659
Croatia	824	155	979	736	155	891
Cyprus	70	13	83	32	55	87
Czechia	296	10	306	90	-	90
Egypt	2,739	1,744	4,483	2,556	1,792	4,348
Estonia	166	-	166	164	-	164
Georgia	828	223	1,051	924	338	1,262
Greece	1,649	225	1,874	1,587	225	1,812
Hungary	554	-	554	542	-	542
Jordan	706	199	905	829	259	1,088
Kazakhstan	1,813	803	2,616	1,816	1,015	2,831
Kosovo	193	175	368	200	129	329
Kyrgyz Republic	81	148	229	66	96	162
Latvia	256	-	256	181	-	181
Lebanon	119	8	127	141	6	147
Lithuania	399	29	428	328	33	361
Moldova	514	655	1,169	567	483	1,050
Mongolia	699	184	883	660	182	842
Montenegro	199	164	363	214	102	316
Morocco	1,529	310	1,839	1,376	381	1,757
North Macedonia	504	700	1,204	410	606	1,016
Poland	3,265	619	3,884	2,522	735	3,257
Romania	2,047	472	2,519	1,872	406	2,278
Russia	87	-	87	34	-	34
Serbia	2,001	765	2,766	1,844	674	2,518
Slovak Republic	592	6	598	614	18	632
Slovenia	344	59	403	323	36	359
Tajikistan	316	155	471	279	228	507
Tunisia	410	677	1,087	285	791	1,076
Türkiye	5,298	1,464	6,762	4,895	1,288	6,183
Turkmenistan	15	1	16	23	3	26
Ukraine	2,428	2,125	4,553	1,947	2,197	4,144
Uzbekistan	885	1,408	2,293	632	1,553	2,185
<b>At 31 December</b>	<b>34,815</b>	<b>14,912</b>	<b>49,727</b>	<b>31,862</b>	<b>15,029</b>	<b>46,891</b>

## Concentration by industry sector

The following table breaks down the main Banking credit exposures in their carrying amounts by the industry sector of the project. The portfolio is generally well diversified with only depository credit (banks), power and energy, as well as transport constituting notable sector concentrations.

	Loans 2023 € million	Undrawn loan commitments and guarantees 2023 € million	Total 2023 € million	Loans 2022 € million	Undrawn loan commitments and guarantees 2022 € million	Total 2022 € million
Agribusiness	2,233	603	2,836	2,187	592	2,779
Depository credit (banks)	8,593	2,705	11,298	7,814	2,164	9,978
Telecommunications, media and technology	879	137	1,016	753	340	1,093
Insurance, pension, mutual funds	19	4	23	30	-	30
Leasing finance	574	91	665	661	60	721
Manufacturing and services	3,318	353	3,671	2,921	412	3,333
Municipal and environmental infrastructure	3,241	3,978	7,219	3,103	4,081	7,184
Natural resources	1,621	655	2,276	1,509	770	2,279
Non-depository credit (non-bank)	536	146	682	566	222	788
Power and energy	7,472	2,800	10,272	7,002	2,732	9,734
Property and tourism	1,097	210	1,307	808	177	985
Transport	5,232	3,230	8,462	4,508	3,479	7,987
Non-sovereign	26,683	7,147	33,830	25,023	6,377	31,400
Sovereign	8,132	7,765	15,897	6,839	8,652	15,491
<b>At 31 December</b>	<b>34,815</b>	<b>14,912</b>	<b>49,727</b>	<b>31,862</b>	<b>15,029</b>	<b>46,891</b>

## Concentration by counterparty

The Bank has maximum nominal as well as risk-based non-sovereign Banking counterparty exposure limits. Maximum exposure (after risk transfers) to a single non-sovereign economic group was €725 million at end-2023 (2022: €844 million). Maximum exposure (after risk transfers) to a sovereign entity was €922 million at end-2023 (2022: €865 million).

## Credit risk in Treasury: Management

Key risk parameters for funding, cash management, asset and liability management and liquidity risk appetite are approved by the Board of Directors and articulated in the Treasury Authority and Liquidity Policy (TALP). The TALP is the document by which the Board of Directors delegates authority to the Vice President, Finance and Chief Financial Officer to manage and the Vice President, CRO to identify, measure, monitor and mitigate the Bank's Treasury exposures. The TALP covers all aspects of Treasury activities where financial risks arise and also Risk Management's identification, measurement, management and mitigation of those risks. In addition, Treasury Authority and Liquidity Procedures are approved by the Vice President, CRO to regulate operational aspects of Treasury risk-taking and the related risk management processes.

*Eligible Treasury counterparties and investments are normally internally rated between 1.0 and 4.0 (approximately equivalent to S&P AAA to BBB ratings), with the exception of counterparties approved for local currency activities in the economies where the Bank invests. These activities support the Bank's initiatives to provide local currency financing to Banking clients and to develop local capital markets. In cases where the creditworthiness of an issuer or counterparty deteriorates to levels below the eligibility standard for existing exposures, Risk Management and Treasury recommend actions for the approval of the Vice President, CRO and the Vice President, Finance and Chief Financial Officer.*

The Treasury Authority and Liquidity Procedures state the minimum internal credit rating and maximum tenor by type of eligible counterparty and set the maximum credit limits per rating. The actual credit limit and/or tenor approved for individual counterparties by Risk Management may be smaller or shorter than the ceilings defined by the TALP based on the likely direction of creditworthiness over the medium term, or on sector considerations. The limits apply across the range of eligible Treasury products for approved counterparties with exposures measured on a risk-adjusted basis. All individual counterparty and investment credit lines are monitored and reviewed by Risk Management at least annually.

The Bank's exposure measurement methodology for Treasury credit risk uses a Monte Carlo simulation technique that produces, to a high degree of confidence, maximum exposure amounts at future points in time for each counterparty. This includes all transaction types and is measured out to the maturity of the longest dated transaction with each respective counterparty. These potential future exposures (PFE) are calculated and controlled against approved credit limits daily, with exceptions escalated to the relevant authority level for approval. *Further,*

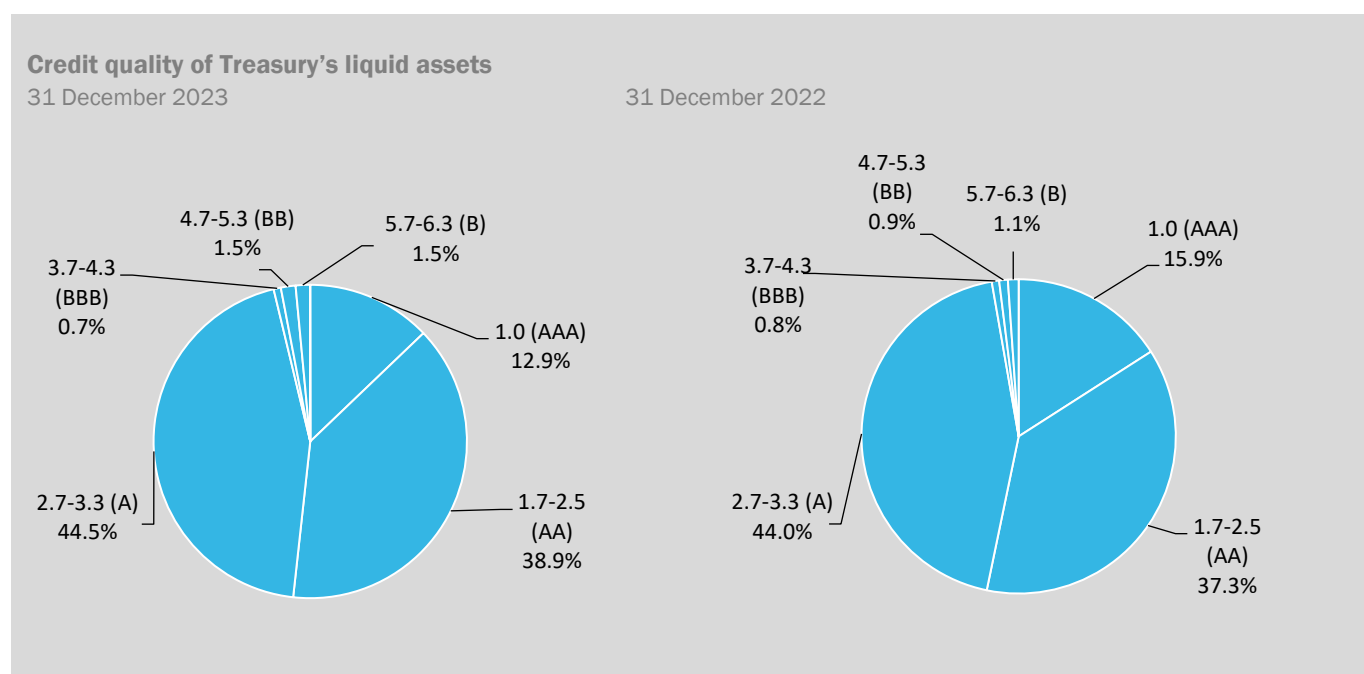
the overall credit risk incurred by the Bank in its Treasury transactions is subject to a Default Value-at-risk (DVaR)<sup>52</sup> limit of 10 per cent of the Bank's available capital.<sup>53</sup>

Risk mitigation techniques (such as collateral) and risk transfer instruments reduce calculated credit exposure. For example, ISDA Credit Support Annexes (CSAs) to underpin over-the-counter (OTC) derivatives activity reduce PFE/DVaR in line with collateral posting expectations.

### Credit risk in Treasury: Treasury liquid assets

The carrying value of Treasury's liquid assets stood at €28.1 billion at 31 December 2023 (2022: €30.5 billion) of which €20.9 billion were current assets maturing within the next 12 months (2022: €22.8 billion).<sup>54</sup>

The internal ratings of Treasury's counterparties and sovereign exposures are reviewed at least annually and adjusted as appropriate. Overall, the WAPD rating, weighted by the carrying value of Treasury's liquid assets, remained largely stable at 2.43 as at 31 December 2023 (2022: 2.37).



### Placements with and advances to credit institutions

Set out below is an analysis of the Bank's placements with and advances to credit institutions for each of the Bank's relevant internal risk rating categories.

Risk rating category	2023 € million	2022 € million
1. Excellent	108	840
2. Very strong	5,984	7,087
3. Strong	12,227	13,231
4. Good	6	23
5. Fair	140	116
6. Weak	264	105
<b>At 31 December</b>	<b>18,729</b>	<b>21,402</b>

At 31 December 2023 there were no placements with and advances to credit institutions that were past due or credit-impaired (2022: €nil), all were in Stage 1 for ECL purposes and there was no material ECL.

<sup>52</sup> Calculated at 99.99 per cent confidence level and over a one-year horizon.

<sup>53</sup> Available capital is total members' equity less amounts allocated to the SEMED cooperation funds. See note 27 on page 84 for further information.

<sup>54</sup> Treasury liquid assets consist of placements with and advances to credit institutions and debt securities.

## Debt securities at fair value through profit or loss

Set out below is an analysis of the Bank's debt securities at fair value through profit or loss for each of the Bank's relevant internal risk rating categories.

Risk rating category	2023 € million	2022 € million
1. Excellent	-	163
2. Very strong	233	12
3. Strong	84	68
4. Good	208	230
5. Fair	286	154
6. Weak	151	227
<b>At 31 December</b>	<b>962</b>	<b>854</b>

There were no debt securities at fair value past due in 2023 (2022: €nil).

## Debt securities at amortised cost

Set out below is an analysis of the Bank's debt securities at amortised cost for each of the Bank's relevant internal risk rating categories.

Risk rating category	2023 € million	2022 € million
1. Excellent	3,496	3,823
2. Very strong	4,710	4,296
3. Strong	186	156
<b>At 31 December</b>	<b>8,392</b>	<b>8,275</b>

There were no debt securities at amortised cost past due in 2023 (2022: €nil), all were in Stage 1 for ECL purposes and there were no material ECLs.

## Treasury credit risk exposure

In addition to Treasury's liquid assets there are other products such as OTC swaps and forward contracts that are included within Treasury's overall portfolio. PFE calculations show the future exposure throughout the life of a transaction. This is particularly important for Treasury's Securities Financing Transactions and OTC hedging derivatives. Calculation of PFE takes into account reduction in counterparty exposures through standard risk mitigations such as collateral, which enables Risk Management to see a comprehensive exposure profile for all Treasury products (including liquid assets) against a specific counterparty limit on a daily basis. *Whereas PFE measures the exposure at default, DVaR calculations are based on a simulation of counterparty defaults. DVaR measures the maximum aggregated loss, to a high degree of confidence (99.99 per cent), that Treasury could incur over a one-year horizon due to defaults.*

Treasury PFE stood at €24.7 billion at 31 December 2023 (2022: €26.3 billion), whereas the DVaR was €1.0 billion at 31 December 2023 (2022: €1.0 billion).

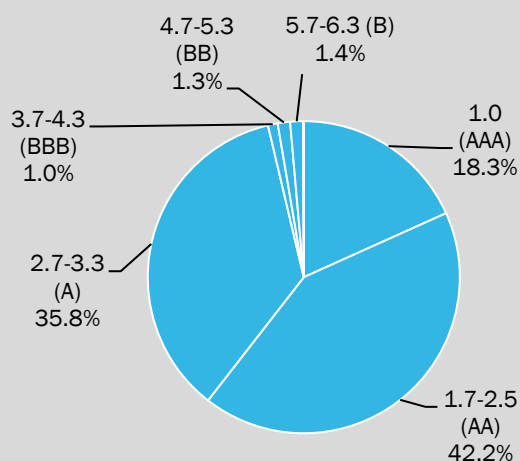
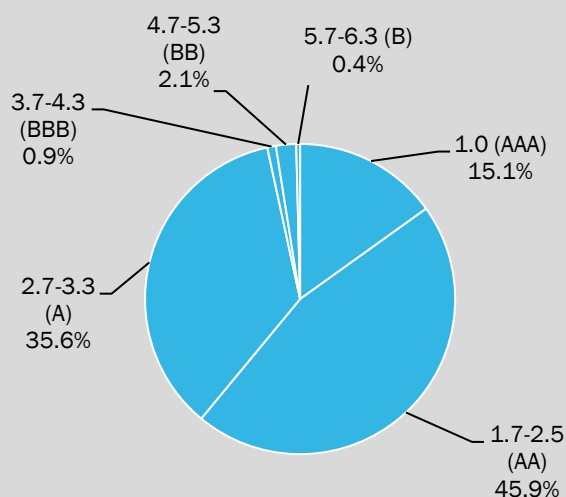
A very low proportion of Treasury exposures was below investment grade quality,<sup>55</sup> amounting to around 2.6 per cent at 31 December 2023 (2022: 2.7 per cent). This comprised a small pool of local currency assets held with counterparties from the economies in which the Bank operates.

<sup>55</sup> BB+/Ba1/BB+ level or worse.

## Credit quality of Treasury PFE

31 December 2023

31 December 2022



Before provisioning, the value of credit-impaired assets in the Treasury portfolio was €nil at 31 December 2023 (2022: €nil).

## Derivatives

The Bank makes use of derivatives for different purposes within both its Banking portfolio and its Treasury activities. Within the Banking equity portfolio, option contracts are privately negotiated with third parties to provide potential exit routes for the Bank on many of its unlisted share investments. Banking also has a portfolio of interest rate and cross-currency swaps with clients to hedge its market risks. Furthermore, Banking enters into a small number of currency swaps with loan clients to assist them in the management of their market risks, which are fully hedged. Within Treasury, the use of exchange-traded and OTC derivatives is primarily focused on hedging interest rate and foreign exchange risks arising from Bank-wide activities. Market views expressed through derivatives are also undertaken as part of Treasury's activities (within the tight market risk limits described on page 50), while the transactions through which the Bank funds itself in the capital markets are typically swapped into floating-rate debt with derivatives.

The risks arising from derivative instruments are combined with those deriving from all other instruments dependent on the same underlying risk factors and are subject to overall market and credit risk limits, as well as to stress tests.



The table below shows the fair value of the Bank's derivative financial assets and liabilities at 31 December 2023 and 31 December 2022.

	Assets 2023 € million	Liabilities 2023 € million	Total 2023 € million	Assets 2022 € million	Liabilities 2022 € million	Total 2022 € million
<b>Portfolio derivatives not designated as hedges</b>						
<b>OTC foreign currency products</b>						
Currency swaps	824	(356)	468	894	(395)	499
Spot and forward currency transactions	45	(194)	(149)	24	(383)	(359)
	<b>869</b>	<b>(550)</b>	<b>319</b>	<b>918</b>	<b>(778)</b>	<b>140</b>
<b>OTC interest rate products</b>						
Interest rate swaps	1,111	(714)	397	1,335	(636)	699
Caps/floors	1	(4)	(3)	-	(17)	(17)
<b>Banking derivatives</b>						
Fair value of equity derivatives held in relation to the Banking portfolio	237	(34)	203	214	(50)	164
<b>Total portfolio derivatives not designated as hedges and Banking derivatives</b>	<b>2,218</b>	<b>(1,302)</b>	<b>916</b>	<b>2,467</b>	<b>(1,481)</b>	<b>986</b>
<b>Derivatives held for hedging</b>						
<b>Derivatives designated as fair value hedges</b>						
Interest rate swaps	1,059	(1,567)	(508)	1,081	(2,286)	(1,205)
Cross currency interest rate swaps	971	(1,845)	(874)	950	(3,115)	(2,165)
Embedded derivatives <sup>56</sup>	955	(192)	763	571	(166)	405
	<b>2,985</b>	<b>(3,604)</b>	<b>(619)</b>	<b>2,602</b>	<b>(5,567)</b>	<b>(2,965)</b>
<b>Derivatives designated as cash flow hedges</b>						
Interest rate swaps	-	(1)	(1)	-	(13)	(13)
Forward currency transactions	358	(32)	326	-	(2)	(2)
<b>Total derivatives held for hedging</b>	<b>3,343</b>	<b>(3,637)</b>	<b>(294)</b>	<b>2,602</b>	<b>(5,582)</b>	<b>(2,980)</b>
<b>Total derivatives at 31 December</b>	<b>5,561</b>	<b>(4,939)</b>	<b>622</b>	<b>5,069</b>	<b>(7,063)</b>	<b>(1,994)</b>

Set out below is an analysis of the Bank's derivative financial assets for each of the Bank's internal risk rating categories.

Risk rating category	2023 € million	2022 € million
1. Excellent	955	571
2. Very strong	475	2,331
3. Strong	3,593	1,844
4. Good	291	86
5. Fair	202	156
6. Weak	35	81
7. Special attention	10	-
<b>At 31 December</b>	<b>5,561</b>	<b>5,069</b>

There were no derivative financial assets past due in 2023 (2022: €nil).

Included in the fair value of derivatives is a net valuation increase of €37 million attributable to the counterparty portfolio level adjustments for credit and funding cost factors that could reasonably influence the price of the derivatives in an arms-length market transaction (2022: €81 million increase).

Also included in the valuation of derivatives is an overall negative value to the Bank of €31 million attributable to "cheapest-to-deliver" (CTD) adjustments (2022: €27 million) reflecting the value of terms and conditions relating to the posting of collateral in the Bank's CSA agreements.

In order to manage credit risk in OTC derivative transactions,<sup>57</sup> the Bank's policy is to approve each counterparty individually in advance and to review its creditworthiness and eligibility regularly. Derivative limits are included in overall counterparty credit limits. OTC derivative transactions are normally carried out only with the most creditworthy counterparties, rated at the internal equivalent of BBB and above. Furthermore, the Bank pays attention to mitigating the credit risk of OTC derivatives through the negotiation of appropriate legal documentation with counterparties. OTC derivative transactions are documented under an ISDA Master Agreement with an accompanying CSA. These provide for the posting of collateral by the counterparty once the Bank's exposure exceeds a given threshold, which is usually a function of the counterparty's external credit rating.

<sup>56</sup> Where a financial liability held at amortised cost contains an embedded derivative which is of a different economic character to the host instrument, that embedded derivative is bifurcated and measured at fair value through the income statement. All such derivatives bifurcated by the Bank are embedded in "Debts evidenced by certificates".

<sup>57</sup> This does not include negotiated options associated with share investments.

The Bank has also expanded the scope for applying risk mitigation techniques by documenting the widest possible range of instruments transacted with a given counterparty under a single Master Agreement and CSA, notably foreign exchange transactions. Similarly, the Bank emphasises risk mitigation for repurchase and reverse repurchase agreements and related transaction types through Master Agreement documentation.

## Collateral<sup>58</sup>

The Bank mitigates counterparty credit risk by holding collateral against exposures to derivative counterparties.

Counterparty exposure, for the purposes of collateralising credit risk, is only concerned with counterparties with whom the Bank has an overall net positive exposure. At 31 December 2023 this exposure stood at €725 million (2022: €419 million). Against this, the Bank held collateral of €695 million (2022: €350 million), reducing its net credit exposure to €30 million (2022: €69 million).

Where the Bank borrows or purchases securities subject to a commitment to resell them (a reverse repurchase agreement) but does not acquire the risk and rewards of ownership, the transactions are treated as collateralised loans. The securities are not included in the balance sheet and are held as collateral. In some cases over time the fair value of these securities may exceed the agreed resale price. In these cases the Bank may be required to pledge cash back to the counterparty to offset this mismatch.

The table below illustrates the fair value of collateral held that is permitted to be sold or repledged in the absence of default. Sold or repledged collateral includes collateral on-lent through bond lending activities. In all cases the Bank has an obligation to return equivalent securities.

	Held collateral 2023 € million	Sold or repledged 2023 € million	Pledged collateral 2023 € million	Held collateral 2022 € million	Sold or repledged 2022 € million	Pledged collateral 2022 € million
<b>Collateral held as security</b>						
Derivative financial instruments						
High grade government securities	236	-	-	192	-	-
Cash	459	459	-	158	158	-
	695	459	-	350	158	-
<b>Reverse sale and repurchase transactions</b>						
Securities	4,660	1	-	4,734	24	-
Cash	-	-	(9)	-	-	-
	4,660	1	(9)	4,734	24	-
<b>At 31 December</b>	<b>5,355</b>	<b>460</b>	<b>(9)</b>	<b>5,084</b>	<b>182</b>	<b>-</b>

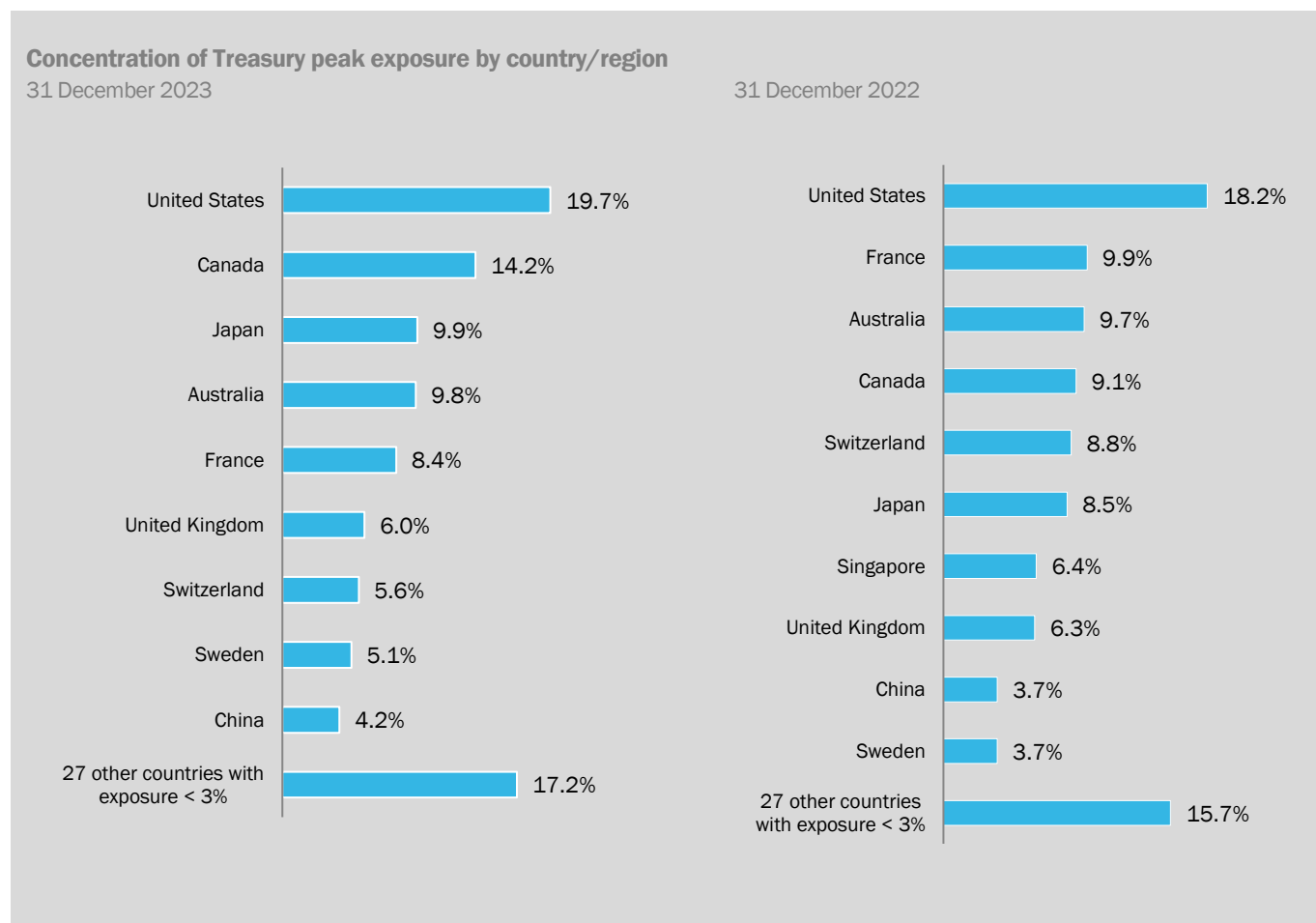
The Bank's derivative exposures are not typically subject to Master Agreement netting arrangements, that is where there is an enforceable right to receive or pay a single net amount to settle the cash flows arising from derivatives covered by such arrangements. The Bank presents all derivative exposures on a gross basis on the balance sheet, including immaterial exposures subject to such arrangements. At 31 December 2023 the Bank had €17 million assets and €nil liabilities that were subject to master netting arrangements, against which €9 million collateral was held (2022: €2 million assets, €3 million liabilities, €nil collateral).

<sup>58</sup> For details of collateral held against Banking loan exposures, please see the "Loan investments at amortised cost" section on page 38.

## Credit risk in Treasury: Concentration

### Concentration by country

At the end of 2023 and 2022, Treasury credit risk exposure was spread across the following countries:



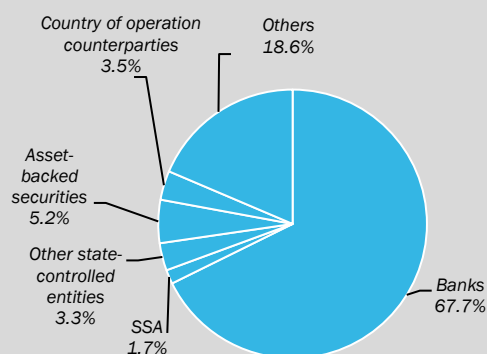
### Concentration by counterparty type

The Bank continues to be largely exposed to banks in the Treasury portfolio which accounted for 67.6 per cent of the portfolio peak exposure (2022: 71.5 per cent). Direct sovereign exposure<sup>59</sup> (sovereigns, supranationals and agencies (SSA)) increased to 1.7 per cent (2022: 1.6 per cent), while exposure to counterparties in the countries in which the Bank invests increased to 3.5 per cent (2022: 2.7 per cent) on a PFE basis.

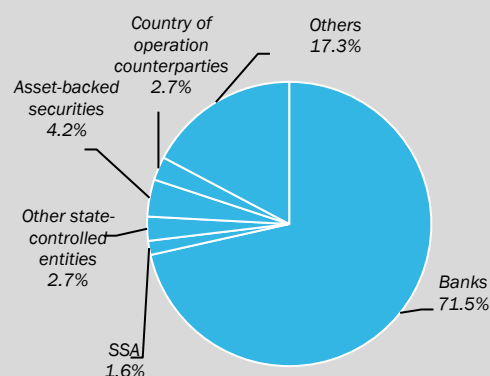
<sup>59</sup> Indirect exposure is not included – that is, where the Bank holds government securities as collateral.

## Concentration of peak exposure by counterparty type

31 December 2023



31 December 2022



## B. Market risk

Market risk is the potential loss that could result from adverse market movements. The primary drivers of market risk are: (i) interest rate risk; (ii) foreign exchange risk; (iii) equity risk; and (iv) commodity price risk.

### Market risk in the Banking portfolio

The Bank's policy is that the Banking loan portfolio is match-funded by Treasury in terms of currency, so for loan facilities extended in currencies other than the euro the foreign exchange risk is hedged by Treasury. Likewise, interest rate risk to which the Banking loan portfolio would normally be exposed is managed through the Treasury portfolio. As such it is intended that there is minimal residual foreign exchange or interest rate risk present in the Banking loan portfolio.

The main exposure to market risk in the Banking portfolio arises from the exposure of share investments to foreign exchange and equity price risk, neither of which is captured in the expected shortfall figures discussed under "Market risk in the Treasury portfolio". Additional sensitivity information for the Bank's share investments has been included under "Fair value hierarchy" on page 61 of the report.

The Bank takes a long-term view of its equity investments, and therefore accepts the short-term volatilities in value arising from exchange rate risk and equity price risk.

### Foreign exchange risk

The Bank is subject to foreign exchange risks as it invests in equities with foreign exchange exposures to currencies other than the euro. Accordingly, the value of the equity investments may be affected favourably or unfavourably by fluctuations in currency rates. The table below indicates the currencies to which the Bank had significant exposure through its equity investments at 31 December 2023.<sup>60</sup> The sensitivity analysis summarises the total effect of a reasonably possible movement of the currency rate<sup>61</sup> against the euro on equity fair value and on profit or loss with all other variables held constant.

<sup>60</sup> The table reflects the currency of the economy of risk associated with each investment. Depending on their business models, the underlying investments may be exposed to other foreign exchange risks which could affect their value, but those risks are outside the scope of this disclosure.

<sup>61</sup> Based on a five-year rolling average movement in the exchange rate.

## Share investments at fair value through profit or loss

	5-year rolling average movement in exchange rate %	Fair value € million	Impact on net profit € million
Euro	-	1,277	-
Polish zloty	3.6	922	33
Turkish lira	41.7	874	365
Romanian leu	1.3	618	8
Kazakh tenge	6.0	303	18
Egyptian pound	21.1	235	50
Bulgarian lev	0.1	152	-
Hungarian forint	5.5	152	8
Other non-euro	14.8	1,087	153
<b>At 31 December 2023</b>		<b>5,620</b>	<b>635</b>

	5-year rolling average movement in exchange rate %	Fair value € million	Impact on net loss € million
Euro	-	1,181	-
Turkish lira	35.7	771	275
Polish zloty	2.7	665	18
Romanian leu	1.2	457	6
Kazakh tenge	7.6	261	20
Egyptian pound	15.9	210	33
Hungarian forint	5.3	164	9
Russian rouble	15.2	154	23
Other non-euro	14.3	1,022	146
<b>At 31 December 2022</b>		<b>4,885</b>	<b>530</b>

The average movement in exchange rate for the “other non-euro” consists of the weighted average movement in the exchange rates listed in the same table.

## Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. In terms of equity price risk, the Bank expects the effect on net profit will, on average, have a positive correlation with the movement in equity indices, for both listed and unlisted equity investments. The table below summarises the potential impact on the Bank’s net profit from reasonably possible changes in equity indices.<sup>62</sup>

## Share investments at fair value through profit or loss

		5-year rolling average movement in benchmark index %	Fair value € million	Impact on net profit € million
Poland	WIG Index	15.4	922	142
Türkiye	BIST 100 Index	62.5	874	546
Romania	BET Index	22.5	618	139
Greece	ASE Index	23.0	387	89
Kazakhstan	KASE KZ Equity Index	18.7	303	57
Slovenia	SBTIOPI Index	18.9	287	54
Egypt	EGX 30 Index	26.5	235	62
Lithuania	VILSE Index	10.1	225	23
Regional and other	Weighted average	28.9	1,769	511
<b>At 31 December 2023</b>			<b>5,620</b>	<b>1,623</b>

<sup>62</sup> Based on a five-year rolling average movement in the relevant equity market indices. The table reflects the currency of the country of risk associated with each investment.

		5-year rolling average movement in benchmark index %	Fair value € million	Impact on net loss € million
Türkiye	BIST 100 Index	59.5	771	459
Poland	WIG Index	9.9	665	66
Romania	BET Index	17.1	457	78
Slovenia	SBT10P Index	14.9	389	58
Kazakhstan	KASE KZ Equity Index	12.9	261	34
Lithuania	VILSE Index	11.2	250	28
Egypt	EGX 30 Index	15.0	210	31
Greece	ASE Index	19.9	194	39
Regional and other	Weighted average	24.8	1,688	420
<b>At 31 December 2022</b>			<b>4,885</b>	<b>1,213</b>

The average movement in the benchmark index for “regional and other” is made up of the weighted average movement in benchmark indices of the countries listed in the same table.

### Commodity risk in the Banking portfolio

The Bank is exposed to commodity risk through some of its investments and due to the significant importance of commodities in a number of the economies in which it invests. *As part of its Energy Sector Strategy and Environmental and Social Policy, the Bank no longer invests in upstream oil and gas exploration and extraction, which matches the earlier decision to desist from financing coal extraction activities.* The aggregate direct exposure to oil and gas extraction, metal ore mining and coal mining (and related support activities) fell slightly to 1.9 per cent (2022: 2.2 per cent) of the overall Banking portfolio.

### Market risk in the Treasury portfolio

#### Interest rate and foreign exchange risk

The Bank’s market risk exposure arises from the fact that the movement of interest rates and foreign exchange rates may have an impact on positions taken by the Bank. These risks are centralised and hedged by the Asset and Liability Management desk in Treasury, which aims to ensure that the residual market risk remains within the Bank’s agreed risk appetite. The Bank’s sensitivity to these risks is therefore limited.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the interest is fixed on a financial instrument indicates the extent to which it is exposed to interest rate risk. Interest rate risks are managed by hedging the interest rate profiles of assets and liabilities through the use of exchange-traded and OTC derivatives.

*The Bank measures its exposure to market risk and monitors limit compliance daily. The main market risk limits in the Bank are based on expected shortfall (ES) computed at a 95 per cent confidence level over a one-day trading horizon. ES is defined as the average potential loss above a certain threshold (for example 95 per cent) that could be incurred due to adverse fluctuations in interest rates and/or foreign exchange rates. The Bank’s overall ES limit, laid down in the Board-approved TALP, at a 95 per cent confidence level over a one-day trading horizon is €60.0 million.*

*For enhanced comparability across institutions, the numbers disclosed in this financial report show ES-based measures scaled up to a 10-trading-day horizon. The market risk methodology considers the risk free rate and the three-month swap curve as the main interest rate risk factor and the other factors as basis spread risk factors.<sup>63</sup> The total ES (95 per cent confidence level over a 10-day trading horizon) of the Bank’s Treasury portfolio, including basis spread risks, stood at €61.9 million at 31 December 2023 (2022: €32.4 million) with an average ES over the year of €40.9 million (2022: €31.4 million). The cross-currency basis risk arising in Treasury’s synthetic funding of the Bank’s local currency loan investments represents the major market driver. Interest rate option exposure stood at €0.2 million at year-end (2022: €0.3 million), having peaked at €3.5 million during the year (2022: €4.7 million). The specific contribution from foreign exchange risk to the overall ES stood at €1.6 million at year-end (2022: €5.8 million) having peaked at €5.5 million during the year (2022: €15.4 million).*

<sup>63</sup> Spread risk arises from cross-currency basis spreads, tenor spreads (for example, between six-month and three-month LIBOR), Overnight Index Swap (OIS) and government bond spreads. For the currencies where the three-month LIBOR ceased, the new risk-free rate is considered the main interest risk factor. For example pound sterling - SONIA, Swiss franc - Saron, Japanese yen - Tonia, US dollar - SOFR, Turkish Lira - OIS). For all other currencies, the three-month swap curve is considered as the main interest risk factor and the other factors as basis spread risk factors.

## Interest rate benchmark reforms

In March 2021, the Intercontinental Exchange (ICE) Benchmark Administration in conjunction with the UK's Financial Conduct Authority (FCA) announced that it would stop publishing the following LIBOR settings after 31 December 2021: all euro and Swiss franc LIBOR settings, and one-week and two-month US dollar LIBOR settings. All remaining US dollar LIBOR settings (that is the overnight, one-month, three-month, six-month and twelve-month settings) ceased to be published from 30 June 2023. Synthetic three-month pound sterling LIBOR continues to be published and will cease from 31 March 2024, while the synthetic one-month, three-month and six-month US dollar LIBOR settings are expected to cease publication after 30 September 2024.

*To date the Bank has successfully transitioned all trades linked to pound sterling, Swiss franc and Japanese yen LIBOR settings.*

*There are some remaining trades linked to US dollar LIBOR which remain to be transitioned. For derivative business the Bank is adhering to the International Swaps and Derivatives Association (ISDA) protocol that took effect on 25 January 2021. Consequently the majority of these trades now reference the Secured Overnight Funding Rate (SOFR) as the underlying index. A small number of client-facing derivatives are currently undergoing the final stages of renegotiation, with transition expected to be concluded in 2024.*

*For the loan portfolio, the Bank has transitioned the majority of transactions with a small number of deals remaining. These are expected to be transitioned during 2024.*

## Local currency inflation risk

*The Bank is additionally exposed to local currency market risk in the Kazakh Consumer Price Index (CPI) that exposes the Bank to model risk, given that there is no market in Kazakh inflation. Treasury have raised Kazakh tenge through issuances linked to inflation, given that the Kazakh tenge market had no transparent domestic reference rate for borrowing and lending at the time of the issuances (2019 and 2020). This risk is mitigated by the fact that the liabilities are partially matched by on-lending linked to Kazakh CPI. At 31 December 2023 surplus Kazakh tenge CPI-linked funding stood at €612 million (2022: €605 million); these funds were invested predominantly in short-term Kazakhstan Government bonds.*

## Equity price risk

In its Treasury portfolio, the Bank had direct exposure to equity risk of €157 million at 31 December 2023 through two Treasury share investments<sup>64</sup> (2022: €140 million). In addition, indirect exposures to equity risk occur in the form of equity-linked structured products that are hedged on a back-to-back basis and therefore result in no outright exposure.

# C. Liquidity risk

## Liquidity risk management process

The EBRD's liquidity policies are designed to ensure that the Bank maintains a prudent level of liquidity, given the risk environment in which it operates, and to support its triple-A credit rating.

*The Bank's medium-term liquidity requirements are based on satisfying each of the following three minimum constraints:*

- Net Treasury liquid assets must be at least 75 per cent of the next two years' projected net cash requirements, without recourse to accessing funding markets.*
- The Bank's liquidity must be considered a strong positive factor when rating agency methodologies are applied. These methodologies include applying haircuts to the Bank's liquid assets, assessing the level of debt due within one year and considering undrawn commitments. This provides an external view of liquidity coverage under stressed circumstances.*
- The Bank must be able to meet its obligations for at least 12 months under an extreme stress scenario. This internally generated scenario considers a combination of events that could detrimentally impact the Bank's liquidity position.*

*For the purposes of the net cash requirements coverage ratio above, all assets managed within the Treasury portfolio are considered to be liquid assets while "net" Treasury liquid assets represent gross treasury assets net of short-term debt.<sup>65</sup>*

<sup>64</sup> See note 20 to the financial statements on page 79.

<sup>65</sup> For this ratio, short-term debt is debt with a fixed or optional maturity of one year or less at the point of recognition – that is, it is not debt where the remaining maturity was one year or less at 31 December 2023.

---

*The Bank holds liquidity above its minimum policy levels to allow flexibility in the execution of its borrowing programme. At 31 December 2023, the Bank's key medium-term liquidity metrics were as follows:*

- *Net Treasury liquid assets represented 117 per cent (2022: 137 per cent) of the next two years' net cash requirements against a minimum 75 per cent coverage.*
- *Treasury liquid assets (after the application of haircuts to simulate a stressed scenario) represented 123 per cent (2022: 144 per cent) of one-year debt service plus 50 per cent of undrawn commitments, against a minimum 100 per cent coverage.*

*The average weighted maturity of assets managed by Treasury at 31 December 2023 was 1.1 years (2022: 0.9 years).*

*The Bank's short-term liquidity policy is based on the principles of the Liquidity Coverage Ratio within the Basel III reform package. This approach requires that the ratio of maturing liquid assets and scheduled cash inflows to cash outflows over both a 30-day and 90-day horizon must be a minimum of 100 per cent. The minimum ratios under the Bank's policy have been exceeded at 31 December 2023 and consistently throughout the year.*

*In addition to the above, Treasury actively manages the Bank's liquidity position on a daily basis.*

*The Bank has a proven record of access to funding in the capital markets via its global medium-term note programme and commercial paper facilities. In 2023 the Bank raised €9.6 billion of medium to long-term debt with an average tenor of 3.7 years (2022: €6.7 billion and 4.3 years). During 2023, the Bank's triple-A credit rating with a stable outlook was affirmed by all three major credit rating agencies.*



The table below is a maturity analysis of the undiscounted cash flows deriving from the Bank's financial liabilities. Cash flows are presented in the earliest maturity band in which they could contractually fall due. As the figures represent undiscounted cash flows, they do not match those reported in the balance sheet.

	Up to and including 1 month € million	Over 1 month and up to and including 3 months € million	Over 3 months and up to and including 1 year € million	Over 1 year and up to and including 3 years € million	Over 3 years € million	Total € million
<b>Financial liabilities at 31 December 2023</b>						
<b>Non-derivative cash flows</b>						
Amounts owed to credit institutions	(770)	(36)	(71)	(50)	-	(927)
Debts evidenced by certificates	(2,281)	(2,238)	(6,907)	(18,865)	(24,106)	(54,397)
Other financial liabilities	(75)	(74)	(24)	(25)	(670)	(868)
<b>At 31 December 2023</b>	<b>(3,126)</b>	<b>(2,348)</b>	<b>(7,002)</b>	<b>(18,940)</b>	<b>(24,776)</b>	<b>(56,192)</b>
<b>Trading derivative cash flows</b>						
Net settling interest rate derivatives	(16)	(61)	(147)	(281)	(372)	(877)
Gross settling interest rate derivatives – outflow	(1,329)	(663)	(2,006)	(1,688)	(2,859)	(8,545)
Gross settling interest rate derivatives – inflow	1,138	535	1,850	1,563	3,033	8,119
Foreign exchange derivatives – outflow	(3,316)	(2,409)	(434)	(57)	-	(6,216)
Foreign exchange derivatives – inflow	3,214	2,349	421	50	-	6,034
<b>At 31 December 2023</b>	<b>(309)</b>	<b>(249)</b>	<b>(316)</b>	<b>(413)</b>	<b>(198)</b>	<b>(1,485)</b>
<b>Hedging derivative cash flows</b>						
Net settling interest rate derivatives	(45)	(90)	(363)	(265)	(65)	(828)
Gross settling interest rate derivatives – outflow	(982)	(1,030)	(2,651)	(4,067)	(2,625)	(11,355)
Gross settling interest rate derivatives – inflow	873	856	2,232	3,504	2,408	9,873
<b>At 31 December 2023</b>	<b>(154)</b>	<b>(264)</b>	<b>(782)</b>	<b>(828)</b>	<b>(282)</b>	<b>(2,310)</b>
<b>Total financial liabilities at 31 December 2023</b>	<b>(3,589)</b>	<b>(2,861)</b>	<b>(8,100)</b>	<b>(20,181)</b>	<b>(25,256)</b>	<b>(59,987)</b>
<b>Undrawn commitments</b>						
Financial institutions	(4,288)	-	-	-	-	(4,288)
Non-financial institutions	(12,493)	-	-	-	-	(12,493)
<b>At 31 December 2023</b>	<b>(16,781)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,781)</b>

	Up to and including 1 month € million	Over 1 month and up to and including 3 months € million	Over 3 months and up to and including 1 year € million	Over 1 year and up to and including 3 years € million	Over 3 years € million	Total € million
<b>Financial liabilities at 31 December 2022</b>						
<b>Non-derivative cash flows</b>						
Amounts owed to credit institutions	(419)	(22)	(122)	-	-	(563)
Debts evidenced by certificates	(1,063)	(3,733)	(5,548)	(18,751)	(21,290)	(50,385)
Other financial liabilities	(51)	(50)	(49)	(30)	(588)	(768)
<b>At 31 December 2022</b>	<b>(1,533)</b>	<b>(3,805)</b>	<b>(5,719)</b>	<b>(18,781)</b>	<b>(21,878)</b>	<b>(51,716)</b>
<b>Trading derivative cash flows</b>						
Net settling interest rate derivatives	(9)	(26)	(132)	(301)	(334)	(802)
Gross settling interest rate derivatives – outflow	(532)	(432)	(2,129)	(2,827)	(2,344)	(8,264)
Gross settling interest rate derivatives – inflow	311	377	2,135	2,663	2,340	7,826
Foreign exchange derivatives – outflow	(2,910)	(6,362)	(153)	-	(56)	(9,481)
Foreign exchange derivatives – inflow	2,758	6,171	147	-	50	9,126
<b>At 31 December 2022</b>	<b>(382)</b>	<b>(272)</b>	<b>(132)</b>	<b>(465)</b>	<b>(344)</b>	<b>(1,595)</b>
<b>Hedging derivative cash flows</b>						
Net settling interest rate derivatives	(47)	(67)	(496)	(609)	34	(1,185)
Gross settling interest rate derivatives – outflow	(428)	(2,057)	(3,995)	(6,265)	(3,285)	(16,030)
Gross settling interest rate derivatives – inflow	417	1,411	3,310	5,907	2,919	13,964
<b>At 31 December 2022</b>	<b>(58)</b>	<b>(713)</b>	<b>(1,181)</b>	<b>(967)</b>	<b>(332)</b>	<b>(3,251)</b>
<b>Total financial liabilities at 31 December 2022</b>	<b>(1,973)</b>	<b>(4,790)</b>	<b>(7,032)</b>	<b>(20,213)</b>	<b>(22,554)</b>	<b>(56,562)</b>
<b>Undrawn commitments</b>						
Financial institutions	(3,735)	-	-	-	-	(3,735)
Non-financial institutions	(12,935)	-	-	-	-	(12,935)
<b>At 31 December 2022</b>	<b>(16,670)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,670)</b>

---

## D. Environment and sustainability related risks

---

The Bank's approach to the environmental and social impacts and risks of its projects is governed by its Environmental and Social Policy<sup>66</sup> (ESP). The ESP is approved by the Board of Directors and its implementation is delegated to management. The Environment and Sustainability Department (ESD) is the lead department responsible for implementing the ESP. The ESP sets out the Bank's framework for assessing and mitigating environmental and social risks and impacts of its projects by ensuring that they are structured to meet "good international practice"<sup>67</sup> on environmental and social matters and provide sustainable outcomes.

Investment-related environmental and social risks are managed by ESD. Its tasks include project appraisal and monitoring, policy engagement, sustainability reporting and the development of sustainability-related technical cooperation programmes. All projects undergo environmental and social appraisal both to help the EBRD decide if the project should be financed and, if so, the way in which environmental and social risks and impacts should be addressed in planning, implementing and operating a project. In addition, monitoring, reporting and verification (MRV) of the projects and their impacts are vital components of the EBRD's approach to sustainability and are key to demonstrating that the Bank is delivering in line with its mandate, policies and strategies. MRV not only enables the Bank to track the performance of individual projects, but also to implement corrective actions where needed. The Bank asks all clients to report annually on their environmental and social performance and the implementation of environmental and social action plans. The EBRD's environmental and social specialists carry out on-site monitoring visits for higher-risk projects and advise clients on the implementation of sensitive aspects for those projects, such as land acquisition, involuntary resettlement, health and safety, labour, pollution prevention, biodiversity, cultural heritage, and climate aspects.

Since 1 January 2023, all new EBRD investments and activities have been aligned with the mitigation and adaptation goals of the Paris Agreement on climate change. The Bank has an approach to Paris alignment and a robust framework for EBRD financing and activities, including internal activities, to support climate action and to engage with clients in their transition to a low-carbon economy.

Following the EBRD's signing of the Joint Multilateral Development Bank Statement on Nature, People and Planet in 2021, the Bank is enhancing its efforts to protect and enhance biodiversity and nature. In December 2023, the EBRD launched its new "Approach to Nature"<sup>68</sup> as part of Nature Day at the COP28 Climate Conference. The Approach to Nature states how the Bank intends to scale up nature action, deliver more benefits for nature, and play its part in halting and reversing biodiversity loss by 2030. The Approach to Nature also outlines how the EBRD will scale up nature action across the three pillars of "protect", "invest", and "disclose". For the EBRD, 2024 will be a year of exploration in which the Bank will progress action in line with its Approach to Nature. The Bank will work closely with clients, political leaders, donors, and knowledge partners to uncover the scale of the opportunity to deliver impact for nature within its mandate.

The EBRD has an array of externally reported sustainability related disclosures and publications, primarily:

- (i) Sustainability Report: Includes the Bank's sustainability related activities and milestones during the reporting period
- (ii) Global Reporting Initiative, Sustainability Disclosures: Provides a comprehensive overview of the EBRD's approach to environmental, social and governance issues
- (iii) Task Force on Climate-related Financial Disclosures Report: Offers transparent information on the financial risks and opportunities associated with climate change; ongoing work aims at integrating nature-related risks into this report, and
- (iv) Principles of Responsible Investment (PRI): Includes actions for incorporating ESG (Environmental, Social, and Governance) issues into investment practice.

The Bank is also working towards digitalisation, including the potential use of AI tools to generate meaningful data for the purposes of internal and external sustainability monitoring and reporting.

### Climate risk

In its fourth year of publishing a Task Force on Climate-related Financial Disclosures Report, the Bank continued to expand and enhance its procedures for identifying, assessing, and managing climate-related risks in its operations.

---

<sup>66</sup> [www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html](https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html)

<sup>67</sup> Good international practice is defined in the ESP as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. The outcome of such an exercise will be that the project employs the most appropriate techniques and standards in the project-specific circumstances.

<sup>68</sup> [www.ebrd.com/documents/environment/the-ebrds-approach-to-nature.pdf](https://www.ebrd.com/documents/environment/the-ebrds-approach-to-nature.pdf)

The Bank completed a carbon-transition stress test of its largest corporate and sub-sovereign clients in potentially high-risk sectors, with an improved process that made the stress testing and analysis more robust and systematic. The Bank also completed an initial calculation of financed emissions for part of the portfolio, with a view to further expand this and capture the carbon footprint of its investments while supporting its clients on their road to a low-carbon future.

The EBRD considers climate risk to be a cross-cutting risk that impacts credit risk in particular, as well as other risk categories, including market risk and operational risk. The impact of climate risk is therefore implicitly captured through the Bank's existing risk management framework. For example, in relation to credit risk and the calculation of expected credit losses, the Bank considers the climate risk of its clients whenever specific counterparty credit analysis is conducted. Consequently, any material impact on future performance is reflected within the assigned PD rating. LGDs are not adjusted for climate risk as the data available do not demonstrate a material impact. With respect to the Bank's fair valuations, climate risk is, in practice, reflected in a range of market observable inputs to the Bank's valuation processes, which themselves take into account climate-related risks. The Bank has assessed that, as measured at 31 December 2023 in accordance with IFRS, the financial impact of climate risks on the Bank was immaterial.

The Bank remains committed to further refining its approaches based on lessons learned and evolving best practices.

## E. Operational risk

The Bank defines operational risk as the risk of financial loss and adverse reputational impact due to inadequate or failing processes, people, systems and/or external events.

### Sources of operational risk

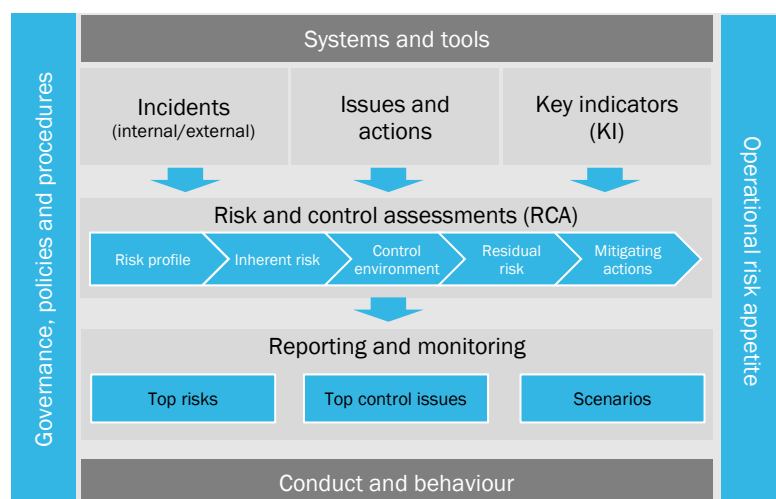
Operational risk can manifest itself in various ways, including human errors, inappropriate behaviour of employees (including fraud), failure to comply with applicable rules and policies or failure of vendors to perform in accordance with their contractual arrangements. These events could result in financial losses, as well as reputational damage to the Bank.

### Operational Risk Framework

The Bank's Operational Risk Framework (ORF) is a network of processes, procedures, reports and responsibilities that are used to identify, manage and monitor the operational risks of the Bank. These include governance committees, day-to-day management practices such as the collection and analysis of key risks, as well as issues and incidents that could adversely impact the Bank.

The ORF provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks across the Bank within which individual businesses have sufficient flexibility to tailor specific components to their own needs.

The main components of the Operational Risk Framework are described below:



---

## *Governance, policies and procedures*

*The EBRD utilises a comprehensive set of policies and procedures that set out how operational risks should be managed throughout the Bank.*

## *Operational risk appetite*

*This determines the Bank's approach to risk taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures.*

## *Incidents*

*The Bank systematically collects, analyses and reports data on operational risk incidents to ensure it understands the reasons they occurred and how controls can be improved to reduce the risk of future incidents. It also collects and utilises available data on incidents at relevant peer firms through the Global Operational Risk Loss Database to identify potential risks that may be relevant in the future, even if they have not yet impacted the Bank.*

## *Issues and actions*

*The Bank also systematically collates information on "Issues" the business faces with the effective control of operational risks. "Actions" are established to address these issues and are completed to ensure these issues do not present operational risks.*

## *Key indicators*

*These are metrics that are used to monitor particular operational risks and controls over time, as well as to ensure that action is taken where needed.*

## *Risk and control assessments*

*"Risk and control assessments" are comprehensive assessments of the Bank's key operational risks. They comprise a self-assessment, performed by each business unit, which defines a risk profile based on a Bank-wide operational risk taxonomy that classifies risks under a standardised taxonomy. The approach includes an assessment of the inherent risks of each business and control function, as well as an evaluation of the effectiveness of the controls in place to mitigate these risks. This helps determine the residual risk ratings and decisions to either accept or remediate the residual risks.*

## *Reporting and monitoring*

*The Bank produces a wide range of regular management information reports covering the key inputs and outputs of the ORF. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.*

## *Systems and tools*

*The Bank uses a Governance Risk Control system for recording, managing and reporting Operational Risk, controls and both incidents and Internal Audit findings.*

## *Conduct and behaviour*

*Several ORF components include assessments of behaviour as effective operational risk management relies on employees conducting themselves appropriately. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the risk and control assessment process.*

## *Key risks and mitigations*

*The Bank continually assesses and strengthens its risk and control processes and technological support tools to increase their effectiveness.*

The following table summarises key operational risks currently considered most relevant to its business.

Key risk	Description	How is the risk managed
<b>Reputational risk</b>	<i>The risk that the Bank's stakeholders, the economies and/or the communities in which it operates lose confidence and respect for the EBRD and its ability to achieve its mission, resulting in an adverse effect on the Bank's ability to carry out its mandate in accordance with the Agreement Establishing the EBRD or on its ability to maintain existing, or establish new, business relationships and/or access to funding. Reputational risk can arise from any of the key risks outlined below.</i>	<i>Consider key reputational risks when initiating changes in strategy or operating model. Engage in proactive communications with all stakeholders and monitor media coverage to understand how our reputation is perceived. In addition, a number of controls and frameworks are in place to address other risks that could affect our reputation including conduct risk, financial crime, investment risk and client take-on and product development.</i>
<b>Fraud and conduct risk</b>	<i>Inappropriate conduct or actions by employee(s) or third parties, that defraud, misappropriate property, or circumvent regulations, law or Bank policy or procedure, or which (in the case of third parties) give rise to unacceptable integrity risk for the Bank.</i>	<i>Managed through a framework focusing on enhancements to risk identification, mitigation, management information and reporting in conjunction with line management, OCCO and Human Resources.</i>
<b>Human resources and skills (people) risk</b>	<i>Risk that the capacity, productivity, wellbeing, hiring, or retention of our staff are compromised.</i>	<i>Key mitigations include identifying and developing resources to support front-to-back processes, talent management programmes and succession planning. Develop comprehensive procedure documentation of all key processes and where possible include as part of disaster recovery tests.</i>
<b>Process risk</b>	<i>Risk arising from the failure of significant business processes undertaken by the EBRD, including for example critical transaction and payments processing, donor administration, financial reporting, mandate compliance, client suitability checks, reference data and asset pricing.</i>	<i>Risk and control assessments are used to identify and assess key operational risks. Associated controls are assessed with regard to their design and performance. Where required, processes and controls are enhanced to improve the control environment with the aim of preventing risk events from recurring.</i>
<b>Change management risk/project risk</b>	<i>Risk of negative consequences that can arise from implementing a change initiative, including impact of change on people, business disruption, and failure to manage the delivery of projects and programmes.</i>	<i>Dedicated change management team overseeing all major projects, ensuring that consistent, Bank-wide rigour is brought to the initiation, approval and monitoring of projects. The Bank does not implement new processes and systems before they have been fully tested.</i>
<b>Information security and cyber risk</b>	<i>The risk that the confidentiality, integrity, authenticity and/or availability of a given information asset is adversely impacted or the compromise of Bank systems due to a digital event(s) caused by threat actors or third parties.</i>	<i>The Bank's IT and information security procedures and processes ensure that all servers and computers have up to date antivirus software. Backups are made regularly and regular access control checks, system penetration and vulnerability tests along with disaster recovery tests are performed. The Bank's anti-cyber-attack controls are checked and aligned with external best practice.</i>
<b>Business resilience risk</b>	<i>Disruptions to Bank activities and operations caused by unavailability of systems, workforce or workplace.</i>	<i>Resilience planning is in place across the business with clear identification of key staff and their involvement in business resumption plans. This includes annual disaster recovery testing at the Bank's back-up site. Bank-wide insurance held against a loss resulting from interruption to the business as a consequence of loss of or damage to the Bank's property. The Bank works closely with its third-party suppliers to maintain the quality and continuity of service.</i>
<b>Technology risk</b>	<i>The risks that the Bank's technology systems and support are inadequate or fail to adapt to changing requirements.</i>	<i>The Bank's technology risk management operating model enables the organisation to identify, measure, and manage technology risks against its business objectives, critical processes, and information risks. Ensure consideration for key areas such as incident, change, and capacity management. Regularly review the progress of major information technology projects and new systems are subject to rigorous testing before approval.</i>
<b>Third-party service provider risk</b>	<i>The risk that third party vendors may not be able to meet their agreed service level terms that can result in business disruption, misuse of data or create a negative impact on business performance.</i>	<i>Before entering into third-party arrangements, the Bank undertakes due diligence on third-party suppliers and maintains a programme of regular assessment against agreed service levels. Exit plans are considered prior to appointment and provide a framework for transitioning business from one service provider to another should the quality fall below the agreed service level.</i>
<b>Legal risk</b>	<i>Risk primarily relating to (i) a defective transaction, (ii) a claim (including a defence to a claim or counterclaim) being made or some other event occurring that results in a liability for the EBRD or other loss, or (iii) failing to take appropriate measures to protect the EBRD's assets, privileges and immunities, or preferred creditor status, and failing to comply with EBRD's constituent documents or (iv) a change in law (where applicable or relevant).</i>	<i>The Bank recognises that the need to manage and mitigate legal risk is inherent in all aspects of its activities. The Bank maintains a strong control system that promotes compliance with legal requirements, and uses internal and external legal counsel as both a safeguard against unlawful actions and a resource for informed decision-making.</i>

---

## Outlook

*The overall operational risk outlook remains heightened, in particular technology risk and information security and cyber risk will remain elevated.*

*The unfavourable external threat environment (including adverse economic and geopolitical factors), the rapid enhancements and complexity in the technological environment and the expanding use of artificial intelligence brings an increase in the frequency and sophistication of cyber-attacks against the Bank, its clients and supply chains.*

*The EBRD remains persistent in assessing and addressing potential vulnerabilities within its IT infrastructure and supporting processes, including user behaviour that could significantly expose the Bank to such risks.*

*To ensure the resilience and long-term viability of its business model, the Bank undertakes regular advance planning related to critical systems and processes to ensure the ability to recover and maintain business operations in the event of potential disruptions.*

*The Bank enhanced its operational risk management framework with focused efforts to promote a strong operational risk culture and sound standards of effective operational risk management across the first line, reducing the dependence and/or reliance on the second and third lines of defence.*

*The Bank monitors and assesses external events and changes to its operational risk profile arising from climate change, including the impact on its facilities, infrastructure, vendors and business supply chains. For example, extreme weather may force office closures, disrupt resource distribution or damage crucial resources, such as communication and data centres.*

*The Bank maintains a framework for the continuous identification, monitoring and control of its exposure to operational risks, as well as backup facilities for such eventualities.*

## F. Capital management

The EBRD's original authorised share capital was €10.0 billion. Under Resolution No. 59, adopted on 15 April 1996, the Board of Governors approved a doubling of the Bank's authorised capital stock to €20.0 billion.

In May 2010 the Board of Governors approved a further two-step increase in the authorised capital stock of the Bank: an immediate €1.0 billion increase in authorised paid-in shares (Resolution No. 126), and a €9.0 billion increase in authorised callable capital shares (Resolution No. 128). This amounts to an aggregate increase in the authorised capital stock of the Bank of €10.0 billion (collectively referred to as the second capital increase). The increase in callable capital became effective on 20 April 2011 when subscriptions were received for at least 50 per cent of the newly authorised callable capital. The callable shares were issued subject to redemption in accordance with the terms of Resolution No. 128.

The Bank does not have any other classes of capital.

At the October 2020 Annual Meeting the Board of Governors reviewed the capital stock of the Bank pursuant to Article 5.3 of the Agreement and resolved that the projected capital stock is appropriate for the 2021-25 period, in the context of the approval of the Bank's Strategic and Capital Framework 2021-25. The Board of Governors resolved that the adequacy of the Bank's capital would next be reviewed in 2025 (Resolution No. 233). To support the Bank's response to the war on Ukraine, in 2023 the Board of Governors approved an increase to the authorised capital stock of €4.0 billion new paid-in shares (Resolution No.265 adopted on 15 December 2023). The effective date of this capital increase will be 31 December 2024.

The Bank's capital usage is guided by statutory and financial policy parameters. Article 12 of the Agreement establishes a 1:1 gearing ratio which limits the total amount of outstanding loans and share investments made by the Bank in the economies in which it invests to the total amount of the Bank's unimpaired subscribed capital, reserves and surpluses. *This capital base incorporates unimpaired subscribed capital (including callable capital), the unrestricted general reserves, loan loss reserve, special reserve and adjustments for general loan impairment provisions on Banking exposures and unrealised equity losses. Special resources of the Bank are excluded from this capital base so there was no change in it associated with the consolidation of the EBRD Shareholder Special Fund.<sup>69</sup> The capital base for these purposes amounted to €44.6 billion<sup>70</sup> at 31 December 2023 (2022: €43.0 billion).*

---

<sup>69</sup> For further information on the consolidation of the EBRD Shareholder Special Fund please see note 2 on page 65.

<sup>70</sup> Deductions are made to exclude revaluation reserves related to Banking assets (as operating assets are considered at cost).



The Bank interprets the gearing ratio on a “disbursed Banking assets” or “operating assets” basis. To ensure consistency with the statutory capital base, specific provisions are deducted from total operating assets for the purposes of the ratio. At 31 December 2023, the Bank’s gearing ratio on an aggregated basis was 85 per cent (2022: 83 per cent) compared with a policy threshold for this ratio of 92 per cent. Article 12 also limits the total amount of disbursed share investments to the total amount of the Bank’s unimpaired paid-in subscribed capital, surpluses and general reserve. No capital utilisation limits were breached during the year (2022: none). On 18 May 2023, under Resolution No. 260, the Board of Governors agreed to remove the statutory capital constraint under Article 12. The Agreement will be amended to reflect this change when the decision is ratified by the required majority of shareholders during the course of 2024.

The Bank’s statutory measure of capital adequacy under the gearing ratio is supplemented by a risk-based prudential capital adequacy limit under its Capital Adequacy Policy.

The Bank defines required capital as the potential capital losses it may incur based on probabilities consistent with the Bank’s triple-A credit rating. The main risk categories assessed under the capital adequacy framework are credit risk, market risk and operational risk, and the total risk is managed within an available capital base that excludes callable capital, while maintaining a prudent capital buffer.

One of the main objectives of the Capital Adequacy Policy is to manage the Bank’s capital within a medium-term planning framework, providing a consistent measurement of capital headroom over time. The Bank’s objective is to prevent the need to call on subscribed callable capital and to use only available risk capital including paid-in capital and reserves.

At 31 December 2023 the ratio of required capital to available capital was 62 per cent (2022: 65 per cent) compared with a policy threshold for this ratio of 90 per cent. The Bank’s risk-based capital requirement under this policy is managed alongside the Bank’s statutory capital constraint.

The Bank’s key financial indicators are presented on page 6. At 31 December 2023, the ratio of members’ equity to total assets was 30.2 per cent (2022: 27.0 per cent) and the ratio of members’ equity to Banking assets was 58.1 per cent (2022: 56.1 per cent).

## Unrestricted general reserves

	2023 € million	2022 € million
<i>Reserves and retained earnings</i>		
Special reserve	306	306
Loan loss reserve	279	415
SEMED cooperation funds	2	4
EBRD Shareholder Special Fund	671	627
Unrealised gains	2,494	2,034
<b>Total restricted reserves</b>	<b>3,752</b>	<b>3,386</b>
<b>Unrestricted general reserves</b>	<b>12,298</b>	<b>9,733</b>
<b>At 31 December</b>	<b>16,050</b>	<b>13,119</b>

The Bank’s reserves are used to determine, in accordance with the Agreement, what part of the Bank’s net income will be allocated to surplus or other purposes and what part, if any, will be distributed to its members. For this purpose, the Bank uses unrestricted general reserves.

Article 36 of the Agreement relates to the allocation and distribution of the Bank’s net income and states: “No such allocation, and no distribution, shall be made until the general reserve amounts to at least ten per cent of the authorised capital stock”. This figure is currently €3.0 billion (2022: €3.0 billion).

## G. Fair value of financial assets and liabilities

### Classification and fair value of financial assets and liabilities

	Carrying amount € million	Fair value € million
<b>Financial assets at 31 December 2023</b>		
<b>Financial assets measured at fair value through profit or loss or fair value through other comprehensive income:</b>		
Debt securities	962	962
Derivative financial instruments	5,561	5,561
Banking loans at fair value through other comprehensive income	1,024	1,024
Banking loans at fair value through profit or loss	843	843
Banking portfolio: Share investments at fair value through profit or loss	5,620	5,620
Treasury portfolio: Share investments at fair value through other comprehensive income	157	157
	<b>14,167</b>	<b>14,167</b>
<b>Financial assets measured at amortised cost:<sup>71</sup></b>		
Placements with and advances to credit institutions	18,729	18,729
Debt securities	8,392	8,383
Other financial assets	939	939
Banking loan investments at amortised cost	31,117	30,002
	<b>59,177</b>	<b>58,053</b>
<b>Total</b>	<b>73,344</b>	<b>72,220</b>

	Carrying amount € million	Fair value € million
<b>Financial assets at 31 December 2022</b>		
<b>Financial assets measured at fair value through profit or loss or fair value through other comprehensive income:</b>		
Debt securities	854	854
Derivative financial instruments	5,069	5,069
Banking loans at fair value through other comprehensive income	1,183	1,183
Banking loans at fair value through profit or loss	747	747
Banking portfolio: Share investments at fair value through profit or loss	4,885	4,885
Treasury portfolio: Share investments at fair value through other comprehensive income	140	140
	<b>12,878</b>	<b>12,878</b>
<b>Financial assets measured at amortised cost:</b>		
Placements with and advances to credit institutions	21,402	21,402
Debt securities	8,275	8,236
Other financial assets	632	632
Banking loan investments at amortised cost	27,857	27,863
	<b>58,166</b>	<b>58,133</b>
<b>Total</b>	<b>71,044</b>	<b>71,011</b>

	Held for trading € million	At fair value through profit or loss € million	Derivatives held for hedging purposes € million	Financial liabilities at amortised cost € million	Carrying amount € million	Fair value € million
<b>Financial liabilities at 31 December 2023</b>						
Amounts owed to credit institutions	-	-	-	(911)	(911)	(911)
Debts evidenced by certificates	-	-	-	(44,298)	(44,298)	(44,258)
Derivative financial instruments	(1,268)	(34)	(3,637)	-	(4,939)	(4,939)
Other financial liabilities	-	(282)	-	(1,224)	(1,506)	(1,506)
<b>Total financial liabilities</b>	<b>(1,268)</b>	<b>(316)</b>	<b>(3,637)</b>	<b>(46,433)</b>	<b>(51,654)</b>	<b>(51,614)</b>

	Held for trading € million	At fair value through profit or loss € million	Derivatives held for hedging purposes € million	Financial liabilities at amortised cost € million	Carrying amount € million	Fair value € million
<b>Financial liabilities at 31 December 2022</b>						
Amounts owed to credit institutions	-	-	-	(571)	(571)	(571)
Debts evidenced by certificates	-	-	-	(43,418)	(43,418)	(43,315)
Derivative financial instruments	(1,431)	(50)	(5,582)	-	(7,063)	(7,063)
Other financial liabilities	-	(203)	-	(1,034)	(1,237)	(1,237)
<b>Total financial liabilities</b>	<b>(1,431)</b>	<b>(253)</b>	<b>(5,582)</b>	<b>(45,023)</b>	<b>(52,289)</b>	<b>(52,186)</b>

<sup>71</sup> With the exception of debt securities and loan investments, the fair value for the other amortised cost assets approximates to their carrying value due to the short-dated nature of these assets.



At 31 December 2023, the Bank's balance sheet approximates to fair value in all financial asset and liability categories, with the exception of banking loan investments at amortised cost.

The amortised cost instruments held within placements with and advances to credit institutions, other financial assets, amounts owed to credit institutions, and other financial liabilities have amortised cost values approximating their fair value, being primarily simple, high credit quality short-term instruments. They are classified as having Level 2 inputs (see fair value hierarchy, below) as the Bank's assessment of their fair value is based on the observable market valuation of similar assets and liabilities.

The fair value of amortised cost debt securities is determined using Level 2 inputs, employing valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are quotes from brokerage services and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

Banking loan investments whereby the objective of the Bank's business model is to hold these investments to collect the contractual cash flow, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, are recognised at amortised cost. The fair value of these loans was calculated using Level 3 inputs by discounting the cash flows at a year-end interest rate applicable to each loan and further discounting the value by an internal measure of credit risk.

Debts evidenced by certificates represents the Bank's borrowings raised through the issuance of commercial paper and bonds. The fair value of the Bank's issued bonds is determined using discounted cash flow models and therefore relies on Level 3 inputs. Due to the short-tenor nature of commercial paper and the Bank's credit rating, amortised cost typically approximates to fair value. The fair value of the Bank's issued commercial paper is determined based on the observable market valuation of similar assets and liabilities and therefore relies on Level 2 inputs.

## Fair value hierarchy

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities. This level includes listed share investments on stock exchanges and listed bonds classified as loans held at fair value through other comprehensive income.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of inputs include prices available from screen-based services such as SuperDerivatives and Bloomberg, broker quotes and observable market data such as interest rates and foreign exchange rates which are used in deriving the valuations of derivative products. This level includes debt securities (valued using prices observed in markets not deemed sufficiently active to be included in Level 1), most derivative products (generally valued using a discounted cash flow model using solely observable inputs) and listed share and bond investments (valued using a quoted price but where there is no market sufficiently active to be included in Level 1).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments and debt securities or derivative products for which not all valuation inputs are observable.

The table below provides information at 31 December 2023 about the Bank's financial assets and financial liabilities measured at fair value. Financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

	At 31 December 2023			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Debt securities	724	238	-	962
Derivative financial instruments	-	5,324	237	5,561
Banking loans	962	284	621	1,867
Share investments (Banking portfolio)	1,314	132	4,174	5,620
Share investments (Treasury portfolio)	-	157	-	157
<b>Total financial assets at fair value</b>	<b>3,000</b>	<b>6,135</b>	<b>5,032</b>	<b>14,167</b>
Derivative financial instruments	-	(4,905)	(34)	(4,939)
Other liabilities	-	-	(282)	(282)
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>(4,905)</b>	<b>(316)</b>	<b>(5,221)</b>

At 31 December 2022

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Debt securities	595	259	-	854
Derivative financial instruments	-	4,855	214	5,069
Banking loans	1,297	29	604	1,930
Share investments (Banking portfolio)	1,065	42	3,778	4,885
Share investments (Treasury portfolio)	-	140	-	140
<b>Total financial assets at fair value</b>	<b>2,957</b>	<b>5,325</b>	<b>4,596</b>	<b>12,878</b>
Derivative financial instruments	-	(7,013)	(50)	(7,063)
Other liabilities	-	-	(203)	(203)
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>(7,013)</b>	<b>(253)</b>	<b>(7,266)</b>

Transfers to Level 2 occur when the volume of trading of an investment is at a level that is insufficient for its market to be deemed active, but where the market price is still the best indicator of the investment's value. Transfers to Level 3 occur when there is no longer an observable market price indicative of arms-length transactions.

During 2023 there were €281 million transfers from Level 1 to Level 2 (2022: €19 million), with no transfers from Level 1 to Level 3 (2022: €52 million) and no transfers from Level 2 to Level 3 (2022: €26 million). The transfers from Level 1 to Level 2 occurred because, based on the volume of trading of the investments, the market was no longer deemed active.

During 2023, there were transfers of €24 million from Level 2 to Level 1 (2022: €8 million). The transfers out of Level 2 were because, based on the volume of trading of the investments, the market was now deemed active. There were €57 million of transfers out of Level 3 to Level 1 (2022: €nil) and €87 million of transfers from Level 3 to Level 2 (2022: €nil). The transfers from Level 3 to Level 1 occurred due to availability of observable prices in active markets. The transfers from Level 3 to Level 2 occurred due to availability of observable prices from inactive markets.

The table below provides a reconciliation of the fair values of the Bank's Level 3 financial assets and financial liabilities for the year ended 31 December 2023.

	Derivative financial instruments € million	Banking loans € million	Banking share investments € million	Total assets € million	Other liabilities € million	Derivative financial instruments € million	Total liabilities € million
<b>Balance at 31 December 2022</b>	<b>214</b>	<b>604</b>	<b>3,778</b>	<b>4,596</b>	<b>(203)</b>	<b>(50)</b>	<b>(253)</b>
<i>Net gains/(losses) recognised in:</i>							
• Net gains/(losses) from share investments at fair value through profit or loss	25	-	571	596	(47)	15	(32)
• Net losses from loans	-	8	-	8	-	-	-
• Gains/(losses) on loans measured at fair value through other comprehensive income	-	85	-	85	-	-	-
Issuances	-	140	-	140	(43)	-	(43)
Purchases	-	-	449	449	-	-	-
Settlements	(2)	(72)	-	(74)	11	1	12
Sales	-	-	(624)	(624)	-	-	-
Transfers out of Level 3	-	(144)	-	(144)	-	-	-
<b>Balance at 31 December 2023</b>	<b>237</b>	<b>621</b>	<b>4,174</b>	<b>5,032</b>	<b>(282)</b>	<b>(34)</b>	<b>(316)</b>
<i>Net gains/(losses) for the year for Level 3 instruments held at 31 December 2023 recognised in:</i>							
• Net gains/(losses) from share investments at fair value through profit or loss	30	-	539	569	(41)	(2)	(43)
• Net losses from loans	-	8	-	8	-	-	-

	Derivative financial instruments € million	Banking loans € million	Banking share investments € million	Total assets € million	Other liabilities € million	Derivative financial instruments € million	Total liabilities € million
<b>Balance at 31 December 2021</b>	<b>216</b>	<b>348</b>	<b>4,289</b>	<b>4,853</b>	<b>(195)</b>	<b>(149)</b>	<b>(344)</b>
<i>Net gains/(losses) recognised in:</i>							
• Net gains/(losses) from share investments at fair value through profit or loss	38	-	(818)	(780)	36	94	130
• Net losses from loans	-	(32)	-	(32)	-	-	-
Issuances	-	365	-	365	(46)	-	(46)
Purchases	-	-	626	626	-	-	-
Settlements	(40)	(155)	-	(195)	2	5	7
Sales	-	-	(319)	(319)	-	-	-
Transfers into Level 3	-	78	-	78	-	-	-
<b>Balance at 31 December 2022</b>	<b>214</b>	<b>604</b>	<b>3,778</b>	<b>4,596</b>	<b>(203)</b>	<b>(50)</b>	<b>(253)</b>
<i>Net gains/(losses) for the year for Level 3 instruments held at 31 December 2022 recognised in:</i>							
• Net gains/(losses) from share investments at fair value through profit or loss	4	-	(905)	(901)	38	13	51
• Net losses from loans	-	(32)	-	(32)	-	-	-

### Level 3 – sensitivity analysis

The table below presents the Level 3 financial instruments carried at fair value at 31 December 2023, the main valuation models/techniques<sup>72</sup> used in the valuation of these financial instruments and the estimated increases or decreases in fair value based on reasonable possible alternative assumptions:

		Impact on net profit in 2023		
	Main valuation models/techniques	Carrying amount € million	Favourable change € million	Unfavourable change € million
Banking loans	DCF, credit adjustment models and NAV	621	86	(7)
Banking share investments, EPF and associated derivatives <sup>73</sup>	NAV and EBITDA multiples, DCF models, compounded interest and option pricing models	4,095	984	(540)
<b>At 31 December</b>		<b>4,716</b>	<b>1,070</b>	<b>(547)</b>

		Impact on net profit in 2022		
	Main valuation models/techniques	Carrying amount € million	Favourable change € million	Unfavourable change € million
Banking loans	DCF, credit adjustment models and NAV	604	66	(32)
Banking share investments, EPF and associated derivatives	NAV and EBITDA multiples, DCF models, compounded interest and option pricing models	3,739	1,086	(584)
<b>At 31 December</b>		<b>4,343</b>	<b>1,152</b>	<b>(616)</b>

### Banking loans

Banking loans at fair value through profit or loss mainly comprise convertible loans or loans with an element of performance-based return. The valuation models/techniques used to derive the fair value of these instruments are DCF models, NAV valuations and credit adjustments. The inputs into the models include interest rates, discount rates, the borrower's credit spreads and underlying equity prices. Reasonable possible alternative valuations have been determined based on the borrower's probability of default, alternative NAV valuations and changes to assumptions in underlying DCF models, for example, amending the discount rate.

### Banking share investments, Equity Participation Fund and derivatives

The Bank's unlisted equity portfolio comprises direct share investments, equity derivatives and equity funds. The main valuation models/techniques used to determine the fair value of these financial instruments are NAV multiples, EBITDA multiples and DCF models.

<sup>72</sup> NAV = net asset value; EBITDA = earnings before interest, tax, depreciation and amortisation; DCF = discounted cash flow.

<sup>73</sup> The fair value movements of the Equity Participation Fund (EPF) liability and equity derivatives are negatively correlated with those of the share investments to which they are linked. For this reason, Banking share investments and the associated derivatives have been combined for the sensitivity analysis. For details of the EPF, see note 32 on page 92.

---

The valuation of the Equity Participation Fund liability (EPF) is based on the same underlying investments and therefore also relies on the same techniques.

NAV multiples are most commonly applied to direct share investments. Recent transactions within sectors are also considered where available. Reasonable possible alternative valuations have been determined based on the NAV multiple ranges in the valuations received for direct share investments. Equity funds are valued based on NAV statements, adjusted for applicable market movements observed between the measurement date of the NAV and 31 December 2023. Reasonable possible alternative valuations have been determined based on changes in assumptions affecting the observed market movements. For investments valued using EBITDA multiples and DCF models, sensitivity analysis was performed by determining reasonable alternative valuations using sales, EBITDA, price-to-earnings multiples methods, as well as industry-specific methods like multiples based on production capacities. Further, within a given method valuation ranges were determined by using bottom and top quartile multiples. For DCF models, sensitivity analysis was performed by changing certain underlying assumptions (for example, an increase or decrease in the discount rate).

In modelling valuations of Level 3 direct share investments, the Bank employs a number of internally generated unobservable inputs which are determined by expert professional judgement. The inputs employed vary depending on the valuation approach selected for the investment. The most commonly utilised unobservable inputs are:

- Adjustments to the modelled value based on the liquidity and marketability of the asset that would be considered by a potential purchaser in an arm's length transaction. (2023: weighted average discount of 12 per cent. 2022: 12 per cent)
- NAV multiples generated from observations of comparable listed companies. (2023: between 0.8 and 1.75. 2022: 0.75 and 1.50)
- EBITDA multiples generated from observations of comparable listed companies. (2023: between 2.92 and 15.86. 2022: 2.27 and 13.33).

# Notes to the financial statements

## 1. Establishment of the EBRD

### I. Agreement establishing the EBRD

The European Bank for Reconstruction and Development (the Bank), whose principal office is located in London, is an international organisation formed under the Agreement Establishing the EBRD dated 29 May 1990 (the Agreement). At 31 December 2023, the Bank's members comprised 72 countries, together with the European Union and the European Investment Bank.

### II. Headquarters Agreement

The status, privileges and immunities of the Bank and persons connected with the Bank in the United Kingdom are confirmed and supplemented in the Headquarters Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Bank (Headquarters Agreement). The Headquarters Agreement was signed in London at the start of the Bank's operations on 15 April 1991.

## 2. Consolidation

On 31 December 2022 the rules of the EBRD Shareholder Special Fund (SSF) were amended by the Board of Directors. The amended rules provided that, in the event of its liquidation, the residual resources of the SSF would be returned to the Bank's ordinary capital resources. As assessed under IFRS 10, following this change to the rules, the Bank is now deemed to control the SSF. As the Bank controls the SSF, it is required to present consolidated financial statements that reflect its control over the SSF.

As the SSF is considered a separate segment, separate presentation of the results of the Bank's ordinary capital resources and the SSF is shown in note 3: Segment information.

## 3. Segment information

The Bank's activities are primarily split between Banking, Treasury and the SSF. Banking activities represent investments in projects that, in accordance with the Agreement, 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 matters. The SSF assists in delivery of the Bank's mandate by providing technical and non-technical assistance to clients, and through investment activities which may include guarantees, equity or debt financing. As the SSF was consolidated on 31 December 2022, it made no contribution to consolidated net profit in 2022.

Information on the financial performance of Banking, Treasury and SSF operations is prepared regularly and provided to the President, the Bank's chief operating decision-maker. On this basis, Banking, Treasury and SSF operations have been identified as the operating segments.

## Segment performance

The President assesses the performance of the operating segments based on the net profit for the year, which is measured in a manner consistent with the financial statements and consistent with the prior year. The segment information provided to the President for the operating segments for the years ended 31 December 2023 and 31 December 2022 is as follows:

	Banking 2023 € million	Treasury 2023 € million	SSF 2023 € million	Aggregated 2023 € million	Banking 2022 € million	Treasury 2022 € million	SSF 2022 € million	Aggregated 2022 € million
Interest income	2,526	1,360	14	3,900	1,759	511	-	2,270
Other income <sup>74</sup>	1,110	(267)	(81)	762	(1,041)	237	-	(804)
<b>Total segment revenue</b>	<b>3,636</b>	<b>1,093</b>	<b>(67)</b>	<b>4,662</b>	<b>718</b>	<b>748</b>	<b>-</b>	<b>1,466</b>
Interest expense and similar charges	(3)	(2,288)	-	(2,291)	-	(1,119)	-	(1,119)
Net interest on derivatives	-	225	-	225	-	(12)	-	(12)
Internal funding charge	(1,399)	1,399	-	-	(614)	614	-	-
General administrative expenses	(440)	(39)	-	(479)	(440)	(28)	-	(468)
Depreciation and amortisation	(55)	(4)	-	(59)	(66)	(4)	-	(70)
<b>Segment result before provisions and hedges</b>	<b>1,739</b>	<b>386</b>	<b>(67)</b>	<b>2,058</b>	<b>(402)</b>	<b>199</b>	<b>-</b>	<b>(203)</b>
Fair value movement on non-qualifying and ineffective hedges	-	(554)	-	(554)	-	393	-	393
Return on capital	-	480	-	480	-	110	-	110
Provisions for impairment of loan investments and guarantees	116	-	(2)	114	(1,417)	-	-	(1,417)
<b>Net profit/ (loss) for the year</b>	<b>1,855</b>	<b>312</b>	<b>(69)</b>	<b>2,098</b>	<b>(1,819)</b>	<b>702</b>	<b>-</b>	<b>(1,117)</b>
Transfers of net income approved by the Board of Governors				(23)				(123)
<b>Net profit/ (loss) after transfers approved by the Board of Governors</b>				<b>2,075</b>				<b>(1,240)</b>
<b>Segment assets</b>								
<b>Total assets</b>	<b>39,979</b>	<b>33,354</b>	<b>589</b>	<b>73,922</b>	<b>35,892</b>	<b>35,166</b>	<b>567</b>	<b>71,625</b>
<b>Segment liabilities</b>								
<b>Total liabilities</b>	<b>1,119</b>	<b>50,617</b>	<b>(82)</b>	<b>51,654</b>	<b>986</b>	<b>51,363</b>	<b>(60)</b>	<b>52,289</b>

<sup>74</sup> Other income comprises the following line items in the income statement: Net fee and commission income; Net donor-related income; Dividend income; Net gains from share investments at fair value through profit or loss; Net gains from loans; Net gains from Treasury investments held at amortised cost; and Net gains from Treasury activities at fair value through profit or loss and foreign exchange adjusted for the return on capital.

## Segment performance – Ordinary capital resources and Special capital resources

Collectively, Banking and Treasury comprise the Ordinary capital resources (OCR) of the Bank, while the SSF forms part of the Bank's Special capital resources. As the SSF was consolidated on 31 December 2022, it made no contribution to consolidated net profit in 2022. Consolidation adjustments are those adjustments required to eliminate transactions between OCR and the SSF for reporting at the consolidated level. The following additional segment information distinguishing between Ordinary and Special resources is also provided to the President.

	OCR Income Statement 2023 € million	SSF Income Statement 2023 € million	Consolidation Adjustments 2023 € million	Consolidated Income Statement 2023 € million	OCR Income Statement 2022 € million	SSF Income Statement 2022 € million	Consolidation Adjustments 2022 € million	Consolidated Income Statement 2022 € million
<i>Interest income</i>								
From Banking loans	2,526	-	-	2,526	1,759	-	-	1,759
From fixed-income debt securities and other interest	1,360	14	-	1,374	511	-	-	511
Net interest income on derivatives	225	-	-	225	-	-	-	-
	4,111	14	-	4,125	2,270	-	-	2,270
<i>Other interest</i>								
Interest expense and similar charges	(2,291)	-	-	(2,291)	(1,119)	-	-	(1,119)
Net interest expense on derivatives	-	-	-	-	(12)	-	-	(12)
<b>Net interest income</b>	<b>1,820</b>	<b>14</b>	<b>-</b>	<b>1,834</b>	<b>1,139</b>	<b>-</b>	<b>-</b>	<b>1,139</b>
Fee and commission income	144	-	-	144	99	-	-	99
Fee and commission expense	(34)	(83)	-	(117)	(35)	-	-	(35)
<b>Net fee and commission income</b>	<b>110</b>	<b>(83)</b>	<b>-</b>	<b>27</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>64</b>
Donor-related income	31	-	(3)	28	19	-	-	19
Donor-related expense	(20)	(3)	3	(20)	(15)	-	-	(15)
<b>Net donor-related income</b>	<b>11</b>	<b>(3)</b>	<b>-</b>	<b>8</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>
Dividend income	82	-	-	82	98	-	-	98
Net gains/(losses) from share investments at fair value through profit or loss	912	7	-	919	(1,150)	-	-	(1,150)
Net losses from loans	(5)	-	-	(5)	(57)	-	-	(57)
Net gains from Treasury assets held at amortised cost	1	-	-	1	4	-	-	4
Net gains/(losses) from Treasury activities at fair value through profit or loss and foreign exchange	212	(2)	-	210	343	-	-	343
Fair value movement on non-qualifying and ineffective hedges	(554)	-	-	(554)	393	-	-	393
Impairment provisions on Banking loan investments	102	-	(2)	100	(1,390)	-	-	(1,390)
Impairment provisions on guarantees	14	-	-	14	(27)	-	-	(27)
General administrative expenses	(479)	-	-	(479)	(468)	-	-	(468)
Depreciation and amortisation	(59)	-	-	(59)	(70)	-	-	(70)
<b>Net profit/(loss)</b>	<b>2,167</b>	<b>(67)</b>	<b>(2)</b>	<b>2,098</b>	<b>(1,117)</b>	<b>-</b>	<b>-</b>	<b>(1,117)</b>
<b>Memorandum items</b>								
Transfers of net income approved by the Board of Governors	(131)	-	108	(23)	(123)	-	-	(123)
<b>Net profit/(loss) after transfers of net income approved by the Board of Governors</b>	<b>2,036</b>	<b>(67)</b>	<b>106</b>	<b>2,075</b>	<b>(1,240)</b>	<b>-</b>	<b>-</b>	<b>(1,240)</b>

	OCR Balance Sheet 2023 € million	SSF <sup>75</sup> Balance Sheet 2023 € million	Consolidation Adjustments 2023 € million	Consolidated Balance Sheet 2023 € million	OCR Balance Sheet 2022 € million	SSF Balance Sheet 2022 € million	Consolidation Adjustments 2022 € million	Consolidated Balance Sheet 2022 € million
<b>Assets</b>								
<b>Placements with and advances to credit institutions</b>								
Cash and cash equivalents	5,789	535	-	6,324	6,120	520	-	6,640
Other placements with and advances to credit institutions	12,405	-	-	12,405	14,762	-	-	14,762
<b>Debt securities</b>								
At fair value through profit or loss	962	-	-	962	854	-	-	854
At amortised cost	8,392	-	-	8,392	8,275	-	-	8,275
	<b>27,548</b>	<b>535</b>	<b>-</b>	<b>28,083</b>	<b>30,011</b>	<b>520</b>	<b>-</b>	<b>30,531</b>
<b>Other financial assets</b>								
Derivative financial instruments	5,561	-	-	5,561	5,069	-	-	5,069
Other financial assets	938	106	(105)	939	630	96	(94)	632
	<b>6,499</b>	<b>106</b>	<b>(105)</b>	<b>6,500</b>	<b>5,699</b>	<b>96</b>	<b>(94)</b>	<b>5,701</b>
<b>Loan investments</b>								
Loans at amortised cost	32,948	-	-	32,948	29,932	-	-	29,932
Less: Provisions for impairment	(1,830)	-	(1)	(1,831)	(2,072)	-	(3)	(2,075)
Loans at fair value through other comprehensive income	1,024	-	-	1,024	1,183	-	-	1,183
Loans at fair value through profit or loss	843	-	-	843	747	-	-	747
	<b>32,985</b>	<b>-</b>	<b>(1)</b>	<b>32,984</b>	<b>29,790</b>	<b>-</b>	<b>(3)</b>	<b>29,787</b>
<b>Share investments</b>								
At fair value through profit or loss	5,566	54	-	5,620	4,837	48	-	4,885
At fair value through other comprehensive income	157	-	-	157	140	-	-	140
	<b>5,723</b>	<b>54</b>	<b>-</b>	<b>5,777</b>	<b>4,977</b>	<b>48</b>	<b>-</b>	<b>5,025</b>
Intangible assets	152	-	-	152	141	-	-	141
Property and equipment	426	-	-	426	440	-	-	440
<b>Total assets</b>	<b>73,333</b>	<b>695</b>	<b>(106)</b>	<b>73,922</b>	<b>71,058</b>	<b>664</b>	<b>(97)</b>	<b>71,625</b>
<b>Liabilities</b>								
<b>Borrowings</b>								
Amounts owed to credit institutions and other third parties	911	-	-	911	571	-	-	571
Debts evidenced by certificates	44,298	-	-	44,298	43,418	-	-	43,418
	<b>45,209</b>	<b>-</b>	<b>-</b>	<b>45,209</b>	<b>43,989</b>	<b>-</b>	<b>-</b>	<b>43,989</b>
<b>Other financial liabilities</b>								
Derivative financial instruments	4,939	-	-	4,939	7,063	-	-	7,063
Other financial liabilities	1,588	36	(118)	1,506	1,297	51	(111)	1,237
	<b>6,527</b>	<b>36</b>	<b>(118)</b>	<b>6,445</b>	<b>8,360</b>	<b>51</b>	<b>(111)</b>	<b>8,300</b>
<b>Total liabilities</b>	<b>51,736</b>	<b>36</b>	<b>(118)</b>	<b>51,654</b>	<b>52,349</b>	<b>51</b>	<b>(111)</b>	<b>52,289</b>
<b>Members' equity</b>								
Paid-in capital	6,218	-	-	6,218	6,217	-	-	6,217
Reserves and retained earnings	15,379	659	12	16,050	12,492	613	14	13,119
<b>Total members' equity</b>	<b>21,597</b>	<b>659</b>	<b>12</b>	<b>22,268</b>	<b>18,709</b>	<b>613</b>	<b>14</b>	<b>19,336</b>
<b>Total liabilities and members' equity</b>	<b>73,333</b>	<b>695</b>	<b>(106)</b>	<b>73,922</b>	<b>71,058</b>	<b>664</b>	<b>(97)</b>	<b>71,625</b>

<sup>75</sup> The fair value of the receivables acquired on the consolidation of the SSF (placements with and advances to credit institutions of €520 million and other financial assets of €2 million) equated to the gross contractual amount receivable, and there were no contractual cash flows not expected to be delivered on those acquired receivables.



## Segment revenues – geographic

The Bank's activities are divided into nine regions for internal management purposes.

	Segment revenue 2023 € million	Restated <sup>76</sup> Segment revenue 2022 € million
Central Asia <sup>77</sup>	571	427
Central Europe and the Baltic states <sup>78</sup>	582	167
Cyprus and Greece	225	42
Eastern Europe and the Caucasus <sup>79</sup>	466	21
Russia	69	(729)
South-eastern Europe <sup>80</sup>	567	248
Southern and eastern Mediterranean <sup>81</sup>	488	227
Türkiye	711	375
Other OECD <sup>82</sup>	1,463	798
<b>Total</b>	<b>5,142</b>	<b>1,576</b>

Revenues are attributed to regions on the basis of the location in which a project operates and include fair value movements on financial assets carried at fair value through profit and loss.

## 4. Net interest income

	2023 € million	2022 € million
Banking loans		
• At amortised cost	2,220	1,684
• At fair value through other comprehensive income	289	71
• At fair value through profit or loss	17	4
<b>Interest income from Banking loans</b>	<b>2,526</b>	<b>1,759</b>
Debt securities at amortised cost	437	242
Reverse repurchase agreements	240	61
Cash and short-term funds	626	181
Other	71	27
<b>Interest income from fixed income debt securities and other interest</b>	<b>1,374</b>	<b>511</b>
<b>Net interest income on derivatives</b>	<b>225</b>	<b>-</b>
Debts evidenced by certificates	(2,237)	(1,072)
Amounts owed to credit institutions	(49)	(42)
Other	(5)	(5)
<b>Interest expense and similar charges</b>	<b>(2,291)</b>	<b>(1,119)</b>
<b>Net interest expense on derivatives</b>	<b>-</b>	<b>(12)</b>
<b>Net interest income</b>	<b>1,834</b>	<b>1,139</b>

Interest income accrued on credit-impaired financial assets during 2023 was €37 million (2022: €42 million).<sup>83</sup>

<sup>76</sup> For the purpose of this disclosure, the return on capital is included as revenue. 2022 comparatives have been revised to accommodate this. The increase in total revenue for 2022 as a result of this change was €110 million, all of which related to "Other OECD".

<sup>77</sup> Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

<sup>78</sup> Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia.

<sup>79</sup> Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

<sup>80</sup> Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Montenegro, North Macedonia, Romania and Serbia.

<sup>81</sup> Egypt, Jordan, Lebanon, Morocco and Tunisia.

<sup>82</sup> Other member countries of the Organisation for Economic Co-operation and Development that are not included within the other categories. [www.oecd.org/about/membersandpartners/](http://www.oecd.org/about/membersandpartners/)

<sup>83</sup> This interest income equates to the unwinding of the discount on expected future cash flows from credit-impaired financial assets.

## 5. Net fee and commission income

The main components of net fee and commission income are as follows:

	2023 € million	2022 € million
Banking loan commitment charges	57	52
Other Banking loan fee income	12	9
Banking equity fee income	36	4
Trade finance fee income	24	20
Other fee income	15	14
<b>Fee and commission income</b>	<b>144</b>	<b>99</b>
Risk participation fees	(28)	(29)
Banking equity fee expense	(6)	(5)
SSF – net technical cooperation expenses	(50)	-
SSF – disbursements for investment grants	(29)	-
SSF – incentive fees	(3)	-
Other fee expenses	(1)	(1)
<b>Fee and commission expense</b>	<b>(117)</b>	<b>(35)</b>
<b>Net fee and commission income</b>	<b>27</b>	<b>64</b>

Loan related front-end and appraisal fees of €78 million (2022: €59 million) received in 2023, together with related direct costs of €5 million (2022: €5 million), have been deferred on the balance sheet. They are recognised in interest income over the period from disbursement to repayment of the related loan as part of the loan's effective interest, in accordance with IFRS 9.

## 6. Net gains/(losses) from share investments at fair value through profit or loss

	2023 € million	2022 € million
Net gains/(losses) from listed share investments	339	(645)
Net gains/(losses) from unlisted share investments	586	(673)
Net gains from equity derivatives	41	132
Net movement in the Equity Participation Fund <sup>84</sup>	(47)	36
<b>Net gains/(losses) from share investments at fair value through profit or loss</b>	<b>919</b>	<b>(1,150)</b>

## 7. Net losses from loans

	2023 € million	2022 € million
Gains/(losses) from loans at fair value through profit or loss	13	(57)
Losses from loans at fair value through other comprehensive income	-	(2)
(Losses)/gains from loans at amortised cost	(18)	2
<b>Net losses from loans</b>	<b>(5)</b>	<b>(57)</b>

During the year the Bank sold €268 million of loans held at amortised cost (2022: €78 million).

## 8. Net gains from Treasury assets held at amortised cost

	2023 € million	2022 € million
Net gains from debt securities at amortised cost	1	4
<b>Net gains from Treasury assets held at amortised cost</b>	<b>1</b>	<b>4</b>

During the year the Bank sold €213 million of debt securities held at amortised cost (2022: €776 million).

<sup>84</sup> For more information on the Equity Participation Fund please see note 32 on page 92.

## 9. Net gains from Treasury activities at fair value through profit or loss and foreign exchange

	2023 € million	2022 € million
Debt buy-backs and termination of related derivatives	10	1
Net gains from trading activities	173	316
Allocated trading gain	27	26
<b>Net gains from Treasury activities at fair value through profit or loss and foreign exchange</b>	<b>210</b>	<b>343</b>

## 10. Fair value movement on non-qualifying and ineffective hedges

	2023 € million	2022 € million
<i>Hedge ineffectiveness recognised in the income statement from</i>		
Fair value hedges – interest rate risk	(113)	(140)
<b>Hedge ineffectiveness</b>	<b>(113)</b>	<b>(140)</b>
Fair value movement on non-qualifying hedges	(441)	533
<b>Fair value movement on non-qualifying and ineffective hedges</b>	<b>(554)</b>	<b>393</b>

The hedging practices and accounting treatment are disclosed under “Derivative financial instruments and hedge accounting” on page 21 in the “Accounting policies and judgements” section of this report.

The fair value movement on non-qualifying and ineffective hedges represents an accounting mismatch in respect of hedging relationships undertaken by the Bank that either do not qualify for hedge accounting or do not fully offset when measured in accordance with IFRS. This difference will reverse over time as the underlying deals approach their maturities.

### Fair value hedges – one-to-one hedge relationships

The Bank applies hedge accounting where there is an identifiable, one-to-one relationship between a hedging derivative instrument and a hedged cash instrument. These relationships predominantly arise within the context of the Bank’s borrowing activities in which the Bank’s issued bonds are combined with swaps to achieve floating-rate debt in the currency sought by the Bank. While such hedges are matched in cash flow terms, different valuation methodologies may apply to such cash flows, depending on market conventions for pricing different types of instrument.

One example of such a difference is a pricing component of currency swaps known as the basis swap spread, which is not applied to the related hedged bond. This component is a feature of supply and demand requirements for other currencies relative to the US dollar or the euro. To reduce the level of income statement volatility due to this factor, the Bank, under IFRS 9, elects to recognise these movements in hedging swap valuations in the statement of other comprehensive income. These amounts are then released to the income statement as hedge ineffectiveness over the life of the hedging relationship. Other pricing differentials between the hedging instruments and the hedged items are recognised directly in the income statement.

The following tables provide information regarding instruments in designated hedge relationships.

	Notional 2023 € million	Carrying amount Assets 2023 € million	Carrying amount Liabilities 2023 € million	Changes in fair value used for calculating hedge ineffectiveness 2023 € million
<b>Hedging instruments</b>				
Fair value hedges – interest rate risk	36,063	2,985	(3,604)	808
Cash flow hedges – foreign exchange risk	243	-	(1)	(9)
Cash flow hedges – interest rate risk	12,000	358	(32)	(384)
	<b>48,306</b>	<b>3,343</b>	<b>(3,637)</b>	<b>415</b>

	Notional 2022 € million	Carrying amount Assets 2022 € million	Carrying amount Liabilities 2022 € million	Changes in fair value used for calculating hedge ineffectiveness 2022 € million
<b>Hedging instruments</b>				
Fair value hedges – interest rate risk	35,968	2,602	(5,567)	(1,955)
Cash flow hedges – foreign exchange risk	225	-	(2)	2
Cash flow hedges – interest rate risk	24,250	-	(13)	25
	<b>60,443</b>	<b>2,602</b>	<b>(5,582)</b>	<b>(1,928)</b>

The notional amount of the hedging instruments is profiled by timing of repayment in the following table.

Notional 2023	Less than 1 month € million	1–3 months € million	3 months–1 year € million	1–5 years € million	More than 5 years € million
Fair value hedges – interest rate risk	2,724	1,814	7,586	16,880	7,059
Cash flow hedges – foreign exchange risk	41	81	121	-	-
Cash flow hedges – interest rate risk	-	-	-	12,000	-
	<b>2,765</b>	<b>1,895</b>	<b>7,707</b>	<b>28,880</b>	<b>7,059</b>

Notional 2022	Less than 1 month € million	1–3 months € million	3 months–1 year € million	1–5 years € million	More than 5 years € million
Fair value hedges – interest rate risk	1,060	2,334	10,475	13,702	8,397
Cash flow hedges – foreign exchange risk	35	85	105	-	-
Cash flow hedges – interest rate risk	-	6,000	18,250	-	-
	<b>1,095</b>	<b>8,419</b>	<b>28,830</b>	<b>13,702</b>	<b>8,397</b>

The carrying value of the Bank's hedging instruments is reported within derivative financial instruments on the balance sheet.

	Carrying amount 2023 € million	Accumulated hedge adjustments 2023 € million	Changes in fair value used for calculating hedge ineffectiveness 2023 € million
<b>Hedged items</b>			
Fair value hedges – interest rate risk – assets	6,270	(280)	198
Fair value hedges – interest rate risk – liabilities	(31,714)	595	(1,119)
			<b>(921)</b>
Cash flow hedges – foreign exchange risk			9
Cash flow hedges – interest rate risk			384
			<b>(528)</b>

	Carrying amount 2022 € million	Accumulated hedge adjustments 2022 € million	Changes in fair value used for calculating hedge ineffectiveness 2022 € million
<b>Hedged items</b>			
Fair value hedges – interest rate risk – assets	6,518	(489)	(557)
Fair value hedges – interest rate risk – liabilities	(32,828)	2,072	2,372
			<b>1,815</b>
Cash flow hedges – foreign exchange risk			(2)
Cash flow hedges – interest rate risk			(25)
			<b>1,788</b>

The carrying value of the Bank's hedged items is reported on the balance sheet within debt securities in the case of hedged assets, and debts evidenced by certificates in the case of hedged liabilities. There are no accumulated hedged adjustments on assets or liabilities that have ceased to be adjusted for hedging gains and losses (2022: €nil).

## Cash flow hedges

The Bank applies cash flow hedge accounting to the following transactions:

- The Bank hedges on an annual basis to minimise the exchange rate risk associated with incurring administrative expenses in pound sterling (the expenses hedge). At 31 December 2023 the Bank had hedged a portion of the projected sterling expenditure for 2024.
- In 2022, the Bank also elected to enter a cash flow hedge to minimise the variability of the interest income that it expects to receive from euro denominated transactions in 2023 (the capital hedge). In 2023 this practice was extended to hedge the income from anticipated future euro denominated transactions until 2027.

The determination of the economic relationship between the hedged item and the hedging instrument for the purposes of assessing hedge effectiveness is performed upon initial recognition of the hedging instrument.

- For the expenses hedge, to hedge the variability of the euro equivalent value of the cash flows administrative expenses in pound sterling, a hedging instrument is entered into where the expected pound sterling cash flows will be exchanged for a fixed euro amount.
- For the capital hedge, to hedge the variability of the Bank's euro interest cash flows owing to changes in euro interest rates, a hedging instrument is entered into where the floating rate euro interest income is swapped to a fixed euro return.

In both cases, the variability of the cash flows on the hedged item and the variability of the cash flows on the hedging instrument will generally move in an equal and opposite direction in response to changes in the same hedged risk. The hedge ratios for these cash flow hedges are established as follows:

- For the expenses hedge, the hedging instrument's notional amount will equate to the portion of the projected sterling expenditure to be hedged.
- For the capital hedge, the hedging instrument's notional amount will equate to the expected value of the euro denominated assets on the balance sheet from which the variable interest income cash flows will be generated.

The principal sources of potential hedge ineffectiveness in these cash flow hedges include:

- For the expenses hedge, differences in either the timing or amount of the cash flows between projected sterling expenditure and actual sterling expenditure.
- For the capital hedge, the changes in the projected euro cash flows as a result of losses causing the Bank to hold a lower than projected amount of euro assets; or changes in the Bank's business model to fix euro interest income for longer periods than anticipated.

The table below analyses the amounts recognised in other comprehensive income attributable to cash flow hedges. There are no amounts in the revaluation reserve relating to cash flow hedges where hedge accounting is no longer applied (2022: €nil). In 2023 no gain or loss was recognised as ineffectiveness in the income statement arising from cash flow hedges, as was the case in 2022.

	2023 € million	2022 € million
<b>Cash flow hedges</b>		
Fair value movements recognised in other comprehensive income	351	(29)
Amounts reclassified to interest income offsetting hedged interest rate movements	(7)	-
Amounts reclassified to general administrative expenses offsetting hedged FX movements	40	2
<b>Gains/(losses) on cash flow hedges recognised in other comprehensive income</b>	<b>384</b>	<b>(27)</b>

## Fair value hedges – portfolio hedging

In addition to the one-to-one hedge relationships for which the Bank applies hedge accounting, it also hedges interest rate risk across total assets and liabilities on a portfolio basis, for which hedge accounting is not applied. This activity results in the gains or losses arising on the hedging derivative instruments being recognised in the periods in which they occur, while the offsetting impact deriving from the hedged cash instruments will accrue over a different timescale in keeping with the interest rates applicable to the specific periods for those instruments. The gains or losses on the hedging instruments is disclosed as fair value movement on non-qualifying hedges.

## 11. Provisions for impairment of Banking loan investments<sup>85</sup>

	2023 € million	2022 € million
<b>(Charge)/release for the year</b>		
Impairment of loan investments at amortised cost in stages 1 and 2	170	(522)
Impairment of loan investments at amortised cost in stage 3 <sup>86</sup>	(64)	(650)
Associated hedging costs <sup>87</sup>	(4)	(10)
<b>Provisions for impairment of Banking loan investments at amortised cost</b>	<b>102</b>	<b>(1,182)</b>
Impairment of loan investments at fair value through other comprehensive income in stages 1 and 2	2	(45)
Impairment of loan investments at fair value through other comprehensive income in stages 3	(4)	(163)
<b>Provisions for impairment of Banking loan investments</b>	<b>100</b>	<b>(1,390)</b>

<sup>85</sup> Provisions for loans held at fair value through other comprehensive income equated to €204 million (2022: €213 million). These provisions form part of the overall balance for loans at fair value through other comprehensive income on the balance sheet.

<sup>86</sup> Comprising €262 million of new provisions against €198 million of released provisions (2022: €804 million against €148 million respectively).

<sup>87</sup> Provisions raised in non-euro currencies create foreign exchange exposures which Treasury hedges. To the extent that these hedges are transacted at different rates to the rates applied by the Bank's accounting system to translate the provisions into the euro equivalent amounts, the difference is recognised as part of the overall provision charge in the income statement.

	2023 € million	2022 € million
<b>Movement in provisions</b>		
At 1 January	(2,075)	(963)
(Charge)/ release for the year to the income statement <sup>88</sup>	102	(1,182)
Accrued interest income written off on newly credit-impaired loans	5	29
Unwinding of the discount on expected future cash flows of Stage 3 assets	37	42
Foreign exchange adjustments	33	(26)
Release against amounts written off	67	31
SSF consolidation <sup>89</sup>	-	(3)
Recovery of amounts previously written off	-	(3)
<b>At 31 December</b>	<b>(1,831)</b>	<b>(2,075)</b>
<b>Analysed between</b>		
Stage 1 and 2 provisions for non-sovereign loan investments at amortised cost	(357)	(509)
Stage 1 and 2 provisions for sovereign loan investments at amortised cost	(220)	(252)
Stage 3 provisions for loan investments at amortised cost	(1,254)	(1,314)
<b>At 31 December</b>	<b>(1,831)</b>	<b>(2,075)</b>

For the purpose of calculating impairment in accordance with IFRS 9, loans at amortised cost are grouped in three stages.

- **Stage 1:** Loans are originated in Stage 1. In this stage impairment is calculated on a portfolio basis and equates to the expected credit loss from these assets over a 12-month horizon.
- **Stage 2:** Loans for which there has been a significant increase in credit risk since inception, but which are still performing loans are grouped in Stage 2. In this stage impairment is calculated on a portfolio basis and equates to the lifetime expected credit loss from these assets.
- **Stage 3:** Loans for which there is specific evidence of impairment are grouped in Stage 3. In this stage the lifetime expected credit loss is specifically calculated for each individual asset.

Set out below is an analysis of the movements in the Banking loan investments held at amortised cost and the associated impairment loss allowances for each of the stages of impairment.

	12-month ECL (Stage 1) 2023 € million	Lifetime ECL (Stage 2) 2023 € million	Lifetime ECL (Stage 3) 2023 € million	Total 2023 € million
<b>Movement in ECL – amortised cost loans</b>				
At 1 January	112	649	1,314	2,075
New loans originated	46	-	-	46
Transfer to Stage 1	6	(49)	-	(43)
Transfer to Stage 2 – significant increase in credit risk	(22)	66	23	67
Transfer to Stage 3 – credit-impaired	-	(18)	149	131
ECL release – repayments/settlements	(5)	(19)	(73)	(97)
ECL release – write offs	-	-	(67)	(67)
Changes in model or risk parameters <sup>90</sup>	(54)	(138)	(68)	(260)
Foreign exchange and other movements	(3)	6	(24)	(21)
<b>At 31 December</b>	<b>80</b>	<b>497</b>	<b>1,254</b>	<b>1,831</b>

<sup>88</sup> Excludes provisions for guarantees which are recorded in other liabilities.

<sup>89</sup> On the date of its initial consolidation, guarantees provided by the SSF to the Bank's ordinary capital resources ceased to affect the expected credit losses at the consolidated level. For further information on the consolidation of the SSF see note 2 on page 65.

<sup>90</sup> Changes in model or risk parameters includes those changes captured through the PMA.

	Loans Stage 1 2023 € million	Loans Stage 2 2023 € million	Loans Stage 3 2023 € million	Total 2023 € million
<b>Movement in loans at amortised cost</b>				
At 1 January	22,342	5,401	2,189	29,932
Disbursements	10,375	604	747	11,726
Transfer to Stage 1	885	(885)	-	-
Transfer to Stage 2 – significant increase in credit risk	(1,359)	1,486	(127)	-
Transfer to Stage 3 – credit-impaired	-	(298)	298	-
Repayments/settlements	(6,514)	(1,503)	(613)	(8,630)
Write offs	-	-	(67)	(67)
Remeasurement of previously impaired loans	-	52	-	52
Foreign exchange and other movements	(104)	77	(38)	(65)
<b>At 31 December</b>	<b>25,625</b>	<b>4,934</b>	<b>2,389</b>	<b>32,948</b>

	12-month ECL (Stage 1) 2022 € million	Lifetime ECL (Stage 2) 2022 € million	Lifetime ECL (Stage 3) 2022 € million	Total 2022 € million
<b>Movement in ECL – amortised cost loans</b>				
At 1 January	87	143	733	963
New loans originated	119	-	-	119
Transfer to Stage 1	4	(44)	-	(40)
Transfer to Stage 2 – significant increase in credit risk	(156)	185	(24)	5
Transfer to Stage 3 – credit-impaired	-	(182)	674	492
ECL release – repayments/settlements	(4)	(473)	(39)	(516)
ECL release – write offs	-	-	(31)	(31)
Changes in model or risk parameters	61	1,011	(27)	1,045
Foreign exchange and other movements	1	7	27	35
SSF consolidation	-	2	1	3
<b>At 31 December</b>	<b>112</b>	<b>649</b>	<b>1,314</b>	<b>2,075</b>

	Loans Stage 1 2022 € million	Loans Stage 2 2022 € million	Loans Stage 3 2022 € million	Total 2022 € million
<b>Movement in loans at amortised cost</b>				
At 1 January	21,256	4,515	1,437	27,208
Disbursements	9,274	471	24	9,769
Transfer to Stage 1	390	(390)	-	-
Transfer to Stage 2 – significant increase in credit risk	(2,288)	2,376	(88)	-
Transfer to Stage 3 – credit-impaired	(11)	(987)	998	-
Repayments/settlements	(6,754)	(701)	(197)	(7,652)
Write offs	-	-	(31)	(31)
Remeasurement of previously impaired loans	-	10	-	10
Foreign exchange and other movements	475	107	46	628
<b>At 31 December</b>	<b>22,342</b>	<b>5,401</b>	<b>2,189</b>	<b>29,932</b>

Set out below is an analysis of the movements in the Banking loan investments held at fair value through other comprehensive income and the associated impairment loss allowances for each of the stages of impairment.

	12-month ECL (Stage 1) 2023 € million	Lifetime ECL (Stage 2) 2023 € million	Lifetime ECL (Stage 3) 2023 € million	Total 2023 € million
<b>Movement in ECL – loans at fair value through other comprehensive income</b>				
At 1 January	2	54	157	213
Transfer to Stage 1	-	(1)	-	(1)
Transfer to Stage 2 – significant increase in credit risk	-	-	-	-
Changes in model or risk parameters	(1)	(2)	(7)	(10)
Foreign exchange and other movements	-	-	2	2
<b>At 31 December</b>	<b>1</b>	<b>51</b>	<b>152</b>	<b>204</b>

	Loans Stage 1 2023	Loans Stage 2 2023	Loans Stage 3 2023	Total 2023
	€ million	€ million	€ million	€ million
<b>Movement in loans at fair value through other comprehensive income</b>				
At 1 January	1,021	73	89	1,183
Transfer to Stage 1	37	(37)	-	-
Transfer to Stage 2 – significant increase in credit risk	(25)	25	-	-
Repayments/settlements	(320)	(1)	-	(321)
Movement in ECL	1	3	5	9
Movement in fair value revaluation	138	10	-	148
Foreign exchange and other movements	3	5	(3)	5
<b>At 31 December</b>	<b>855</b>	<b>78</b>	<b>91</b>	<b>1,024</b>

	12-month ECL (Stage 1) 2022	Lifetime ECL (Stage 2) 2022	Lifetime ECL (Stage 3) 2022	Total 2022
	€ million	€ million	€ million	€ million
<b>Movement in ECL – loans at fair value through other comprehensive income</b>				
At 1 January	9	1	-	10
Transfer to Stage 1	-	(1)	-	(1)
Transfer to Stage 2 – significant increase in credit risk	(7)	217	-	210
Transfer to Stage 3 – credit-impaired	-	(173)	160	(13)
Changes in model or risk parameters	-	10	-	10
Foreign exchange and other movements	-	-	(3)	(3)
<b>At 31 December</b>	<b>2</b>	<b>54</b>	<b>157</b>	<b>213</b>

	Loans Stage 1 2022	Loans Stage 2 2022	Loans Stage 3 2022	Total 2022
	€ million	€ million	€ million	€ million
<b>Movement in loans at fair value through other comprehensive income</b>				
At 1 January	1,873	34	-	1,907
Transfer to Stage 1	23	(23)	-	-
Transfer to Stage 2 – significant increase in credit risk	(371)	371	-	-
Transfer to Stage 3 – credit-impaired	-	(249)	249	-
Repayments/settlements	(292)	(6)	-	(298)
Movement in ECL	7	(53)	(157)	(203)
Movement in fair value revaluation	(233)	(4)	-	(237)
Foreign exchange and other movements	14	3	(3)	14
<b>At 31 December</b>	<b>1,021</b>	<b>73</b>	<b>89</b>	<b>1,183</b>

## 12. General administrative expenses

	2023 € million	2022 € million
Personnel costs	(358)	(339)
Overhead expenses	(126)	(134)
<b>General administrative expenses</b>	<b>(484)</b>	<b>(473)</b>
Deferral of direct costs related to loan origination	5	5
<b>Net general administrative expenses</b>	<b>(479)</b>	<b>(468)</b>

The Bank's expenses are predominantly incurred in pound sterling. The pound sterling equivalent of the Bank's general administrative expenses, excluding depreciation and amortisation, totalled £432 million (2022: £413 million).

The following fees for work performed by the Bank's external auditors in relation to the Bank were included in overhead expenses:

	2023 € 000	Restated <sup>91</sup> 2022 € 000
<b>Audit and assurance services</b>		
Audit of the Bank	(1,553)	(1,544)
Internal controls framework assurance	(212)	(303)
Retirement plan audit	(34)	(39)
<b>Audit and assurance services<sup>92</sup></b>	<b>(1,799)</b>	<b>(1,886)</b>

<sup>91</sup> Restatement adjusts the 2022 disclosure to include fees relating to the 2022 audit agreed after the signing of the Financial Report 2022.

<sup>92</sup> The external auditor also provided audit services amounting to €1,406,000 (2022: €1,118,000) relating to non-consolidated funds administered by the Bank, and non-audit services provided to the Bank and the funds it administers of €3,405,000 (2022: €2,894,000).



### 13. Placements with and advances to credit institutions

	2023 € million	2022 € million
<b>Analysed between</b>		
Cash and cash equivalents	6,324	6,640
Other current placements and advances	12,405	14,762
<b>At 31 December</b>	<b>18,729</b>	<b>21,402</b>

Cash and cash equivalents are those placements and advances which have an original tenor equal to, or less than, three months. "Current" is defined as those assets maturing, or liabilities due, within the next 12 months. All other assets or liabilities are "non-current".

Of the total cash and cash equivalents held at 31 December 2023, €185 million was held by the SSF (2022: €320 million). Cash and cash equivalents held in the SSF are not immediately available for use by the Bank for purposes unrelated to the SSF. In accordance with the rules of the SSF, the Board of Directors may decide to terminate the Fund. Upon termination any net resources of the SSF, having taken into account all actual or contingent losses or liabilities of the SSF, would be returned to the Bank's ordinary capital resources.

Also within the 31 December 2023 cash and cash equivalents balance is €18 million (2022: €4 million) of "restricted cash". The restricted cash cannot be transferred out of Russia.

### 14. Debt securities

	2023 € million	2022 € million
Debt securities at fair value through profit or loss	962	854
Debt securities at amortised cost	8,392	8,275
<b>At 31 December</b>	<b>9,354</b>	<b>9,129</b>
<b>Analysed between</b>		
Current	2,209	1,425
Non-current	7,145	7,704
<b>At 31 December</b>	<b>9,354</b>	<b>9,129</b>

There were no impairment losses relating to debt securities in 2023 (2022: €nil).

### 15. Other financial assets

	2023 € million	2022 € million
Fair value of derivatives designated as fair value hedges	2,985	2,602
Fair value of derivatives designated as cash flow hedges	358	-
Fair value of portfolio derivatives not designated as hedges	1,981	2,253
Fair value of derivatives held in relation to the banking portfolio	237	214
Interest receivable	686	419
Paid-in capital receivable	3	3
Other	250	210
<b>At 31 December</b>	<b>6,500</b>	<b>5,701</b>
<b>Analysed between</b>		
Current	1,880	1,157
Non-current	4,620	4,544
<b>At 31 December</b>	<b>6,500</b>	<b>5,701</b>

## 16. Banking loan investments at amortised cost

	Sovereign loans 2023 € million	Non-sovereign loans 2023 € million	Total loans 2023 € million	Sovereign loans 2022 € million	Non-sovereign loans 2022 € million	Total loans 2022 € million
<b>At 1 January</b>	<b>6,797</b>	<b>23,135</b>	<b>29,932</b>	<b>5,524</b>	<b>21,684</b>	<b>27,208</b>
Disbursements	2,653	9,073	11,726	1,950	7,819	9,769
Repayments and prepayments	(1,514)	(7,116)	(8,630)	(905)	(6,747)	(7,652)
Remeasurement of previously impaired loans	-	52	52	-	10	10
Foreign exchange movements	(90)	(345)	(435)	192	118	310
Movement in effective interest rate adjustment	244	126	370	36	282	318
Written off	-	(67)	(67)	-	(31)	(31)
<b>At 31 December</b>	<b>8,090</b>	<b>24,858</b>	<b>32,948</b>	<b>6,797</b>	<b>23,135</b>	<b>29,932</b>
Impairment at 31 December	(456)	(1,375)	(1,831)	(252)	(1,823)	(2,075)
<b>Total net of impairment at 31 December</b>	<b>7,634</b>	<b>23,483</b>	<b>31,117</b>	<b>6,545</b>	<b>21,312</b>	<b>27,857</b>
<b>Analysed between</b>						
Current			5,787			4,679
Non-current			25,330			23,178
<b>Total net of impairment at 31 December</b>			<b>31,117</b>			<b>27,857</b>

At 31 December 2023 the Bank categorised 164 loan investments at amortised cost as Stage 3 credit impaired, with operating assets totalling €2,389 million (2022: 158 loans totalling €2,189 million).

Stage 3 impairment on these assets amounted to €1,254 million (2022: €1,314 million).

## 17. Banking loan investments at fair value through other comprehensive income

	2023 € million	2022 € million
<b>Non-sovereign loans</b>	<b>1,183</b>	<b>1,907</b>
<b>At 1 January</b>	<b>1,183</b>	<b>1,907</b>
Movement in fair value revaluation	148	(237)
Movement in expected credit loss	9	(203)
Capitalised interest	7	-
Repayments and prepayments	(321)	(298)
Foreign exchange movements	12	5
Movement in effective interest rate adjustment	(14)	9
<b>At 31 December</b>	<b>1,024</b>	<b>1,183</b>
<b>Analysed between</b>		
Current	169	188
Non-current	855	995
<b>Total net of impairment at 31 December</b>	<b>1,024</b>	<b>1,183</b>

At 31 December 2023 the Bank categorised two loan investments at fair value through other comprehensive income as Stage 3 credit-impaired, with operating assets totalling €248 million (2022: €245 million).

## 18. Banking loan investments at fair value through profit or loss

	Sovereign 2023 € million	Non-sovereign 2023 € million	Total 2023 € million	Sovereign 2022 € million	Non-sovereign 2022 € million	Total 2022 € million
<b>At 1 January</b>	<b>42</b>	<b>705</b>	<b>747</b>	<b>58</b>	<b>517</b>	<b>575</b>
Movement in fair value revaluation	1	13	14	(20)	(61)	(81)
Disbursements	-	152	152	-	365	365
Repayments and prepayments	-	(57)	(57)	-	(120)	(120)
Foreign exchange movements	(3)	(7)	(10)	4	10	14
Written off	-	(3)	(3)	-	(6)	(6)
<b>At 31 December</b>	<b>40</b>	<b>803</b>	<b>843</b>	<b>42</b>	<b>705</b>	<b>747</b>
<b>Analysed between</b>						
Current			76			35
Non-current			767			712
<b>At 31 December</b>			<b>843</b>			<b>747</b>

At 31 December 2023 the Bank categorised six loan investments at fair value through profit or loss as non-performing, with operating assets of €99 million (2022: five loans with operating assets of €104 million).

Net fair value losses on these assets amounted to €59 million (2022: €54 million).

## 19. Share investments at fair value through profit or loss

	Fair value Unlisted 2023 € million	Fair value Listed 2023 € million	Fair value Total 2023 € million	Fair value Unlisted 2022 € million	Fair value Listed 2022 € million	Fair value Total 2022 € million
<b>Outstanding disbursements</b>						
At 1 January	3,381	1,432	4,813	3,131	1,448	4,579
Disbursements	448	75	523	545	88	633
Share investments acquired through SSF consolidation	-	-	-	49	-	49
Disposals	(527)	(55)	(582)	(326)	(104)	(430)
Transfers from unlisted to listed	(8)	8	-	-	-	-
Written off	(16)	-	(16)	(18)	-	(18)
<b>At 31 December</b>	<b>3,278</b>	<b>1,460</b>	<b>4,738</b>	<b>3,381</b>	<b>1,432</b>	<b>4,813</b>
<b>Fair value adjustment</b>						
At 1 January	325	(253)	72	1,020	411	1,431
Share investments acquired through SSF consolidation	-	-	-	(1)	-	(1)
Movement in fair value revaluation	496	314	810	(694)	(664)	(1,358)
<b>At 31 December</b>	<b>821</b>	<b>61</b>	<b>882</b>	<b>325</b>	<b>(253)</b>	<b>72</b>
<b>Fair value at 31 December</b>	<b>4,099</b>	<b>1,521</b>	<b>5,620</b>	<b>3,706</b>	<b>1,179</b>	<b>4,885</b>

Summarised financial information on share investments where the Bank owned greater than, or equal to, 20 per cent of the investee share capital at 31 December 2023 (venture capital associates), is detailed in note 31 "Related parties" on page 90.

## 20. Treasury share investments at fair value through other comprehensive income

Treasury holds a strategic share investment in the Currency Exchange Fund N.V. for the purposes of accessing hedging and risk management products in the currencies of less developed markets. The Bank also has a purely nominal shareholding in SWIFT as membership is required to participate in this international payments system.

	2023 € million	2022 € million
<b>Share investment designated at fair value through other comprehensive income</b>		
The Currency Exchange Fund N.V.	157	140
<b>At 31 December</b>	<b>157</b>	<b>140</b>

No dividend income was received on these share investments during 2023 (2022: €nil).

## 21. Intangible assets

	Computer software development costs 2023 € million	Computer software development costs 2022 € million
<b>Cost</b>		
At 1 January	288	239
Additions	36	49
<b>At 31 December</b>	<b>324</b>	<b>288</b>
<b>Amortisation</b>		
At 1 January	(147)	(129)
Charge	(25)	(18)
<b>At 31 December</b>	<b>(172)</b>	<b>(147)</b>
<b>Net book value at 31 December</b>	<b>152</b>	<b>141</b>

## 22. Property and equipment

	Property 2023 € million	Property under construction 2023 € million	Office equipment 2023 € million	Right-of-use assets 2023 € million	Other 2023 € million	Total 2023 € million
<b>Cost</b>						
At 1 January	132	-	27	323	33	515
Additions	6	-	1	13	-	20
Disposals	-	-	(2)	(7)	-	(9)
<b>At 31 December</b>	<b>138</b>	<b>-</b>	<b>26</b>	<b>329</b>	<b>33</b>	<b>526</b>
<b>Accumulated depreciation</b>						
At 1 January	(13)	-	(15)	(34)	(13)	(75)
Charge	(9)	-	(2)	(21)	(2)	(34)
Disposals	-	-	2	7	-	9
<b>At 31 December</b>	<b>(22)</b>	<b>-</b>	<b>(15)</b>	<b>(48)</b>	<b>(15)</b>	<b>(100)</b>
<b>Net book value at 31 December 2023</b>	<b>116</b>	<b>-</b>	<b>11</b>	<b>281</b>	<b>18</b>	<b>426</b>

	Property 2022 € million	Property under construction 2022 € million	Office equipment 2022 € million	Right-of-use assets 2022 € million	Other 2022 € million	Total 2022 € million
<b>Cost</b>						
At 1 January	83	39	20	393	33	568
Additions	85	-	4	11	-	100
Transfers	32	(39)	7	-	-	-
Disposals	(68)	-	(4)	(81)	-	(153)
<b>At 31 December</b>	<b>132</b>	<b>-</b>	<b>27</b>	<b>323</b>	<b>33</b>	<b>515</b>
<b>Accumulated depreciation</b>						
At 1 January	(72)	-	(17)	(76)	(11)	(176)
Charge	(9)	-	(2)	(39)	(2)	(52)
Disposals	68	-	4	81	-	153
<b>At 31 December</b>	<b>(13)</b>	<b>-</b>	<b>(15)</b>	<b>(34)</b>	<b>(13)</b>	<b>(75)</b>
<b>Net book value at 31 December 2022</b>	<b>119</b>	<b>-</b>	<b>12</b>	<b>289</b>	<b>20</b>	<b>440</b>

## 23. Borrowings

	2023 € million	2022 € million
<b>Amounts owed to credit institutions and other third parties</b>		
Amounts owed to credit institutions	(154)	(60)
Amounts held as collateral	(459)	(193)
Amounts held and managed on behalf of third parties <sup>93</sup>	(298)	(318)
<b>At 31 December</b>	<b>(911)</b>	<b>(571)</b>
<b>Of which current:</b>	<b>(911)</b>	<b>(571)</b>

<sup>93</sup> See note 32 on page 91 for details of third parties.

## 24. Debts evidenced by certificates

The Bank's outstanding debts evidenced by certificates are summarised below by currency. A significant proportion of the Bank's debts evidenced by certificates are hedged in a one-to-one hedging relationship with a cross-currency swap. On these bond issuances, as the bond's cash flows are offset by equivalent cash flows on the swap, the Bank's funding costs are effectively incurred in the currency of the funding leg of the swap. The table below therefore also presents the outstanding debts evidenced by certificates by currency after factoring in these currency hedges.

	Bond denominations 2023 € million	Currency after swap 2023 € million	Bond denominations 2022 € million	Currency after swap 2022 € million
Australian dollar	(692)	-	(1,170)	-
Brazilian real	(791)	-	(647)	-
Chinese yuan	(613)	-	(884)	-
Euro	(8,086)	(11,316)	(6,787)	(7,160)
Indonesian rupiah	(918)	-	(617)	-
Indian rupee	(897)	-	(606)	-
Kazakh tenge	(1,434)	(1,095)	(1,271)	(1,262)
Mexican peso	(904)	-	(704)	-
New Turkish lira	(1,288)	-	(1,266)	-
Polish zloty	(542)	(226)	(362)	(249)
Pound sterling	(4,163)	(864)	(5,368)	(1,482)
Russian rouble	(306)	-	(844)	-
Swedish krona	(1,050)	-	(720)	-
South African rand	(506)	-	(427)	-
United States dollar	(20,090)	(30,471)	(19,883)	(32,669)
Other currencies	(2,018)	(326)	(1,862)	(596)
<b>At 31 December</b>	<b>(44,298)</b>	<b>(44,298)</b>	<b>(43,418)</b>	<b>(43,418)</b>

Where the swap counterparty exercises a right to terminate the hedging swap prior to legal maturity, the Bank is committed to exercise the same right with its issued bond.

	2023 € million	Restated <sup>94</sup> 2022 € million
<b>Analysed between</b>		
Current <sup>95</sup>	(10,463)	(9,340)
Non-current	(33,835)	(34,078)
<b>Debts evidenced by certificates at 31 December</b>	<b>(44,298)</b>	<b>(43,418)</b>

During the year the Bank redeemed €541 million of bonds and medium-term notes prior to maturity (2022: €140 million), generating a net gain of €10 million (2022: €1 million).

The table below provides a reconciliation of the movements in debts evidenced by certificates for the year ended 31 December 2023, including both changes arising from cash flows and non-cash changes.<sup>96</sup>

	Opening balance 2023 € million	Net cash flows € million	Fair value hedging adjustment € million	Foreign exchange movements € million	Deals pending settlement € million	2023 € million
<b>For the year ended 31 December 2023</b>						
<b>Debts evidenced by certificates</b>	<b>43,418</b>	<b>1,247</b>	<b>1,055</b>	<b>(1,410)</b>	<b>(12)</b>	<b>44,298</b>

	Opening balance 2022 € million	Net cash flows € million	Fair value hedging adjustment € million	Foreign exchange movements € million	Deals pending settlement € million	2022 € million
<b>For the year ended 31 December 2022</b>						
<b>Debts evidenced by certificates</b>	<b>49,126</b>	<b>(3,716)</b>	<b>(3,209)</b>	<b>933</b>	<b>284</b>	<b>43,418</b>

<sup>94</sup> Presentation of current and non-current debts evidenced by certificates has been amended to factor in the Bank's expectations of when these instruments are likely to be repaid. The prior presentation was based solely on the contractual terms. The 2022 disclosure has been amended to reflect this amendment in methodology, reducing the current component from €12,847 million to €9,340 million.

<sup>95</sup> The classification of liabilities as current is determined by the expected time to maturity. For non-callable debt, this is based on the contractual maturity date; while for callable debt, this is a date between the next call date and the contractual maturity date, computed based on the weighted average probability distribution of future call dates including final maturity. At 31 December 2023, the amount of debt that was either due to contractually mature or was callable within the next 12 months was €14,455 million (2022: €12,847 million).

<sup>96</sup> The Bank's financing liabilities comprise debts evidenced by certificates and lease liabilities. A similar reconciliation of the movements in lease liabilities can be found in note 29 on page 87.

## 25. Other financial liabilities

	2023 € million	2022 € million
Fair value of derivatives designated as fair value hedges	(3,604)	(5,567)
Fair value of derivatives designated as cash flow hedges	(33)	(15)
Fair value of portfolio derivatives not designated as hedges	(1,268)	(1,431)
Fair value of other derivatives held in relation to the banking portfolio	(34)	(50)
Interest payable	(495)	(364)
Amounts payable to the Equity Participation Fund	(282)	(203)
Lease liability	(344)	(305)
Other	(385)	(365)
<b>At 31 December</b>	<b>(6,445)</b>	<b>(8,300)</b>
<b>Analysed between</b>		
Current	(1,954)	(2,317)
Non-current	(4,491)	(5,983)
<b>At 31 December</b>	<b>(6,445)</b>	<b>(8,300)</b>

## 26. Subscribed capital

	Number of shares 2023	Total 2023 € million	Number of shares 2022	Total 2022 € million
<b>Authorised shared capital</b>	<b>3,000,000</b>	<b>30,000</b>	<b>3,000,000</b>	<b>30,000</b>
<i>of which</i>				
• Subscribed capital	2,976,077	29,761	2,975,874	29,759
• Unsubscribed capital	23,923	239	24,126	241
<b>At 31 December</b>	<b>3,000,000</b>	<b>30,000</b>	<b>3,000,000</b>	<b>30,000</b>

The Bank's capital stock is divided into paid-in shares and callable shares. Each share has a par value of €10,000. The Bank's most recent increase in capital became effective in April 2011, when the Bank's authorised capital stock was increased by 100,000 paid-in shares and by 900,000 callable shares, each share having a par value of €10,000. In 2023, the Board of Governors approved an increase to the authorised capital stock of 400,000 new paid in shares totalling €4.0 billion (Resolution No.265 adopted on 15 December 2023). The effective date of this capital increase will be 31 December 2024.

Article 42.1 of the Agreement states that in the event of the termination of the Bank's operations, the liability of all members for all uncalled subscriptions to the capital stock will continue until all claims of creditors, including all contingent claims, have been discharged. The Agreement allows for a member to withdraw from the Bank, in which case the Bank is required to repurchase the former member's shares. No member has ever withdrawn its membership.

A statement of capital subscriptions showing the amount of paid-in and callable shares subscribed to by each member, together with the number of votes, is set out in the following table. Under Article 29 of the Agreement, the voting rights of members that have not paid any part of the amounts due in respect of their capital subscription are proportionately reduced until payment is made.

## Statement of capital subscriptions

At 31 December 2023	Total shares	Resulting votes <sup>97</sup>	Total capital	Callable capital	Paid-in capital
Members	(number)	(number)	€ million	€ million	€ million
Albania	3,001	3,001	30.01	23.75	6.26
Algeria	203	203	2.03	1.66	0.37
Armenia	1,499	1,499	14.99	11.86	3.13
Australia	30,014	30,014	300.14	237.54	62.60
Austria	68,432	68,432	684.32	541.59	142.73
Azerbaijan	3,001	3,001	30.01	23.75	6.26
Belarus	6,002	6,002	60.02	47.50	12.52
Belgium	68,432	68,432	684.32	541.59	142.73
Bosnia and Herzegovina	5,071	5,071	50.71	40.14	10.57
Bulgaria	23,711	23,711	237.11	187.65	49.46
Canada	102,049	102,049	1,020.49	807.64	212.85
China	2,900	2,900	29.00	23.75	5.25
Croatia	10,942	10,942	109.42	86.60	22.82
Cyprus	3,001	3,001	30.01	23.75	6.26
Czechia	25,611	25,611	256.11	202.69	53.42
Denmark	36,017	36,017	360.17	285.05	75.12
Egypt	3,087	3,087	30.87	22.82	8.05
Estonia	3,001	3,001	30.01	23.75	6.26
European Investment Bank	90,044	90,044	900.44	712.63	187.81
European Union	90,044	90,044	900.44	712.63	187.81
Finland	37,518	37,518	375.18	296.92	78.26
France	255,651	255,651	2,556.51	2,023.28	533.23
Georgia	3,001	3,001	30.01	23.75	6.26
Germany	255,651	255,651	2,556.51	2,023.28	533.23
Greece	19,508	19,508	195.08	154.39	40.69
Hungary	23,711	23,711	237.11	187.65	49.46
Iceland	3,001	3,001	30.01	23.75	6.26
India	986	986	9.86	8.07	1.79
Iraq	203	203	2.03	1.66	0.37
Ireland	9,004	9,004	90.04	71.26	18.78
Israel	19,508	19,508	195.08	154.39	40.69
Italy	255,651	255,651	2,556.51	2,023.28	533.23
Japan	255,651	255,651	2,556.51	2,023.28	533.23
Jordan	986	986	9.86	8.07	1.79
Kazakhstan	6,902	6,902	69.02	54.62	14.40
Republic of Korea	30,014	30,014	300.14	237.54	62.60
Kosovo	580	580	5.80	4.75	1.05
Kyrgyz Republic	2,101	1,228	21.01	14.75	6.26
Latvia	3,001	3,001	30.01	23.75	6.26
Lebanon	986	986	9.86	8.07	1.79
Libya	986	986	9.86	8.07	1.79
Liechtenstein	599	599	5.99	4.74	1.25
Lithuania	3,001	3,001	30.01	23.75	6.26
Luxembourg	6,002	6,002	60.02	47.50	12.52
Malta	210	210	2.10	1.47	0.63
Mexico	4,501	4,501	45.01	34.50	10.51
Moldova	3,001	3,001	30.01	23.75	6.26
Mongolia	299	299	2.99	2.36	0.63
Montenegro	599	599	5.99	4.74	1.25
Morocco	2,464	2,464	24.64	19.35	5.29
Netherlands	74,435	74,435	744.35	589.10	155.25
New Zealand	1,050	1,050	10.50	7.00	3.50
North Macedonia	1,762	1,762	17.62	13.31	4.31
Norway	37,518	37,518	375.18	296.92	78.26
Poland	38,418	38,418	384.18	304.05	80.13
Portugal	12,605	12,605	126.05	99.76	26.29
Romania	14,407	14,407	144.07	114.02	30.05
Russia	120,058	120,058	1,200.58	950.17	250.41
San Marino	203	203	2.03	1.66	0.37
Serbia	14,031	14,031	140.31	111.05	29.26

<sup>97</sup> The voting power of members who have failed to pay any part of the amount due in respect of their obligations in relation to paid-in shares has been adjusted down by a percentage corresponding to the percentage which the unpaid amount due bears to the total amount of paid-in shares subscribed to by that member. Consequently the overall number of exercisable votes is lower than the total amount of subscribed shares.

At 31 December 2023	Total shares	Resulting votes <sup>97</sup>	Total capital	Callable capital	Paid-in capital
Members	(number)	(number)	€ million	€ million	€ million
Slovak Republic	12,807	12,807	128.07	101.36	26.71
Slovenia	6,295	6,295	62.95	49.82	13.13
Spain	102,049	102,049	1,020.49	807.64	212.85
Sweden	68,432	68,432	684.32	541.59	142.73
Switzerland	68,432	68,432	684.32	541.59	142.73
Tajikistan	2,101	2,101	21.01	14.75	6.26
Tunisia	986	986	9.86	8.07	1.79
Türkiye	34,515	34,515	345.15	273.16	71.99
Turkmenistan	210	210	2.10	1.47	0.63
Ukraine	24,011	24,011	240.11	190.03	50.08
United Arab Emirates	203	203	2.03	1.66	0.37
United Kingdom	255,651	255,651	2,556.51	2,023.28	533.23
United States of America	300,148	300,148	3,001.48	2,375.44	626.04
Uzbekistan	4,412	4,412	44.12	30.97	13.15
<b>Capital subscribed by members</b>	<b>2,976,077</b>	<b>2,975,204</b>	<b>29,760.77</b>	<b>23,542.95</b>	<b>6,217.82</b>

## 27. Reserves and retained earnings<sup>98</sup>

	Special reserve	Loan loss	SEMED	SSF	Revaluation	General	Total
	€ million	reserve	cooperation	€ million	reserves	reserves and	€ million
	€ million	€ million	funds	€ million	€ million	retained earnings	€ million
For the year ended 31 December 2023							
At 1 January	306	415	4	627	(374)	12,141	13,119
Net loss for the year	-	-	-	(64)	-	2,162	2,098
Transfers of net income approved by the Board of Governors	-	-	-	108	-	(131)	(23)
Movement in loan loss reserve	-	(136)	-	-	-	136	-
Movement in SEMED cooperation funds allocation	-	-	(2)	-	-	2	-
Revaluation of share investments at fair value through other comprehensive income	-	-	-	-	17	-	17
Revaluation of loan investments at fair value through other comprehensive income	-	-	-	-	153	-	153
Changes in value of hedging instruments recognised in other comprehensive income – fair value hedges	-	-	-	-	267	-	267
Changes in value of hedging instruments recognised in other comprehensive income – cash flow hedges	-	-	-	-	384	-	384
Actuarial movements on defined benefit scheme	-	-	-	-	-	35	35
At 31 December	306	279	2	671	447	14,345	16,050

	Special reserve	Loan loss	SEMED	SSF	Revaluation	General	Total
	€ million	reserve	cooperation	€ million	reserves	reserves and	€ million
	€ million	€ million	funds	€ million	€ million	retained earnings	€ million
For the year ended 31 December 2022							
At 1 January	306	432	4	-	43	13,343	14,128
Net loss for the year	-	-	-	-	-	(1,117)	(1,117)
Transfers of net income approved by the Board of Governors	-	-	-	-	-	(123)	(123)
Movement in loan loss reserve	-	(17)	-	-	-	17	-
EBRD Shareholder Special Fund (SSF) consolidation	-	-	-	627	-	-	627
Revaluation of share investments at fair value through other comprehensive income	-	-	-	-	9	-	9
Revaluation of loan investments at fair value through other comprehensive income	-	-	-	-	(209)	-	(209)
Changes in value of hedging instruments recognised in other comprehensive income – fair value hedges	-	-	-	-	(190)	-	(190)
Changes in value of hedging instruments recognised in other comprehensive income – cash flow hedges	-	-	-	-	(27)	-	(27)
Actuarial movements on defined benefit scheme	-	-	-	-	-	21	21
At 31 December	306	415	4	627	(374)	12,141	13,119

<sup>98</sup> The information presented in this table provides an alternative view to the consolidated statement of changes in equity (SOCIE) on page 16. The "Revaluation reserve" and "Hedging reserve" presented in the SOCIE equate to the "Revaluation reserves" presented in this table. The other reserves presented in this table equate to the "Actuarial remeasurement" and "Retained earnings" visible in the SOCIE.



The **special reserve** is maintained, in accordance with Article 16 of the Agreement, for meeting losses arising from the Bank's loan and equity investments and its guarantees. The special reserve was built up, in accordance with the Bank's financial policies, by setting aside 100 per cent of qualifying fees and commissions received by the Bank associated with loans, guarantees and underwriting the sale of securities. In 2011 the Board of Directors decided that for the foreseeable future the size of the special reserve was adequate.

In 2005, the Bank created a **loan loss reserve** within members' equity, to set aside an amount of retained earnings equal to the difference between the impairment losses expected over the life of the loan portfolio and the amount recognised on the Bank's balance sheet in accordance with IFRS impairment rules.

The **SEMED Cooperation Funds** were established in 2011 for the purpose of providing technical assistance to member economies in the SEMED region.

The EBRD acquired control of the **SSF** on 31 December 2022 through a capital contribution from the members of the Bank. The amounts held in this reserve represent the incremental change in the reserves of the Bank as a result of the consolidation of the SSF.

The **revaluation reserves** contain fair value movements recognised on the Bank's assets and liabilities that are recorded as other comprehensive income. These include:

- Fair value movements on financial assets classified at fair value through other comprehensive income. At 31 December 2023 there was an accumulated valuation gain of €66 million on these assets (2022: €114 million loss).
- Valuation adjustments on designated hedging instruments held by the Bank as fair value hedges that are attributable to movements in foreign currency basis spreads. These deferred gains or losses will be released from reserves over the remaining life of the hedging relationship. At 31 December 2023 there was a deferred gain of €23 million on these hedging instruments (2022: €244 million loss).
- Valuation adjustments on designated hedging instruments held by the Bank as cash flow hedges. These deferred gains or losses are released from reserves when the hedged cash flows occur. At 31 December 2023 there was a deferred gain of €358 million on designated cash flow hedges held in reserves (2022: €27 million loss).

**General reserves and retained earnings** represents all reserves except those amounts otherwise allocated to separate reserves, and it primarily comprises retained earnings.

During 2023, the Board of Governors approved the transfer of €131 million of net income to be allocated from ordinary capital resources to other purposes. This amount was reflected in the 2023 consolidated statement of changes in equity. Under Resolution No. 266 €108 million was allocated to the EBRD Shareholder Special Fund, €20 million was allocated as a contribution to the EBRD Trust Fund for the West Bank and Gaza, and €3 million was allocated to the EBRD Community Special Fund.

## 28. Undrawn commitments and guarantees

	2023 € million	2022 € million
<b>Analysis by instrument</b>		
<b>Undrawn commitments</b>		
Loans	12,097	12,739
Share investments	1,719	1,641
<b>At 31 December</b>	<b>13,816</b>	<b>14,380</b>
<b>Guarantees</b>		
Trade finance guarantees	1,682	1,619
Other guarantees	1,133	671
<b>At 31 December</b>	<b>2,815</b>	<b>2,290</b>
<b>Undrawn commitments and guarantees at 31 December</b>	<b>16,631</b>	<b>16,670</b>

## 29. Leases

The Bank leases its headquarters building in London and all of its Resident Office buildings in the countries in which it invests. These are standard commercial operating leases and can include renewal options, periodic rent reviews and are mostly non-cancellable in the normal course of business without the Bank incurring substantial penalties. The most significant lease is for the Bank's headquarters building.

On 1 May 2019, the Bank entered into an "agreement for lease" for a 20-year lease, commencing in 2022, on a new headquarters building located in London. While the Bank moved into the new headquarters in 2022, its right to use the building (for the purpose of fitting out the premises) commenced in 2021 and as such the associated right-of-use asset and lease liability were initially reflected on the balance sheet in that year. The net annual future payment by the EBRD in respect of this "agreement to lease" will be £17 million (€19 million). The Bank has the option to terminate this lease after 15 years. The lease for the previous headquarters expired in 2022.

	HQ lease 2023 € million	RO leases 2023 € million	Total 2023 € million
<b>Right-of-use assets</b>			
At 1 January	298	25	323
Additions	-	13	13
Expired leases	-	(7)	(7)
At 31 December	298	31	329
<b>Depreciation</b>			
At 1 January	(24)	(10)	(34)
Charge	(14)	(7)	(21)
Expired leases	-	7	7
At 31 December	(38)	(10)	(48)
Net book value at 31 December	260	21	281

	HQ lease 2022 € million	RO leases 2022 € million	Total 2022 € million
<b>Right-of-use assets</b>			
At 1 January	365	28	393
Additions	-	11	11
Expired leases	-	(12)	(12)
Disposals	(67)	(2)	(69)
At 31 December	298	25	323
<b>Depreciation</b>			
At 1 January	(61)	(15)	(76)
Charge	(31)	(8)	(39)
Expired leases	-	12	12
Disposals	68	1	69
At 31 December	(24)	(10)	(34)
Net book value at 31 December	274	15	289

	HQ lease 2023 € million	RO leases 2023 € million	Total 2023 € million
<b>Lease liabilities<sup>99</sup></b>			
<b>At 1 January</b>	<b>(292)</b>	<b>(13)</b>	<b>(305)</b>
Interest expense	(4)	(1)	(5)
Lease payments	(22)	7	(15)
Additions	-	(13)	(13)
FX movements	(6)	-	(6)
<b>At 31 December</b>	<b>(324)</b>	<b>(20)</b>	<b>(344)</b>
	HQ lease 2022 € million	RO leases 2022 € million	Total 2022 € million
<b>Lease liabilities</b>			
<b>At 1 January</b>	<b>(322)</b>	<b>(12)</b>	<b>(334)</b>
Interest expense	(4)	-	(4)
Lease payments	17	10	27
Additions	-	(11)	(11)
Change in lease terms	-	-	-
FX movements	17	-	17
<b>At 31 December</b>	<b>(292)</b>	<b>(13)</b>	<b>(305)</b>

The table below outlines the undiscounted lease payments arising from the lease liabilities.

	Less than 1 year 2023 € million	1-5 years 2023 € million	5-10 years 2023 € million	Over 10 years 2023 € million	Total 2023 € million
<b>Future lease payments</b>					
Undiscounted future lease outflows	(7)	(80)	(110)	(188)	(385)
Implicit interest charge	4	15	13	9	41
<b>Present value of lease liabilities</b>	<b>(3)</b>	<b>(65)</b>	<b>(97)</b>	<b>(179)</b>	<b>(344)</b>

## 30. Staff retirement schemes

There are two retirement plans in operation. The FSP is a defined benefit scheme, to which only the Bank contributes. The MPP is a defined contribution scheme to which both the Bank and staff contribute, with Plan members making individual investment decisions. Both plans provide a lump sum benefit on leaving the Bank or at retirement age, meaning that retirement plan obligations to staff once they have left the Bank or retired are minimal (being limited to inflation adjustments on undrawn or deferred benefits under each plan), and the value of the plan obligations is not materially sensitive to mortality projections.

### Defined benefit scheme

A qualified actuary performs a full actuarial valuation of the FSP at least every three years using the projected unit method, with a more high-level interim valuation performed annually. The most recent full valuation was carried out on 30 June 2023 which, for the purposes of IAS 19: Employee Benefits, was rolled forward to 31 December 2023. The present value of the defined benefit obligation and current service cost was calculated using the projected unit credit method.

The primary risk associated with the FSP is that its assets will fall short of its liabilities. This risk, encompassing market risk and credit risk associated with its investments and the liquidity risk associated with the payment of defined obligations as they fall due, is borne by the Bank as the FSP is fully funded by the Bank. Responsibility for the investment strategy of the Scheme rests with the Retirement Plan Investment Committee (RPIC).

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the FSP assets and to maximise the opportunity for gains across the whole investment portfolio. This is achieved through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. For example, the non-cash and government bond investment holdings held by the FSP are fund-based investments that diversify their exposure to a number of underlying investments.

<sup>99</sup> The Bank's financing liabilities comprise debts evidenced by certificates and lease liabilities. A similar reconciliation of the movements in debts evidenced by certificates can be found in note 24 on page 81.

The RPIC passively manages credit risk by selecting investment funds that invest in gilts rather than corporate bonds. To mitigate against market risk the RPIC meets quarterly with the FSP's investment adviser to review the performance of all of the funds against their benchmarks. No asset-liability matching strategies are undertaken in relation to the FSP.

If, at the effective date of any actuarial valuation, the value of the plan's assets is less than the liabilities, it is the Bank's policy to review the funding status of the FSP and decide if a recovery plan should be put in place. Typically, such a recovery plan would include either anticipated investment out-performance, additional contributions from the Bank, or both. In the event that the plan assets are estimated to have fallen below 90 per cent of the defined benefit obligation (DBO), the Bank would expect to make additional contributions to restore the funding of the plan to at least 90 per cent as soon as possible.

Amounts recognised in the balance sheet are as follows:

	2023 € million	2022 € million
Fair value of plan assets	732	622
Present value of the defined benefit obligation	(683)	(601)
<b>Net defined benefit asset at 31 December</b>	<b>49</b>	<b>21</b>
<b>Movement in the net defined benefit asset (included in "Other assets"):</b>		
At 1 January	21	22
Contributions paid <sup>100</sup>	43	37
Total expense as below	(50)	(59)
Remeasurement effects recognised in other comprehensive income	35	21
<b>At 31 December</b>	<b>49</b>	<b>21</b>

The amounts recognised in the income statement are as follows:

	2023 € million	2022 € million
Current service cost	(51)	(57)
Effect of exchange rate movement	1	(2)
<b>Total included in staff costs</b>	<b>(50)</b>	<b>(59)</b>

Principal actuarial assumptions used:

	2023	2022
Discount rate	4.50%	4.85%
Expected return on plan assets	4.50%	4.85%
Price inflation	3.45%	3.70%
Salary increase (following year)	6.05%	6.60%
Future salary increases (beyond following year)	3.45%	3.70%
Weighted average duration of the defined benefit obligation	10 years	9 years

Sensitivity analysis on the key actuarial assumptions:

	Assumption	Sensitivity	(Decrease)/increase in DBO € million
Discount rate	4.50%	+0.5% pa	(27)
Discount rate	4.50%	-0.5% pa	29
Price inflation	3.45%	+0.25% pa	13
Price inflation	3.45%	-0.25% pa	(13)

These sensitivity analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year, while holding all other assumptions constant. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as the assumptions may be correlated.

<sup>100</sup> Contributions for 2023 are expected to be €40 million.

	Listed 2023 € million	Unlisted 2023 € million	Total 2023 € million	Listed 2022 € million	Unlisted 2022 € million	Total 2022 € million
<b>Plan asset allocation</b>						
Equities	338	75	413	286	63	349
Index-linked bonds	260	-	260	222	-	222
Hedge fund assets	-	59	59	-	51	51
<b>Fair value of plan assets</b>	<b>598</b>	<b>134</b>	<b>732</b>	<b>508</b>	<b>114</b>	<b>622</b>

	2023 € million	2022 € million
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
<b>Present value of defined benefit obligation at 1 January</b>	<b>(601)</b>	<b>(727)</b>
Service cost	(51)	(57)
Interest cost	(30)	(12)
Effect of exchange rate movement	(12)	39
Actuarial (loss)/gain arising due to changes in assumptions <sup>101</sup>	(5)	136
Benefits paid	16	20
<b>Present value of defined benefit obligation at 31 December</b>	<b>(683)</b>	<b>(601)</b>

	2023 € million	2022 € million
<b>Changes in the fair value of plan assets are as follows:</b>		
<b>Present value of plan assets at 1 January</b>	<b>622</b>	<b>749</b>
Interest income on plan assets	30	12
Return on assets greater/(less) than discount rate	40	(115)
Effect of exchange rate movement	13	(41)
Contributions paid	43	37
Benefits paid	(16)	(20)
<b>Present value of plan assets at 31 December</b>	<b>732</b>	<b>622</b>

	2023 € million	2022 € million
<b>Experience gains and losses</b>		
Defined benefit obligation	(683)	(601)
Plan assets	732	622
Surplus	49	21
<b>Experience gains/(losses) on plan liabilities:</b>		
Amount	64	(23)
Percentage of the present value of the plan liabilities	9.4%	(3.7%)
<b>Actual return less expected return on plan assets:</b>		
Amount	40	(115)
Percentage of the present value of the plan assets	5.5%	(18.5%)

## Defined contribution scheme

The charge recognised in the income statement under the MPP was €24 million (2022: €22 million) and is included in “General administrative expenses”.

## Other long-term employee benefits

The Bank maintains a medical retirement benefit plan to provide staff retiring from the Bank, aged 50 or over and with at least seven years' service, with a lump sum benefit to help purchase medical insurance cover. The total charge for the year was €8 million (2022: €5 million).

<sup>101</sup> All actuarial losses relate to changes in financial assumptions.

---

## 31. Related parties

---

The Bank has the following related parties:

### Key management personnel

Key management personnel comprise: the President and other members of the Bank's Executive Committee, Managing Directors and the Director of the President's Office.

Salaries and other benefits payable to key management personnel in 2023 amounted to €19.1 million (2022: €17.6 million). This comprises salary and short-term employee benefits of €14.1 million (2022: €13.7 million), post-employment benefits of €3.6 million (2022: €3.4 million) and termination benefits of €1.4 million (2022: €0.5 million).

In pound sterling terms, the salaries and other benefits payable to key management personnel in 2023 amounted to £16.6 million (2022: £15.0 million), comprising salary and employee benefits of £12.3 million (2022: £11.7 million), post-employment benefits of £3.1 million (2022: £2.9 million) and termination benefits of £1.2 million (2022: £0.4 million).

### Venture capital associates

The Bank, as a venture capital organisation, has invested in a number of associates that it accounts for at fair value through profit or loss. At 31 December 2023, according to the 2022 audited financial statements (and where these are not available, the most recent unaudited management information) from the investee companies, these venture capital associates had total assets of €20.7 billion (2022: €30.4 billion) and total liabilities of €15.0 billion (2022: €20.4 billion). For the year ended 31 December 2022, these associates had income of €3.3 billion (2021: €5.7 billion) and made €0.7 billion losses before tax (2021: €1.1 billion profit).

In addition, as at 31 December 2023, the Bank had outstanding €48 million (2022: €24 million) of financing to these companies on which it had earned €2 million interest income during the year (2022: nil).

In 2023 there were no associates deemed material<sup>102</sup> to the Bank.

### Special Funds

Special Funds are established in accordance with Article 18 of the Agreement Establishing the EBRD and are administered under the terms of the rules and regulations for each such Special Fund. Including the SSF, at 31 December 2023 the Bank administered 16 Special Funds (2022: 16 Funds). Excluding the SSF<sup>103</sup> the aggregate pledged contributions and associated fees amounted to €4.1 billion (2022: €3.4 billion).

The Bank acts as manager and administrator of the Special Funds for which it receives management fees and recovers certain costs. In 2023 these fees amounted to €13.0 million (2022: €26.6 million) of which €0.4 million was receivable at 31 December 2023 (2022: €5.9 million).

The Bank obtains guarantees from certain Special Funds in respect of specific exposures arising in its trade finance portfolios for which it paid €nil in 2023 (2022: €nil). In addition, the Bank also benefits from fee-free guarantee arrangements with certain Special Funds for losses which it could potentially incur in its investment activities. The provision of these guarantees qualifies such Special Funds as unconsolidated structured entities within the meaning of IFRS 12. The Bank's only exposure to these Special Funds would arise in the period between the default of the investment and the settlement of the guarantee. At 31 December 2023 the Bank had €141 million of such exposures (2022: €78 million).

The Board of Governors have approved transfers of net income to Special Funds. In 2023 transfers of €3 million were approved (2022: €3 million). At 31 December 2023, €3 million (2022: €2 million) of amounts previously allocated remained payable to the Special Funds and were recognised as a liability on the Bank's balance sheet.

The financial statements of each Special Fund are approved separately by the Board of Governors.

---

<sup>102</sup> Greater than one per cent of total members' equity.

<sup>103</sup> All subsequent related party disclosures relating to Special Funds also exclude the SSF.

## Trust Funds

On 10 May 2017 the Board of Directors established the Trust Fund for the West Bank and Gaza and the Multi-Donor Trust Fund for the West Bank and Gaza in accordance with Article 20.1 (vii) of the Agreement Establishing the EBRD. The Trust Funds are governed under the terms of the rules and guidelines for each such Trust Fund.

At 31 December 2023 the total pledged contributions to the Trust Fund for the West Bank and Gaza were €140 million (2022: €120 million). The total pledged contributions to the Multi-Donor Trust Fund for the West Bank and Gaza were €2.9 million (2022: €2.4 million).

The Bank acts as the administrator of both Trust Funds and is entitled to management and cost recovery fees. During 2023 these fees totalled €1.0 million (2022: €1.1 million), of which €0.6 million was receivable at 31 December 2023 (2022: €0.8 million).

The financial statements of the Trust Funds are approved separately by the Board of Governors.

Audit fees payable to the Bank's auditors for the 2023 audits of the Special Funds and Trust Funds totalled €0.3 million (2022: €0.3 million).

## 32. Other fund agreements

### Cooperation Funds

In addition to the Bank's ordinary operations, the Special Funds programme and the Trust Funds, the Bank administers numerous bilateral and multilateral contribution agreements to provide technical assistance and investment support grants in the existing and potential economies in which it invests. These grants focus primarily on project preparation, project implementation (including goods and works), policy engagement, advisory services and training. The Bank also acts as a fund manager for donor-financed grants that can be accessed by other International Finance Institutions. The Bank acts as fund manager for the following funds: Eastern Europe Energy Efficiency and Environment Partnership Funds (E5P), European Western Balkans Joint Fund (EWBJF – under the Western Balkans Investment Framework), the Northern Dimension Environmental Partnership Fund (non-nuclear portion of a nuclear fund) and the Blue Mediterranean Partnership Cooperation Fund.

The resources provided through cooperation contribution agreements are held separately from the ordinary capital resources of the Bank and are typically subject to external audit when required by the agreements.

In 2023 new agreements and replenishments of €1.1 billion (2022: €1.0 billion) were signed with donors and declared effective. Contributions of €550 million (2022: €398 million) were received, and disbursements of €206 million (2022: €184 million) paid out during the year. At 31 December 2023, the total number of open Cooperation Funds was 248 (2022: 230).

### Nuclear Funds

The Bank also administers several funds relating to nuclear safety activities. Following the closure of the Chernobyl Shelter Fund and the Chernobyl Projects Monitoring Account, seven funds remain under active management.

The Nuclear Safety Account (NSA) was the first nuclear safety donor fund the Bank created in 1993 in response to a G7 initiative. The NSA initially funded nuclear safety and security improvement in the region prior to funding large scale decommissioning facilities such as the Interim Storage Facility for spent fuel (ISF-2).

As part of their accession to the European Union, Bulgaria, Lithuania and the Slovak Republic gave firm commitments to close and decommission their nuclear power plant units with RBMK and VVER 440/230 reactors. In 2000 the European Commission invited the Bank to administer three International Decommissioning Support Funds (IDSFs) to support decommissioning of these plants. The funds finance selected projects to help with the decommissioning of designated reactors. They also finance measures to facilitate the necessary restructuring, upgrading and modernisation of the energy production, transmission and distribution sectors and improvements in energy efficiency.

In 2003 the "nuclear window"<sup>104</sup> of the Northern Dimension Environmental Partnership (NDEP) was established as a multi-donor fund providing grant assistance to address the most pressing environmental challenges in the north west of Russia. The NDEP nuclear safety programme finances radioactive waste management and decommissioning tasks to mitigate the nuclear legacy of the operation of the Soviet

<sup>104</sup> The "nuclear window" refers to nuclear projects in the north west of Russia which are fully grant funded and managed by the EBRD under the supervision of the Nuclear Operating Committee.

Northern Fleet. The fund is in the process of being closed and residual amounts are being returned or made available to other funds according to the preferences of each donor.

The Environmental Remediation Account for Central Asia, created at the request of the European Commission, became operational in 2016. It finances projects to remediate uranium production legacies in the Kyrgyz Republic, Tajikistan and Uzbekistan.

In 2020, following a request by Ukraine, the Bank established the International Chernobyl Cooperation Account to address remaining radioactive waste management and decommissioning challenges at the Chernobyl site. The Account became operational in 2021. Since the start of the Russian war on Ukraine the remit of the Account has been widened to support a range of measures to support the restoration of nuclear safety, security and decommissioning abilities within the Chernobyl Exclusion Zone. The table below provides a summary of Nuclear Fund contributions.

The table below provides a summary of Nuclear Fund contributions.

	Contributions pledged 2023 € million	Number of contributors 2023	Contributions pledged 2022 € million	Number of contributors 2022
Nuclear Safety Account	427	17	427	17
Ignalina IDSF	841	15	791	15
Kozloduy IDSF	1,201	10	1,193	10
Bohunice IDSF	658	8	653	8
NDEP <sup>105</sup>	353	12	353	12
Environmental Remediation Account	57	7	57	7
International Chernobyl Cooperation Account	15	18	4	17

The cash balances belonging to each of the funds in the table above are held and managed by the Bank on their behalf.<sup>106</sup>

Audit fees payable to the Bank's auditors for the 2023 audits of the Cooperation and Nuclear Safety funds amounted to €0.9 million (2022: €0.8 million).

## Equity Participation Fund

In 2016 the Bank set up the EBRD Equity Participation Fund (EPF) as part of a strategy to attract long-term institutional capital into private sector investments in the economies where it invests. The EPF is a fixed-term fund (12 years) that gives investors a predetermined (20 per cent) holding in new EBRD direct equity investments which meet the EPF eligibility criteria. These eligibility criteria ensure that neither the EBRD nor the EPF are able to "cherry-pick" the investments in which the EPF participates. Throughout the life of the direct equity investment the EBRD retains legal ownership and control over the equity investments, albeit that the economic benefits of the participation do not accrue to the Bank. As the Bank retains control of the investments they continue to be recognised on the Bank's balance sheet.

In return for the purchase price the EPF receives from the EBRD an equity return swap (ERS). The ERS is classified as a financial liability held at fair value through profit or loss<sup>107</sup> within "Other liabilities", and as at 31 December 2023 had a total value of €282 million (2022: €203 million) across 35 eligible investments. In exchange for managing the equity investments the EBRD receives a management fee. The Bank charged a management fee of €3 million in 2023 (2022: €2 million) of which none remained payable at 31 December 2023 (2022: nil). Since the EPF's inception a total of €303 million has been invested in 39 eligible investments.

<sup>105</sup> The NDEP includes a nuclear and non-nuclear programme.

<sup>106</sup> See note 23 on page 80.

<sup>107</sup> The ERS does not meet the definition of a derivative as a large net investment was required from the holders of the ERS.



---

### 33. Events after the reporting period

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2023.

Events after the reporting period that are indicative of conditions that arose after the reporting period do not lead to adjustment of the financial statements, but are disclosed in the event that they are material.

At 10 April 2024 there had been no material events after the reporting period to disclose.

On 10 April 2024 the Board of Directors reviewed the financial statements and authorised them for issue. These financial statements will be subsequently submitted for approval to the Board of Governors.