



Financial Sector Strategy 2026-30

Approved by the Board of Directors on 17 December 2025

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Strategic directions for the financial sector, 2026-30

Executive summary



Financial institutions 2026-30 strategy: building on firm foundations in unprecedented times

Intermediated finance is a core delivery driver of the EBRD's Strategic and Capital Framework 2026-30 (*slide 5*). In a volatile, riskier world, the EBRD will focus investment in financial intermediaries on resilience and agility, green opportunities and human capital (*slide 6*).

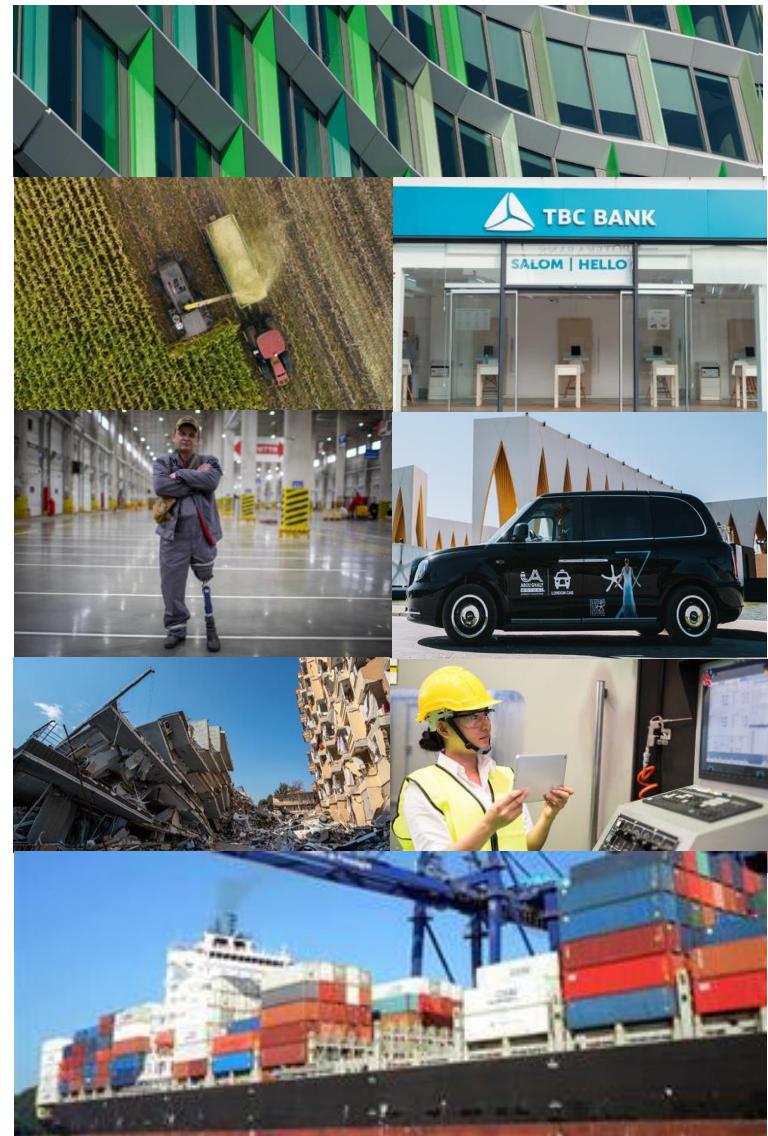
In the 2026-30 strategy period, to achieve transition impact, the EBRD will:

- promote good economic governance and provide capital, the foundations of resilience and agility, to address emerging risks and rapid response situations (*slide 7*) and continue to develop and deploy products and services that build confidence and financial sector robustness (*slide 8*).
- accelerate the green transition through investments that demonstrate impact on “for the planet and the wallet” (*slide 9*) and augment its impact through sector transformation (*slide 10*).
- strengthen human capital and equality of opportunity for all by deploying inclusive finance, as access to finance is crucial for all to flourish (*slide 11*), with women and young entrepreneurs at the heart of the EBRD effort to open finance for everyone (*slide 12*).

The EBRD deploys a relationship-based approach via a diversified client base and to maximise impact from a wide variety of products tailored to client needs and delivery capacity (*slide 13*), taking specific regional needs into account (*slide 14*). Ukraine will remain the top geographic priority in the strategy period (*slide 15*), while in sub-Saharan Africa and Iraq the EBRD will prioritise building a strong base for impact through leading financial intermediaries (*slide 16*).

The strategy will prioritise ambitious policy engagements (*slide 17*). Leveraging donor resources effectively will enable the EBRD to reach further and do more (*slide 18*), in full cooperation with other international financial institutions (IFIs) (*slide 19*), maximising impact across the EBRD's regions by mobilising private sector resources (*slide 20*) and embedding the potential of developing and deploying digital approaches (*slide 21*).

The EBRD pursues transition impact through systemic change based on the financial sector theory of change (*slide 22*) to address financial sector transition challenges (*slides 23 and 24*). Lastly, the EBRD will measure and calibrate its actions based on appropriate tracking and context indicators (*slides 25 and 26*).



Intermediated finance is a core delivery driver of the EBRD Strategic and Capital Framework 2026-30.

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The **Strategic and Capital Framework 2026-30** sets out how the EBRD will implement its transition mandate of advancing well-functioning and sustainable market economies. It prioritises three themes:

- accelerate the **green transition** for competitiveness, resilience and energy security
- promote **human capital resilience and equality of opportunity for all** to support competitiveness and economic growth
- strengthen **economic governance** by enhancing the efficiency and effectiveness of firms, markets and economic institutions.

Impact will be amplified by:

- harnessing the potential of the deployment and development of **digital technology**
- scaling up the quality and quantity of the Bank's **mobilisation** of private capital.



Financial intermediation is **essential to a well-functioning market economy**.

- Banks, insurance companies and capital markets allow the **pooling of risks, savings and the efficient allocation of capital**. They are also key drivers of **international integration** of investment and trade and enablers of **resilience in crises**.
- Through working with partner financial intermediaries, the EBRD **reaches many more borrowers**, helps **shape products** and behaviour, and incentivises lending to **underserved segments** or to finance **energy efficiency** and **renewable energy** investments. Its environmental and social standards have a **broader reach**.
- This **partnership approach** helps **mobilise private-sector** investment alongside the EBRD.
- The impact of intermediated finance is augmented by its **integration with the Bank's** other sectors to bring the **whole of EBRD** to clients and markets.

* Note: the full SCF is available [here](#)

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In a volatile, riskier world, the EBRD will focus investment in financial intermediaries on resilience and agility, green opportunities and growing human capital by deploying inclusive finance.



Global financial sector trends

Economic stress, energy shocks, high geopolitical risk

Heightened market volatility and monetary policy uncertainty

Climate risk has become climate reality

Reduced risk appetite hits underserved segments hardest

Transforming financial sectors (digitalisation/alternative platforms)

Disrupted supply chains in need of restructuring

Impact on the EBRD regions

Continued resilience pressures

Reduced lending capacity and investment demand

PFIs need to urgently scale up the green transition

Fewer opportunities for all

Risk of lagging behind

Deteriorating access to trade finance

Three strategic priorities

1. Deploy capital and policy to strengthen economic governance, boosting resilience and agility

2. Accelerate the green transition by boosting investment and transforming finance

3. Grow human capital resilience and equality of opportunity through inclusive finance

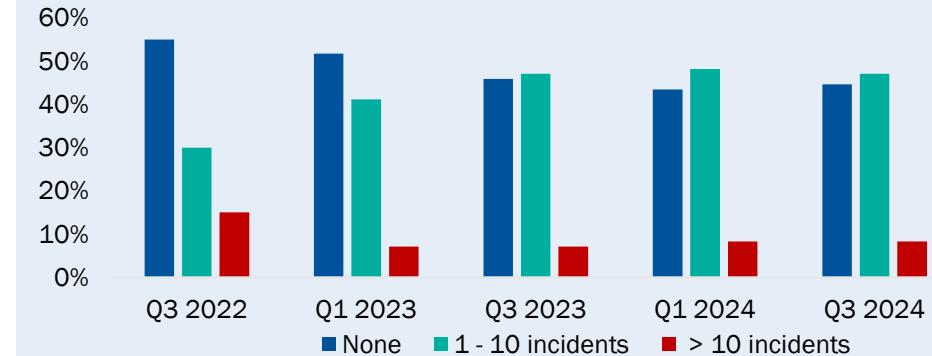
The EBRD will promote good economic governance and provide capital, the foundations of resilience and agility to address emerging risks and rapid response situations...



- The EBRD will promote **effective economic governance** (including sound policies and regulatory frameworks and best-in-class risk management strategies) and **provide capital to strengthen the foundations of the financial sector**. This builds investor confidence to **mobilise private capital**, enables financial institutions to prioritise sustainable growth and ensures a continued focus on financing the real economy assisted by the Bank's commitment to lending in **local currency whenever viable**.
- The EBRD will continue to support the financial sector in **addressing existing and emerging risks**. In particular, **geopolitical risk, regulatory and trade volatility** and **cyber-attacks** are seen by many EBRD partner financial institutions as significant threats to stability.
- The EBRD will refine and stand ready to deploy its **rapid response playbook** to support financial institutions as they respond quickly and flexibly to **natural disasters, disruptions and wars**. Examples include the Moroccan and Turkish earthquake response frameworks, the Covid-19 Response package, flood response projects in Bosnia and Herzegovina, portfolio risk sharing in Ukraine, and the use of the Bank's Trade Facilitation Programme (TFP) as a rapid response tool.

Banks need to adjust to a changing risk landscape

Share of banks that reported cyber attacks that caused major information and communication technology (ICT) incidents (%)



Source: European Banking Authority (Risk Assessment Questionnaire, 2024).



... and continue to develop and deploy products and services that build confidence and financial sector robustness.



- **Innovative products and services:** encouraging the development of new financial products, **digital solutions** and tailored services can empower PFIs by providing them with access to funding, risk management tools and growth opportunities. Innovation fosters competition, enhances efficiency and creates a more **dynamic and resilient business environment**.
- **Capital markets diversify access to funding:** by strengthening domestic markets and **helping to catalyse consolidation of regional capital markets**, companies can **attract private investment** through equities, bonds and other financial instruments, ensuring sustainable business growth and economic expansion. Markets are still **highly fragmented** (including in the EU) and **insufficiently liquid**.
- **Savings:** the EBRD provides policy and liquidity support for deposit protection schemes and will work to find other ways to boost savings and develop pools of capital for our regions, in broad alignment with the **European Savings and Investment Union** agenda, and in light of the impact of ageing populations on pension costs.
- **Trade finance expansion and digitalisation:** to promote cross-border business integration, reduce costs and enhance transparency. By **leveraging digital platforms** and innovative financing models, businesses can better integrate into global supply chains, enabling small and medium-sized enterprises (SMEs) to participate in international trade and strengthen their financial position.



The EBRD will accelerate the green transition through investments that demonstrate impact on “the planet and the wallet” ...



EBRD support will be based on client demand, in line with market trends, regulatory requirements and investors' expectations and will support clients with the following products:

- **Green loan products will remain core to EBRD engagement with PFIs:**

Green Economy Financing Facilities (GEFFs) and other Green Economy Transition (GET) loans allow end users to improve energy efficiency and build small-scale renewables. **The EBRD's Financial Sector, Corporate and Infrastructure teams will collaborate to extend such facilities to the widest range of borrowers.**

- **The Bank will further boost its Green TFP, which has already grown**

substantially, bringing together circular economy goods, such as scrap steel, equipment for renewable generation and energy efficient imports and exports.

- **The EBRD will leverage capital markets as a catalyst for investment:**

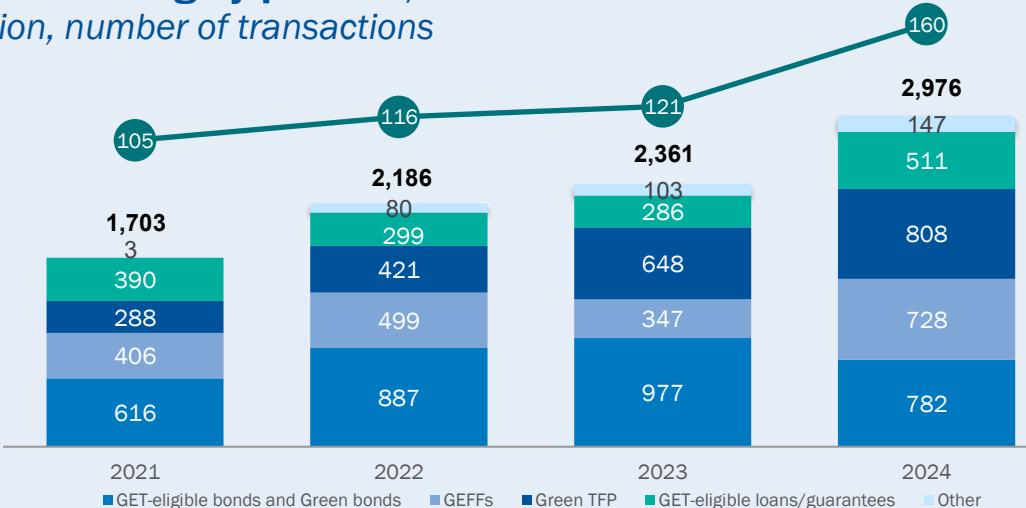
sustainable/green issuances have grown rapidly and become a beacon for mobilising private finance. The EBRD will continue to support issuers and **act as an anchor investor, multiplying its impact**, advancing climate and sustainability goals for its PFI clients and enabling the market to grow.

- **Renewable energy is now cheaper** than fossil fuels.

- Adopting renewables is a competitive edge for end consumers
- Financing them is a differentiating factor for financial institutions
- Renewables are key to ensuring affordable energy

Green financing by product, 2021-24

€ million, number of transactions



Cost of energy by source

Cents/kWh



...and augment its impact through financial sector transformation.



The EBRD aims to foster **resilient and integrated financial systems** in the economies in which it invests using innovative products and supporting sector reform and local regulatory and legislative initiatives.

All eligible countries of operation are signatories to the **Paris Agreement** and, as mandated in Governors' Resolution No.239 approved in 2021, **all EBRD facilities approved since January 2023 are aligned** with supporting the achievement of the goals of eligible country of operation signatories to the Agreement.

Transforming the financial sector:

- **Transition planning** is central to our counterparty approach. Supporting the development of robust climate transition plans will improve PFI's readiness for climate change and associated risks and opportunities. EBRD support will be based on client demand, in line with market trends, regulatory requirements and investors' expectations.
- The Bank has worked with **6 investee economies, 55 institutions and 250 people** so far, and expects to add a **further 9 economies, with around an additional 70 institutions and 350 people, in the next two years** to assess climate risk and guide clients towards more **competitive and resilient** activities.
- The Bank will look to improve the **quality of green finance** by stepping up its **focus on systemic impact** through an **integrated approach to policy engagement and financing flows**.
- As part of the Bank's **increased ambition**, climate **adaptation financing will be enhanced** and **nature considerations expanded** to broaden EBRD's green financing approach. Delivery of adaptation and nature finance through the financial sector is currently tracked and reported on as part of EBRD's GET reporting. As the financial sector develops products that are designed to target impact in these aspects, it will contribute increasingly to the overall GET 2030 ambition.

The EBRD will strengthen human capital and equality of opportunity for all by deploying inclusive finance, as access to finance is crucial for all to flourish...



- **A broader client base for financial institutions means more investment and better access to finance.** Underserved segments are a significant untapped market. The EBRD helps PFIs to adapt their offering to better cater to underserved segments and underdeveloped regions, helping to overcome the perception that they are higher risk.
- Boosting human capital requires financing entrepreneurs **all along their journey**, from micro enterprises to mid-caps. Fast-growing SMEs and mid-caps **provide significant opportunity for job creation**, while **agriculture holds the key** to development in many countries; they are key focus areas. The EBRD will support them in **close collaboration with other sectors**. The Bank will also look to **embed digital approaches** to increase the effectiveness of the financing and **increase digitalisation support to PFIs** in inclusive finance.
- **Financial inclusion strengthens resilience** by helping individuals, businesses and communities maintain access to savings, credit and insurance during economic downturns, natural disasters and conflict. Entrepreneurs can thus absorb shocks, recover faster and sustain livelihoods. The EBRD's **rapid and agile crisis response facilities** help PFIs to act as countercyclical stabilisers in an inclusive manner.



... with women and young entrepreneurs at the heart of the EBRD's effort to open up finance for all.



- The EBRD will continue to **target intermediated funding towards women- and youth-led or owned businesses**, as these businesses face particularly tough challenges in accessing finance. **Women in Business (WiB) and Youth in Business (YiB) blended finance facilities are a key product in achieving this, combining:**
 - finance for MSMEs led by a female or young entrepreneur
 - technical assistance for PFIs
 - joined-up advice for MSMEs to develop and grow
 - if required, de-risking or other similar instruments.

- The EBRD conducted a survey of financial institutions* to understand their practices and offering on the topic of financing women-led SMEs (WSMEs), as well as their internal practices. The chart indicates the limited tailoring of products for this key, underserved segment - **Sixty per cent of financial institutions in the EBRD regions lack dedicated products for women-led SMEs, and 47 per cent of surveyed financial institutions do not sex-disaggregate their SME loan portfolio.**

Most financial institutions in the EBRD regions lack a tailored approach to women-led MSMEs



* The EBRD surveyed financial institutions to understand their practices and provision regarding financing for women-owned and led SMEs (WSMEs), as well as their internal practices. The survey gathered 131 responses with representation across most EBRD regions (Western Balkans 38%, Central Asia 33%, Southern and Eastern Mediterranean 12%, Türkiye 8%, EU 6%, Caucasus 3%). The sample includes both EBRD clients (66%) and non-clients; most respondents were banks (77%) and microfinance institutions (18%).

The EBRD deploys a relationship-based approach to deliver impact via a diversified client base using a wide variety of products tailored to client needs and delivery capacity...



The EBRD is committed to expanding and diversifying its network of partner financial institutions.

Each existing and potential PFI is thoroughly assessed, including from credit and integrity risk perspectives, for alignment with EBRD standards and values.

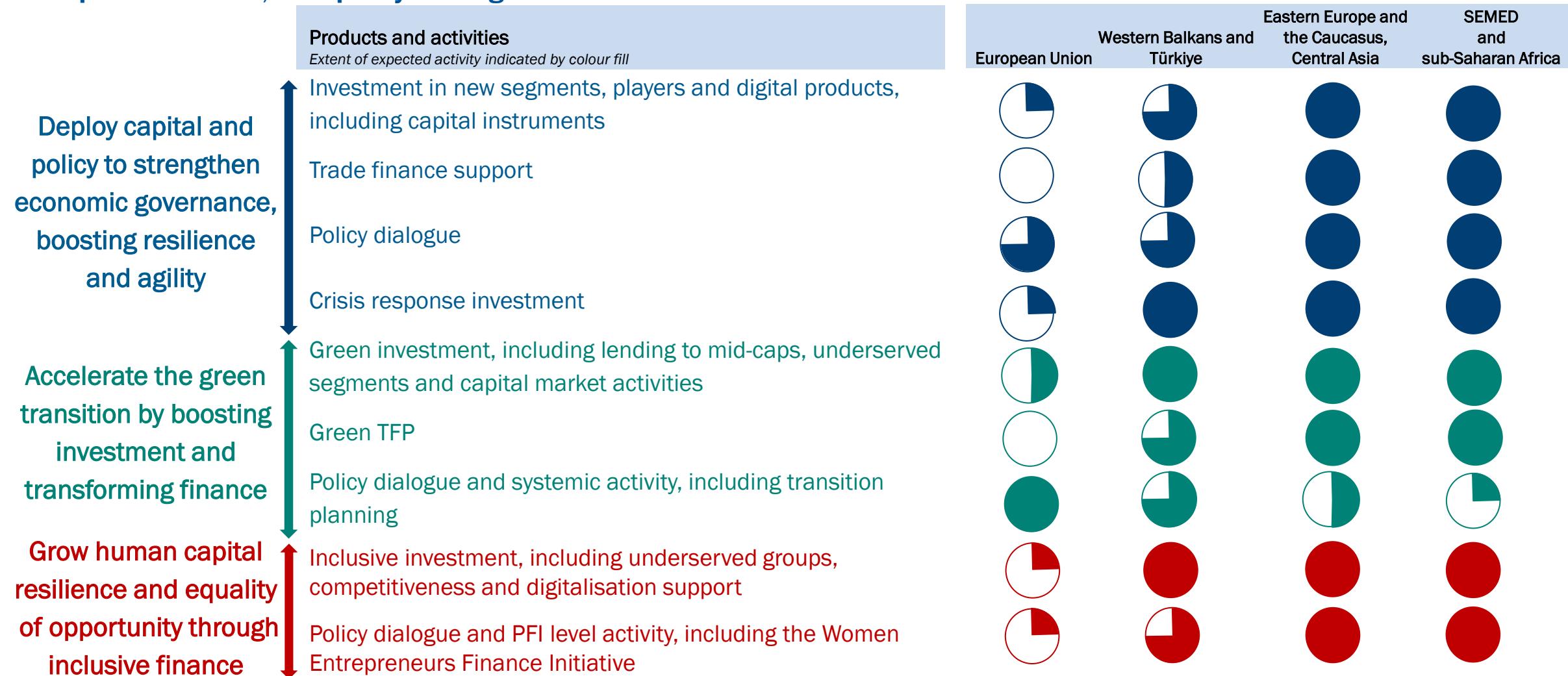
The EBRD deploys current and new products to drive diversification and transition impact, and fosters integration between FI distribution and specific sector strategies and initiatives with a "whole of EBRD" approach.



... taking specific regional needs into account.



We see higher prospects for the EBRD's intermediated finance offering in less developed economies, with policy leading in more advanced countries:



Ukraine will remain the top geographical priority in the strategy period...

Delivering under challenging conditions

- The EBRD has worked with **12 PFIs** to deploy **€700 million of guarantees and funding** (excluding TFP), underpinned by **€300 million in donor funds** for risk sharing, technical assistance and incentives. These projects have enabled total **new financing of €2.1 billion to the real economy, mobilising more than double the EBRD's investment** and achieving **7x donor fund leverage**.
- Portfolio risk-sharing has reached nearly **7,600 individual sub-borrowers** in 9,600 sub-loans, with more than **half focused on primary and secondary agribusiness industries**.
- **The TFP has Increased Its capacity to €380 million** with 13 PFIs, covering **€1.4 billion in 544 transactions** to the end of 2024, with donor support of €21 million, achieving more than 60x leverage.
- **New risk participants, DFC, BII and Proparco, will Join existing partners like MIGA to propel TFP delivery further in 2025.**

The outlook for the EBRD's investment in Ukraine over the next five years **remains highly uncertain** on account of the war. **The Bank remains fully committed to supporting Ukraine.**

Bringing new investment initiatives to Ukraine

- **Veterans' reintegration** – providing support for banks and their clients that is focused on bringing veterans back into economic life with donor-funded investment incentives.
- **Enterprise Renaissance** – supporting micro, small and medium-sized enterprises (MSMEs) that suffered due to the war with incentives for reconstruction as part of the EU4Business initiative.
- **Energy Security Support Facility (ESSF)**, a €700 million intermediated finance programme supporting energy security through PFIs, targeting small- and medium-scale energy generation, storage and efficiency projects using technical support and investment incentives.
- **Ukraine Recovery and Reconstruction Guarantee Facility (URGF)**, a €110 million facility to provide reinsurance capacity for international reinsurers and Ukrainian insurers to cover war-related risks (case study F8).

... while in sub-Saharan Africa and Iraq, the EBRD will build a strong base from which to deliver impact through leading financial intermediaries.



- **Build strong partnerships with leading FIs in new countries (Iraq and sub-Saharan Africa).**

The Bank will utilise accumulated experience and knowledge, whilst being conscious of regional specifics, and will build upon existing relationships with clients with coverage in this region. For these reasons, the Bank is expected to initially engage with creditworthy subsidiaries of international and regional banks and with local leaders such as pan-African banking groups, selected local banks, non-bank financial institutions and fintechs.

- **Support Iraq's and sub-Saharan Africa's Integration into the global economy.** Roll out the **TFP** to promote the flow of goods and services with the rest of the world.

- **Financial inclusion.** Provide loans and support capacity building to diversify the products offered by financial institutions, better catering to excluded segments, such as SMEs, young people and women.

- **Digitalisation.** Enhance efficiency by **supporting digital interfaces** for clients, increase resilience through improved cybersecurity infrastructure, and promote digital loan products to encourage inclusive financial intermediation.

- **Portfolio risk sharing (PRS).** Incentivise SME lending and mitigate the (perceived) risk of underserved segments.



- **The EBRD will work to provide access to local currency financing,** which is difficult to obtain in some new markets at sufficient tenors.
- **Support efforts to formalise** the new economies alongside governments and other IFIs.
- **Green finance.** Selectively introduce green finance solutions, targeting green finance products, green technology incentives and ESG governance.
- **Agricultural lending.** Partnering with FIs that wish to build their agricultural outreach by providing targeted financing or de-risking structures.

The strategy will prioritise ambitious policy engagement.



Leveraging donor resources effectively will enable the EBRD to reach further into frontier markets and do more for the underserved ...



Donor funding in a volatile environment

- **Facilitates delivery of relevant, competitive and ambitious investment offerings to clients.**
- **High donor leverage**, with loans typically more than **20x** any donor funded element, covering 50–71 per cent of financial sector operations annually in 2021-24.
- **The complex geopolitical landscape may significantly reduce donor appetite and availability.** This is expected to have a material impact on business in certain regions.
- **The Shareholder Special Fund (SSF) is crucial** for piloting new instruments and programmes, crisis response and sustaining impact in the event of a reduction in donor funding.

High-performing donor-supported instruments

- Enables business delivery and innovation that meet **evolving market needs**:
 - **Guarantees and risk sharing** to become a core offering, expanding geographically and **enhancing private sector mobilisation**.
 - **Grants continue as a strategic tool**, focusing on outcome-based models and optimised investment incentives.
 - **Technical assistance remains integral** to implementation and long-term capacity building and behavioural change.
 - **Innovation in capital markets and structured finance** will promote private sector mobilisation, facilitate trade finance, offer a rapid response to crises, open new geographies and assist with project preparation.

Systemic fundraising and implementation

- Maintain and expand a **strong operational framework for fundraising** and **programme delivery**.
- Focus on institutional capacity building to **manage volumes and complexity**, including data systems and impact measurement to **improve reporting and donor engagement**.
- Maintain emphasis **on minimum concessionality** while **promoting private sector mobilisation**.
- **Adapt existing tools** to accommodate any **changes to funding availability** and for expansion into new regions.

... in full cooperation with other international financial institutions ...

The EBRD works with fellow development organisations and international financial institutions to achieve impact, build knowledge of good practice, learn from peer project evaluations of other IFIs and benchmark our activities.

Among other, this includes cooperation with African Development Bank Group, Asian Development Bank, Asian Infrastructure Investment Bank, European Investment Bank, International Monetary Fund, MIGA, KfW, FMO and World Bank Group.

OPEC Fund for international development

The EBRD lends up to €50 million in Albania and mobilises a further €20 million from the OPEC Fund

Joint financing is specifically intended for on-lending to SMEs.

Examples of the EBRD's dynamic cooperation with other international financial institutions include:

The EBRD partners with the British International Investment and Proparco on trade finance activities in Ukraine

Risk-sharing guarantees worth US\$ 57 million provided by the two institutions for the EBRD's Trade Facilitation Programme.

MIGA in Ukraine

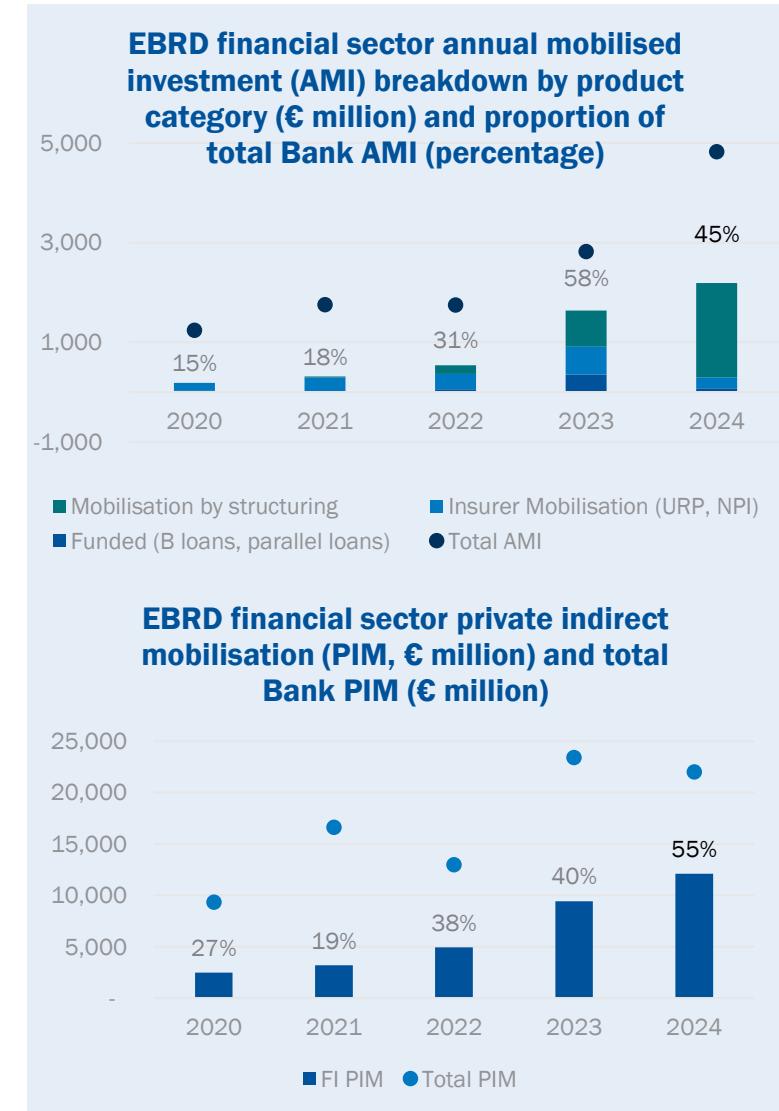
Guarantees will cover up to US\$ 200 million in EBRD trade finance in selected state-owned banks, firstly in Ukraine.



... maximising impact across the EBRD's regions through the mobilisation of private sector resources ...

Debt with financial intermediaries is a core asset class for the EBRD's growing mobilisation delivery. The full mobilisation toolkit will be employed to leverage private sector investment both directly and indirectly.

- **The EBRD is looking to mobilise more external financing in all areas.** The EBRD's intermediated finance business is uniquely placed to contribute to this ambition, **magnifying the impact of the underlying transactions**, in cooperation with the Debt Mobilisation team.
- The EBRD's intermediated finance work contributed significantly to the Bank's **total mobilisation delivery**, both directly (45%) and indirectly (55%) in 2024.
- **When mobilising private financing directly, the EBRD's work with financial intermediaries significantly benefits from support from insurers.** It also continues to gain interest from impact investors and, most recently, institutional investors (asset managers) in line with the EBRD's ambition to diversify its co-investor base.
- The EBRD also uses its work with financial intermediaries to mobilise local financial resources, boosting structural mobilisation by **negotiating on-lending multiples** in loan and framework agreements.
- **The EBRD's intermediated finance debt capital market capabilities continue to play a vital role in indirect mobilisation** by supporting a large number (and volume) of bond issuances, building and expanding markets with more sophisticated instruments.



... and embedding the potential of developing and deploying digital approaches.



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The EBRD's digital initiatives in the financial sector aim to **boost digital transformation**, improve market effectiveness, enhance skills, and **support green and inclusive finance** and international trade in line with the role of **digital approaches outlined in the overall strategic direction of the Bank**.

Increasing finance for digital transformation:

- Develop new financial products, digital solutions, and tailored services, especially for underserved groups and regions.
- Promote digital loan products for green and inclusive financial intermediation, especially in less advanced and new countries of operation to build scale.

Building digital skills and awareness:

- Empower PFIs with funding, risk management tools, and growth opportunities.
- Deploy knowledge products to promote technological solutions, especially in relation to the risks and rewards of AI and cybersecurity.

Targeted policy engagement:

- Assist in the development of effective and safe regulatory environments for the adoption of Fintech solutions, **in combination with the Bank's specialist technology team and the Digital Hub**.
- Remove barriers to digital investment.

By way of example, the EBRD's approach to digitalising trade finance looks to enhance transparency and integrate PFIs and their clients into global supply chains by improving compliance processing and disclosure.



The EBRD pursues transition impact through systemic change based on the financial sector theory of change ...



Inputs	Activities	Outputs	Stakeholder Outcomes	Market effects	High-level objectives	Impact
Bank capital (on-lending and direct lending)	Investments – providing conditional financing and risk sharing	Access to finance and other financial products, instruments or services developed / expanded for target groups (e.g. MSMEs, WiB, YiB, GEFF) Advisory services and business development support for PFIIs, investee companies, or sub-borrowers	Sub-borrowers reduce, mitigate or avoid negative environmental or social effects Sub-borrowers start, grow or expand their business PFIIs' portfolio volume/share of target investments/assets increases (e.g. green assets, MSME portfolio)	Green lending and financial instruments become mainstream Financial products are diversified and deepened Intermediated financing to target group entrepreneurs / business owners accelerated	Deploy capital and policy to strengthen economic governance, boosting resilience and agility	A resilient banking and financial sector can withstand turbulence and shocks while promoting financial inclusion and climate finance
Bank's own resources (e.g. staff)	Advisory – providing advice and expert support to build capacity, identify core business challenges and jointly develop solutions	Trade-enhancing financial products offered / expanded to companies Issuance of capital market instruments supported Financial products, instruments or services developed / expanded Adoption of improved operational processes or practices, including cybersecurity technology, systems or practices	PFIIs' overall volume of trade-enhancing products increases PFIIs' financial or operational performance improves PFIIs' resilience improves, including: asset liability /FX mismatch reduced; CAR increased; MREL funding base increased; NPL ratio improved Improved corporate governance processes, practices or structure implemented	Availability of trade financing accelerates Capital markets (including local currency bonds) are developed Banking sector is financially healthy Good corporate governance structures and practices become industry norms	Accelerate the green transition by boosting investments and transforming finance Grow human resilience and equality of opportunity through inclusive finance	
Bi-lateral and multi-lateral donor funds (e.g., blended finance, technical cooperation grants)	Policy engagement – engagement with public entities to help advance policy reforms	Adoption of improved corporate governance processes, practices or structure Adoption of improved climate governance processes, practices or standards Public policy/law/regulation/plan/strategy relevant to the financial sector drafted	Improved climate governance processes, practices or standards (e.g. transition plan) implemented Public policy/law/regulation/plan/strategy relevant to the financial sector introduced or enacted	Climate disclosures and adherence to social and environmental standards become industry norms Regulatory/legal/institutional environment enables a green, inclusive and resilient financial sector		
Shareholder Special Fund (retained income)						
Parallel investments / in-kind contributions (from clients)						
Knowledge inputs from partners (e.g., ETF, ILO, OECD, UNDP)						

... to address financial sector transition challenges (1/2)



Resilient

- **Recovery will be long and uneven:** banks in many regions have insufficient loss-absorption capacity. Crisis management toolkits including deposit protection are insufficient, as is the provision of insurance/reinsurance in the majority of the EBRD regions.
- **NPLs:** high non-performing loans (NPLs) are still a major issue in many countries (for example, Ukraine and Tunisia), exacerbated by war and geopolitical pressures.
- **Capitalisation:** while capital and liquidity buffers remain high, regulatory pressures are likely to result in increased demand for non-equity loss absorbing capital (MREL/TLAC)*
- **Digitalisation of existing players:** digital transformation will accelerate in the financial sector. New technologies and increasing digitalisation will bring benefits but also new risks and challenges, including cybersecurity threats and AI challenges to the sector's resilience.
- **Capital markets:** despite progress and success in some jurisdictions (such as Georgia and Poland), local markets (equity and debt) are still not a viable alternative for long-term financing in many economies where the Bank invests. Also, derivatives are not developed sufficiently to provide hedging alternatives.
- **New regions:** a resilient financial sector will be particularly important for countries in sub-Saharan Africa.

Competitive

- **Monetary policy uncertainty:** the post-Covid-19 spike in inflation and corresponding interest rate hikes from central banks have resulted in monetary policy uncertainty for many countries of operation. Interest rates have declined gradually since 2024 but central banks are still sensitive to increases in inflation and could pause or reverse interest rate decreases. Interest rate volatility could reduce the net interest margin of PFIs, resulting in decreased profitability, unemployment and a reduction of financing for riskier/underserved borrowers.
- **New players/fintechs:** the expansion of fintechs and a sector-wide push for digitalisation will be a boon for consumers through the expansion of access to, and increase in, the number of financial products; however, higher market concentration by a few dominant players and new risks to financial resilience could materialise in the transition phase.
- **Government influence/state-owned banks:** in some markets (such as Azerbaijan, Egypt, Tunisia, Ukraine and parts of Central Asia), state-owned financial institutions hold large market shares and although some operate on a commercial basis, their influence may distort the level playing field and reduce competitiveness. However, they can be critical conduits of outreach to private-sector borrowers, including in underserved areas and segments.

Inclusive

- **Underserved segments:** in parts of the EBRD regions, penetration of banking services remains low and a substantial share of the economy operates in the informal sector. Barriers to accessing to finance are particularly acute for segments that have suffered economic shocks (such as high inflation and geopolitical instability), including among women and young entrepreneurs as well as economically depressed regions.
- **Sizeable gaps in access to finance by SMEs** remain in all regions except for Central Europe and the Baltic states, raising the need to build back better with a focus on more equitable growth. Technology has the potential to enable underserved groups to overcome disadvantages in access to entrepreneurship and finance across the EBRD regions but also risks exacerbating inequalities.

Note that the transition challenges grouping for the financial sector in the EBRD's regions here is in line with the six transition qualities the Bank uses to analyse and measure its activities.

For further details on transition qualities please visit: ebrd.com/our-values/transition.html.

Note: Depending on subsector and project context, a specific challenge or intervention may be attributable to different qualities.

* MREL = Minimum Requirement for Own Funds & Eligible Liabilities;
TLAC = Total Loss Absorbing Capacity standard

... to address financial sector transition challenges. (2/2)



Green

- **Green and low-carbon transition financing:** financial institutions need to play a central role in reaching net zero targets by directing capital towards low-carbon and climate-resilient solutions, and support a green Covid-19 recovery. However, many barriers to scaling up green financing remain for FIs and sub-borrowers.
- **Management of climate-related risks and disclosures:** the EBRD regions are exposed to significant transition and physical climate risks. FIs across all countries will need to start systematically analysing the climate risks affecting their business, execute risk mitigation strategies and provide more transparency to the market on such risks. Aligning with the objectives of the Paris Agreement will be the key medium-/ long-term challenge for the financial sector. The absence of appropriate methodologies and capabilities may constrain access to finance for greening critical segments of the economy.

Integrated

- **Trade finance:** international trade has been recovering since the Covid-19 pandemic. While demand for trade finance has been growing in the economies where the Bank operates, the supply of trade finance credit lines is not expected to keep pace with demand, resulting in a worsening of access to trade finance, particularly in Central Asia. Trade finance gaps threaten to increase and impede the full potential of trade to deliver growth, jobs and the pace of economic integration.
- **Cross-border cooperation, market harmonisation and consolidation:** a lack of integrated capital markets impedes investors and issuers. Regional cooperation is needed to reach the critical mass required to create sustainable and sizeable markets. Consolidation of the capital markets infrastructure along the value chain, or regionally, would increase transaction efficiency, as well as investor access and interest.

Well-governed

- **Regulatory and legal framework and standards:** alignment of legal regimes with international standards and best practices across many EBRD countries of operation remains an ongoing effort, with outdated or incomplete regulatory frameworks relative to the European Union (EU) and international standards still present in some investee economies.
- **Corporate governance:** Weak corporate governance remains a significant constraint on the competitiveness of financial institutions and private-sector investments across the EBRD regions. Improving the governance of state-owned banks as a part of pre-privatisation efforts and addressing issues of permeable and insufficient anti-money laundering/counter terrorist financing controls remain important areas for several countries of operation.
- **Investment climate:** the quality of the investment climate remains a decisive factor for investors. In recent years, geopolitical risks, regulatory uncertainties and macroeconomic instability have contributed to deterioration of investment conditions in several EBRD markets, highlighting the importance of policy reforms to enhance investor protections, improve dispute resolution mechanisms and support more transparent, business-friendly environments that encourage sustainable foreign and domestic investment.

The EBRD will measure and calibrate its actions based on appropriate tracking and context indicators. (1/2)

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for Reconstruction and Development

Strategic objectives	Outputs	Tracking indicators	Context indicators
		Stakeholder outcomes (for relevant countries tracked in country strategies*)	Impact
1. Deploy capital and policy to strengthen economic governance, boosting resilience and agility	<ul style="list-style-type: none"> Number and volume of local currency loans outstanding at the PFI using EBRD local currency loans Number of PFIs issuing capital market debt or equity 	<ul style="list-style-type: none"> Number of PFIs reducing NPLs Improved legal and regulatory frameworks for financial sector Net change in the capital adequacy ratio of PFIs/net change in the probability of default score of PFIs Volume of total capital market transactions facilitated/mobilised (for example, bonds, equity) in EBRD operations beyond the Bank's own investment 	<ul style="list-style-type: none"> NPLs/total gross loans Source: IMF Financial Soundness Indicators (FSI), central banks Capital adequacy ratio Source: IMF FSI, Fitch
	<ul style="list-style-type: none"> Number of advisory recommendations agreed supporting the digitalisation of financial services of incumbent financial institutions 	<ul style="list-style-type: none"> Number of EBRD clients introducing new or updated technology/products/services (or existing ones tailored to include faster adoption of digitalisation) 	<ul style="list-style-type: none"> Total trade volume/GDP Source: World Bank World Bank Development Indicators (WDI)
	<ul style="list-style-type: none"> Number and volume of TFP transactions by PFIs Number and volume of disbursements by PFIs from factoring operations Number of PFI staff trained 	<ul style="list-style-type: none"> Total volume of PFIs' trade finance 	<ul style="list-style-type: none"> Asset share of private banks (percentage of GDP) Source: World Bank Global Financial Development Database (GFDD), EBRD Risk Reports

*Aggregate indicators will be monitored at country level for relevant country and thematic strategies where data are available. Note: outcomes at the sub-borrower level may also be monitored and evaluated for specific programmes through special studies.

PUBLIC

EBRD Financial Sector Strategy 2026-30

25

The EBRD will measure and calibrate its actions based on appropriate tracking and context indicators. (2/2)



Strategic objectives	Outputs	Tracking indicators	Context indicators
		Stakeholder outcomes (for relevant countries tracked in country strategies*)	Impact
2. Accelerate the green transition by boosting investments and transforming finance	<ul style="list-style-type: none"> Number and volume of PFI sub-loans disbursed under GET-eligible facilities Policy advice delivered aimed at building the capacity of the financial sector to respond to the challenges and opportunities resulting from climate change Number of PFIs adopting climate and environmental and social risk management with EBRD assistance 	<ul style="list-style-type: none"> Total CO₂ emissions reduced (tonnes/year) Number/ share of PFIs that increase lending for green projects beyond EBRD support New financial instruments introduced, or existing ones tailored to scale up green finance Number of PFIs implementing climate or environmental and social governance improvements through transition planning or climate governance action plans, including Paris alignment pathways, all based on client demand 	<ul style="list-style-type: none"> Carbon emissions (transport, electricity and heat production) Source: IEA Risk management and corporate governance Source: TBC
3. Grow human capital resilience and equality of opportunity through inclusive finance	<ul style="list-style-type: none"> Number/volume of PFI sub-loans disbursed to MSMEs Number/volume of PFI sub-loans disbursed to women-led or women-owned enterprises Number/volume of PFI sub-loans disbursed to youth-led or youth-owned enterprises Number/volume of PFI sub-loans outstanding in target regions Policy advice delivered aimed at improving access to finance for “under-banked” customer categories Number of knowledge management activities delivered to PFIs Number of PFIs adopting inclusive/equality of opportunity practices Number of PFI staff trained (for example, under financial inclusion programmes) 	<ul style="list-style-type: none"> Number of PFIs/share of PFIs in the EBRD’s PFI pool that increase lending for MSMEs beyond the volume of EBRD funding Number of PFIs/share of PFIs in the EBRD’s PFI pool that increase lending for women-led or women-owned enterprises beyond the volume of EBRD funding Number of PFIs/share of PFIs in the EBRD’s PFI pool that increase lending for youth-led or youth-owned enterprises beyond the volume of EBRD funding Number of PFIs/share of PFIs in the EBRD PFI pool that increase lending in target regions beyond the volume of EBRD funding Number of legal and/or institutional reforms to improve financial inclusion and/or access to finance Evidence of PFIs implementing inclusive/equality-of-opportunity practices (qualitative) Number of PFI staff enhancing skills (for example, from financial inclusion programmes) New or significantly updated products and services introduced 	<ul style="list-style-type: none"> Share of SMEs that report access to finance as a constraint Source: World Bank-EBRD Enterprise Surveys (BEEPs) Borrowing from a financial institution (gender gap) Source: Global Financial Inclusion (Findex) Database

*Aggregate indicators will be selected and monitored at country level for relevant country and thematic strategies where data are available. Note: outcomes at the sub-borrower level may also be monitored and evaluated for specific programmes through special studies.

Mapping financial sector impact across 10 Sustainable Development Goals



The EBRD follows its **Transition Impact framework** with the **Six Transition Qualities** to address transition challenges in the financial sector, as referenced on slides 23 and 24. This slide is provided for illustrative purposes to show the linkage between the financial sector strategic objectives with the Sustainable Development Goals.

Financial sector strategic objectives

● Deploy capital and policy to strengthen economic governance, boosting resilience and agility.

● Accelerate the green transition by boosting investments and transforming finance.

● Grow human capital resilience and promote equality of opportunity through inclusive finance.



reinforcement



Direct support to eight goals
(5, 6, 7, 8, 9, 10, 12, 13)
Indirect impact on a further two goals
(14, 15)

Annexes



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Annex A Abbreviations

ABI	Annual Bank Investment	MREL	minimum requirement for own funds and eligible liabilities
CA	Central Asia	MSME	micro, small and medium-sized enterprise
CEB	Central Europe and the Baltic states	NPL	non-performing loan
CoO	Country of Operation	PFI	partner financial institution
EBRD	European Bank for Reconstruction and Development	RAROC	risk-adjusted return on capital
ECB	European Central Bank	RSF	risk-sharing framework
EEC	Eastern Europe and the Caucasus	SBI	Small Business Initiative
EU	European Union	SEE	South-eastern Europe
FI	EBRD's financial sector team	SEMED	Southern and Eastern Mediterranean
G4G	Guarantee for Growth	SSA	sub-Saharan Africa
GCF	Green Climate Fund	SSF	Shareholder Special Fund
GDP	gross domestic product	TFP	Trade Facilitation Programme
GEFF	Green Economy Financing Facility	WiB	Women in Business
GET	Green Economy Transition	YiB	Youth in Business
IFI	international financial institution		



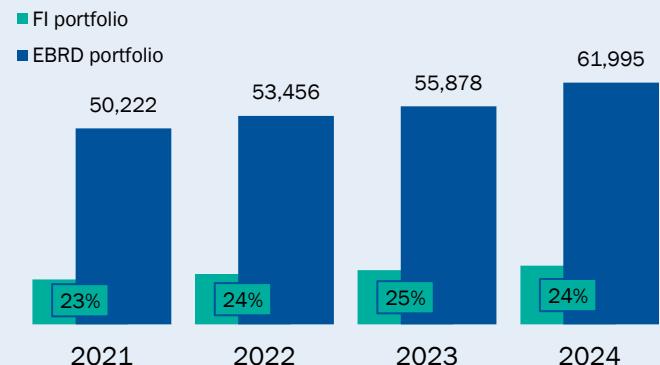
Annex B: 2021-25 Strategy performance
assessment and lessons learned from evaluation
studies of financial sector activities

Strong growth in investments



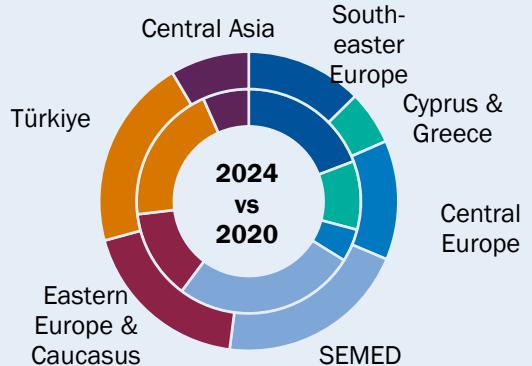
- ABI has increased significantly by 48 per cent, while the number of projects has grown by 55 per cent.

FI share of EBRD portfolio is steady (€ million, per cent)



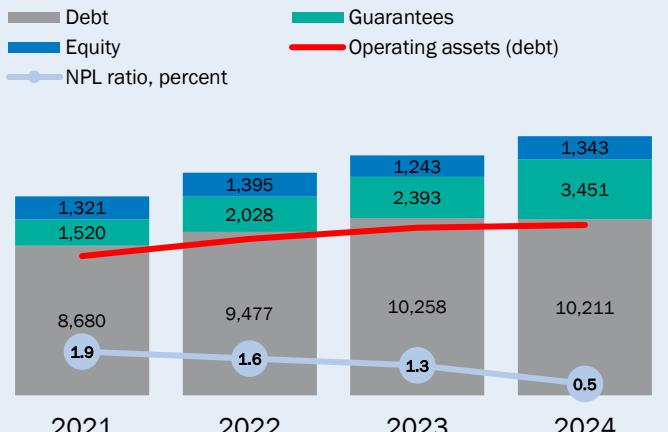
- The Financial sector portfolio is aligned to EBRD growth.

Business is diversified across all regions



- Growth in capital market products and support for Ukraine have influenced regional breakdown.

Strong growth with good asset quality (€ million)



- Product mix has seen growth in guarantees.

Uplift in delivery along strategic initiatives



- Activity directed to support green projects and underserved segments.

Four years of growth

- **New business delivery has grown year on year and is complemented by increasing Annual Mobilised Investment**, which totalled €2.19 billion in 2024.
- **Focused delivery of the green agenda** resulted in 47 per cent GET ABI in 2024.
- **Leading Ukraine support by deploying innovative portfolio risk sharing instrument that leverages donor risk capacity**, resulting in over €2 billion financing enabled.
- **Flagship trade finance programme has facilitated** 7,380 trade transactions worth €15.7 billion over the four years.
- **Solid risk underwriting approach** evidenced by a low and declining level of non-performing assets.

Strategic Objective 1 – develop and expand financial sector partnerships to drive the transition to green, low-carbon economies



Operational highlights 2021-24

- Since the start of 2021, **over €9 billion of GET finance** has been committed and an estimated further **€1.8 billion mobilised**.
- Reflecting efforts to mainstream the EBRD's green offering across a broad range of products, nearly two in every three financial sector projects contributed GET finance in 2024.
- Capital market transactions have been a key vehicle delivering GET at scale. Investments in green and sustainability bonds, as well as GET-eligible bonds, have flourished, with **116 investments**.
- The focus on fostering **Green TFP** saw this business grow to a **record €808 million** in 2024. Egypt and Türkiye are particularly strong sources of green TFP transactions.
- The outreach of the **Green Economy Financing Facilities (GEFFs)** expanded, with new GEFFs launched in **Armenia, Egypt, Jordan, Morocco, Türkiye and Uzbekistan**, while the GEFF in **North Macedonia** also came on stream. Collaboration with the **GCF** promoted this expansion drive across the region.
- Many blended finance programmes now include a GET dimension and together with the GEFFs this finance has enabled more than **54,000 green investments**.
- The green offering expanded with **innovative products** such as synthetic securitisation, Guarantee for Growth and the Energy Security Support Facility in Ukraine.

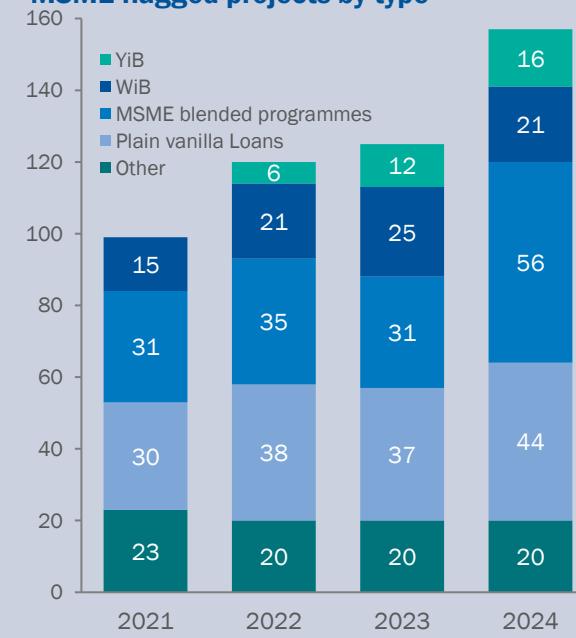
Outputs (FSS performance monitoring framework)	Progress 2021-24				GET financing product evolution € million
	2021	2022	2023	2024	
GET delivery as % of ABI	39.5	39.3	40.5	46.7	160
Number and volume of PFI subloans signed under GET-eligible facilities (data provided relate to the utilisation of SEFF/GEFF and some GET-eligible SME Competitive Support Programmes under Financial Intermediaries Framework and correspond with finance provided by the EBRD and its co-financing partners)	TOTAL Number Volume (€m)	2021 15,344 389	2022 26,643 536	2023 8,155 517	2024 6,197 490
	Note that the time lag between disbursement and subloans reporting has impacted the 2023 and 2024 figures, which are expected to increase in line with the trend in due course. The number of subloans depends on the types of financing programmes being implemented – the years when residential GEFF financing is available see high numbers of subloans due to the nature of the product, for example in 2021 and 2022, when a sizeable residential loan in Poland was implemented. A trend is therefore not provided.				
Paris Alignment approach tested through pilot and then operationalised	As per the EBRD Governors' commitment, from 1 January all 2023 onwards all EBRD activities will be aligned with the goals of the Paris Agreement. The Bank signed 10 operations in 2023 that include transition plan undertakings and 8 in 2024. Country-level "climate practices and transition planning programmes" and other capacity building initiatives have been delivered in recent years to around 50 banks annually.				
Policy advice delivered aimed at building the capacity of the financial sector to respond to the challenges and opportunities resulting from climate change	Each year the EBRD works closely with regulators and a broad range of other stakeholders on raising awareness related to climate and environmental risks. Those we have worked with include: <ul style="list-style-type: none"> the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on sustainability and climate corporate governance and disclosure the central banks of Armenia, Azerbaijan and Bosnia and Herzegovina on climate-related issues the Vienna Initiative's Working Group on Climate Change. 				

Operational highlights

- Enhancing financial intermediation and channelling finance to underserved segments remains the core financial sector activity in most countries. **Over €4.8 billion** was provided to **167 partner institutions** in support of on-lending to MSMEs in 2021-24, with a strong focus on local currency lending.
- The flagship **WiB programme** continues to expand, championing access to finance for women. Since the launch of the first WiB programme in 2014, over €1.2 billion has been extended via 82 PFIs across 21 economies. The EBRD has supported PFI on-lending of **over 160,000 subloans**.
- Through the **YiB programme**, the Bank is unlocking opportunities for young business leaders to drive economic growth, and new programmes now operate in the Western Balkans and Central Asia.
- Inclusive impact is now embedded in transaction development and in 2024 nearly half of projects incorporated inclusion additional activities.
- Innovation** remains key to providing relevant financing products – novel blended programmes are delivering deeper impact by not only advancing innovation, competitiveness and investment in automation and digitalisation, but also by supporting transitions to the green economy. The newly introduced **Portfolio Risk Sharing** product seeks to release risk-taking capacity to boost on-lending to MSMEs via the provision of an unfunded portfolio guarantee to PFIs.

Outputs (FSS performance monitoring framework)	Progress 2021-24															
Number/volume of PFI subloans disbursed to MSMEs (Since 2019 PFIs have been transitioning from reporting total MSME portfolio data to that pertaining to the EBRD only. Rather than aggregate this mix of subloan data, a different approach has been used and the data adjusted to indicate estimated number and volume of MSME loans disbursed attributable to EBRD finance)	<table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> <th>2023</th> <th>H1 2024</th> </tr> </thead> <tbody> <tr> <td>Number</td> <td>103,250</td> <td>122,832</td> <td>81,152</td> <td>68,223</td> </tr> <tr> <td>Volume (€m)</td> <td>1,383</td> <td>1,430</td> <td>1,185</td> <td>912</td> </tr> </tbody> </table> <p>The nature and size of programmes being implemented each year impacts subloan reporting. Based on data from around 120 PFIs, EBRD funds support on average an estimated 100,000 MSME subloans annually.</p>		2021	2022	2023	H1 2024	Number	103,250	122,832	81,152	68,223	Volume (€m)	1,383	1,430	1,185	912
	2021	2022	2023	H1 2024												
Number	103,250	122,832	81,152	68,223												
Volume (€m)	1,383	1,430	1,185	912												
Number/volume of PFI subloans disbursed to women-led or women-owned enterprises (data from the WiB programme)	<table border="1"> <thead> <tr> <th>Number</th> <th>20,026</th> <th>17,956</th> <th>26,483</th> <th>21,615</th> </tr> </thead> <tbody> <tr> <td>Volume (€m)</td> <td>93.1</td> <td>148.0</td> <td>198.0</td> <td>72.0</td> </tr> </tbody> </table> <p>Upward arrows indicate growth in both number and volume.</p>	Number	20,026	17,956	26,483	21,615	Volume (€m)	93.1	148.0	198.0	72.0					
Number	20,026	17,956	26,483	21,615												
Volume (€m)	93.1	148.0	198.0	72.0												
Number/volume of PFI subloans disbursed to youth-led or youth-owned enterprises	<p>Under the National Bank of Egypt YiB project, fully disbursed US\$ 30 million across 105 subloans. In 2023 and up to end of H1 2024, over 7,000 subloans disbursed under the YiB programmes in Egypt, the Western Balkans and Central Asia for €35 million.</p>															
Proportion of number/volume of PFI subloans outstanding in target regions (figures include EBRD only and PFI portfolio MSME subloan data)	<table border="1"> <thead> <tr> <th>Number</th> <th>Outside Capital</th> <th>82%</th> <th>65%</th> <th>87%</th> <th>79%</th> </tr> </thead> <tbody> <tr> <td>Volume (€m)</td> <td>Outside Capital</td> <td>52%</td> <td>54%</td> <td>67%</td> <td>63%</td> </tr> </tbody> </table> <p>Upward arrows indicate growth in both number and volume.</p>	Number	Outside Capital	82%	65%	87%	79%	Volume (€m)	Outside Capital	52%	54%	67%	63%			
Number	Outside Capital	82%	65%	87%	79%											
Volume (€m)	Outside Capital	52%	54%	67%	63%											
Policy advice delivered aimed at improving access to finance for "underbanked" customer categories	<p>67 projects have been initiated across all teams of the Bank that include increasing access to finance for underbanked customers/categories. These include SMEs, women, youth, refugees, rural and other underserved populations as identified within the EBRD Equality of Opportunity Strategy.</p>															
Number and volume of "Gender SMART" operations	<table border="1"> <thead> <tr> <th>Number</th> <th>46</th> <th>65</th> <th>87</th> <th>123</th> </tr> </thead> <tbody> <tr> <td>Volume (€m)</td> <td>535</td> <td>916</td> <td>784</td> <td>1314</td> </tr> </tbody> </table> <p>Upward arrows indicate growth in both number and volume.</p>	Number	46	65	87	123	Volume (€m)	535	916	784	1314					
Number	46	65	87	123												
Volume (€m)	535	916	784	1314												
Number of knowledge management activities delivered to PFIs	<p>From 2021-24, 443 knowledge management activities were delivered to PFIs under WiB and YiB programmes</p>															
Number of PFI staff trained	<p>From 2021-24, 7,754 PFI staff trained under WiB and YiB programmes</p>															

MSME flagged projects by type



Operational highlights

- The Financial Sector team developed digital-focused programmes such as **Go Digital in the Western Balkans** and the **Digital Transformation Financing Facility** in Türkiye. **Digitalisation** also featured in the **YiB programme** in the Western Balkans and the **WiB Programme in Central Asia**. A total of **43 financial institutions** projects have a digital tag, with **six fintech and digital platform investment projects** executed in the EU and Türkiye. In trade finance, the Bank worked with **digital trade finance** solution providers to support partner banks with their digitalisation transformations.
- Capital-base-strengthening investments exceeded €4.2 billion.** The Bank supported the use of novel instruments for capital optimisation as well as capital market development across its regions. The Bank invested in **four AT1 issuances** in Georgia, Poland and Slovenia, **seven synthetic securitisations** in Croatia, Greece and Poland and **20 covered bond transactions**. Investments in **bail-inable instruments** from banks broadened from EU countries to the Western Balkans, Georgia and Türkiye. The Bank also invested in Pozavarovalnica Sava’s inaugural debt capital issuance, the first, Tier III subordinated bond issuance by an insurer in Slovenia.
- Equity** – six new investments and capital increases with six partners – neobank **TBC Bank Uzbekistan**, **ProCredit Group**, and along with Cerberus and IFC, **VeloBank, Poland**. The equity portfolio also diversified with **Euroins insurance group, Bulgaria**, along with **GlobalCorp Financial Services** and **Tamweely**, non-banking financial institutions in Egypt, and with the IFC in **Bank of Palestine**.
- NPL resolution**: investing in NPL portfolios originated by a partner bank in Romania and providing financing to leading NPL servicers such as **Cepal** in **Greece and Dünya Varlık Yönetim, Türkiye**.
- Deposit insurance**: strengthening deposit insurance in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo and Montenegro) via policy and the provision of standby credit lines.

Outputs (FSS performance monitoring framework)	Progress 2021-24				
	2021	2022	2023	2024	
• Number of equity investments in bank and non-bank PFIs	Number	5	5	3	7
• Number and volume of resolution-eligible debt financing extended to PFIs	Number	19	31	33	34
	Volume (€m)	702	928	929	699
• Number and volume of local currency loans disbursed by PFIs (figures reported are disbursements from EBRD local currency risk transactions to PFIs)	Number	56	63	64	91
	Volume (€m)	662	828	512	813
• Number of PFIs issuing capital market debt or equity	Number	16	21	23	33
• Number of advisory recommendations agreed supporting the digitalisation of financial services of incumbent PFIs	SME capacity building TC for PFIs often includes reviews and enhancements of digital strategy, processes as part of broader set of measures. There were, though, eleven projects supporting PFI adoption of digitalisation				
• Number and volume of TFP transactions by PFIs (includes factoring)	Number	1,883	1,768	1,916	1,813
	Volume (€m)	3,225	3,636	4,163	4,666
• Number and volume of factoring operations	Number	20	22	33	40
	Volume (€m)	169	306	433	487
• Number of state-owned banks (SOBs) prepared for privatisation	Technical assistance and policy dialogue have been ongoing in Uzbekistan to assist state-owned banks with their pre-privatisation process. This reform work has resulted in one signed project and a further potential investment and assistance project in preparation.				

B5(1) *Lessons learned from evaluation studies of financial sector activities*



Recommendations of the Evaluation Department

Small Business Initiative (SBI)*

Phase 1 Recommendation 1: To enhance its systemic impact, the Bank should review the country strategic planning process to strengthen the integration and coherence of the response to SME needs across the organisation. The Bank should be able to articulate how it intends to achieve systematic change through the integration of the entire set of tools that is available within the SBI. The Bank should be able to operationalise such articulation in a differentiated way at country level.

Phase 1 Recommendation 4: To improve transparency, reporting and decision-making, the Bank should upgrade the existing management information system for SME businesses and, in particular, for indirect financing.

Lessons learned

Recommendation 1: Country-level customisation of SME development work and further alignment with country strategies are expected to be core to SBI 2.0 – which is currently under development – to enhance systemic impact through a **joined-up approach to various financing, advisory and policy dialogue instruments**. Ambitions for the systemic impact that the EBRD can achieve in each country will be realistic and proportional to its scale of activity in the country, given the existing resource constraints.

Recommendation 4: The EBRD's Financial Institutions Business Group and SME Finance & Development team are exploring the technical and budgetary implications, including staffing resources, of upgrading the Management Information Systems for capturing subloan and sub- borrowers' data. This activity is part of the **Bank's overall transformation workstream** and will be prioritised accordingly.

*Note: The full report on the *Evaluation of the Small Business Initiative Phase I* is available [here](#)

B5(2) *Lessons learned from evaluation studies of financial sector activities*



Recommendations of the Evaluation Department

MREL evaluation*

Recommendation 1: To foster resilience transition at a systemic level, the EBRD should develop a set of clear principles and guidelines, focusing more on targeting sustainable market-level strategic outcomes with bail-in-able instruments.

Recommendation 2: To ensure that GET-eligible MREL/bail-in-bonds deliver a tangible impact on green financing levels, the Bank should encourage and monitor partner financial institutions to increase the quantity and quality of their green financing.

Recommendation 4: The Bank should enhance transparency and strengthen the ability to assess MREL/bail-in-able products at any point, not just at signing, without adding burden to the Board or management.

Lessons learned

Recommendation 1: A position paper has been developed that outlines the strategic guidelines of the Bank's approach to bail-in-able projects. The paper sets out the business objectives when investing in bail-in-able instruments, including a transition impact component in line with the developing approach of TOMS 2.0 that describes, among other things, expectations on capital market development and how it will be monitored. The position paper will be presented to the appropriate board committee in July 2025.

Recommendation 2: Management continues to explore ways of using GET-eligible MREL investments as part of a "learning journey" towards the issuance of fully fledged green bonds. In line with relationship-orientated business model, this approach is individually tailored to each issuing PFI. The Bank has already engaged with several issuers in this way – out of 11 client banks issuing labelled MREL bonds, the EBRD had strong engagement with nine of them on GET-eligible bonds issuance preceding the labelled bond issuance.

Recommendation 4: Management has enhanced the format for Board reporting and is now reporting back to the Board after every investment rather than only for the first issuance, in the same standardised format.

* Note: The full report "Forging Resilience" An Evaluation of the Transition Impact and Additionality of the EBRD's MREL & Bail-in-able Products [2016-2023] is available [here](#)

B5(3) *Lessons learned from evaluation studies of financial sector activities*



Recommendations of the Evaluation Department

Green bonds evaluation*

Recommendation 1: Establish a formal approach to green bond investments and related technical assistance (TA), with clear guidance on priorities, to reflect the current and changing state of the market and position the Bank at the forefront of its further developments.

Recommendation 5: Monitor, report and, when opportunities arise, reduce the overall use of EBRD proceeds to refinance and favour investment in new assets.

Lessons learned

Recommendation 1: A management guidance note is in preparation that will provide a consistent statement of the Bank's approach to green bond investments at any given time, but which can be revised rapidly and efficiently to respond to changing circumstances and take into account work done with the Climate Bonds Initiative (CBI) and International Capital Market Association (ICMA) to continue promoting the best and market relevant practices. On TA for green bond market development, a balance will be struck in supporting capital market readiness at country or client level to increase impact with the constrained resources available to realise that ambition.

Recommendation 5: Improvements in monitoring GET attribution and share of refinancing are in hand. However, limits or targets for a specific volume of refinancing are not being considered as these are not in line with market practice, other IFI practices, the Bank's GET methodology or the ICMA principles. The financial sector team continues to take a tailored, client-oriented approach to green bond investment in the financial sector team, to meet client needs and our impact on the market.

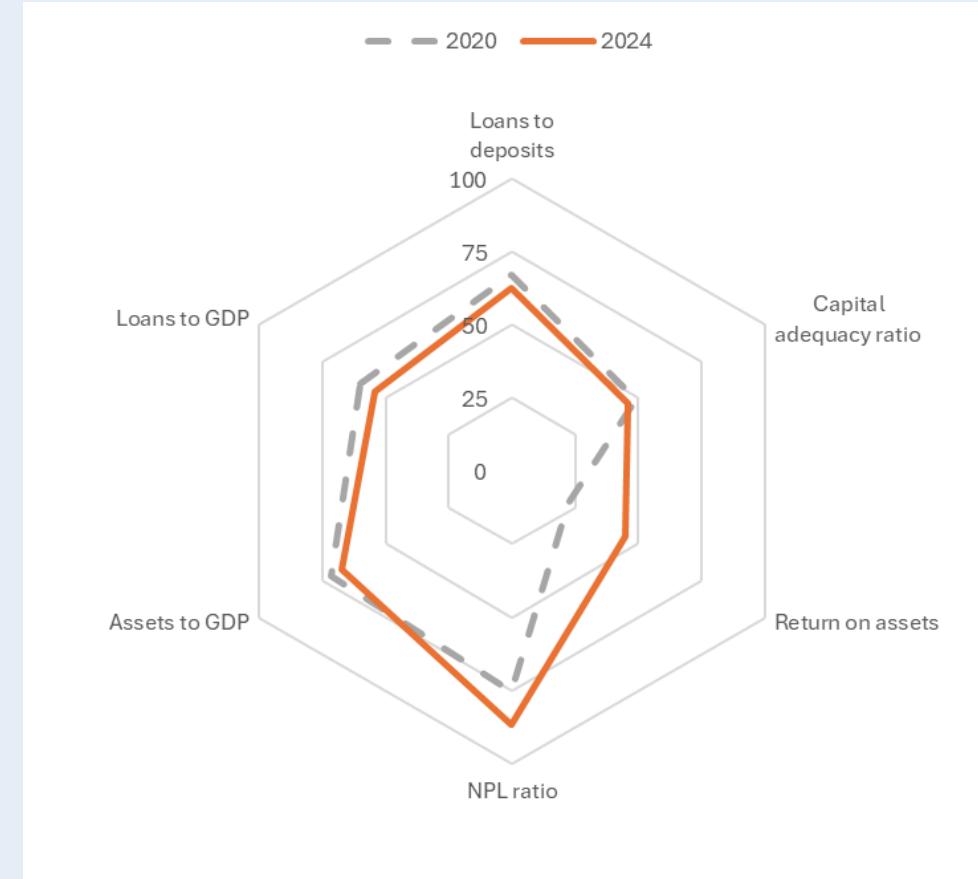
* Note: The full report *Green Bonds: Pioneering Inception and Navigating Maturity – Evaluation of EBRD's Green Bond Investments (2017-2022)* is available [here](#)



Annex C: global trends

- In the economies where the EBRD invests, the banking sector continues to demonstrate its resilience.** Most central banks focus on domestic economic and inflationary conditions when setting monetary policy, relying on adjustments in exchange rates to mitigate shocks. These efforts are essential and need to increase.
- Overall, there are visible improvements in profitability (return on assets) and in the NPL ratio** in the EBRD countries of operation, and the other metrics remained roughly similar in 2024 compared with 2020.
- However, indicators of geopolitical risk stand at exceptionally high levels;** increased economic uncertainty can trigger cross-border spillover effects through trade and financial linkages.
- The resilience of banks in the EBRD regions will continue to be tested by notable shifts in drivers of inflation, energy price shocks, supply chain disruptions and substantial increases in spending on defence and infrastructure,** which may result in increased fiscal deficits and higher interest rates. These factors create a challenging environment for banks, which also face increased credit risks as businesses struggle with higher costs and delays, affecting their ability to meet debt obligations. This can in turn lead to higher NPL volumes, requiring banks to adapt and strengthen their risk management practices and to raise additional capital to maintain resilience.

System vulnerability measures



Source: S&P Global Market Intelligence, Internal analysis

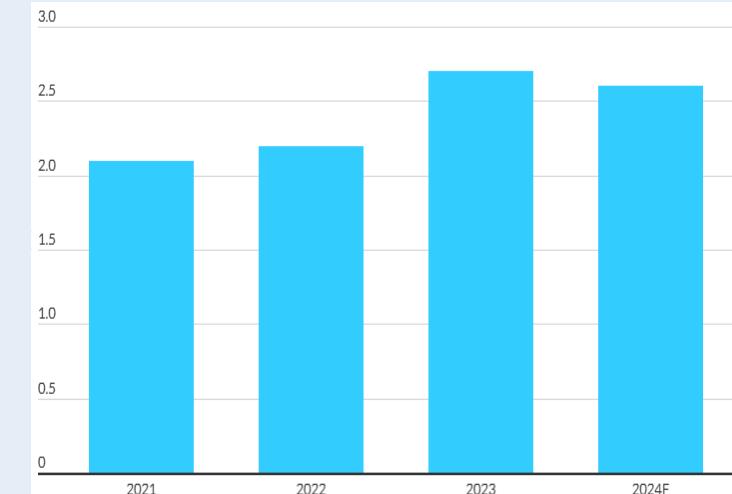
Heightened market volatility and monetary policy uncertainties reduce lending capacity and investment demand



- Monetary policy normalisation amid falling inflation** is set to compress banks' net interest margins, reversing recent profitability gains which peaked in 2022/23 in most countries. This global trend is forecast to materialise in the EBRD's regions as well, especially in Central and Eastern Europe, Türkiye and Central Asia.
- Reduced credit demand due to cooling inflation and slower economic growth** is lowering revenue opportunities for banks.
- Regulatory and legal costs**, such as evolving capital standards (Basel III) and country-specific policy measures (including such as Hungary's windfall taxes and Poland's litigation-related provisioning), put downward pressure on bank profitability, increasing operating costs across several regions. Combined with slowing credit demand and margin compression, these factors are pressuring banks' profitability, particularly across Central and South-eastern Europe.
- Rising loan-loss provisions** are expected, particularly in Central Asia and eastern Europe, as disinflation and slowing investment heighten borrower default risks, challenging banks' profitability outlook. **Geopolitical tensions** pose significant downside risks to banking profits due to market uncertainty.
- Intensifying competition and digitalisation costs**: heightened competition from fintech and non-bank entities is forcing banks to invest more in digital infrastructure and innovation, raising operational costs.
- Capital markets** remain relatively **underdeveloped** (see C2a) and somewhat fragmented in many countries of operation.

Operating profit/risk-weighted assets

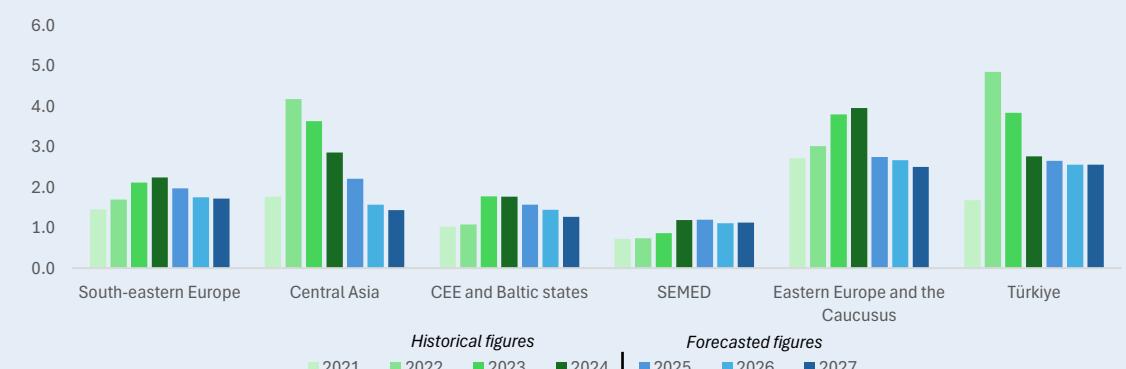
Average for 20 large banks in the Fitch Large European Banks Quarterly Credit Tracker



Source: Fitch Ratings

Banking sector profitability across EBRD regions remains robust but is forecast to dampen over the coming years

Banking sector average return on assets in EBRD regions (%)

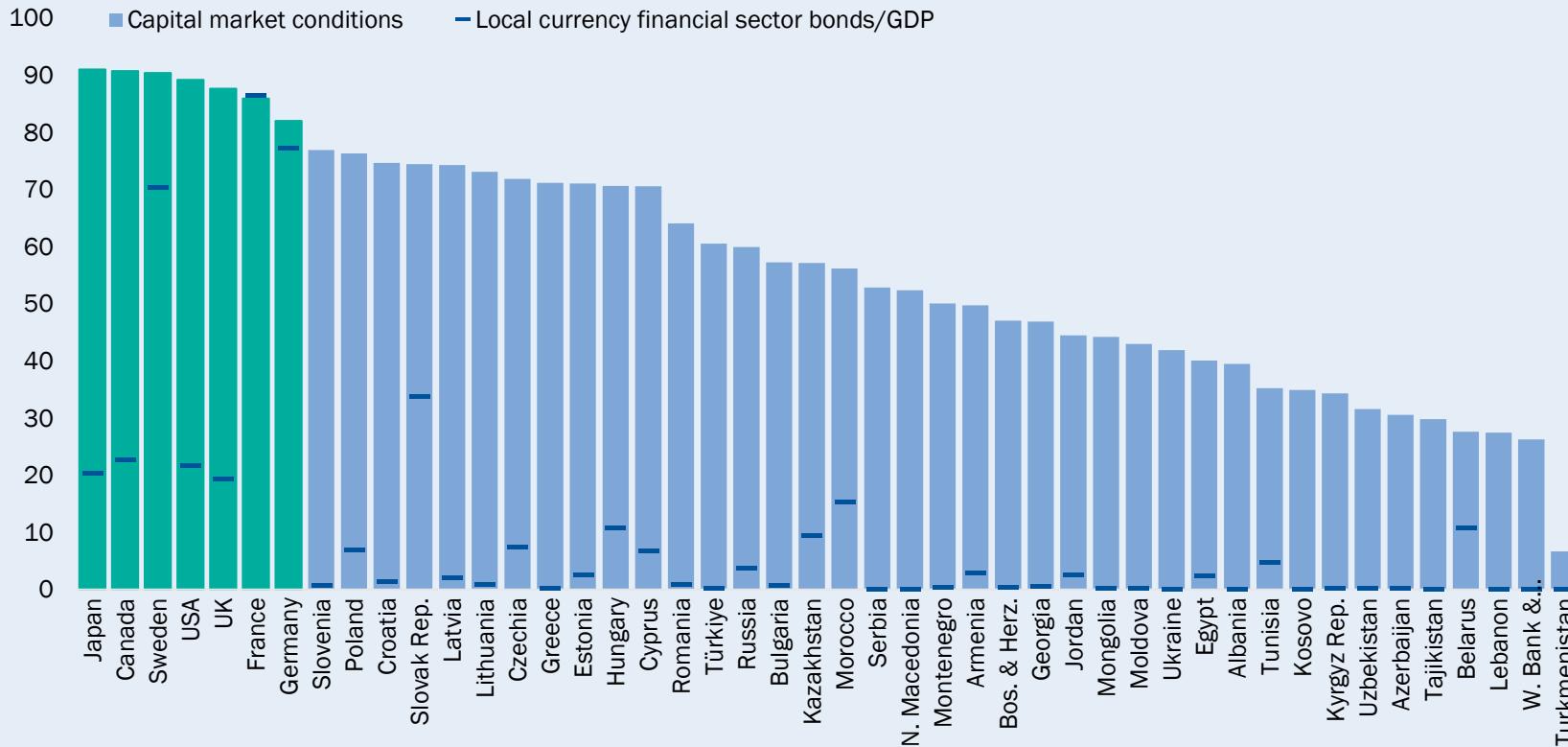


Source: S&P Global Market Intelligence, Banking Sector Forecast Tables (for EBRD countries of operation)

C2a *Capital markets have progressed but remain underdeveloped*



FMDI capital market conditions score and financial sector bonds to GDP



The Financial Market Development Index, developed by the EBRD, measures financial markets development based on publicly available quantitative and qualitative criteria. It measures both the conditions for market development, such as legal and regulatory frameworks or the capital market infrastructure, and the depth, liquidity and diversification of equity, fixed income, derivatives and money markets.

Source: FMDI (2024).

- The EBRD regions are at **varying stages** of capital market development
- Overall, progress can be noted in the conditions for market development, such as legal and regulatory frameworks or market infrastructure, but **EBRD countries of operation remain far from advanced benchmarks in terms of market depth**
- The extent to which capital markets serve as a **viable funding tool for financial institutions** depends on local context and practices: some markets are very shallow despite exhibiting strong conditions for development
- **Central Asia, SEMED, Eastern Europe and the Caucasus exhibit the most significant gaps**, although product-specific market creation remains necessary in even the more developed regions such as Central Europe or the Baltic states where liquidity remains very low compared to advanced markets.

Climate risk has become climate reality and PFIs face the need to urgently scale up the green transition



Environmental risks – from long-term concern to urgent reality

- According to the World Economic Forum's *Global Risks Report 2025*, **the risks associated with extreme weather events are a key concern for the year ahead, ranking second on the list of top short-term risks, with 14 per cent of respondents selecting it**. The burden of climate change is becoming more evident as warming from fossil fuel use leads to more frequent and severe extreme weather events.
- Extreme weather events are becoming even more of a concern, **with this risk ranked top in the World Economic Forum's 10-year risk list for the second year running**. Biodiversity loss and ecosystem collapse ranks second over the 10-year horizon, a significant deterioration compared with its two-year ranking.

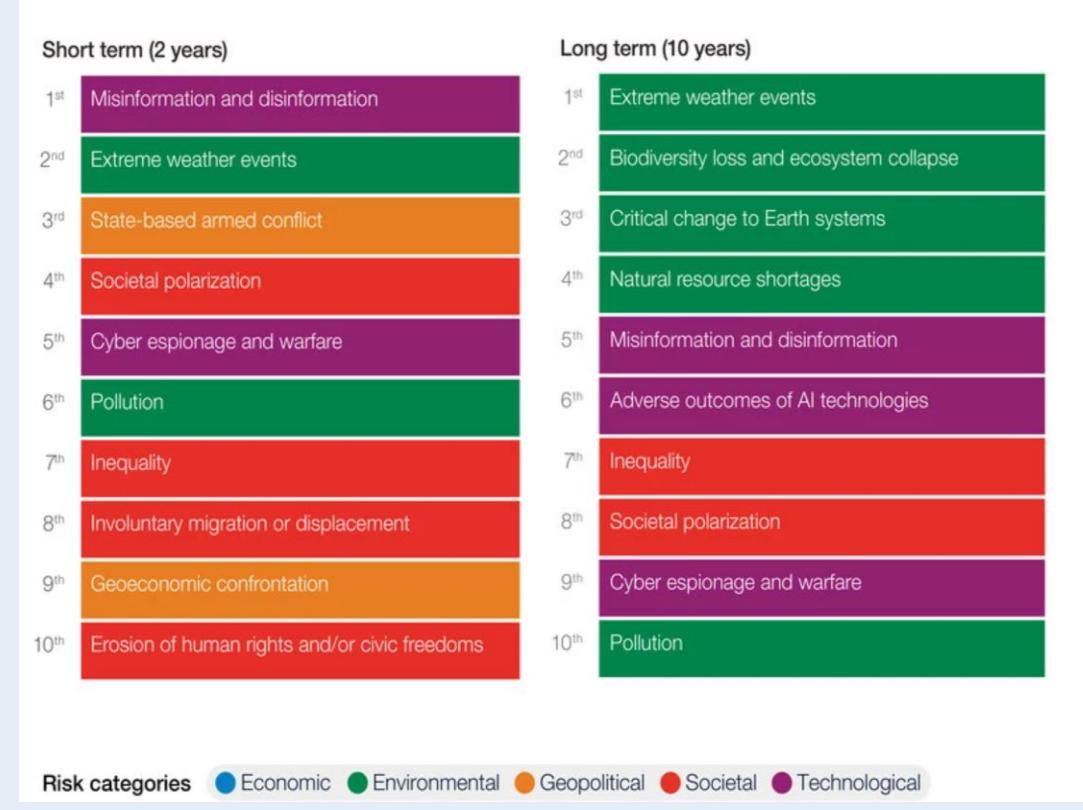
Role of financial institutions

- Financial institutions can play a critical role in delivering an orderly transition** towards low greenhouse gas emissions and climate-resilient activities by helping their clients invest in climate change mitigation and adaptation technologies.
- The EBRD's climate transition survey of the financial sector observed that **most PFIs in the EBRD regions struggle to identify environmental and climate risks among their client base**. Without suitable risk-driven practices, PFIs will adopt more risk-averse approaches, leaving businesses without the financial support they need and potentially triggering a disorderly transition. See [PFI Climate Survey results in C3a](#).

Climate risks can affect businesses through asset damage, operational disruptions and reduced cash flows, impacting the ability to repay debt and therefore increasing credit risk and levels of non-performing loans.

Source: EBRD Bank's Survey 2025

Global risks ranked by severity over the short and long term



Source: World Economic Forum *Global Risks Report 2025* 20th edition, Perception Survey 2024-2025, WEF

C3a 2024 Client Bank Climate Change survey results



Partner banks across the EBRD regions recognise the need to act, although they face challenges

Conclusions/implications

- Awareness of climate change impacts:** 99 per cent of banks recognise the need to address climate issues, up from 85 per cent in 2021.
- Climate integration in business decisions:** 70 per cent increase in the integration of climate issues in business decisions.
- Disclosing climate-related information:** trebling of partner banks disclosing climate-related information since 2021
- Understanding expectations:** 72 per cent consider climate risks when accepting clients (commercial terms, exclusion policies).
- Physical or transition risks:** 40 per cent analyse either physical or transition risks in their portfolios, with 27 per cent analysing both.
- Many banks are not identifying climate risks at all:** 60 per cent do not currently identify climate risks.
- Changing relationships with clients:** 69 per cent have policies that restrict financing for clients in high-emitting sectors.
- Financing the green transition:** 59 per cent have green or sustainable products as a standard offering.
- Anticipated green growth:** 77 per cent expect their green asset ratio to grow in the next three to five years .
- Leaning on international partners:** 89 per cent say their green product offering depends on development finance (technical cooperation and grants).
- Staying informed:** 45 per cent of boards are informed about climate matters regularly.
- Dedicated structures:** 59 per cent of boards have committees or assigned persons with responsibility for climate matters.
- Strong tone from the top:** 92 per cent of banks report interest from top management in climate matters.
- Part-time climate work:** 50 per cent of banks do not dedicate any full-time employees to climate matters, with most having only have part-time employees in this area. A total of 44 per cent of banks have more than one person working on climate full time, while. 13 per cent have no staff who do so.
- Transition plans being put in place:** 23 per cent have a climate transition plan, either self-developed or provided by their parent company.
- Acceleration in transition planning expected:** 25 per cent anticipate finalising a transition plan within 12 months.
- Support with transition planning is needed:** 52 per cent seek support for transition planning.

Momentum for climate action is growing among EBRD partner banks. Steps to address climate issues are being taken or planned by most banks. Efforts are expected to speed up as banks align with national and international standards.

Climate risks are gradually being reflected in business models, with most client banks considering climate change in at least some business decisions. However, there are very significant gaps in climate risk assessment and integration in banking practices.

Banks increasingly view climate as an opportunity. Climate-related action is more regularly part of banks' business models. Most banks expect their green asset ratio to grow in the next three to five years. Banks with transition plans offer more green products.

Banks whose board members have responsibilities for climate issues report better integration of climate into business operations. Resources that banks assign to climate work are likely to be insufficient to deliver the complex transition expected. Banks are not building their climate capacity development strategically.

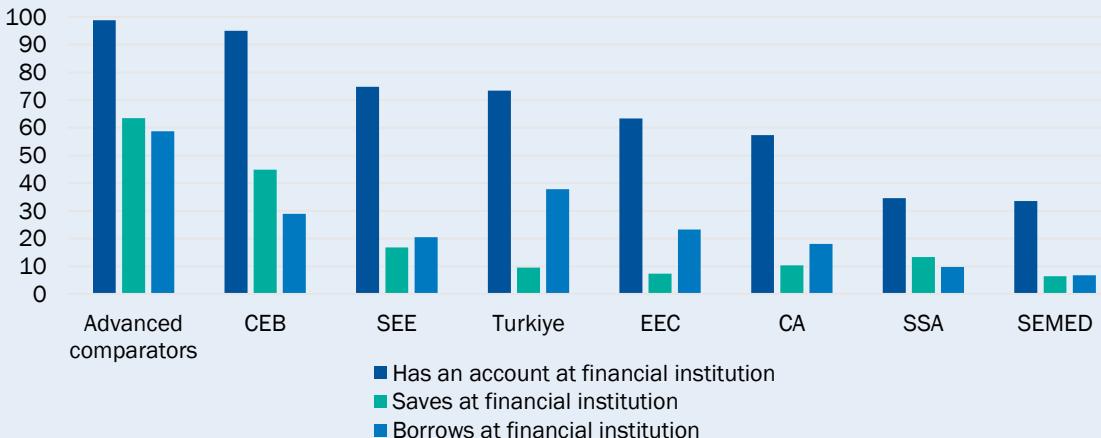
Transition planning is expected to accelerate in the next two years. Banks face considerable challenges in transition planning, including data analytics and in-house capacity. Banks that are developing plans report the process to be transformative but resource intensive.

Reduced risk appetite hits underserved segments hardest, leading to fewer opportunities for all



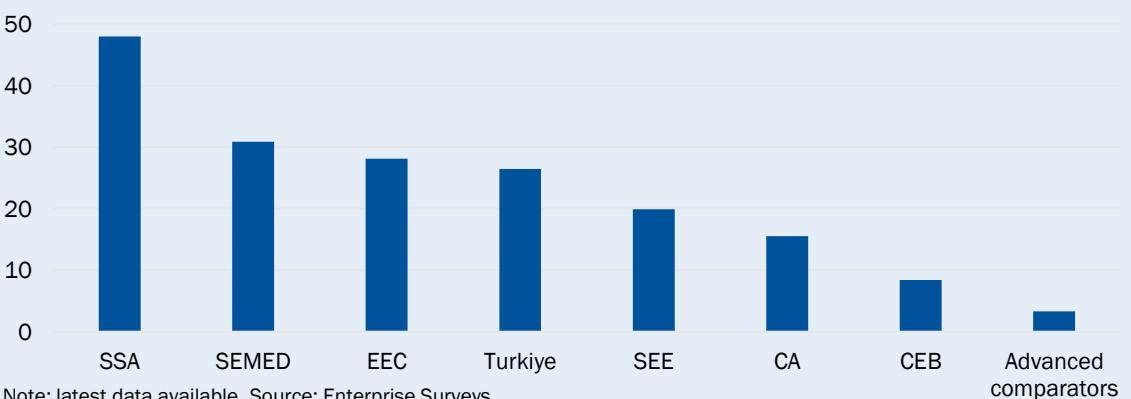
- **Financial inclusion enables human capital development** by allowing people and entrepreneurs to achieve their full potential in the labour market. In addition, financial inclusion helps build people's **resilience to shocks (such as conflict) and stressors (for example, climate change)** by making them less vulnerable to sudden economic downturns. This in turn allows them to build up savings or invest in crisis preparedness, and enables consumption smoothing when a crisis hits.
- In the EBRD regions, **financial inclusion remains a challenge for individuals and firms** alike. Saving and borrowing rates at financial institutions are three times higher for individuals in advanced economies than in the EBRD regions (Findex). While bank account ownership and borrowing rates are similar for firms in the EBRD countries of operation and advanced comparator economies, on average there is a higher perception among firms in the EBRD regions that access to finance is a major constraint to business (Enterprise Surveys).
- **Women, youth and people in rural areas tend, on average, to face greater constraints in accessing formal financial services** (Life in Transition Survey IV). For women, this reflects both economic factors (such as lower incomes) and social norms. For young people, constraints often stem from limited financial literacy and access to stable employment, which can make it more difficult to meet the eligibility criteria for formal financial services. For people in underserved areas, financial exclusion correlates with lower gross domestic product (GDP) growth and fewer economic opportunities.

Ownership of financial products is still limited in EBRD regions (% individuals)



Note: latest data available. Source: Findex.

Access to finance is perceived as a major constraint to business (% firms)



Note: latest data available. Source: Enterprise Surveys.

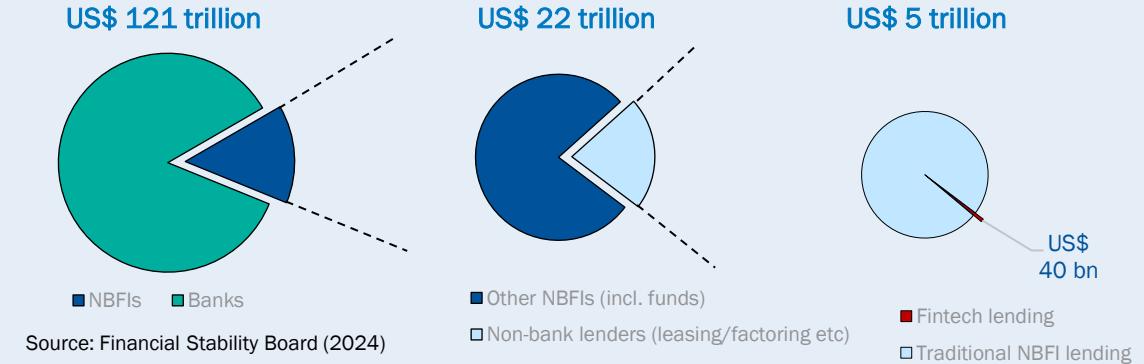
Transforming financial sectors (digitalisation/alternative platforms) brings the risk of falling behind



- Bank lending continues to be the backbone of the global economy, providing more than 80 per cent of loans to corporates, SMEs and households. While non-bank financial intermediation is rising, traditional NBFIs (such as leasing/factoring) dominate the lending environment. **Lending by pure play fintechs is a fraction of global credit supply – most fintechs focus on financial services other than lending, such as payments and retail banking.**
- The digital challenge faced by incumbent banks remains large, but regional differences exist. European banks have progressed in upgrading their core banking systems in response to regulatory demands for cashless transactions, open banking and customer authentication. **In contrast, many banks in the EBRD regions depend on outdated legacy systems. Regulatory harmonisation on resolution is also elusive, leaving some countries dependent on interim measures such as externally funded deposit insurance,**
- Digitalisation in the banking industry faces distinct challenges, **with only 30 per cent* of banks reporting success in implementing their digital transformation.** FIs have been investing in technology for many years, resulting in substantial technical debt and often fragmented, complex IT structures. A division between business and IT departments further complicates the implementation of essential cultural changes. In addition, banks are dealing with an ageing workforce, especially compared with fully digital fintechs.

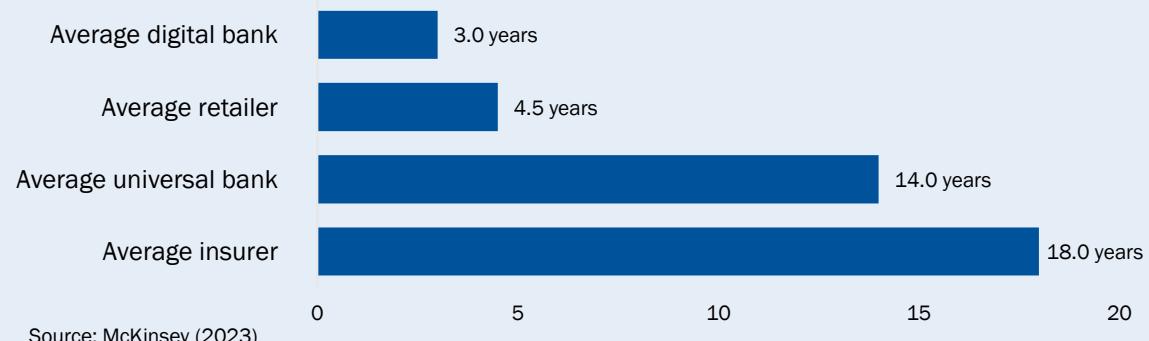
Traditional bank lending continues to dominate credit supply...

Global financial sector outstanding loans (US\$ trillion)



... while the digital challenge for incumbents remains large.

Average age of IT applications (years)

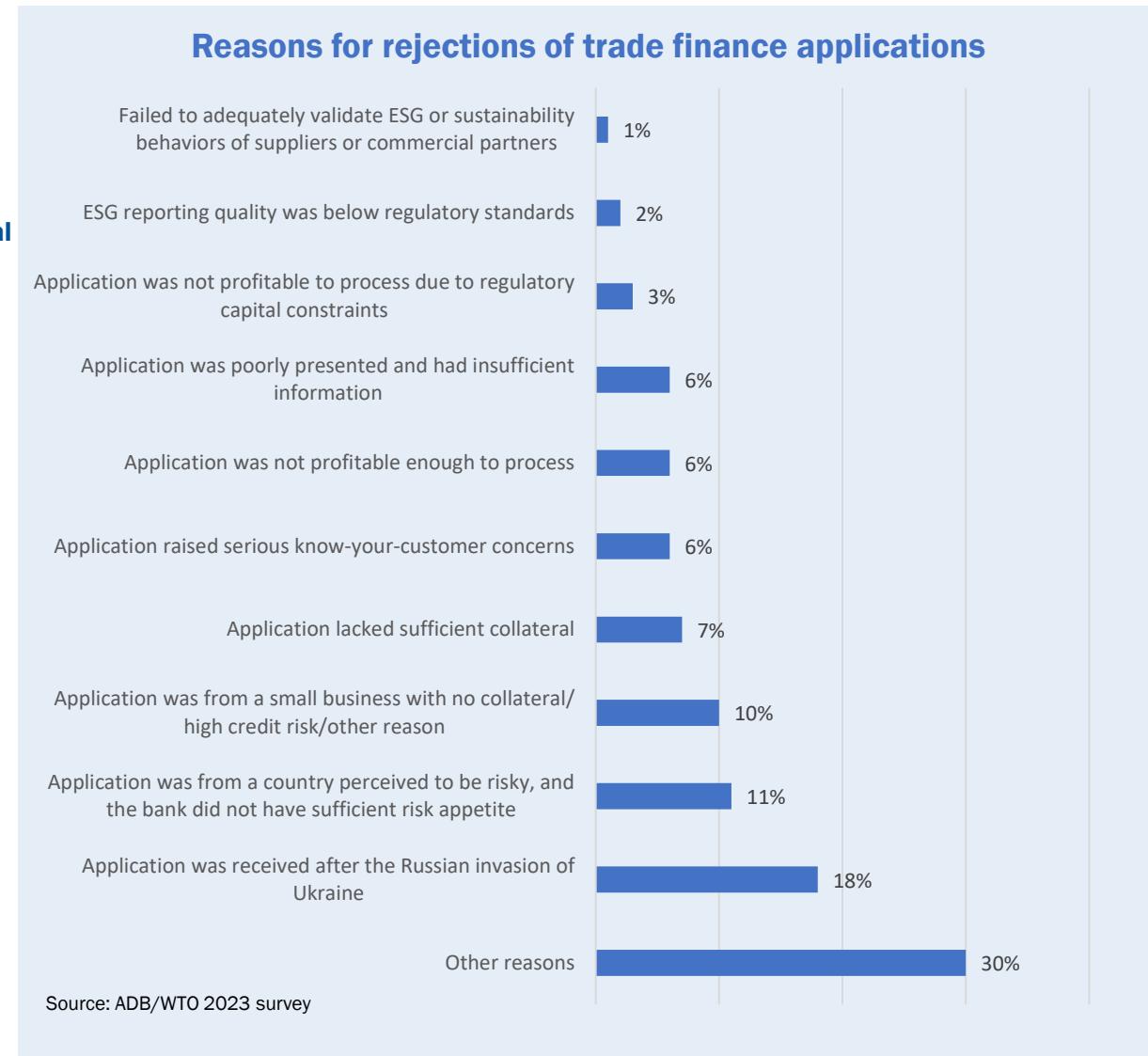
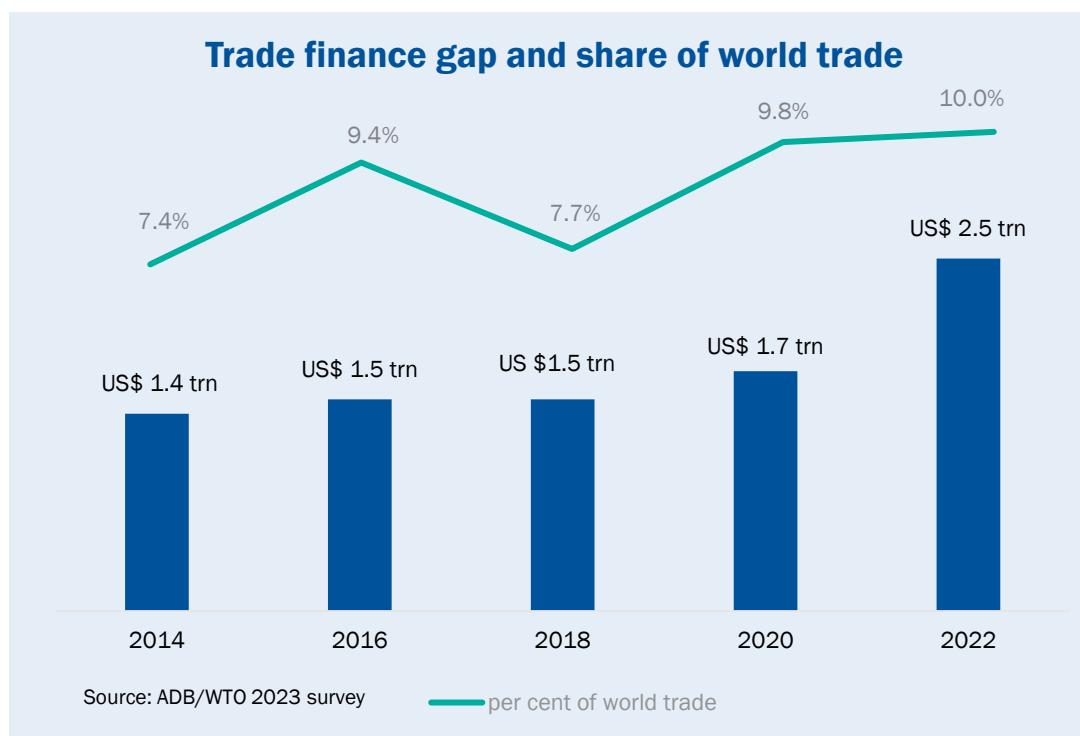


*Source: McKinsey and Oxford Global Projects study on large-scale IT projects, 2001-21

Disrupted supply chains in need of restructuring brings deteriorating access to trade finance



- Global trade finance gaps in 2022 were estimated at US\$ 2.5 trillion following Covid-19 and the reorientation of global trade. In the EBRD regions, the war on Ukraine and accompanying supply chain disruptions in the food and energy sectors have **added to demand and reduced the supply of trade finance**.
- Compliance with international sanctions has affected the supply of trade finance in countries with trade ties to Russia, in particular in Central Asia.** This has added to the **global trend for correspondent banks to de-risk their business** in the face of higher capital requirements, know your customer and anti-money-laundering regulations.



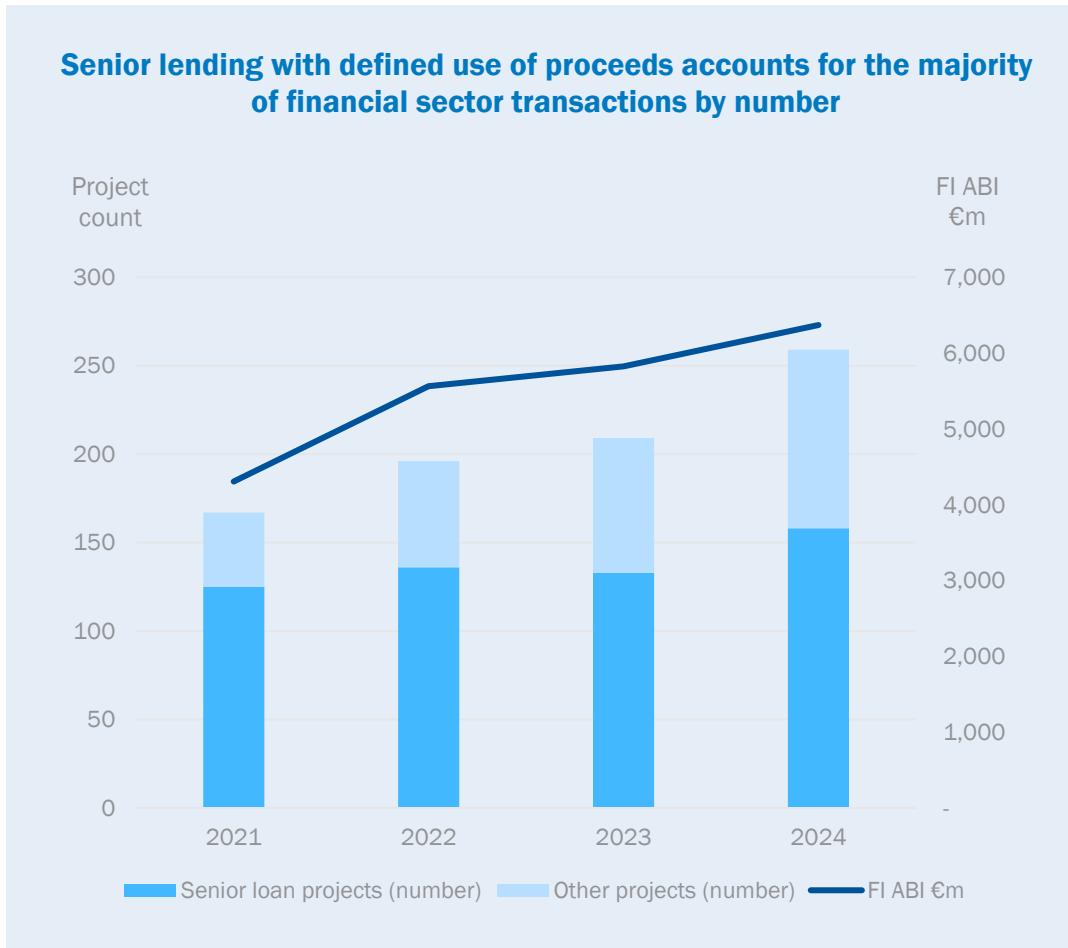


Annex D: Financial sector products at the EBRD

The EBRD financial sector product range – overview



- **Term loans to the financial sector are an attractive instrument**, with and without first-loss guarantees or other de-risking elements, for clients who are unable to tap deep capital markets.
- As a **flexible and comprehensible form of investment**, senior term debt is popular with PFIs, who value its tailored nature and efficient delivery.
- Individually negotiated and documented, but based on a **standardised model**, senior term debt allows PFIs to **improve the resilience of their balance sheets**, matching the maturity of their borrowings to their loan books.
- The **relatively low transaction costs** are vital in bringing term liabilities to less developed markets with little or **no access to local, regional or international capital markets**.
- The EBRD's on-lending requirements and other covenants seek to align the use of proceeds to **support targeted EBRD objectives**.
- **Rapidity of deployment** – such as with the earthquake-response packages in Türkiye and Morocco and the Solidarity Package loans responding to Covid-19 – makes these loans popular and effective in **providing speedy access to liquidity in response to crises**.



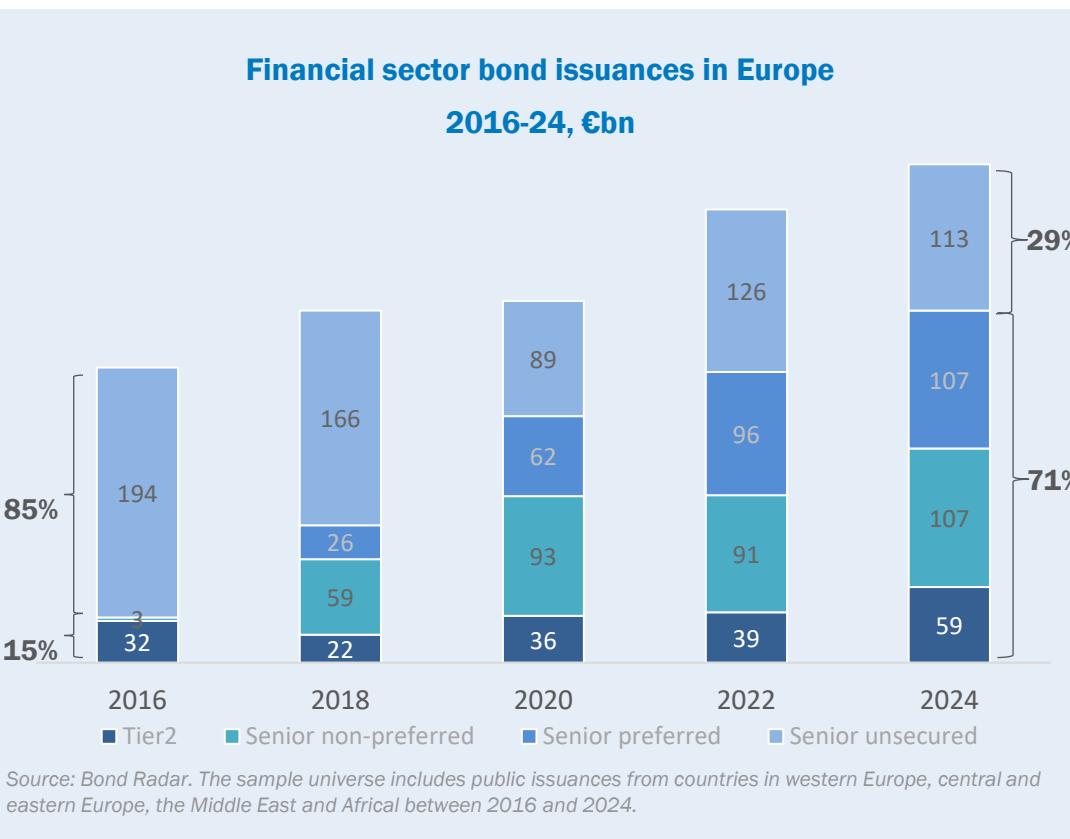
- The EBRD's loan investments focus on impact through **well-defined use of proceeds**.
- Our on-lending requirements are designed to **encourage PFIs to lend in a manner that supports targeted EBRD objectives**.
- We require PFIs to on-lend EBRD funds to **GET-eligible borrowers and underserved groups, often both at once**. We also incentivise PFIs to make such loans by adding in donor-funded **first-loss guarantees**.
- **PFIs report to us on the results of their on-lending**, allowing the EBRD to monitor their activity and ensure we achieve the **impact** we intended.

Bail-in-able debt is an essential instrument in the EBRD toolbox, achieving transition at scale



- Investments in bail-in-able instruments are selective, aiming to develop efficient markets and deliver the **EBRD's objectives on the ground**.
- Bail-in-able investments support our work to strengthen partner banks and financial sectors, **fostering systemic resilience and financial stability**. In the EBRD's EU region, **PFIIs need to refinance expiring bail-in issuances and expand their MREL funding base** in line with their balance sheet growth. As countries strengthen their banking regulatory resolution regimes, demand for this product will come from a broader client base. Demand from **Western Balkans PFIIs is picking up**, with an estimated €2 billion in MREL needs for the coming years, mainly in the form of bail-in-able senior debt.
- The Bank's investments have made notable **contributions to capital market development** in its countries of operation by increasing the scale and volume of issuances and drawing in private investors by instilling trust. Further repeat intervention is required to **deepen these markets and increase liquidity** so they can reach the efficiency levels of advanced economies.
- **Bail-in-able investments achieve immediate impact on the real economy** as they are linked to specific use of proceeds, including promoting the green, inclusive and social agenda.

Bail-in-able debt has become the wholesale instrument of choice for bank funding in Europe. Achieving transition impact through financial intermediaries requires the EBRD to utilise these instruments.

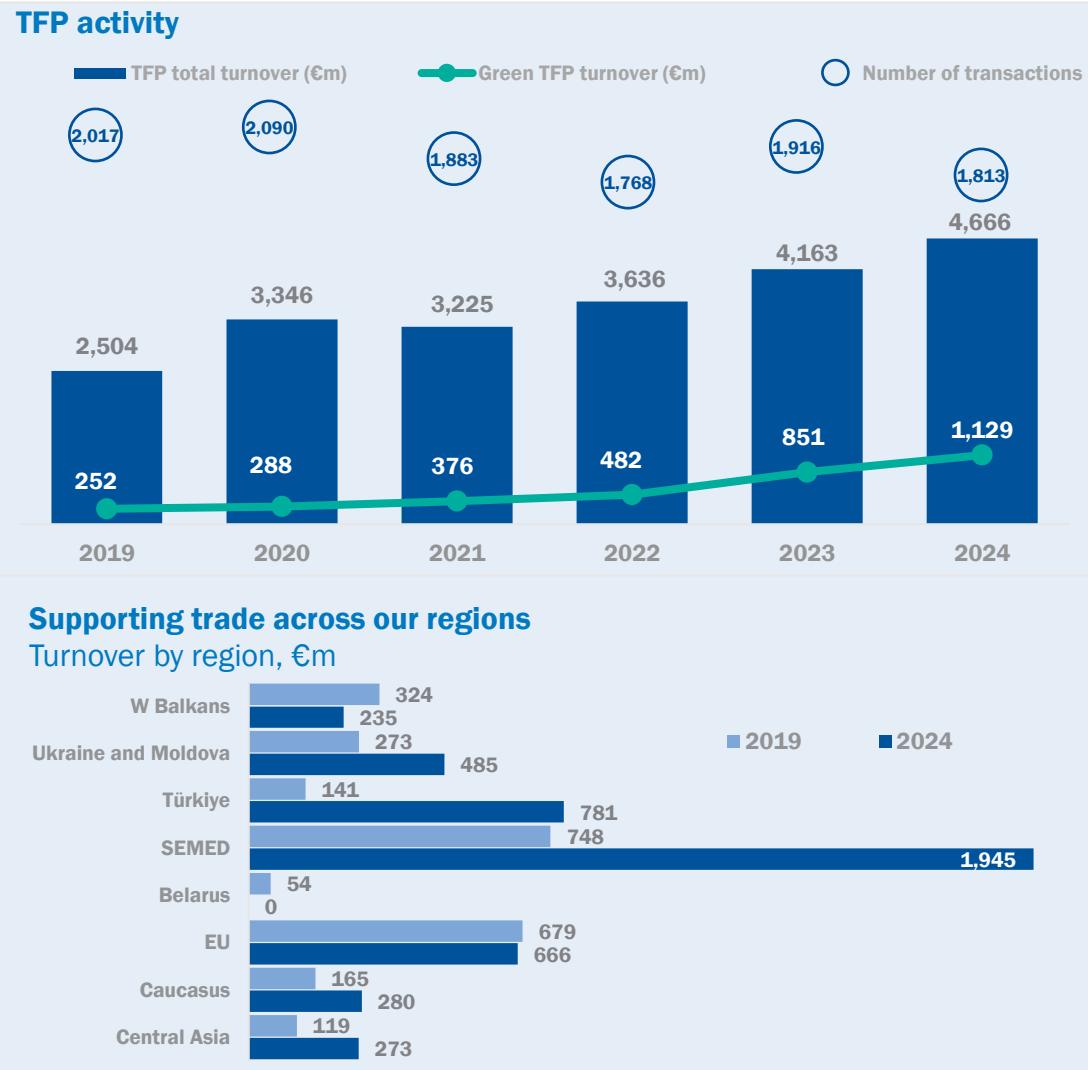


- **Bail-in-able instruments** (senior preferred, senior non-preferred and Tier II debt) are **managed under specific operational guidelines** ensuring: (i) that the Bank's overall investments in bail-in-able instruments do not exceed its risk capacity or appetite; and (ii) consistency in assessing the risk profile of proposed investments and adherence to best practices.
- Additionally, as part of portfolio oversight, there is active management of concentration risks at client, product as well as country levels.
- **The bail-in-able debt portfolio** represented 24 per cent of the financial sector portfolio as of December 2024 and presented an attractive risk profile.

D3 Supporting trade finance in troubled times



- **Trade Facilitation Programme (TFP) annual turnover increased by more than 80 per cent** in 2019-24 promoting International integration and stronger supply chains.
- **Supply chains remain disrupted** due to ongoing global supply chain bottlenecks, reshoring, increased credit risk, compliance-driven withdrawals and economic uncertainty, which have made it harder for businesses to predict cash flow and secure financing.
- The TFP continued to be an excellent **crisis response tool** – keeping channels of financing open in times of crisis and market disruption while also acting as an effective countercyclical instrument, proving its additionality while being very low risk.
- Since the start of the war in **Ukraine** in February 2022, the TFP has kept its trade finance lines open and stepped up its support for Ukrainian banks, with a total volume of €1.4 billion, mainly for essential goods and machinery and equipment.
- The TFP continued to see strong demand and a steady flow of business from the EBRD's "traditional" countries of operation, along with significant increases in the Southern and Eastern Mediterranean (SEMED):
 - The growth in **SEMED** and **Türkiye** was in large part due to food security and circular economy imports.
 - **Egypt** has seen a further increase in demand for TFP limits, with overall volumes almost doubling from €592 million in 2021 to €1,169 million in 2024.
 - Continued support during political and economic crises in **Tunisia, Lebanon** and the **West Bank and Gaza**.
- **Green TFP** has shown significant growth and development, with the annual business volume growing almost fivefold over the past five years, exceeding €1 billion in 2024.
- **The Bank has a strong focus on technical assistance projects to help clients adapt to the changing global trade finance environment, including digitalisation of trade operations.**



- Equity investments will remain critical to strengthen the resilience of PFIs, as well as to optimise operations.** Payment system operators, non-bank financial institutions and fintech will likely play a key role alongside traditional business models going forward.

Equity investment opportunities by region and type

	EU	Western Balkans, Eastern Europe	Central Asia, Türkiye, Caucasus, Mongolia	SEMED	Sub-Saharan Africa	Non-bank FIs, payments
Capital raising						
M&A and consolidation						
Divestments, carve-outs and outsourcing						
Digitalisation and fintech						
Privatisation						

Note

“Opportunities” in the summary above are measured by opportunities for EBRD engagement, taking into account the requisite additionality considerations.

- Appropriate regional emphases** are applied to financial sector equity investments.
- EU** – selective Additional Tier I **capital raising** opportunities as well as **carve-outs** in NBFIs, scale-up for **digital banks or digital offshoots** of traditional banks
- Western Balkans, Eastern Europe** – most opportunities in **M&A** and regional consolidation and expansion with strategic partners
- Central Asia, Türkiye, Caucasus, Mongolia** – highest potential in **capital raising** Additional Tier 1 with listed banks, growth support for mid-sized banks
- SEMED and sub-Saharan Africa** – selective **capital raising** to strengthen capital is possible, as well as early-stage, but potentially subscale, equity in the **digital and fintech spaces**
- Non-bank FIs, payments** – **capital raising** possibilities to support growth and solvency capital; **M&A** where strategic partners are involved as well as potential Tier I/II support; some larger **divestment support** opportunities with larger exits and secondary market sales; **digital** investments may be subscale or fragmented, requiring additional consolidation. In the **insurance and re-insurance**, segments, there may be demand for equity as part of well-defined growth or consolidation strategies in given markets, especially in those markets where insurance has a limited presence.

Additional Tier I, subordinated bonds and loans to bolster capital and increase funding to the real economy



Additional Tier I (ATI): ATI is a **hybrid capital instrument** that enables banks to **optimise their capital positions**, facilitating balance sheet growth and strategic consolidation activities, and enabling strategic hedging. Following the 2008-09 global financial crisis and resulting regulatory changes, ATI became integral to banks' capital planning strategies, and the instrument has since proven resilient through multiple market cycles. While outstanding volumes have steadily increased, this growth has been primarily driven by developed markets. In the EBRD's regions, ATI remains less prevalent and the Bank plays a key role in facilitating its introduction through direct participation in investments.

The EBRD maintains a prudent investment approach, selectively targeting banks with strong capital structures in the EU and in jurisdictions with robust regulatory frameworks governing the instrument. To date, the EBRD has invested €220 million across four ATI transactions in both local and hard currency across its regions, including Slovenia, Georgia and Poland.

Subordinated loans and bonds are debt instruments that can be used to write down liabilities or that can be converted into equity as part of a resolution action. The Bank supports PFIs to borrow or issue such instruments as part of their capital structures, often with **ambitious transition impact targets** as these instruments are, in effect, used as equity substitutes.

Regulatory frameworks are key to subordinated instruments in banks and the variety of regulatory frameworks and resolution approaches has made selectivity essential, both from a client and regulatory viewpoint. The EBRD looks to accept subordinated exposure to PFIs with sufficient other capital resources and where the regulatory position is as clear as possible. Subordinated loan and bond investments total over **€800 million** in both local and hard currency, working with more than 20 PFIs and 25 transactions in **10 countries across the EBRD regions**.

The EBRD's investments in Additional Tier I capital, as well as those in subordinated instruments, complement its Financial sector and Equity strategies by fostering "resilient" and "competitive" financial sectors in its regions, while providing the Bank with a quality income stream. The Bank prioritises public ATI and subordinated issuances where the EBRD's participation helps the issuer to access the market while broadening the investor base by crowding in private capital during the book-building process.

Covered bonds widen access to effective and stable real-estate funding



Covered Bonds (CBs): CBs are debt securities issued by banks and backed by a portfolio of mortgages. They are an efficient source of **long-term funding for banks**, while providing investors with appealing risk-adjusted returns, as their **dual recourse nature** makes them resilient to adverse market conditions. They can also benefit issuers, investors and market participants by developing capital markets, **supporting the housing market and mortgage borrowers** with longer term financing, and stimulating the real economy. Longer term financing for real estate can also play a part in promoting **affordable housing** both for homeowners and for renters by keeping real-estate debt costs as low as possible, **one of the goals of the Bank's Real Estate Sector Strategy**.

The EBRD has played a **pioneering role in introducing CBs in its countries of operation**. It is using policy engagement to create enabling legal and regulatory frameworks for CB issuances and combining this with significant investments to support CB placements, helping mobilise investors and develop markets in the EBRD regions.

As a stable investor, the EBRD invested **a total of €660 million in CBs** across its regions in 2020-24, including in the Slovak Republic, Greece, Hungary, Poland, Romania, the three Baltic states, Czechia and Türkiye. Private indirect mobilisation from CB issuances in which the Bank invested during 2019-24 amounted to €4.8 billion.

Notable investments included the first regional CB issuance in the Baltics and the first green CBs in Poland and Czechia.

In 2020-24, **legal reform support by** the EBRD included the development of CB legal frameworks in Bulgaria, Croatia, Estonia, Latvia, Lithuania and Georgia – with work ongoing in Morocco and Ukraine, and planned engagements in several Western Balkans markets.



Green, social and sustainability bonds (or ESG-labelled bonds) are debt securities issued by banks where the bond proceeds are used to finance green, social or a combination of green and social projects or activities.

The EBRD started investing in ESG-labelled bonds issued by banks in 2019. It has been **a sought-after trusted anchor investor**, acting as a catalyst of demand in many instances.

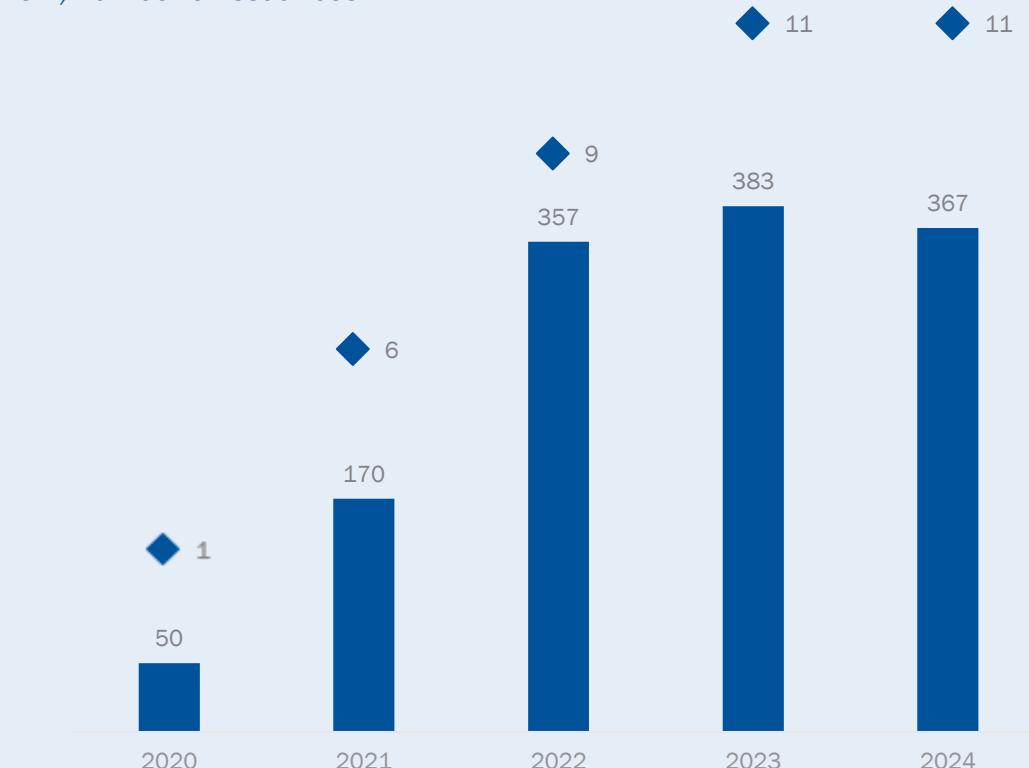
Through **a comprehensive technical cooperation programme**, the EBRD has also supported **a number of first-time issuers** across its countries of operation to establish its green, social and sustainability programmes aligned with international standards. EBRD will explore opportunities for supporting PFIs in the development of a broader green finance offering to SMEs, including via outcome-based financing mechanisms.

As an active ESG investor, between 2020 and 2024 the EBRD invested more than **€1.3 billion in ESG-labelled bonds issued by banks**. It has supported **40 ESG-labelled issuances** across its countries of operation, including in **Poland, Romania, Hungary, the Slovak Republic, Croatia, Türkiye and Egypt**.



Green, social and sustainability bonds

Total investment 2020-24
€m, number of issuances



- By transferring credit risk, **portfolio risk sharing (PRS) unlocks crucial capital for real economy financing while mobilising PFIs to support targeted EBRD objectives.**
- The PRS product proved its adaptability when it **rapidly scaled in Ukraine post-2022, enabling €2 billion of financing since May 2022** and serving as a vital tool for financial resilience following Russia's invasion. The PRS's ability to adapt to these unique circumstances underscores its robustness and potential for broader application within the EBRD regions.
- The product has been expanding across the **Caucasus, SEMED, Western Balkans and the EU, with demand steadily increasing**. PRS is expected to play a key role in the EBRD's business in sub-Saharan Africa.
- To date, 41 projects worth a total of €725 million have been signed, enabling up to €3.1 billion of financing.
- To fully realise the PRS's potential, **targeted improvements are ongoing, including automation in development**, coupled with refined product requirements while maintaining a prudent risk approach.
- PRS is expected to become a **scalable product, especially in liquid markets**. The growing interest is driven by the need for banks to **optimise capital and support economic growth**, particularly in the face of **evolving regulatory landscapes and increasing demands for sustainable finance**.
- PRS is among the key products of other IFIs, such as the EIB/EIF, IFC, DFC, Proparco and FMO.
- PRS structures provide a flexible and efficient mechanism for **directing financing to underserved segments such as SMEs**, which often face barriers to accessing traditional funding sources. PRS **facilitates greater financial inclusion**, enabling PFIs to extend credit to businesses that might otherwise be considered too risky. By leveraging PRS mechanisms, the EBRD can **expand its reach across a wider geographic scope** to areas where access to finance remains limited.
- The Bank will also investigate using PRS as a vehicle for **cooperation between the Financial Sector, Infrastructure, and Industrial and Commercial teams** as a means of bringing the **whole of the EBRD to the economies where it invests**.

The potential benefits of PRS could be further geared towards specific EBRD objectives: promoting sustainable growth, fostering the development of new market segments – including directed support to agricultural segments or directing financing to underserved segments (such as vulnerable groups) – and supporting digital transformation.

- **Risk Sharing Framework (RSF):** under its RSF, the Bank provides **funded or unfunded individual loan guarantees to partner banks**, allowing them to meet the growing needs of their corporate clients while keeping risk assets controlled and managing single-name and sector concentration.
- **The RSF supports SMEs' access to finance,** either through direct loans or through requiring a multiple of the EBRD's risk participation to be directed to SME lending growth. **Targeted advice** for final borrowers and partner banks often complements the product. The Bank works with around 40 partner banks across the regions where it invests.
- **The EBRD will explore opening the RSF** to a broader range of clients, potentially targeting mid-sized companies and projects to complement and magnify the work of **the Infrastructure Sector and Industrial and Commercial Sector teams**.
- **InvestEU portfolio risk sharing (PRS):** as an implementing partner to the EU's flagship InvestEU programme, the EBRD provides **unfunded PRS to private financial intermediaries** across its 12 EU countries of operation.
- **Using the InvestEU first-loss guarantee,** the EBRD extends uncapped or capped guarantees **to cover newly generated portfolios of loans financing green projects, innovation and digitalisation.** The Bank's participation provides capital relief to financial intermediaries, allowing them to prioritise and upscale sustainable financing activities.
- **Alongside the PRS product, the EBRD delivers financial intermediaries and final borrowers comprehensive technical assistance**, funded under the InvestEU advisory hub, which is instrumental for successful implementation of and for raising market awareness of sustainable investment opportunities. The first InvestEU PRS agreements were signed in 2024 in Croatia and Bulgaria.
- **The European Fund for Sustainable Development Plus (EFSD+) and Ukraine Investment Framework (UIF)** are the primary EU unfunded guarantee programmes covering the EBRD's non-EU countries of operation. EFSD+ structures are based on three main products providing capped first-loss guarantees on financial counterparty risk and portfolios of new MSME subloans, including PRS. Both programmes are designed to benefit B lenders in A/B loan structures, **mobilising much-needed private capital**.
- **The geographic coverage to date includes SEMED, EEC, the Western Balkans, Türkiye and Ukraine**, while Central Asia is expected to join shortly. The total volume of guarantees to be deployed across all regions amounts to over €330 million, with close to €90 million utilised over the past two years. Coverage may expand to include sub-Saharan African countries in the future.
- **The EBRD delivers a comprehensive technical assistance package** to financial intermediaries, in parallel with the **EFSD+ and UIF** guarantees. Three contribution agreements have been signed so far under EFSD+ and UIF for a total of €14.5 million, which is instrumental for successful implementation of the programmes.

- **Synthetic securitisations or Significant Risk Transfers (SRTs)** represent a sophisticated capital management tool that can be used on a complementary basis alongside more traditional capital instruments to **strengthen banks' financial resilience and support their growth and lending expansion**.
- By synthetically transferring the credit risk of an existing portfolio of assets, the structure **allows banks to achieve a reduction in their risk-weighted assets** and actively manage their balance sheet and capital requirements.
- While the synthetic securitisation market has been steadily growing in more advanced EU countries, **it is a relatively new instrument in most EBRD economies**, where the market is still lacking the required depth and capacity and the investor base remains limited.
- **In 2021-24, the EBRD invested €340 million in** eight synthetic securitisation transactions (on a funded – via a special purpose vehicle – and an unfunded basis) across its EU countries of operation, including Greece, Poland, Croatia and Romania, supporting synthetic transfer of the credit risk of SME and corporate loan portfolios worth over €9 billion.
- **Securitisation of future flows, namely Diversified Payment Rights (DPRs)**, are current and future flows of hard currency payment orders, such as SWIFT MT103 orders. The originating bank sells and transfers all rights, title and interest to an offshore single purpose company in a transaction qualifying as a “true sale” under local law.
- The **DPR structure mitigates transfer and convertibility risks** by ensuring that DPR flows remain offshore. It also achieves investment-grade ratings, which improves risk return and allows banks to obtain long-term hard currency funding at competitive costs.
- DPR securitisation is frequently used in Türkiye. **The EBRD has actively supported Turkish banks in establishing their DPR programmes** and ensured the successful issuance of these transactions by regularly investing in them, with proceeds directly deployed to the EBRD's frameworks (MidSEFF, GEFF, TurWiB) **to support the real economy through targeted funding in Türkiye**.
- **Since 2010, the EBRD has invested over US\$ 2.5 billion** across more than 30 DPR transactions.

The Bank will work with clients and regulators to increase the availability and use of securitisation approaches in as many EBRD markets as possible, in order to widen the range of countries that can use these funding instruments.

D11 *Guarantee for Growth optimises capital to release funding for the real economy*



- **The Guarantee for Growth (G4G):** G4G is an innovative product for international banking groups active in EBRD countries of operation that has the objective of **significantly boosting on-lending to the real economy** for **green and inclusive purposes**.
- **G4G is tailored to free up the risk weight capacity** locked in local government bonds held by subsidiaries of international banking groups – **a result of diverging regulatory capital treatment** between the subsidiary and the parent bank – **in exchange for the subsidiary bank committing to increase its lending to local private companies**, in line with **EBRD priorities**.
- **The EBRD provides a credit wrapper** to ensure that the capital treatment can be appropriately equalised.
- **Launched in Albania in 2020** and then rolled out in Ukraine and other EBRD investee economies, G4G has delivered **cumulative ABI of around €300 million**.



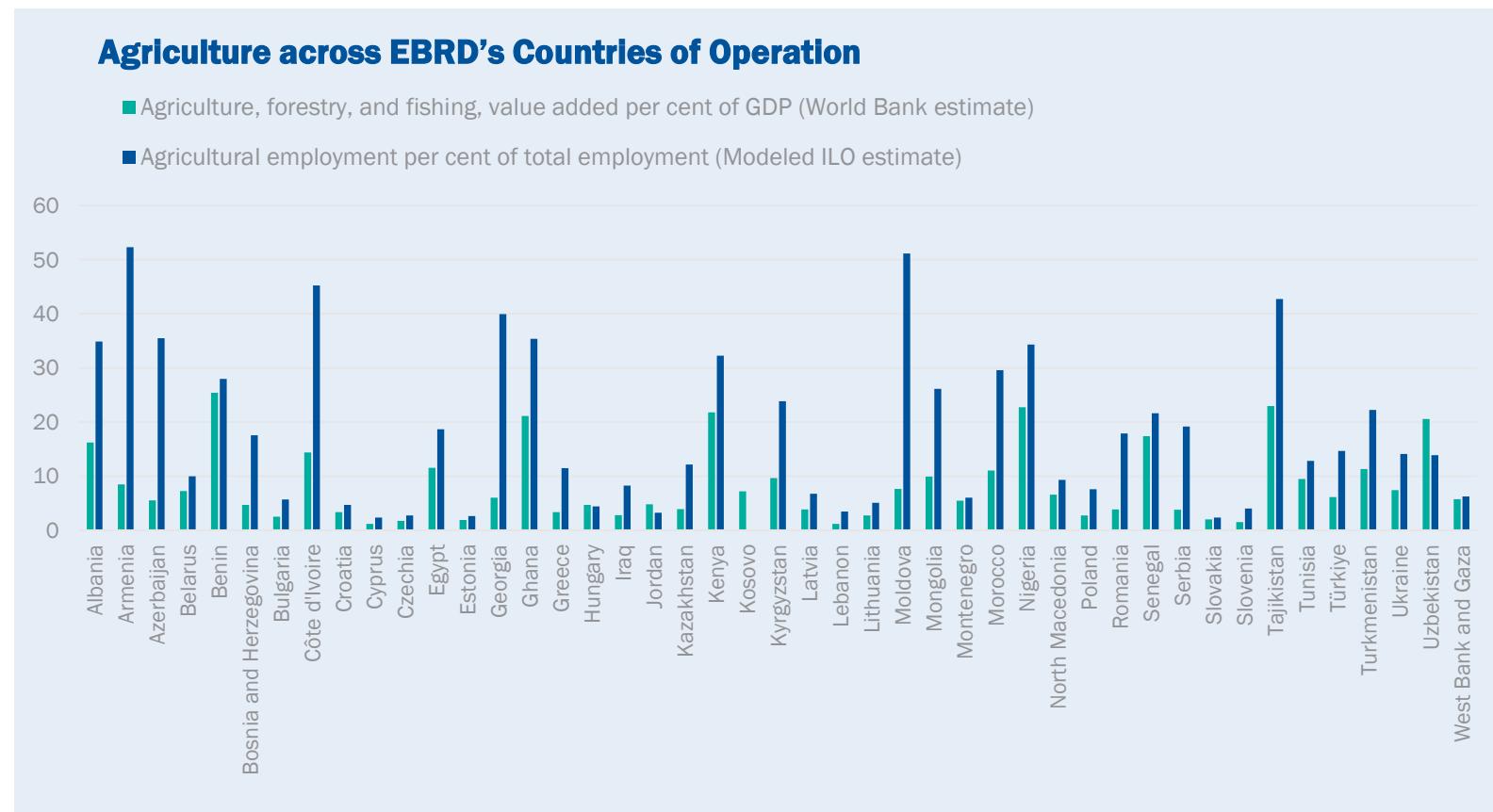
D12 Agriculture: an opportunity for resilient growth



Underserved: the global agricultural sector is estimated to have an **annual funding gap of \$250 billion**. Demand for food is expected to increase by 70 per cent by 2050, with at least \$80 billion of annual investment required to meet this demand. Agricultural activities remain severely underfunded in EBRD countries of operation.

Greening agriculture: only 4 per cent of climate finance has gone to food-related projects, and only 1 per cent has addressed climate risks to food systems. An increase in sustainable practices in agriculture could contribute to soil health, increasing water retention and carbon sequestration capacity. As agriculture accounts for an average of 19 per cent of employment in the EBRD regions (current and prospective), increases in sector productivity will improve livelihoods as well as food security.

Building sustainable food systems: this requires financial sectors to provide financial products aligned with agricultural cash flows, invest in delivery channels and build capacity for financial and climate-related risk analysis. EBRD's **financial sector and agribusiness teams will cooperate** to support selected PFIs in increasing their outreach to primary agriculture and agribusinesses by combining financing and advisory work, helping to entrench sustainable practices in agricultural value chains. This may include the use of **satellite-based solutions and digital technologies to enhance greener practices**.



D13 *Increasing cross-sector cooperation to enhance the impact*



The EBRD's combination of investment, policy work and advice is a comprehensive approach designed to achieve significant impact in its regions of operation. **Cross-sector cooperation adds further benefits as it enhances the overall impact** of the EBRD's work. By collaborating across different sectors, the Bank can **leverage diverse expertise and resources, leading to more comprehensive and effective solutions**. This approach also allows the EBRD to **address complex challenges** spanning multiple areas, which in turn contributes to the resilience and agility of financial intermediaries. This collaborative effort of **bringing the whole of EBRD to its clients and investee economies** not only amplifies the EBRD's impact, but **ensures that its interventions are more sustainable** and inclusive, benefiting a wider range of stakeholders.

Key areas for cross-sector collaboration in 2026-30



Examples of the EBRD's cross-sector collaboration include:

- investment in **fintech**, such as payment companies, card issuers and payment operators
- green **agricultural finance** to develop a holistic approach
- **mid-size green investments** including renewable energy, industrial energy efficiency, green buildings and private-sector investments in the municipal infrastructure sector
- **enhancement of energy security** in Ukraine by focusing on small- and medium-scale energy generation, storage and efficiency projects
- establishment of a **digital trade network** to coordinate and drive digitalisation of trade finance along the Middle Corridor.



Annex E: Tailoring the strategy to regions and countries

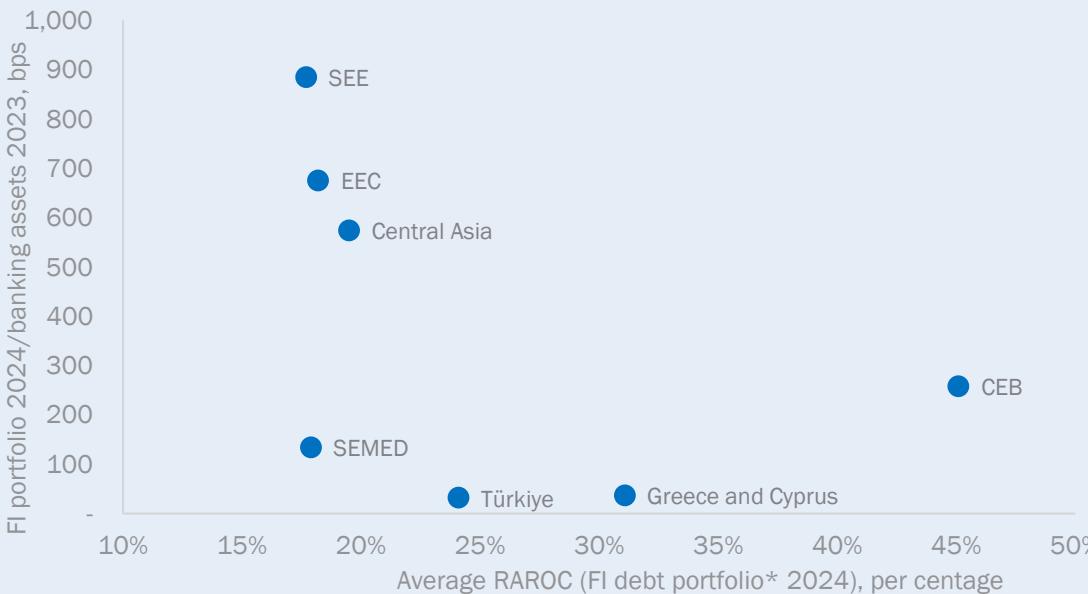
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Capital is mainly deployed in less advanced transition countries

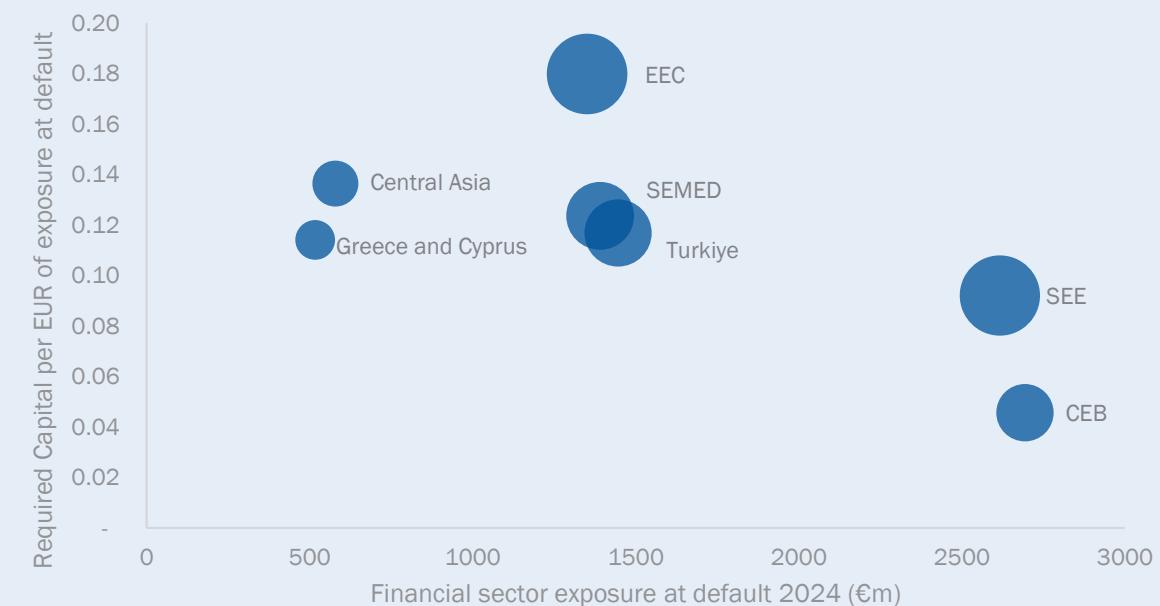
Financial sector activity has an amplified impact in Central Asia, SEE and EEC, where banking systems are smaller, while risk-adjusted return on capital is higher in more advanced countries

The amount of capital consumed in Central Europe is significantly lower than in other regions, where credit risks are relatively higher

EBRD financial sector profitability and portfolio relative to banking system size



EBRD financial sector exposure and capital consumption, 2024



Note: Financial sector portfolio risk-adjusted return on capital (RAROC) excludes equity, guarantees, impaired loans and TFP projects.

Note: Bubble size represents the amount of required capital. Exposure is taken as "exposure at default", a risk measure based on operating assets of non-sovereign senior and subordinated debt together with a proportion of undrawn commitments.

Regional context: assessment of opportunities for EBRD engagement (investments, policy and technical cooperation)

Strategic objectives	Main EBRD activities	Central Europe	South-eastern Europe	Western Balkans	Eastern Europe	Türkiye	The Caucasus	Central Asia	Southern and Eastern Mediterranean	Sub-Saharan Africa
1. Deploy capital and policy to strengthen economic governance, boosting resilience and agility	Digitalisation of financial services of incumbent PFIs									
	(Pre-) Privatisation support of State-owned banks									
	Debt/equity investments, capacity building and policy engagement to facilitate evolution of neobanks and fintechs, capital support of PFIs									
	Support recovery of active international trade, including digital solutions for trade finance									
	Strengthen deposit insurers, including through debt, capacity building and policy dialogue									
	Develop capital markets and expand the variety of funding instruments									
	Support the resolution of non-performing loans									
2. Accelerate the green transition by boosting investments and transforming finance	Green finance to underserved segments									
	Green trade finance									
	Greening mid-caps									
	Capital markets development, including green bonds and green covered bonds									
	Policy dialogue and capacity building on climate and environmental and social corporate governance for PFIs' green portfolios and their participation in capital markets, etc.									
3. Grow human capital resilience and equality of opportunity through inclusive finance	Expansion of debt and/or equity investments to underserved segments									
	Innovation and adoption of new products to underserved segments (including credit guarantee schemes, portfolio risk-sharing, responsible mortgage financing)									
	New technologies, digitalisation and enhanced data/reporting as enablers of financial inclusion									
	Capital support of PFIs									
	Promote regulation, institutions or ecosystem for underserved entrepreneurs through policy dialogue									

Opportunities for EBRD engagement across the EBRD regions (investment, policy and TC):

Limited

Medium

High

Financial sector strategic priorities are tailored to local specificities as per these illustrative country strategies:

Bosnia and Herzegovina

- Improve access to finance for MSMEs through intermediated financing.
- Continue investing in energy efficiency through intermediated products (such as Green Economy Financing Facilities and mortgage credit lines).
- Explore potential for further capital markets development, in particular bonds.
- Support building of a stable and accessible financial sector and unlock lending to the private sector.

Morocco

- Promote MSME access to finance.
- Foster financial inclusion (Women in Business, Youth in Business).
- Encourage innovative instruments such as inclusion, social, infrastructure and green bonds or securitisation.
- Scale up climate action (such as through GEFF/GCF loans).

Romania

- Indirect finance for SMEs (including risk sharing, InvestEU) to support their sophistication and growth.
- Specialised credit lines (such as Women in Business, energy efficiency, innovation).
- Engage in funded and unfunded risk sharing and financing of innovative/structured financial products.
- Promote broadening of access to finance and specifically capital markets via innovative and sustainable products.

Uzbekistan

- Scale up the Green Economy Financing Facilities alongside advice for MSMEs. Support greening of the financial sector (such as assisting PFIs with Paris Agreement alignment).
- Support transition towards an inclusive financial system.

Türkiye

- Scale up green financing (such as green bonds, sustainability-linked bonds, Green Economy Financing Facilities, supply chain financing). Strengthen the resilience of banks, including through sound risk management practices.
- Enhance access to finance for inclusion target groups, including women and youth.

Ukraine

- In the face of the war in Ukraine, the EBRD's Resilience and Livelihoods Framework has adopted financial sector aspects including:
 - trade finance
 - provision of liquidity for SMEs through funded and unfunded risk sharing.
- Reconstruction and reintegration projects such as loans to banks for war veterans .

E4 (1/2) Focus on sub-Saharan Africa and Iraq: key capacity gaps and entry points for the EBRD



Ghana	Kenya	Nigeria
<ul style="list-style-type: none"> Navigated significant macroeconomic challenges (hyperinflation, currency depreciation, sovereign debt restructure), that have eroded banks' capital adequacy. Banking sector size is small relative to the overall economy, with total assets worth less than 40 per cent of GDP. SMEs account for over 80 per cent of employment. SME financing remains constrained, with high lending rates and a financing gap of around US\$ 4.8 billion. High levels of NPLs (24.2 per cent as of mid-2024) and overall asset quality is poor, constraining banks' risk-taking capacity. Private banks are numerous, but banks with government stakes represent around 20 per cent of total sector assets. Fintech and mobile banking are growing fast – reaching 60 per cent of the population. High bank exposure to government assets (34 per cent of total assets). 	<ul style="list-style-type: none"> The largest banking sector in East Africa with US\$ 50 billion in assets, but it is still small compared with the overall size of the economy. MSMEs form the backbone of the economy, employing 14.9 million people. One of the highest levels of financial inclusion in Africa, driven by mobile banking – 83 per cent of adults have access to financial services. Portfolio quality is deteriorating amid challenging economic conditions, with steadily increasing NPLs, particularly in smaller banks, leading to increased risk aversion from banks. High bank exposure to government securities (40 per cent of total assets). Kenya is exposed to environmental risk and the Central Bank is seeking to make addressing climate-related risk a priority. Emerging as a fintech hub. 	<ul style="list-style-type: none"> Well established banking sector dominated by local lenders, but remains small in relation to overall economy. Assets-to-GDP and credit-to-GDP ratio are relatively low, at 55 per cent and 16 per cent. Nigeria has one of the proportionally largest unbanked populations in the world. Low levels of financial inclusion – only half of Nigerian adults benefit from formal banking services. MSMEs account for 84 per cent of employment. Limited lending to MSMEs, with financing gap of around US\$ 32.2 billion. NPLs are likely understated (3.9 per cent in 2024) and there is high asset concentration (top 20 borrowers account for 30-40 per cent of gross lending). Thriving fintech sector, home to five of the seven unicorns in Africa. High exposure to sovereign via securities and loans.

E4 (2/2) Focus on sub-Saharan Africa and Iraq: key capacity gaps and entry points for the EBRD



Benin	Côte d'Ivoire
<ul style="list-style-type: none"> 200,000 young people enter the job market every year. Around 90 per cent of the workforce is in the informal sector. Limited lending to MSMEs, with a credit gap of around US\$ 690 million, but some banks see SME lending as a key growth opportunity. Significant concentration of lending to top 20 borrowers and certain sectors – limited diversification. Very limited funding to agriculture, particularly primary agriculture. Lack of access to long-term funding. Improvement in portfolio quality (reductions in NPLs) over last five years, driven by improvements in efficiency of judicial process. Microfinance sector is small but serves smallholder farmers and informal SMEs. High exposure to sovereign. 	<ul style="list-style-type: none"> MSMEs represent 98 per cent of formal businesses. Between 30 and 40 per cent of MSME clients are women-owned (where data exist), providing a strong base, although women's restricted access to land rights limits access. Largest, most advanced financial sector in West African Economic and Monetary Union. A wide variety of international banking groups, smaller regional and local banks, state-owned banks and microfinance banks operate in Côte d'Ivoire. Lending is focused on key export-oriented value chains, such as cocoa. MSME lending is currently limited, with around US\$ 2.3 billion credit gap. Several larger banks are seeking to expand SME lending – but limited to registered SMEs with formal accounting. Some more advanced banks are interested in doing more on green finance and financing to women.
Iraq	Senegal
<ul style="list-style-type: none"> Hydrocarbons account for 90 per cent of government revenue and the public sector employs 38 per cent of the workforce. Banking sector is underdeveloped and state-dominated. State-owned banks control 90 per cent of banking sector assets. The Central Bank is keen to restructure such banks and raise standards of governance and ownership, which should lead to consolidation. There is severe mistrust of the banking sector due to a history of defaults, with reportedly US\$70 billion kept outside the system. Fewer than 5 per cent of SMEs have bank loans, and few of the privately owned banks engage in lending, focusing on lucrative foreign exchange business and to a lesser extent trade finance instead. Collateral recovery is untested. Compliance risks are high – only 6 banks out of 70 have USD-correspondent bank accounts. 	<ul style="list-style-type: none"> Unemployment is high, and most jobs are in the agricultural sector (75 per cent). Around 300,000 SMEs (90 per cent of businesses in Senegal). Youth population is large and growing, with more than 60 per cent under 25 years old. Banking sector is the second largest in West African Economic and Monetary Union (WAEMU) and is dominated by foreign-owned groups. Senegalese banks have high concentration of lending, centred on a handful of large corporates, including state-owned enterprises. High exposure to sovereign. Poorer asset quality compared to WAEMU average due to concentration: net NPLs are high but declining. Government's financial inclusion strategy (2022-26) aims to provide 90 per cent of SMEs with access to financial services.



Annex F: Policy dialogue and project case studies

Transformation programmes for pre-privatisation in state-owned banks

 Uzbekistan: roadmap for state-owned bank privatisation

 Objective: strengthen the competitiveness and effectiveness of the financial sector through the privatisation of three state-owned banks. This involves creating a detailed roadmap for the privatisation process.

Outcome: the privatisation roadmap has been agreed upon for one bank, with the EBRD signing-in expected in 2025. Structuring discussions for the other banks are ongoing.

NPL resolution

 Kazakhstan: establishing a framework for resolution and sale of non-performing loans

Objective: improve the restructuring, enforcement and insolvency framework to facilitate the sale and transfer of non-performing loans to private investors.

Outcome: legislative amendments were made and a model for the sale and transfer of NPLs was developed. The project focuses on implementation, including required legislative changes.

Capital market development

 Georgia: Capital Market Support Programme

Objective: develop money and debt capital markets in Georgia to enhance long-term local-currency funding options for issuers.

Outcome: twenty-one firms applied for the programme's grant component, with 11 successfully placing securities. The total bond issuance volume reached more than €250 million, doubling the size of the corporate bond market.

Trade finance

 Ukraine: supporting trade finance and correspondent banking

Objective: enhance compliance and reporting standards to maintain trade and correspondent banking.

Outcome: provided training to local banks and launched the ACAMS Eurasia Chapter to address financial crime.

Improving deposit guarantee schemes**Western Balkans: modernising and strengthening deposit insurers**

Objective: improve deposit insurance schemes in Albania, Kosovo and Montenegro by aligning them with EU standards and enhancing their operational frameworks.

Outcome: in Albania, a €100 million standby facility was signed, focusing on payout digitalisation and risk-based premiums. In Kosovo, a risk-based model and simulations were developed. In Montenegro, a new Deposit Protection Law and draft Investment Strategy were created.

**Kazakhstan: support to the DAMU Entrepreneurship Development Fund in the improvement of its credit guarantee operations**

Objective: improve credit guarantee operations and risk management capacity to support SMEs.

Outcome: the number of guarantees issued by DAMU increased by 75 per cent, enhancing access to finance for SMEs.

Ukraine: strengthening the Deposit Guarantee Fund

Objective: enhance the resilience of Ukraine's financial sector by developing stress-testing methodologies, implementing debt restructuring measures and reforming the Deposit Guarantee Fund to align with international best practices and EU directives.

Outcome: a calculation methodology for stress-testing was developed and a pilot stress test is ongoing. A new law was adopted to facilitate the Deposit Guarantee Fund's debt restructuring, stress-testing in the banking system was mandated and support for selecting a new Supervisory Board for state-owned banks was provided.

Regulatory reform of banking and non-banking sector**West Bank and Gaza: digitalisation to support regulatory monitoring**

Objective: upgrade the Palestine Monetary Authority's IT system for effective and timely monitoring, in line with Basel III standards.

Outcome: a new system for the supervision of banks, microfinance institutions and money changers has been introduced. The project supported the procurement process of the software, with implementation support ongoing.

Regional: alignment of regulatory frameworks and supervisory practices with EU prudential standards in the banking sector

Objective: support the authorities in bringing their regulatory and supervisory frameworks applicable to credit institutions to an equivalent status with EU standards by addressing the remaining disparities/identified gaps through technical assistance.

Outcome: regulatory gaps for credit institutions are being addressed to align with EU standards. With EBRD support, authorities have advanced in the EU equivalence assessment with the European Banking Authority and European Commission under the Capital Requirements Regulation, boosting readiness for positive assessments. Aligning with EU laws strengthens institutions' ability to support financial market development and stability.

Armenia and Morocco: legal and regulatory framework for crowdfunding

Objective: establish a legal and regulatory framework for crowdfunding to support SMEs, startups and women entrepreneurs.

Outcome: approved regulations and adopted bills for investment-based crowdfunding services. In Armenia, the first crowdfunding platform was licensed, enabling SMEs to access new financial products. In Morocco, implementing regulations were prepared, providing SMEs and female entrepreneurs with new financing options.

F2 Supporting SME digitalisation in the Western Balkans



Context

- SMEs account for **98 per cent of firms in the Western Balkans***, generating 60 per cent of value-added and employing nearly 75 per cent of the workforce.
- **The World Economic Forum's Global Competitiveness Report 2019**: the Western Balkans economies ranked low – Serbia was highest at 72nd out of 140, with Bosnia and Herzegovina the lowest in Europe and North America at 92nd.
- Key barriers to competitiveness are:
 - low digital literacy and adoption of modern digital solutions, leading to skills mismatches and restricted access to EU export markets
 - limited financing and know-how, preventing SMEs from embracing digitalisation.
- **Improving competitiveness and strengthening an inclusive green transition by supporting the digital transformation** is a priority for the EBRD.

EBRD engagement and impact

- In 2022 the EBRD launched the **Go Digital pilot in Bosnia and Herzegovina**, supported by EU donor funds for technical cooperation and investment grants. The programme allocated **€50 million** through seven credit lines across **five PFIs in Bosnia and Herzegovina**.
- The pilot's goal was to enhance SME **access to finance for automation and digitalisation** while increasing awareness and knowledge of such investments.
- Its successful implementation laid the foundation for regional expansion, leading to the creation of the **Go Digital in Western Balkans programme** in 2024. This expanded initiative aims to provide up to **€350 million** in funding to SMEs across the Western Balkans through local PFIs.

***The Western Balkans comprises:** Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.



Results

- **SMEs in Bosnia and Herzegovina** quickly recognised the benefits of the Go Digital pilot, with 70 per cent of the total funds used by the end of 2024. The pilot provided financing to **169 local SMEs** through 199 projects, with **79 per cent of the total financing going towards automation and digitalisation**.
- The pilot achieved an **82 per cent GET share**, contributing to annual energy savings of approximately 90,000 gigajoules and CO₂ emissions reduction of 7,435 tonnes.
- The experience and lessons learned from the pilot's success are now crucial for the rollout and implementation of the regional programme. **Go Digital in Western Balkans** secured its **first signing in 2024** with **Union Bank Albania** and has already built a strong pipeline for 2025-26, with **€120 million** in funding across 20 PFIs in the Western Balkans.

Boosting the country's green transition through targeted use of proceeds

In November 2022, Piraeus Bank, one of Greece's four systemic banks, issued a €350 million 4NC3 senior preferred bond and the **EBRD participated with a €50 million investment**.

The EBRD's presence - as a stable investor in the issuance and **the only IFI to invest alongside private investors** - facilitated private participation and contributed to the success of the issuance in a challenging capital market environment.

At the same time, Piraeus Bank **committed to allocate 170 per cent of EBRD investment to financing new investments in renewable energy and energy efficiency**, supporting Greece's green economy transition.

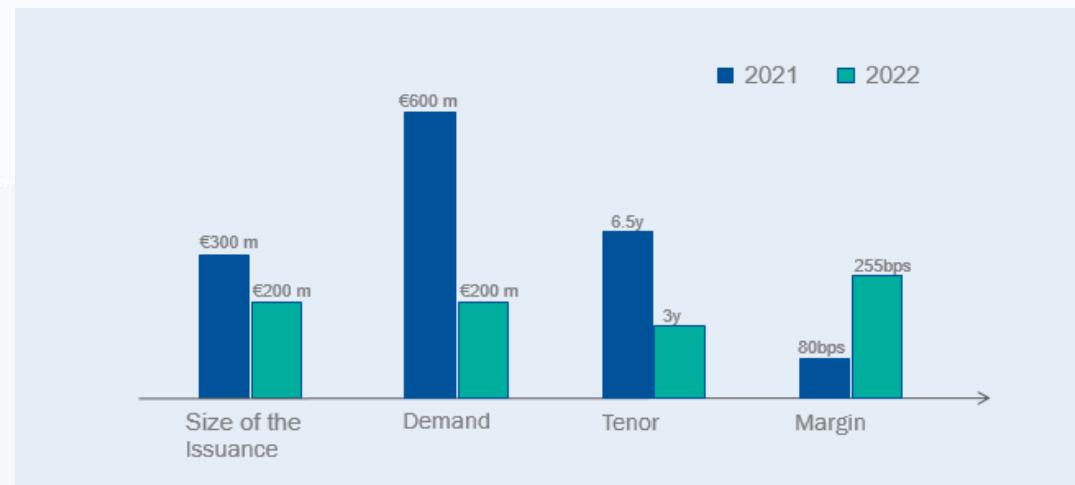
This is not requested by any other commercial investor, steering Piraeus Bank to further focus on, promote and finance green projects beyond the normal course of banking business.

This commitment is a **significant enhancement compared with commitments from other Greek banks** that had been requested to commit 150 per cent of the EBRD's proceeds to their bond participation, proving the ambition of Piraeus Bank to promote the green agenda in the country. The EBRD has been constantly pursuing more ambitious targets from its partner banks, increasing the green multipliers where the market and the client potential allows it.

**Tatra Bank senior preferred issuance 2021 versus 2022 – additionality continues**

In **2021**, Tatra Bank Slovakia initiated its first public issuance of a **senior preferred bond in the green bond format** in the country. The bond had a **6.5-year tenor and a margin of 80 basis points**. The demand reached €600 million, two times higher than the issuance size. The EBRD bid for 20 per cent of the issuance, but this was eventually scaled back to 10 per cent or €30 million of the final issuance amount.

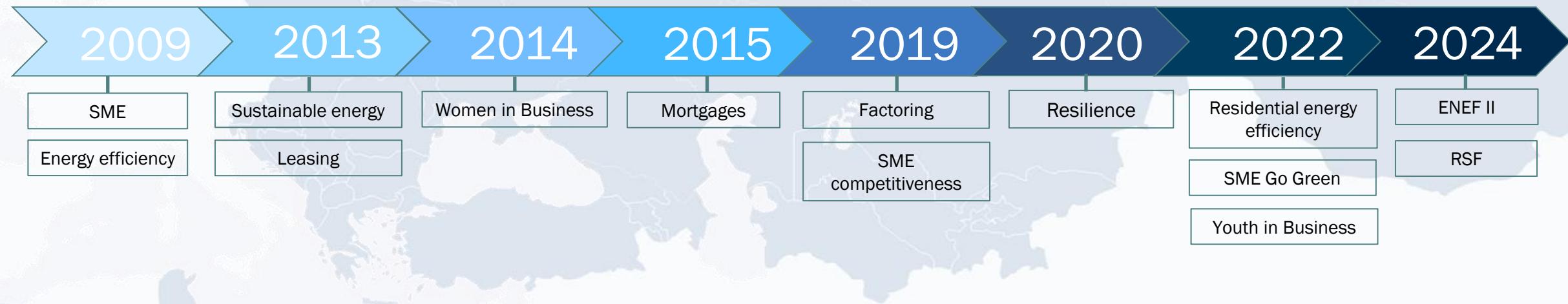
In **2022**, Tatra Bank tapped the markets again with another **senior preferred bond in the green bond format**. Given the challenging market conditions and the higher interest rate environment, the bank had to adjust to a **three-year tenor** and an issuance size of €200 million. Despite the much higher offered **margin of 255 basis points**, the bond received just 1.3 times oversubscription. The EBRD invested €30 million, equivalent to 15 per cent of the total issuance, getting full allocation in this instance.



A partnership with a Serbian bank shows how critical continued SME lending is to maximise impact



Timeline of the relationship with Banca Intesa Serbia



- Since it started working with Banca Intesa Serbia in 2009, the EBRD has provided it with **€398 million of financing across 28 transactions**.
- This **long-term relationship** started with core SME finance and evolved to support forays into a range of new areas, from green lending to being one of the pioneers of the Women in Business programme and **inclusive finance** in the Western Balkans, and the first to join the new Youth in Business programme. Recently, Banca Intesa Serbia invested in the Enterprise Expansion Fund II – Western Balkans and became a Risk Sharing Framework partner bank, making it the first financial institution to work with the **EBRD along pillars 1, 2 and 3 of the Small Business Initiative**.
- The cooperation with the EBRD allowed Banca Intesa Serbia to access a broad range of financing instruments and **support customers in new ways**, thereby opening banking services to the **underserved**.
- This has a positive effect in two ways, by:
 - supporting **thousands of SMEs and households**
 - developing the local financial sector **via competition and demonstration effects**: now, the EBRD works with 16 PFIs in Serbia, thereby improving the quality of services and lowering prices.

First investment in a digital bank with a focus on SMEs

TBC Bank Uzbekistan is the subsidiary of TBC Bank Group Plc, the UK-incorporated parent company of JSC TBC Bank, a long-time EBRD client and the largest banking group in Georgia. In December 2020 the EBRD Board **approved a financing plan of up to US\$ 26.6 million for TBC Bank Uzbekistan**. The investment supports the startup operations of a greenfield, foreign private bank by TBC Bank Group Plc. It is the **first next generation bank** on the market offering impactful **products and services** to the currently **underserved segments of retail, micro and small enterprises**.

The project is a critical element of the EBRD's strategic policy engagement in the banking sector, aimed at **reducing state domination and supporting the market entry of foreign strategic investors** to encourage competitiveness and strengthen the private sector's role in the economy. TBC Bank also showcases **a new way of banking where traditional meets digital**: an asset-light banking model with a focus on a **digital, customer-centric, simple and transparent core product offering**. The bank plans to launch SME loans and build its business loan book to approximately 30 per cent of its total portfolio. Furthermore, 30 per cent of EBRD investments will be directed to **GET-eligible loans**.



Transaction summary:

In December 2021 the EBRD and the International Finance Corporation each acquired 19.9 per cent stakes in TBC Bank Uzbekistan. The initial investment amounted to US\$ 9.2 million and was followed by another US\$ 7.0 million in August 2022 and a further US\$ 5.4 million in March 2023. Additional capital investment took place, as envisaged in the approved plan for 2023-24.

Context

- The six countries of the Western Balkans are **gradually harmonising local Bank Recovery and Resolution Directive (BRRD) regulations and laws with the EU acquis** in the context of their pre-accession implementation efforts.
- Despite good progress on regulatory convergence, the **local capital markets in the region remain underdeveloped, shallow and illiquid** with few investors willing to finance complex, **bail-in-able instruments**, which is posing significant funding challenges for local banks.
- The involvement of IFIs in private bilateral transactions or private placements is the only viable option for local banking sectors to raise MREL-eligible funding to meet their targets.
- **The EBRD stepped up to the challenge** by providing a holistic offering via finance, mobilisation and technical cooperation.

EBRD engagement and impact

- The EBRD has been one of the **most active anchor investors in the region in MREL-eligible funding**.
- In 2023 the EBRD made its first MREL investment in the Western Balkans via a **€50 million bilateral transaction with Raiffeisen Bank Albania**, in which it **mobilised €20 million from the OPEC Fund**. This transaction was preceded by the EBRD's **technical assistance in the Sale of Business** tool to Bank of Albania.
- Owing to the success of the pilot **EBRD-OPEC Fund engagement**, in 2024 the Bank led another €25 million bilateral MREL-eligible transaction with Raiffeisen Bank Bosnia and Herzegovina, where the **OPEC Fund provided €12.5 million in a parallel loan**.
- Another major milestone was the **Bank's first investment in MREL bonds** issued by Raiffeisen Bank Serbia, where the EBRD took 38.3 per cent alongside the IFC (38.3 per cent), European Fund for Southeast Europe (13.4 per cent) and local investors (10 per cent).

**Results**

- **The EBRD plays an instrumental role in the Western Balkans' BRRD transition** by providing capacity building support and participating **in three transactions** (out of five) in the region, under which it has provided **€82.1 million in financing and mobilised an additional €32.5 million** in parallel loans.
- **The EBRD facilitated the OPEC Fund's first financial sector investments in the Western Balkans** by offering its products, country experience and regulatory assessment capabilities in exchange for a mobilisation fee. This is helping to broaden the MREL investor universe in the region and is expected to mobilise further institutional investors in the coming years.
- The EBRD's involvement in the region's debut MREL issuance acts as a model for future bail-in-able issuances in Serbia and the wider region.

Context

- Ukraine's insurance market has been severely impacted by the war, as local insurance companies have been confronted with the cancellation of most reinsurance capacity from abroad. Gross written premiums, a measure for overall insurance market activity, declined from around €1.6 billion in 2021 to around €1.0 billion in 2024.
- The limited availability of reinsurance cover is a drag on economic activity in Ukraine. **The Ukraine Recovery and Reconstruction Guarantee Facility (URGF)** seeks to address this constraint for a specific market segment, notably **war risk insurance**.
- Under the project, the **EBRD is providing a €110 million guarantee** to increase the capacity of insurers and reinsurers to take on war risks, leveraging tested risk-sharing mechanisms with a market-based approach.

The EBRD's market engagement

- The EBRD has partnered with **Aon**, a global risk management specialist and insurance broker. Aon acts as an implementing partner, deploying the EBRD's guarantee to insurance market participants.
- The financial backstop provided by the EBRD enabled the Lloyds market (**MS Amlin**) to sign reinsurance contracts with three Ukrainian insurers: **INGO, Colonnade and UNIQA**.
- The initial focus is on short-term policies **covering vehicles and their cargo travelling by road, railway and inland waterway in Ukraine's territory**.
- These Ukrainian insurers can now offer URGF war risk policies to their clients and transfer 90 per cent of the risk to the URGF structure, retaining the remainder on their books.



Results and looking ahead

- Given the short nature of individual insurance policies, the URGF scheme provides a backstop to cover up to **€1 billion worth of goods and vehicles**. The facility is up and running, with the first **URGF policies** having been underwritten in the local market since early 2025.
- The project benefits from **donor support** in the form of guarantees and grants. Donors provide risk-taking capacity and liquidity to ensure the smooth functioning of the scheme. Further donor contributions enable the EBRD's guarantee to grow in size over time.
- The URGF provides a committed source of reinsurance capacity that can adapt to evolving markets. Future efforts are focused on:
 - promoting **extensive uptake** by adding more insurance/reinsurance companies
 - expanding the scope of the structure to **new assets** (for example, real estate)
 - increasing **private-sector risk retention**, notably at the level of the reinsurer.

F8 The EBRD Trade Facilitation Programme delivers impact



Electric “London cabs” for Egypt

- The **National Bank of Egypt** is one of the most active **Trade Facilitation Programme (TFP)** partner banks in Egypt and was the largest contributor of GET-eligible transactions in 2023.
- Egyptian car dealer El Mohr Trading and Commercial Agencies signed a contract with London EV Company (LEVC) to import electric taxis into Egypt.
- The TFP supported the transaction through a cash advance facility of US\$ 5.8 million for on-lending to the Egyptian importer to cover post-import financing. This was the first **Green TFP** transaction for the import of electric vehicles in Egypt.



Incubators for the West Bank and Gaza

- A company from the West Bank and Gaza that supplies a wide range of medical and scientific equipment in the region, imported infant incubators and accessories from a Japanese exporter.
- **Quds Bank** supported the importer by opening three letters of credit in favour of **Bank of New York Mellon** and **UBAF Tokyo**. The EBRD issued three guarantees in favour of the two confirming banks to support the deals.
- These transactions facilitated the local distribution of best-quality nursing equipment. The incubators will provide high-level medical treatment to support the birth of babies in the region during these challenging times.