MOODY'S
RATINGS

Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of European Bank for Reconstruction & Devlpmnt.

27 Sep 2024

London, September 27, 2024 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of European Bank for Reconstruction & Devlpmnt. and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 19 September 2024 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

EBRD's ratings, including its Aaa long-term issuer rating, reflect moderate leverage, strong liquidity, prudent risk management and solid shareholder support. The EBRD is a large and established issuer among multilateral development banks (MDBs), with secure market access. The size and quality of the bank's liquid asset base provide a solid cushion against macroeconomic and financial shocks, particularly given the bank's relatively risky business profile. Shareholders' strong ability and willingness to provide support provides an uplift to EBRD's already solid intrinsic financial strength. The EBRD also benefits from the high share of callable capital committed by Aaa- and Aa-rated shareholders.

EBRD recorded a net profit of €2.1 billion in 2023 and €1.3 billion in the first half of 2024, supported by strong underlying income across all business segments. This followed a substantial loss of €1.1 billion in 2022 due to the impact of Russia's invasion of Ukraine (Ca stable) on its operations. Reserves and retained earnings continue to grow, standing at €17.1 billion at the end of June 2024, up from €11.7

billion at the end of 2020. Useable equity will be further strengthened by the December 2023 decision to increase the bank's paid-in capital by €4 billion, which will take effect on 31 December 2024. It also underscores the bank's shareholders strong commitment to EBRD's role in supporting Ukraine during the war and its eventual reconstruction. At the same time, asset quality and financial performance benefit from substantial guarantees and donor commitments by shareholders, which materially limits any potential losses related to its lending to Ukraine.

EBRD's "baa1" capital adequacy balances the bank's moderate leverage against a stable but relatively low development asset credit quality and comparatively weak and volatile asset performance. Its "aa1" liquidity and funding reflects the institution's very strong and lengthy track record of access to market funding, as well as the strong liquidity levels supported by conservative internal requirements. Our assessment of "Very High" strength of member support reflects a combination of the strong ability of shareholders to provide support, a moderate buffer of callable capital and very high non-contractual willingness to support.

The EBRD's positive credit impact score (CIS-1) indicates that the credit rating is higher than it would have been in the absence of Environmental, Social and Governance considerations. EBRD has low exposure to environmental risks, a strong social profile which benefits from the EBRD's support for private enterprises in transition economies and a very strong governance profile as exemplified by conservative financial management and high management credibility, further supported by strong shareholder support.

The stable outlook reflects our view that the bank will be able to maintain its solid financial metrics and in particular contain any further deterioration of its asset performance, helped by grants and donor funding for its Ukrainian exposure. We also expect that the bank will continue to generate profits which will support its capital buffer, following the substantial loss in 2022.

An upgrade of EBRD's ratings is not possible as its Aaa ratings are at the highest level on Moody's rating scale.

Downward pressure on the EBRD's rating would emerge in the unlikely event that the bank experienced a significant deterioration in asset quality and losses over several years – possibly in the context of a broadening of the current Russia-Ukraine conflict - combined with a lack of shareholder response in the form of additional paid-in capital.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Multilateral Development Banks and Other Supranational Entities published in February 2024. Please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non-EU rated, non-UK rated, non-EU endorsed and non-UK endorsed ratings may be referenced herein to the extent necessary, if they are part of the same organization list.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

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