



## **Rating Action: Moody's Ratings affirms EBRD's Aaa rating, outlook remains stable**

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22 Aug 2025

London, August 22, 2025 -- Moody's Ratings (Moody's) has today affirmed the European Bank for Reconstruction and Development (EBRD)'s long-term issuer and senior unsecured (foreign currency) debt ratings at Aaa. Concurrently, the senior unsecured MTN (foreign currency) programme rating has been affirmed at (P)Aaa, and the short-term issuer rating (foreign currency) has been affirmed at Prime-1. The outlook remains stable.

The affirmation of EBRD's Aaa ratings reflects its high capital buffer which ensures leverage remains moderate relative to peers and helps to mitigate asset performance risks from its predominant focus on private sector lending. The rating affirmation also reflects its very strong liquidity and robust market access, benefitting from its long-established presence in international bond markets. Finally, the very strong support by highly rated shareholders, evidenced by the recently agreed capital increase to continue its support for Ukraine (Ca stable), also underpins the affirmation of the Aaa ratings.

The stable outlook reflects our view that the EBRD will be able to maintain its solid capital adequacy and achieve a continued gradual improvement in its asset performance. Importantly, we expect the stable outlook to be resilient to the US (Aa1 stable) not participating in the general capital increase, as the bank will be able to meet its baseline growth projections irrespective of the US contributing.

Furthermore, significant guarantees and donor funding will limit the EBRD's risk exposure from the ongoing strong financial support to Ukraine, while its outstanding risk management framework will help to mitigate risks from its gradual expansion into Sub-Saharan Africa (SSA) and Iraq (Caa1 stable). Finally, we expect that the bank will continue to generate profits to support its capital buffer.

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### **RATINGS RATIONALE**

#### **RATIONALE FOR AFFIRMING THE Aaa RATING**

The affirmation of EBRD's Aaa ratings reflects its high level of paid-in capital – standing at €7.4 billion (subscribed) as at end 2024 – which provides a solid buffer against the credit risks from its private sector focus and its sizeable equity investments which are prone to volatility in mark-to-market valuations. At the same time, accumulated profits and reserves of around €18 billion as at end 2024 provide the bank with an additional cushion to absorb losses.

EBRD extended a record €16.6 billion in banking investment across 584 projects in 2024, confirming its important role in supporting transition economies. Despite the record expansion in loans, EBRD's leverage remains on a downward trend and moderate relative to rating peers, helped by improved profitability and new capital subscriptions.

While asset performance is relatively weak, EBRD's non-performing loan (NPL) ratio has been gradually declining since 2023, falling to a reported 6.3% in 2024 and 5.5% in Q1 2025. The high ratio reflects in part EBRD's conservative approach to include current and less than 90 day overdue loans in their NPL definition, including €758 million of sovereign and sovereign guaranteed loans related to Ukraine at the end of 2024 which were current on principal and interest payments.

The rating affirmation also reflects EBRD's very strong liquidity position. The bank continues to enjoy excellent access to financial markets which provides a consistent and stable source of funding for its operations, while the size and quality of its liquid asset holdings reinforce its resilience against potential market disruptions. EBRD's very strong liquidity is also supported by its prudent liquidity policies, with operational targets set comfortably above the policy minimum.

The affirmation of the ratings at Aaa also takes account of the evidence of very strong shareholder support for EBRD. At the same time, the average shareholder rating of "A3" points to a very strong ability of shareholders to provide financial support.

The EBRD's strategic importance for its members is supported by its proven expertise in regions of political importance to shareholders, such as Ukraine. In 2024, the bank committed €1.9 billion in support for Ukraine, with signed contributions from donors standing at €2.5 billion as at May 2025. The decision to increase the bank's paid-in capital by €4 billion reflects the shareholder's commitment to EBRD's ongoing support for Ukraine, including its eventual reconstruction. The support for the capital increase has been relatively strong, with 38 members having subscribed as at the beginning of July 2025, representing almost 70% of the planned new paid-in shares.

#### RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects our view that, as the bank continues to expand, it will be able to maintain its solid capital adequacy helped by ongoing profitability, and will achieve a continued gradual improvement in its asset performance. The recently approved 2026-30 Strategic and Capital Framework aims to raise annual banking investment to €18 billion by the end of the forecast, with growth planned in all countries of operation.

While credit risks in EBRD's major countries of operation will remain high, new lending to Ukraine will continue to benefit from significant guarantees and donor funding from highly rated shareholders which roughly halves EBRD's own exposure at risk. This cushion will be reinforced and eventually replaced by the capital raising underway. Furthermore, its very prudent risk management framework will help to mitigate risks from its gradual expansion into SSA and Iraq, benefitting from EBRD's previous experience in moving into new regions.

In our view, uncertainty around the US administration's commitment to international financing institutions has placed in doubt the US participation in EBRD's capital raising. That said, while the single largest shareholder, a decision by the US to not subscribe would not, in our view, materially impact EBRD's ability to meet its baseline operational growth targets, and would likely spur increased commitments of support from other shareholders such as those in the EU (Aaa stable).

Finally, we expect that the bank will continue to generate profits to support its capital buffer which will allow the bank to weather future shocks. Following the substantial loss in 2022, EBRD's net profit averaged €1.9 billion over the 2023 and 2024 financial years helped by net gains from its share investments, and the bank remained profitable in Q1 2025 (€0.4 billion).

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

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 ESG 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.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of the EBRD's ratings is not possible as its Aaa ratings are at the highest level on our 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, eroding its capital buffer. This could arise in the context of a broadening of the current Russia-Ukraine conflict or a faster than expected expansion to new regions, combined with a lack of shareholder response. The withdrawal or financial disengagement of one or more shareholders which is not compensated by other member states and constrains EBRD's capacity to meet its strategic objectives would signal weaker than expected member support and also be negative for the rating.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/414557>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL511547](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL511547) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- EU Endorsement Status
- UK Endorsement Status
- Rating Solicitation
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