Highlights

The EBRD recorded a net profit from continuing operations of €1.4 billion, an increase from the €340 million profit recorded for 2018. Of this total profit, the largest contributory factor was equity gains of €1.1 billion, significantly ahead of the €28 million gain from equities in 2018. While some of these gains were due to unrealised factors, realised profits of €819 million also increased from the €606 million realised gains recorded in 2018, with realised equity gains being the main driver.

The improved performance of the Bank's equities was predominantly driven by improving conditions across equity markets in the economies in which the Bank invests together with, to a lesser extent, an increase in the value of some of the underlying currencies of such investments (primarily the Russian rouble).

In addition, the provisioning charge of €22 million was a significant reduction from the €192 million recorded in 2018 as the overall level of provisioning did not materially change and the proportion of non-performing loans fell to 4.5 per cent from 4.7 per cent in 2018.

Allowing for income allocations of €117 million and movements recorded in the statement of other comprehensive income, the Bank's reserves increased by €1.5 billion to €11.6 billion at the end of 2019. The EBRD continues to be rated AAA with a stable outlook, and was reaffirmed as such by all three major rating agencies in 2019.

Financial results 2015-19

€ million	2019	2018	2017	2016	2015
Net profit before transfers of net income approved by the Board of Governors	1,432	340	772	992	802
Transfers of net income approved by the Board of Governors	(117)	(130)	(180)	(181)	(360)
Net profit after transfers of net income approved by the Board of Governors	1,315	210	592	811	442
Realised profit before impairment[1]	819	606	634	649	949
Paid-in capital	6,217	6,215	6,211	6,207	6,202
Reserves and retained earnings	11,613	10,068	9,961	9,351	8,504
Total members' equity	17,830	16,283	16,172	15,558	14,706

Operational results 2015-19

	2019	2018	2017	2016	2015
Number of projects[2]	452	395	412	378	381
Annual Bank Investment[3] (€ million)	10,092	9,547	9,670	9,390	9,378
Annual mobilised investment[4] (€ million)	1,262	1,467	1,054	1,693	2,336
of which private direct mobilisation	460	1,059	669	1,401	2,138
Total project value[5] (€ million)	34,884	32,570	38,439	25,470	30,303

[1] Realised profit before impairment is before unrealised fair value adjustments to share investments, provisions, loan write-offs, other unrealised amounts and net income allocations.
[2] The number of projects to which the Bank made commitments in the year.
[3] Volume of commitments made by the Bank during the year. This includes (i) new commitments (less any amount cancelled or syndicated within the year); (ii) restructured commitments; and (iii) trade finance (TFP) amounts issued during the year and outstanding at year-end.
[4] Annual mobilised investment is the volume of commitments from entities other than the Bank made available to the client due to the Bank's direct involvement in mobilising external financing during the year.
[5] Total project value is the total amount of finance provided to a project, including both EBRD and non-EBRD finance, and is reported in the year in which the project first signs. EBRD financing may be committed over more than one year with "Annual Bank Investment" reflecting EBRD finance by year of commitment. The amount of finance to be provided by non-EBRD parties is reported in the year the project first signs.

The Bank engages primarily in Banking and Treasury activities. Banking activities represent investments in projects that, in accordance with the Agreement Establishing the Bank, are made for the purpose of assisting the economies in which the Bank invests in their transition to open, market economies whilst fostering sustainable and inclusive growth and applying sound banking principles. The main investment products are loans, share investments and guarantees. Treasury activities include raising debt finance, investing surplus liquidity, managing the Bank's foreign exchange and interest rate risks and assisting clients in asset and liability management.

Banking operations

Operational results

Annual Bank Investment amounted to €10.1 billion[6] in 2019, comprising 452 investment operations and activity in 81 trade finance agreements under the Trade Facilitation Programme (2018: €9.5 billion, 395 investment operations and 71 trade finance agreements).

The EBRD invested in 38 economies in 2019 with investment by region as follows: €2.1 billion in eastern Europe and the Caucasus; €1.8 billion in the southern and eastern Mediterranean (SEMED); €1.7 billion in south-eastern Europe; €1.5 billion in central Europe and the Baltic states; €1.4 billion in central Asia; €1.0 billion in Turkey; and €0.6 billion in Cyprus and Greece combined.

The EBRD continued to support key economic sectors in line with its operational strategy. In 2019, Annual Bank Investment in the financial sector reached €3.4 billion, with the majority of financing directed via partner banks to small and medium-sized enterprises, to projects supporting environmental sustainability, to facilitating international trade and to projects developing capital markets. A further €3.9 billion was invested in the infrastructure sector and €2.9 billion in the diversified corporate sectors.

The Bank's portfolio of investment operations[7] (including undisbursed commitments) increased from €43.3 billion in 2018 to €44.6 billion by the end of 2019. In addition to the strong level of new investments, the Bank's portfolio, which is reported in euros, was impacted by the strengthening of the US dollar during 2019 (€/$1.15 at end-2018 compared with €/$1.12 at end-2019) resulting in an increase in the euro value of the Bank's US dollar denominated assets.

Gross disbursements reached €7.2 billion in 2019, in line with the €7.2 billion disbursed in 2018. Loan repayments of €4.8 billion (2018: €5.0 billion) and equity divestments of €1.0 billion (2018: €0.7 billion) resulted in operating assets[8] of €31.8 billion at end-2019, up from €30.2 billion at end-2018 reflecting the level of disbursements in 2019 and the variation in the €/$ exchange rate.

Operating assets comprised €27.1 billion of disbursed outstanding loans (2018: €24.8 billion) and €4.7 billion of disbursed outstanding equity investments at historic cost (2018: €5.4 billion) at 31 December 2019.

In addition to Annual Bank Investment, annual mobilised investment reached €1.3 billion, comprising €0.5 billion of direct mobilisation from the private sector, principally through syndicated loans and a further €0.5 billion of unfunded risk participations the Bank attracted on its own projects. In addition, the Bank mobilised €0.3 billion from public sector sources.

Total external financing (finance directly mobilised by the EBRD plus additional investment attracted by projects the Bank invested in) on signed EBRD projects reached €25.1 billion in 2019 compared with €24.3 billion in 2018, largely reflecting an increase in private non-bank financing.

The Bank's activities in 2019 remained strongly supported by donor funding, including the Special Funds, the Cooperation Funds and the Trust Funds to support the economic development of the West Bank and Gaza. These broad-based results reflect an ongoing commitment to the transition of members of the EBRD region as they build and strengthen sustainable, inclusive, open market economies.

Financial performance

Banking operations recorded a net gain of €1.5 billion[9] for 2019, compared with the gain of €0.2 billion for 2018. The Banking profit for the year is primarily attributable to €1.1 billion in gains from equity investments and €0.8 billion of net interest and fee income, offset by €0.4 billion of expenses and depreciation. In comparison to 2018, gains from equity investments increased by €1.1 billion, and provisioning charges fell by €0.2 billion, there being no significant provisioning charge in 2019. The contributions from both share investments and provisioning are expected to continue to show significant variability from year to year, given the volatility of markets in which the Bank invests.

Treasury operations

Portfolio

The value of assets under Treasury management at 31 December 2019 was €32.0 billion (2018: €29.0 billion) and borrowings were €47.5 billion (2018: €42.8 billion). The size of Treasury's balance sheet is primarily driven by the requirements of the Bank's internal liquidity policies. The Bank increased the size of Treasury's balance sheet during 2019 in order to maintain a high level of liquidity. The 2019 funding programme was completed as planned with the Bank raising medium- and long-term debt of €9.9 billion (2018: €8.7 billion).

6 As region/sector amounts and disbursements/repayments are individually reported to one decimal point, the sum of these amounts may create a rounding difference with the Annual Bank Investment total.

7 The Bank's loans and equity investments at cost together with undrawn commitments.

8 Operating assets are the total amounts disbursed less reflows. They do not include accounting fair value adjustments or effective interest rate adjustments associated with amortised cost assets.

9 See note 2 on page 55 for further detail.

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Financial performance

Before allowing for the impact of hedge accounting adjustments, Treasury returned a profit of €140 million in 2019 compared with the €96 million gain in 2018. Treasury's performance is internally evaluated before the impact of non-qualifying and ineffective hedges, which is considered not to have economic substance.[10] After allowing for hedge accounting adjustments Treasury's operating loss for 2019 was €95 million (2018: €117 million profit). Treasury's performance is primarily driven by the generation of net interest income and the mark-to-market valuations of derivatives used to manage interest rate and currency risks in the Bank's balance sheet.

Capital

The Bank's authorised share capital is €30.0 billion, of which subscribed capital amounts to €29.8 billion and paid-in capital €6.2 billion. This is materially unchanged from 31 December 2018.

The calculation of capital for gearing purposes under the Agreement Establishing the Bank is explained under the Capital Management section of this report on page 49.

Reserves

The Bank's reserves increased by €1.5 billion to €11.6 billion at the end of 2019.

Expenses

General administrative expenses for 2019, inclusive of depreciation and amortisation, were €435 million (2018: €420 million). The pound sterling equivalent of this figure was £388 million (2018: £371 million).

Outlook for 2020

This document was approved for issue by the Board of Directors on 7 April 2020. At this point it was clear that the Bank's outlook for 2020 might be heavily influenced by the impact on the global economy of the Covid-19 pandemic.

The main elements contributing to volatility in the Bank's net earnings are the valuations of its equity portfolio and the level of provisioning against its loan book. The economic impact of the crisis is expected to result in substantial losses for the Bank in 2020 due to both downward pressure on the Bank's equity valuations and a sizeable increase in loan provisioning.

Nevertheless the Bank expects its capital strength and liquidity to remain ample to support its operations throughout 2020 and beyond.

[10] See note 9 on page 58 for a more detailed explanation.