European Bank for Reconstruction and Development

Investment of Choice

May 2020
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Overview of EBRD
About EBRD

• Who we are
  Supranational Institution founded in 1991 owned by 69 countries, plus the European Union and the European Investment Bank

• Our mission
  To promote transition to open, market-based economies in our countries of operation – we work in more than 30 countries from central Europe to central Asia and the southern and eastern Mediterranean

• What we do
  Provide project finance mainly to the private sector

• Credit strengths
  Strong support from diversified global shareholder base
  Conservative risk management and financial policies
  AAA/Aaa/AAA rating with stable outlook
EBRD’s Mission

To foster open, market-oriented economies and promote private and entrepreneurial initiative in the EBRD’s countries of operations through investments based on:

- **Promoting transition**
  
  Through projects that expand and improve markets, and help build the institutions that underpin the market economy

- **Sound banking principles**
  
  Ensuring the project returns are commensurate with the risks

- **Additionality**
  
  Financing projects which would not solely be funded by commercial banks

- **Sustainability**
  
  Ensuring socially and environmentally sound development

✓ No Balance of Payments Funding, No Bail-out Financing, No “Soft” Loans
Global Shareholder Structure

- 57% of shareholding is G7 and 84% is OECD
- €30 billion authorised capital
  - €6.2 billion paid-in capital
  - €23.5 billion callable capital
- €29.8 billion subscribed capital as at end of December 2019
- Continued reserve accumulation: €11.6 billion as at end of 2019
- EBRD is 0% risk weighted (Basel II)

✔ Strong support from diversified global shareholder base

1) Includes European Community and European Investment Bank each at 3.0%; France, Germany, Italy, UK each at 8.6%
2) Russia at 4.0%
Shareholder Credit Strength

- More than 39% of shareholders are rated AAA/Aaa by at least one of S&P and Moody’s
- More than 95% of the callable capital is rated investment grade or better by at least one of S&P or Moody’s
- All countries of operation are also shareholders
  - account for 14% of the total shareholding

✔ EBRD has the highest quality callable capital among multilateral development banks

Breakdown of Callable Capital by Rating Category

<table>
<thead>
<tr>
<th>Rating</th>
<th>Total subscribed callable capital €23.5 billion</th>
<th>Total subscribed callable capital excluding Countries of Operations €20.1 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>4.5%</td>
<td>9.2%</td>
</tr>
<tr>
<td>AA</td>
<td>16.1%</td>
<td>13.2%</td>
</tr>
<tr>
<td>A</td>
<td>15.3%</td>
<td>13.2%</td>
</tr>
<tr>
<td>BBB</td>
<td>25.0%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Other</td>
<td>39.0%</td>
<td>39.0%</td>
</tr>
</tbody>
</table>

Best of S&P or Moody’s ratings as at 05/05/2020
Where we invest
31 December 2019

More than 40 Resident Offices Across the Region and approx. 2,500 employees

WHERE WE INVEST

Central Europe and the Baltic States
01 Croatia
02 Czech Republic
03 Estonia
04 Hungary
05 Latvia
06 Lithuania
07 Poland
08 Slovak Republic
09 Slovenia

South-eastern Europe
01 Albania
02 Bosnia and Herzegovina
03 Bulgaria
04 North Macedonia
05 Kosovo
06 Montenegro
07 Serbia

Eastern Europe and the Caucasus
08 Armenia
09 Azerbaijan
10 Belarus
11 Georgia
12 Moldova
13 Ukraine

Central Asia
14 Kazakhstan
15 Kyrgyz Republic
16 Tajikistan
17 Turkmenistan
18 Uzbekistan

Central Europe and the Baltics
19 Azerbaijan
20 Belarus
21 Georgia
22 Moldova
23 Ukraine

Eastern Europe and the Caucasus
24 Armenia
25 Azerbaijan
26 Belarus
27 Georgia
28 Moldova
29 Ukraine

Turkey
30 Turkey (2009)

Central Asia and Mongolia
31 Russia

SEMED
32 Egypt (2015)
33 Jordan (2013)
34 Morocco (2013)
35 Tunisia (2013)

Southern and eastern Mediterranean
36 Cyprus (2014)
37 Greece (2015)
38 Lebanon (2017)

* As of the end of 2007, the EBRD no longer makes investments in the Czech Republic

** DRE – Development Related Exposure
Development Related Exposure (DRE) I

- €31.8 billion DRE
- 2,092 active investments
- Average loan:
  - Size €16 million (disbursed)
  - Margin 2.9%
  - Internal rating eq. of ‘BB-/B+’
  - Remaining life 7.0 years (non-sovereign)
- 10 largest loan counterparties (on a group level) amount to 21% of total loan operating assets with a weighted average internal rating eq. of ‘BB-/B+’
- Average equity investment:
  - Size €14 million
  - Internal rating equivalent of ‘B’
  - Holding period 7.6 years
Development Related Exposure (DRE) II

- Equity portion at 15%, of which:
  - 22% have put arrangements and/or other option arrangements with the project sponsors
  - 30% are invested in diversified equity funds
  - 30% are in listed shares

- In addition to the DRE (disbursed amounts only), EBRD has off-balance sheet guarantees of approx. €1,180 million as at end 2019, mainly related to its trade finance programme

- Loans to clients are made on a floating rate basis, and fixing of client loans are made on case-by-case basis and with separate hedge (no interest rate risk)
EBRD’s Credit Strengths
Key EBRD Credit Strengths

• Stable and granular “development related” investment portfolio – low concentration risk, high degree of regional and sector diversification

• Conservative leverage and liquidity limits – maximum leverage limit of 1:1, minimum 2-year liquidity limit of 75% (121% at YE 2019) and a stressed 1 year cash requirement of at least 100% (107% at YE 2019)

• Prudent capital adequacy policies – Required Capital (RC) divided by Available Capital (AC), which excludes all callable capital, uses a 99.99% confidence interval to underpin the triple-A rating and is managed to a 90% prudential threshold

• Substantial paid in capital and reserves – available capital of €17.8 billion, with the level of paid-in capital of above 20%

• Highest quality callable capital of any multilateral development bank – 91% of shareholders are rated investment grade, only 14% ownership overlap with countries of operation

✓ EBRD has one of the strongest credit profiles in the supranational segment
Comparative Credit Strengths

### S&P Credit Rating Peer Comparison

<table>
<thead>
<tr>
<th>Enterprise Risk Profile</th>
<th>Financial Profile</th>
<th>Stand Alone Credit Profile</th>
<th>Ratings Uplift Due To Extraordinary Shareholder Support</th>
<th>Long term Issuer Credit Rating</th>
<th>Outlook</th>
<th>Date of Latest Affirmation (available on the IFI's website)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>extremely strong</td>
<td>extremely strong</td>
<td>aaa</td>
<td>not required</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>AFDB</td>
<td>very strong</td>
<td>very strong</td>
<td>aa+</td>
<td>yes</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>EBRD</td>
<td>very strong</td>
<td>extremely strong</td>
<td>aaa</td>
<td>not required</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>EIB</td>
<td>extremely strong</td>
<td>very strong</td>
<td>aa+</td>
<td>yes</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>IADB</td>
<td>extremely strong</td>
<td>very strong</td>
<td>aaa</td>
<td>yes</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>IBRD</td>
<td>extremely strong</td>
<td>extremely strong</td>
<td>aaa</td>
<td>not required</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>IFC</td>
<td>very strong</td>
<td>extremely strong</td>
<td>aaa</td>
<td>not required</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>NIB</td>
<td>very strong</td>
<td>extremely strong</td>
<td>aaa</td>
<td>not required</td>
<td>AAA</td>
<td>Stable</td>
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</table>

### Selected S&P Credit Metrics Peer Comparison

<table>
<thead>
<tr>
<th>Principal Size Indicators (USD billion):</th>
<th>ADB</th>
<th>AFDB</th>
<th>EBRD</th>
<th>EIB</th>
<th>IADB</th>
<th>IBRD</th>
<th>IFC</th>
<th>NIB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>182.2</td>
<td>46.4</td>
<td>67.4</td>
<td>659.5</td>
<td>125.8</td>
<td>405.9</td>
<td>92.3</td>
<td>35.9</td>
</tr>
<tr>
<td>Purpose Related Exposure</td>
<td>108.0</td>
<td>27.8</td>
<td>33.5</td>
<td>546.7</td>
<td>99.6</td>
<td>185.1</td>
<td>40.0</td>
<td>20.7</td>
</tr>
<tr>
<td>Adjusted Shareholders' Equity (ACE)</td>
<td>50.0</td>
<td>10.1</td>
<td>19.4</td>
<td>82.8</td>
<td>31.8</td>
<td>39.8</td>
<td>25.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Risk Adjusted Capital (RAC) (percent):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Before Adjustment</td>
<td>42%</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
<td>32%</td>
<td>22%</td>
<td>13%</td>
<td>29%</td>
</tr>
<tr>
<td>After Adjustment</td>
<td>33%</td>
<td>19%</td>
<td>25%</td>
<td>18%</td>
<td>24%</td>
<td>22%</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>After Adjustment (new methodology)</td>
<td>39%</td>
<td>23%</td>
<td>30%</td>
<td>17%</td>
<td>24%</td>
<td>28%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Leverage (multiple):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Debt / ACE</td>
<td>1.7x</td>
<td>3.3x</td>
<td>2.2x</td>
<td>6.5x</td>
<td>3.1x</td>
<td>5.2x</td>
<td>2.2x</td>
<td>7.1x</td>
</tr>
<tr>
<td>Gross Debt Net of Liquidity / ACE</td>
<td>1.1x</td>
<td>1.5x</td>
<td>0.7x</td>
<td>5.2x</td>
<td>2.8x</td>
<td>3.3x</td>
<td>0.2x</td>
<td>3.8x</td>
</tr>
<tr>
<td>Liquidity (percent):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquid Assets / Total Assets</td>
<td>18%</td>
<td>39%</td>
<td>45%</td>
<td>17%</td>
<td>27%</td>
<td>18%</td>
<td>55%</td>
<td>38%</td>
</tr>
<tr>
<td>Liquid Assets net of Deposits / Gross Debt</td>
<td>37%</td>
<td>55%</td>
<td>64%</td>
<td>19%</td>
<td>39%</td>
<td>36%</td>
<td>93%</td>
<td>46%</td>
</tr>
</tbody>
</table>

1) Source: Current ratings by Standard & Poor’s, based on their methodology “Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology,” published Nov. 26, 2012

2) Source: Standard & Poor’s, “Supranationals Special Edition 2018” (based on 2017 data, except for IBRD and IFC with data from fiscal year ending 30 June 2017)
Substantial Paid-In Capital and Reserves

- In the last 10 years since the Global Financial Crisis, EBRD has continued to build a strong reserve position.

- The available capital base (excl. callable capital) grew by €7.0 billion (or 65%) from €10.8 billion in 2008 to €17.8 billion in 2019, after making Net Income Allocations of €1.8 billion in the same period.

- More than 20% of EBRD’s capital is paid in, compared to an average of 5.8% for other global or regional triple-A rated multilateral development banks with callable capital (IBRD, ADB, IADB, AFDB and EIB).

- Strong capital position with relatively high proportion of paid-in capital.


* The improvement in capital utilisation in 2019 reflects the latest changes in the Bank’s Capital Adequacy Policy which became effective in Q4 2019. Prior year ends are based on the policy valid at the time.

** Note that the increase in Risk Capital Utilisation to 80% from 72% was mainly driven by a revision of EBRD’s Capital Adequacy Policy that included higher risk weights. The increase resulting from the policy change amounted to 7 percentage points.
Multilateral Development Banks as an Asset Class

- Multilateral Development Banks (MDBs) are designed to repay investors based on assets with ultimate recourse to diversified group of shareholders for callable capital.
- To date, no MDB has had to resort to calling its callable capital.
- Only one triple-A rated MDB has ever been downgraded by a rating agency and was subsequently upgraded to triple-A again.
- As a comparison, individual sovereign triple-A ratings are more prone to downgrades.

✓ Multilateral Development Banks have very stable triple-A ratings.
EBRD’s Financial Performance
## Executive Summary

### Operational and Financial Highlights

<table>
<thead>
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</thead>
<tbody>
<tr>
<td><strong>Business performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Banking Investment (ABI) at reported rates</td>
<td>€10.1</td>
<td>€9.5</td>
<td>€9.7</td>
<td>€9.4</td>
<td>€9.4</td>
</tr>
<tr>
<td>Number of projects (#)</td>
<td>452</td>
<td>395</td>
<td>412</td>
<td>378</td>
<td>381</td>
</tr>
<tr>
<td>Operating assets (at cost)</td>
<td>€31.8</td>
<td>€30.2</td>
<td>€28.7</td>
<td>€29.7</td>
<td>€28.6</td>
</tr>
<tr>
<td>Undisbursed commitments</td>
<td>€14.3</td>
<td>€13.1</td>
<td>€12.8</td>
<td>€12.1</td>
<td>€13.0</td>
</tr>
<tr>
<td><strong>Underlying financial performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised profit before impairment</td>
<td>€0.8</td>
<td>€0.6</td>
<td>€0.6</td>
<td>€0.6</td>
<td>€0.9</td>
</tr>
<tr>
<td>Net profit before net income allocations</td>
<td>€1.4</td>
<td>€0.3</td>
<td>€0.8</td>
<td>€1.0</td>
<td>€0.8</td>
</tr>
<tr>
<td>Non-performing assets ratio (all loans)</td>
<td>4.5%</td>
<td>4.7%</td>
<td>3.9%</td>
<td>5.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td><strong>Strong capitalisation</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Statutory capital base (incl. callable capital)</td>
<td>€41.2</td>
<td>€40.5</td>
<td>€40.3</td>
<td>€39.7</td>
<td>€39.2</td>
</tr>
<tr>
<td>Available capital base</td>
<td>€17.8</td>
<td>€16.3</td>
<td>€16.2</td>
<td>€15.4</td>
<td>€14.5</td>
</tr>
</tbody>
</table>
Strong Underlying Profitability
Robust underlying realised profits

- Realised Gains - Non-Equity
- Realised Gains - Equity incl. Dividends
- Unrealised revaluations
- Reversals of unrealised P&L on equity exits
- Provisions for loan losses
- Net profit/loss
Equity Portfolio and Realised Equity Gains

- Equity portfolio (including derivatives) at 2019 valued above cost (+7%) and includes €0.6 billion of investments with determinable returns (‘debt-like’ put options to counterparties to exit at pre-determined minimum)
- At 2019, equity investments at cost stood at €4.7 billion, or 15% of total operating assets, with fair value of €5.0 billion
- During the period 2006 – 2019, the Bank recognised €4.3 billion in realised equity gains (excluding dividends) at an average money multiple of 1.46 times cost
• At 2019, impaired loans represented 4.5% (2018: 4.7%) of total loan operating assets; well provisioned at 57% of impaired loans (2018: 59%)
• The non-performing asset ratio based on a 7-year average was 4.8% at 2019 (2018: 4.6%)
• €946 million of general and specific provisions and €462 million of additional loan loss reserve represent 5.4% of total loan operating assets (or 1.3x gross impaired assets)
Net Debt Write offs: % of Loan Operating Assets

- Losses remain very low, partly reflecting the Bank’s superior liquidity and capital which allows patience in debt work-outs.
- €856.6 million cumulative net loan write-offs since 1995 (approximately 0.7% of all loans granted).

Note:
- OA = Loan Operating Assets
Funding Principles

• Investor-driven
  - Active support of EBRD debt in the secondary market
  - Tailor-made structured products

• Committed to long-term relationships
  - Sustain existing, and develop new, investor relationships
  - Ongoing interaction with investor groups

• Strategic focus
  - Benchmark issuance in core currency markets
  - Developing capital markets in emerging currencies

• Diversify across markets, currencies and instruments
Support for Investors

• **Increases:** possibility to tap existing issues

• **Buybacks:** EBRD’s exceptionally strong liquidity position allows the Bank to offer investors a secondary market bid for all its bonds

  - Public Issues:
    ✓ enhances liquidity
    ✓ improves trading performance

  - Private Placements:
    ✓ EBRD commits to show prices for its bonds
    ✓ investors can lock in profits

  - 10% repurchased upon investor demand

• **Restructuring:** EBRD offers a flexible approach for investors wishing to restructure private placements by amending existing documentation or reissuing under new terms

• **Size:** EBRD has no minimum size for buybacks or new issuance
EBRD is able to issue innovative structures which meet specific investors’ requirements:

- Commodity-Linked Notes
- Credit-Linked Notes
- Equity-Linked Structures
- Exotic Currencies
- Fund-Linked Notes
- FX-Linked Notes
- Gold-Linked Notes
- Inflation-Linked Notes
- Interest Rate Linked Notes
2020 Borrowing Programme

- 2020 Borrowing Programme up to €12 billion
  - €3.8 billion issued in 2020 (5.2 billion issued under the 2020 BP pre-funding)
  - €8.6 billion issued in 2019 (€9.7 billion issued under the 2019 BP including pre-funding)
  - €8.7 billion issued in 2018 (€9.1 billion issued under the 2018 BP including pre-funding)

- In 2020 EBRD issued USD Benchmarks, USD SOFR Linked Benchmark, GBP SONIA Linked Benchmark, USD Green Bond, SEK Green Bond, EUR NSV and Catastrophe bonds

Historical Borrowing Programmes

Breakdown of 2020 Issue as at 30 Apr

Breakdown of 2019 Issue
Outstanding Debt

As at 30 April 2020:

- €107.4 billion issued since EBRD’s inception in 2,204 transactions and in 60 currencies
- €34.4 billion outstanding through more than 388 bonds
- Average term from issuance to maturity, (or put, or first call - if callable) 6 years
- Average term remaining to maturity, (or put or first call - if callable) 2.8 years
## Diversified Investor Base

### Yearly Issuance by Investor Type

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total issuance (EUR billion)</td>
<td>4.3</td>
<td>6.6</td>
<td>7.5</td>
<td>6.3</td>
<td>6.5</td>
<td>5.3</td>
<td>4.2</td>
<td>5.9</td>
<td>8.2</td>
<td>8.7</td>
<td>8.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Americas</td>
<td>9%</td>
<td>14%</td>
<td>32%</td>
<td>8%</td>
<td>13%</td>
<td>18%</td>
<td>19%</td>
<td>21%</td>
<td>22%</td>
<td>19%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>EMEA</td>
<td>25%</td>
<td>33%</td>
<td>28%</td>
<td>49%</td>
<td>52%</td>
<td>56%</td>
<td>52%</td>
<td>52%</td>
<td>50%</td>
<td>49%</td>
<td>79%</td>
<td>81%</td>
</tr>
<tr>
<td>Asia</td>
<td>66%</td>
<td>53%</td>
<td>40%</td>
<td>43%</td>
<td>35%</td>
<td>26%</td>
<td>29%</td>
<td>27%</td>
<td>29%</td>
<td>32%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>- Japan</td>
<td>20%</td>
<td>33%</td>
<td>16%</td>
<td>23%</td>
<td>21%</td>
<td>14%</td>
<td>21%</td>
<td>19%</td>
<td>11%</td>
<td>16%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>- Non-Japan Asia</td>
<td>46%</td>
<td>20%</td>
<td>24%</td>
<td>20%</td>
<td>14%</td>
<td>12%</td>
<td>8%</td>
<td>8%</td>
<td>18%</td>
<td>16%</td>
<td>6%</td>
<td>8%</td>
</tr>
</tbody>
</table>

### 2020 Issuance by Investor Type

- Financial Institutions: 39%
- Pension Funds/Insurance/AM/Corporate: 43%
- Central Banks: 13%
- Retail: 4%

### 2019 Issuance by Investor Type

- Financial Institutions: 38%
- Pension Funds/Insurance/AM/Corporate: 49%
- Central Banks: 12%
- Retail: 3%
Recent Global Benchmark Bond Issuance

**Benchmark New Issuance:**

2020:
- USD 550 million SOFR FRN March 2023
- USD 925 million Green Bond February 2025
- GBP 750 million SONIA FRN February 2023

2019:
- GBP 375 million SONIA FRN November 2024
- EUR 500 million Green Transition October 2024
  - EUR 75 Million tap Transition Bond October 2024
- USD 700 million Climate Resilience September 2024
- USD 600 million SOFR FRN August 2022
  - USD 50 Million tap SOFR FRN August 2022
  - USD 350 Million tap SOFR FRN August 2022
  - USD 55 Million tap SOFR FRN August 2022
- GBP 800 million SONIA FRN February 2024
  - GBP 150 million tap SONIA FRN February 2024
- Green EUR 600 million January 2024
  - EUR 400 million taps January 2024

**Taps of Existing lines:**

2020:
- USD 100 million tap of Fixed March 2022
- USD 85 million taps of FRN May 2022

2019:
- USD 430 million taps of FRN May 2022
- USD 50 million tap SOFR FRN August 2022
How to Contact the EBRD Funding Team

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Callable Capital
Art. 6, 16, 17 and 42 of the Agreement Establishing EBRD

Payment source sequence pre termination of the Bank’s operations (Article 17)

- Losses arising in the Bank’s ordinary operations shall be charged to/ against:
  1) provisions
  2) net income
  3) special reserves (Article 16)
  4) general reserves and surpluses
  5) unimpaired paid-in capital
  6) “...lastly, an appropriate amount of the uncalled subscribed callable capital which shall be called...“

Payment source sequence post termination of the Bank’s operations (Article 42)

- In the event of termination of the operations of the Bank, the liability of all members for all uncalled subscriptions to the capital stock of the Bank shall continue until all claims of creditors shall have been discharged
- Creditors on ordinary operations holding direct claims shall be paid:
  1) out of the assets of the Bank,
  2) out of the payments to be made to the Bank in respect of unpaid paid-in shares
  3) and then out of payments to be made to the Bank in respect of callable capital stock

Payment of callable capital subscriptions (Article 6)

- Payment of the amount subscribed to the callable capital stock of the Bank shall be subject to call, taking account of Articles 17 and 42 of this Agreement, only as and when required by the Bank to meet its liabilities
- Such calls shall be uniform in ECU value upon each callable share calculated at the time of the call

Key Components of EBRD’s Balance Sheet as at 31 December 2019

* Accounting value net of provisions and with equity investments at Fair Value. Note that all other operating asset breakdowns in the presentation are at cost, which for YE 2019 equalled EUR 31.8bn
Managing Treasury Asset Maturity

Treasury Maturity Profile

- Treasury Balance Sheet (Euro billion LHS)
- Average Maturity (years RHS)
Breakdown of Total Liquid Assets (€31,997 million) by rating* (as at 31 December 2019)

* Using the S&P rating scale, based on in-house ratings for all senior unsecured exposures and rating agency issue ratings for other exposure (notably Covered Bonds). Ratings from 31 December 2019.
Statutory capital utilisation increased from 73% in 2018 to 76% at the end of 2019, mainly driven by the increase in operating assets. Statutory capital base includes callable capital and is insensitive to unrealised movements in fair value on Banking and Treasury investments, with the latter accounting significantly to the income statement performance in 2019.

Risk capital utilisation was 66% at end of 2019 (2018: 73%). The Bank’s Capital Adequacy Policy* was reviewed and Board approved in Q4 2019. Based on this latest policy, 2018 year end figure is estimated at 67%. The marginal improvement in the capital utilisation from 67% to 66% at the end of 2019 is mainly driven by the stronger growth in available capital relative to required capital.

* Since 2015, the statutory capital utilisation ratio (or ‘gearing ratio’) includes accumulated specific provisions in both the operating asset and the statutory capital bases. Prior year ratios have not been adjusted.

* Capital utilisation ratios for year ends prior to 2019 are based on the policy valid at the time.
EBRD Investment Decision
ESG and Sustainability

ESG integration

• EBRD’s robust ESG criteria focus on identifying and mitigating risk, as well as measuring impact;
• The Environmental and Sustainability Department is responsible for environmental and social risks, mitigants and impacts;
• The Compliance, Legal, Risk Management and Banking Departments collectively oversee governance issues;
• Several EBRD policies and procedures govern ESG issues, including:
  ✓ EBRD Environmental and Social Policy;
  ✓ The Enforcement Policy and Procedures;
  ✓ Corporate Governance Review Toolkit;
  ✓ Domiciliation Policy;
  ✓ Fraud and corruption - definitions and guidelines; and
  ✓ Integrity Risks Policy.

Environmental and social sustainability

• EBRD must “promote in the full range of its activities environmentally sound and sustainable development” (Article 2.1 (viii) of the Agreement Establishing the EBRD);
• Projects are required to meet a comprehensive set of environmental and social performance requirements covering key areas of sustainability;
• Project summary documents include environmental and social information such as the main environmental and social benefits, relevant risks, mitigants and action plans.
• EBRD’s Green Economy Transition (GET) approach targets green financing of 40% of the Bank’s annual investment by 2020, and includes:
  ✓ financing direct investments;
  ✓ financing facilities to help businesses and homeowners invest in green technologies;
  ✓ mobilising concessional financing;
  ✓ engaging in policy dialogue; and
  ✓ technical support and training.
The Green Economy Transition (GET) approach aims to:

- advance the transition to an environmentally sustainable, low-carbon and climate-resilient economy; and
- prevent economies from being locked into carbon-intensive, climate-vulnerable and/or environmentally damaging pathways.

EBRD’s Green Economy Transition (GET) approach targets green financing of 40% of the Bank’s annual investment by 2020, and includes:

- Green investment and concessional financing
- Policy engagement
- Technical support

Projects that qualify for GET need to demonstrate to “clearinghouse” experts that they:

- result in clearly identifiable and measurable environmental benefits
- address environmental challenges that impact economic activity and human health; and
- bring incremental environmental benefits that would are not seen as “business as usual”.

* For more information on GET, please see: [https://www.ebrd.com/what-we-do/get.htm](https://www.ebrd.com/what-we-do/get.htm)

**EBRD Investment Decision**

**Operations Committee**

- Key operational decision body; committee meetings on a weekly basis
- Comprised of members from Banking, Risk Management, Legal, Operations, Economists’ Department and Finance
- Project based decisions on e.g. investments proposals and equity exits
- Decisions require consensus
EBRD Investment Decision

Process steps

Documentation required for each stage of approval follows a prescribed format

<table>
<thead>
<tr>
<th>Concept Review</th>
<th>Structure Review</th>
<th>Final Review</th>
<th>Board Approval</th>
<th>Signing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial clearance before allocating resources to a project.</td>
<td>Complex projects return to Ops Com for Structure Review. Norm for e.g. equity investments.</td>
<td>Once key terms have been negotiated and appropriate due diligence has been completed.</td>
<td>Unless approved in a framework, all projects need to be approved by the Board of Directors. Host country has veto right.</td>
<td>Before signing, a closing certificate is signed to record any significant changes since Final Review.</td>
</tr>
</tbody>
</table>

- Rigorous screening and approval process, with early involvement of support units (e.g. Risk Management, Legal, Treasury)
- Included in the process are requirements on e.g. anti money laundering and counter terrorism funding regulations as well as environmental policies
Board of Directors

• The powers of the EBRD are vested in the Board of Governors to which each member appoints a governor, generally the minister of finance.

• The Board of Governors delegates most powers to the Board of Directors, which is responsible for EBRD's strategic direction.

• EBRD has a resident Board of Directors that meet every second week.

• There are currently 22 Directors representing the 69 shareholders.

• Investment discussions typically focus on a project’s alignment with the Bank’s mandate and larger strategy.

• Decisions are made by majority vote; the Director of the country in which the project is located has a veto right.
Monitoring
Development Related Exposure

• The monitoring phase begins immediately after Board Approval and continues until repayment or, for equity, divestment.

• The monitoring focuses not only on credit elements, but also development milestones agreed with the client (related to e.g. business or environmental targets, changes in corporate governance).

• The additional monitoring elements ensure in-depth understanding of the client’s business and increase the probability of identifying problems early.

• The monitoring system also provides the basis for a quarterly credit report that is submitted to the Board of Directors.
EBRD’s total equity investments at the end 2019 were €4.86 billion (at cost), with an equity fair value of €5.12 billion (including associated derivatives).
EBRD Valuation and Control Process

- Fair value of equity investments is regularly and rigorously assessed in a well established process involving all key constituencies.
Preferred Creditor Status

- The Preferred Creditor Status (PCS) means that:
  - EBRD loans should not be subject to moratoria or restrictions on convertibility or transferability of hard currency
  - Potential exemption from country provisioning requirements (where applicable) for participant banks
  - EBRD loans are not included in the Paris Club or London Club
  - May allow rated transactions to pierce the sovereign ceiling

- The PCS does not constitute:
  - A guarantee or letter of comfort from the government, or from the EBRD, that the loan will perform commercially
  - An indicator of the loan’s creditworthiness per se and co-financiers must carry out their own due diligence in the normal manner

- The PCS was tested during the Russia crisis in 1998
  - During the moratorium, all payments to the EBRD and its B Lenders came through on time
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