Local Currency Financing

Treasury

May 2025

European Bank
for Reconstruction and Development

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Rationale for Lending and Borrowing in Local Currency

Local Currency Financing

Integral to the Bank's Mission

European Bank
for Reconstruction and Development

"To stimulate and encourage the development of capital markets"

Agreement Establishing the European Bank for Reconstruction and Development

(Chapter 1, Article 2. Functions)

Rationale for Lending in Local Currency

By LENDING in local currency, the Bank is able to:

- Improve the creditworthiness of projects which solely generate local currency income by avoiding FX risk;
- Direct liquidity back into the real economy;
- Extend the maturity of local currency loans available in the market;
- Reinforce existing market indices, or create new, transparent ones;
- Stem unhedged currency mismatches on the balance sheets of both corporate and household sectors.

Rationale for Borrowing in Local Currency

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By BORROWING in local currency, the Bank is able to:

- Offer an alternative triple-A benchmark to the government curve, which will increase the transparency of corporate pricing in the domestic market;
- Create an opportunity for credit diversification in domestic investors' portfolios;
- For international investors local currency Eurobonds can provide a AAA conduit allowing the dissociation of currency and currency allocation risks. This is often a precursor to them participating in the local government and corporate / bank market;
- Introduce innovative techniques that help to foster the overall development of the market;
- Reinforce existing market indices, or create new, transparent ones.

EBRD's Local Currency Asset Portfolio

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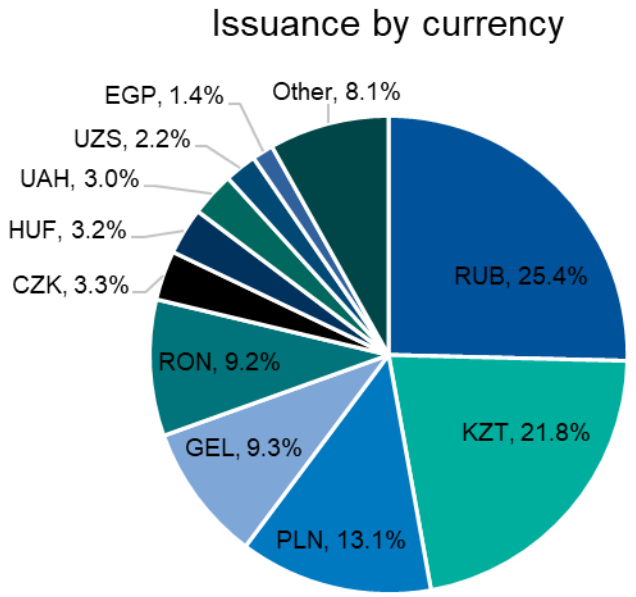
- First local currency loan - Hungarian Forint (HUF) in 1994.
- Since 1994 the Banks committed loan financing in:

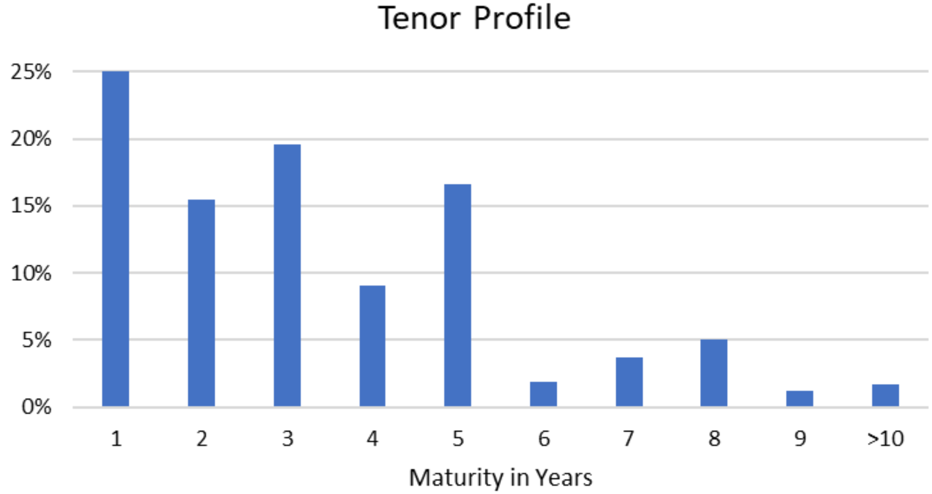
Albanian Lek (ALL)	Hungarian Forint (HUF)	Romanian Leu (RON)
Armenian Dram (AMD)	Jordanian Dinar (JOD)	Russian Rouble (RUB)
Azerbaijani Manat (AZN)	Kazakh Tenge (KZT)	Serbian Dinar (RSD)
Belarusian Rouble (BYN)	Kyrgyz Som (KGS)	Slovak Koruna (SKK)
Bulgarian Lev (BGN)	Macedonian Denar (MKD)	Tajikistani Somoni (TJS)
Czech Koruna (CZK)	Moldovan Leu (MDL)	Tunisian Dinar (TND)
Croatian Kuna (HRK)	Mongolian Tugrik (MNT)	Turkish Lira (TRY)
Egyptian Pound (EGP)	Moroccan Dirham (MAD)	Ukrainian Hryvnia (UAH)
Georgian Lari (GEL)	Polish Zloty (PLN)	Uzbek Sum (UZS)

- The Bank has signed 1,329 debt facilities denominated in 27 local currencies for a total project value of EUR 20.6 billion as at YE 2024.
- The Bank has provided senior and subordinated loan financing as well as residential mortgage-backed securities in a number of local currencies.

Local Currency Issuance

Bond issuance amount since inception to *YE 2024 EUR 11.9 bn**

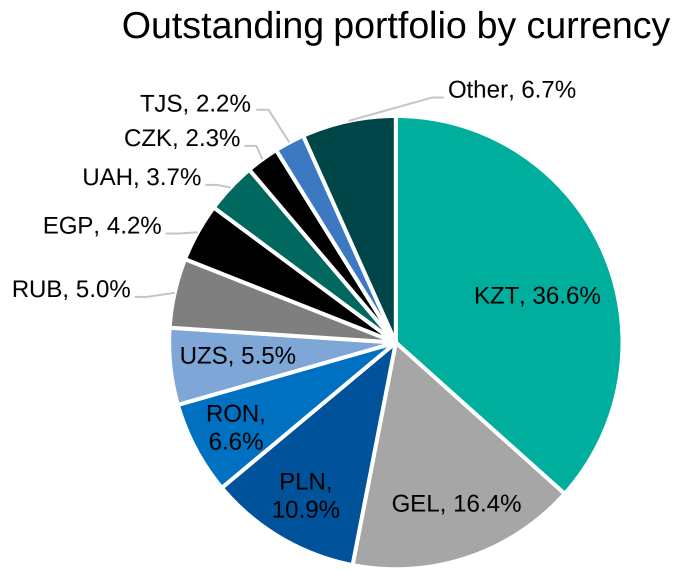


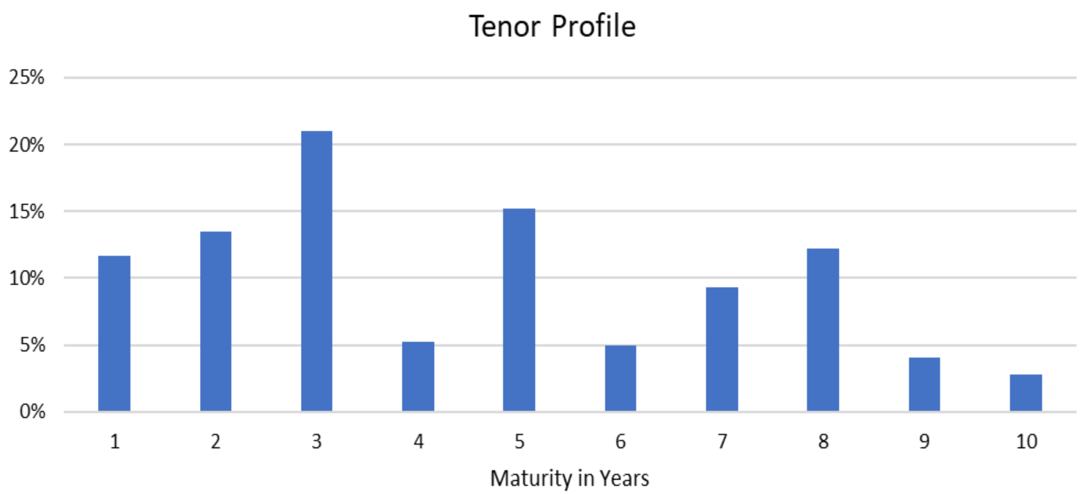


*Excluding TRY bonds which are almost exclusively swapped into USD (EUR 10.2 bn)
**Other: AMD, AZN, BYN, EEK, HRK, KGS, LBP, MDL, MNT, RSD, SKK, TJS, TND

Outstanding Local Currency Borrowing

Bond issuance amount at *YE 2024 EUR 3.5 bn**





*Excluding TRY bonds which are almost exclusively swapped into USD (EUR 2.4 bn)
**Other: AMD, AZN, KGS, MDL, MNT, UAH, RSD

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Local Currency Portfolio

Local Currency Loans arranged by EBRD

Since inception to YE 2024

*Portfolio of EUR 20.6 bn**

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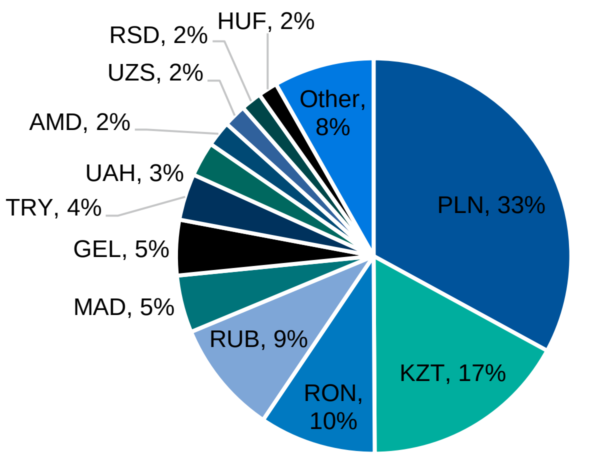
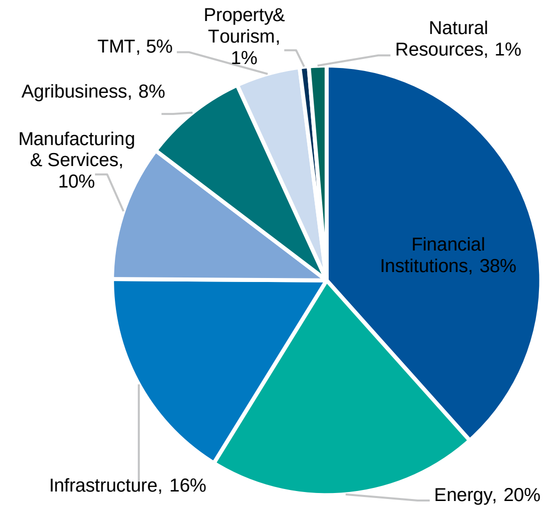
Portfolio by Currency



Other	
JOD	1.5%
AZN	1.2%
KGS	0.9%
EGP	0.8%
CZK	0.8%
MNT	0.7%
TJS	0.5%
MDL	0.5%
HRK	0.4%
TND	0.3%
BYN	0.3%
SKK	0.2%
BGN	0.1%
ALL	0.05%
MKD	0.02%

Portfolio by Sector



Tenor Profile

**This amount includes both disbursed as well as committed undisbursed amounts. EUR equivalent amount is calculated based on YE24 spot rates.*

EBRD's portion of Local Currency Loans arranged by EBRD

Outstanding portfolio as at YE 2024

*Portfolio of EUR 7.5 bn**

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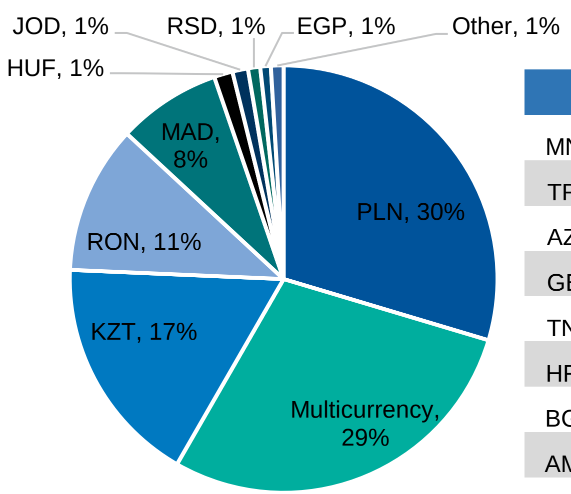
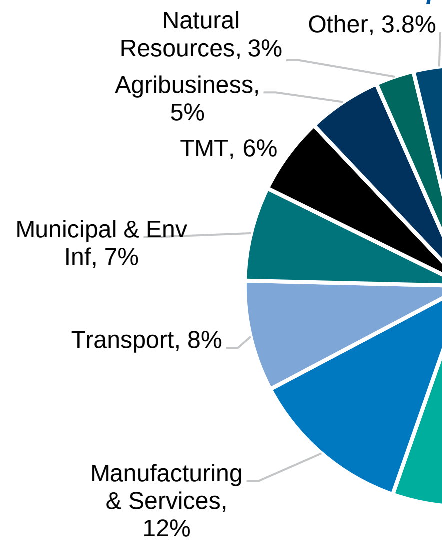
Portfolio by Currency



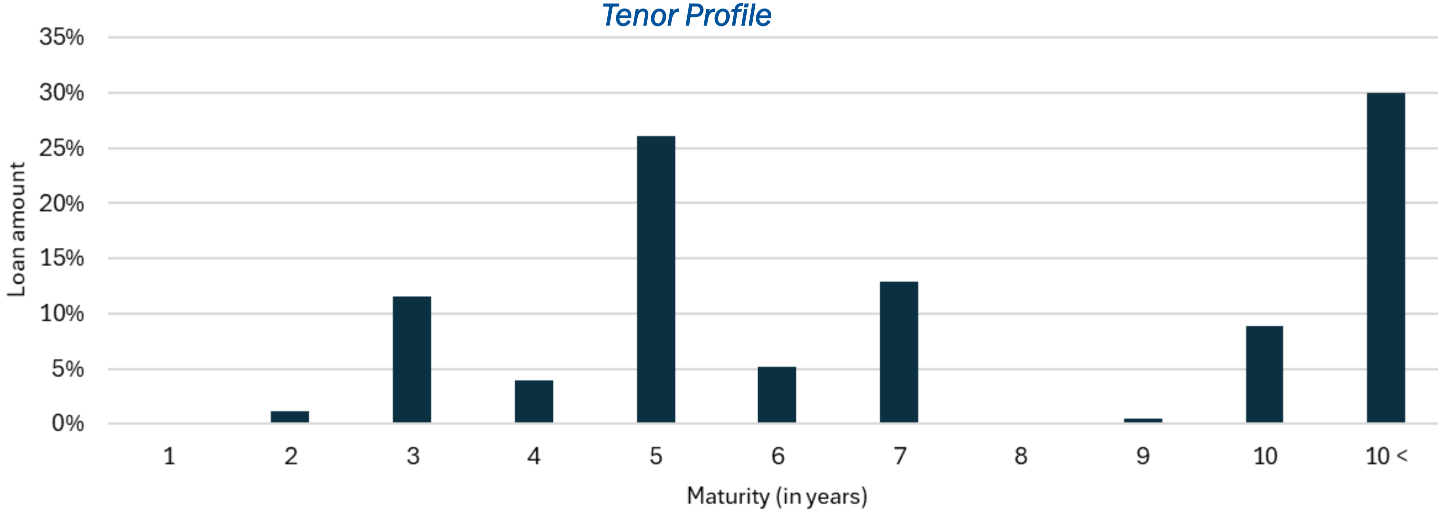
Other	
MNT	0.4%
TRY	0.3%
AZN	0.1%
GEL	0.05%
TND	0.04%
HRK	0. 04%
BGN	0.03%
AMD	0.01%

Portfolio by Sector



Other	
Non-depository Credit (non-bank)	1.9%
Real Estate	0.8%
Leasing Finance	0.5%
Insurance, Pension, Mutual Funds	0.3%

Tenor Profile



** This amount includes both disbursed as well as committed undisbursed amounts. Out of EUR 7.5bn 3.2% is synthetic (issued in hard currency, but with payments linked to the FX of the local currency).*

Local Currency Loans arranged by EBRD

Outstanding portfolio as at YE 2024

Portfolio of EUR 7.5 bn

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Transition Quality

Transition Quality	Committed amount (EUR million)	% of total committed amount
Green	4,833	65%
Resilient	3,381	45%
Competitive	2,220	30%
Inclusive	1,751	23%
Well-governed	623	8%
Integrated	519	7%

Note please that a single project can have several Transition Qualities (TQ). Therefore, in the above illustration the committed amount for each TQ is based on all projects in which a specific TQ features. As a result, the total committed amount in the table exceeds the total portfolio amount of EUR 7.5 billion.

Local Currency Case Studies

New funds to upgrade wastewater facilities in Shymkent, Kazakhstan

European Bank
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Transition qualities addressed:
- *Green*
- *Inclusive*

- EBRD lends KZT 3.3 billion to extend water supply and treatment facilities in Shymkent.
- 53,000 residents to be added to the wastewater treatment network.
- Improved municipal services and better quality of discharged wastewater.

The EBRD is financing further improvements in the water supply and treatment services of Kazakhstan's third-largest city, Shymkent. The Bank is providing fresh funds to the country's privately owned municipal water utility, Vodnye Resoursy Marketing (VRM), responsible for serving nearly 1.1 million inhabitants.

The 13-year EBRD loan of up to KZT 3.3 billion (€7 million equivalent) will help VRM finance its priority investment programme, including the extension of its wastewater treatment plant (by 50,000 m3 daily) and the rehabilitation of wastewater networks. The project will benefit from a similarly sized grant from the government of Kazakhstan. On completion, the wastewater treatment facility will see a 33 percent increase in capacity and VRM will be able to add 240,000 residents to the network. The project has the dual objective of meeting growing demand for water treatment services and improving the quality of discharged wastewater.

Earlier this year, Shymkent joined the EBRD Green Cities programme. This investment is a trigger project for the Shymkent Green City Action Plan (GCAP), a crucial tool that helps the municipality set out its sustainable development vision and strategic objectives, as well as the actions and investments required to address high-priority environmental issues.

https://www.ebrd.com/news/2022/ebrd-pledges-new-funds-to-upgrade-wastewater-facilities-in-shymkent-.html

Local Currency Case Studies
EBRD lends €50 million in Romanian leu to UniCredit Bank Romania

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Transition qualities addressed:
- *Resilient*
- *Inclusive*

- EBRD lends €50 million in Romanian leu to UniCredit Bank Romania.
- Loan will help bank further increase on-lending to businesses impacted by war on Ukraine.
- EBRD has pledged €2 billion to support companies and countries affected by the war.

The EBRD is lending €50 million in local currency to UniCredit Bank Romania to further increase its funding base and continue supporting the economy, focusing on private businesses in the challenging economic environment caused by the war on Ukraine.

The loan falls within the EBRD's Resilience and Livelihoods framework - €2 billion pledged by the EBRD to support companies and countries directly or indirectly affected by the war on Ukraine.

Supporting Romanian companies weather the impact of the war on Ukraine is of critical importance. The Romanian economy has been negatively affected by spillover effects including inflation – consumer prices were up 15.1 per cent year on year in June, while producer prices rose 48.1 per cent – and strained supply chains and logistics infrastructure, affecting a wide spectrum of economic sectors. Providing businesses with financing will enable them to remain operational, thus safeguarding the resilience of their human capital and sustaining the livelihood of the entrepreneurs and that of their workforce.

https://www.ebrd.com/news/2022/ebrd-lends-50-million-to-unicredit-bank-romania-to-support-romanian-business-.html

Local Currency Case Studies

EBRD loan of PLN 258.5 million to Krakow tramway public-private partnership

European Bank
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Transition qualities addressed:
- *Resilient*
- *Green*

- EBRD providing local currency loan for construction of phase four of the high-speed tramway network in Krakow.
- Construction of 4.5km of new twin-rail track and a new 900 metre tunnel.
- Enabling 40 additional trips per hour - approximately 550 more trips per day.

This is the first PPP in Poland’s tramway sector and the first PPP in the municipality of Krakow.

The project will make Krakow’s tram network faster and more convenient, encouraging more people to use trams instead of cars. The associated infrastructure will also serve pedestrians and cyclists,

The EBRD is providing a loan of PLN 258.5 million (€54 million-equivalent). The EBRD finance will be complemented by co-financing from EIB and a Polish commercial bank.

https://www.ebrd.com/news/2022/polands-krakow-to-extend-tramway-with-ebrd-loan.html

Local Currency Case Studies

EBRD and EU support greening of Morocco's pharmaceutical sector

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Transition qualities addressed:
- *Competitive*
- *Inclusive*

- EBRD to provide MAD 380 million to Dislog, distributor and manufacturer of fast-moving consumer goods.
- Funds to support acquisition of Steripharma, construction of green industrial facilities and installation of solar panels.
- EU provides guarantee and technical assistance to promote gender equality.

The EBRD is supporting Morocco's pharmaceutical private sector with a MAD 380 million (€34.5 million) loan to Dislog Group companies, owned by H&S Holding ("H&S"), a diversified industrial Moroccan group operating in various areas of activity.

The facility to Dislog will consist of two tranches. MAD 270 million (€24.5 million) will be used to acquire Steripharma, a local pharmaceuticals manufacturer that provides affordable specialty generics medicines to replace expensive original products in the treatment of life-threatening diseases.

The second tranche of €10 million loan will finance the construction of a new green-certified industrial building and logistics platform as well as the installation of photovoltaic (PV) panels. The new PV panels are expected to generate energy to power the building and will help reduce CO2 emissions. This tranche will be supported by a guarantee from the European Union (EU) through its European Fund for Sustainable Development (EFSD), in line with the objective of the EU-Morocco Green Partnership.

The loan will be accompanied by a technical assistance project funded by the EU through the EFSD programme to upgrade its human resources policies by implementing a dedicated Gender Diagnostic and Action Plan. The project will help Dislog promote gender equality and the career progression of female workers, along with policies related to childcare and the prevention of gender-based violence and harassment.

https://www.ebrd.com/news/2023/ebrd-and-eu-support-greening-of-moroccos-pharmaceutical-sector.html

Local Currency Case Studies

EBRD invests KZT 50 billion in Kazakhstan Railways bond

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Transition qualities addressed:
- *Integrated*
- *Inclusive*

- EBRD to invest KZT 50 billion (up to US $100 million) in Kazakhstan Railways local bond issue.
- Investment to improve the financial resilience of the national rail operator.
- Modernisation of rail freight routes.

EBRD is boosting the financial and operational resilience of Kazakhstan Temir Zholy (KTZ or Kazakhstan Railways) by investing up to KZT 50 billion in a local currency bond issue to be listed on the Kazakhstan Stock Exchange (KASE).

The investment will help Kazakhstan's state-owned railway operator to restructure its balance sheet and implement a range of crisis response measures, including the reorganisation of its transit freight operations, to cope with the after-effects of the pandemic and ongoing geopolitical turmoil.

This is the EBRD's first ever investment in a local currency bond in Kazakhstan and the first issue of a bond with a TONIA-linked coupon by a local company. The tenge overnight index average rate (TONIA) has been developed jointly by the National Bank of Kazakhstan, the EBRD and the country's leading financial institutions and is used as a benchmark risk-free reference rate (RFR) for lending instruments.

https://www.ebrd.com/news/2022/ebrd-invests-kzt-50-billion-in-kazakhstan-railways-bond.html

Local Currency Case Studies

EBRD helps develop Kazakhstan's major logistical hub

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Transition qualities addressed:

- *Integrated*
- *Inclusive*

- EBRD lends US$ 40 million (available both in US dollars and Kazakh tenge) to Eastcomtrans.
- Private rolling stock operator to upgrade logistical hub, renew rail cars.
- Greater sustainability of cargo traffic through the Trans-Caspian Corridor.

To address the issue of bottlenecks along the Trans-Caspian corridor, identified in a study on sustainable transport connections between Europe and Central Asia, the EBRD is providing funds to support the development of modern logistical infrastructure.

The Bank's loan to Kazakhstan's largest private rolling stock operator, Eastcomtrans, will help expand its container handling capacity at one of the most congested junctions near the city of Almaty and ensure uninterrupted operation of its railway park.

Eastcomtrans, the Bank's client since 2014 and owner of 8 per cent of the country's total rolling stock, will use the funds to further develop its Zhetygen logistical centre, acquire up to 250 new rail cars and maintain its existing stock.

https://www.ebrd.com/news/2023/ebrd-helps-develop-kazakhstans-major-logistical-hub.html

Local Currency Case Studies

EBRD and Bank al Etihad support growth of small and women-led businesses in Jordan

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Transition qualities addressed:
- *Well-governed*
- *Inclusive*

- First project in the SEMED region to incorporate the EBRD's Paris alignment methodology in the financial sector.
- Second EBRD, Basel-III-compliant subordinated loan in Jordan to Bank al Etihad.
- Funds to support businesses, individuals and women-led MSMEs promoting inclusive and sustainable growth.

EBRD is providing Bank al Etihad (BAE) with a JOD loan equivalent to US$ 35 million. The Basel III compliant subordinated loan will seek to strengthen its lending capacity for businesses, individuals as well as women-led micro, small and medium-sized enterprises (MSMEs) in Jordan.

The financing package consists of up to US $25 million to BAE for on-lending to businesses and individuals in Jordan, and up to US $10 million for on-lending to women-led MSMEs under the EBRD Women in Business programme in Jordan. The programme will help BAE to adapt its products to better suit women-led MSMEs, strengthen their lending practices and improve marketing and product development.

https://www.ebrd.com/news/2022/ebrd-and-bank-al-etihad-support-growth-of-small-and-womenled-businesses-in-jordan.html

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Local Currency Financing Platform

Local Currency Financing Platform

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- Single currency revolving facilities
- Cross currency interest rate swaps
- Domestic bonds
- Eurobonds
- Promissory notes
- TCX
- ESG and Sustainability Integration

Single Currency Revolving Facilities

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- Committed floating rate financing through 1 year extendible back up lines;
- First facilities negotiated in RUB in 2001;
- Signed facilities in BGN, KZT, RON and UAH.

Advantages	Drawback
• Cost efficient source of financing, especially with low disbursement levels of project financing • Straightforward to negotiate • Does not create excess cash, as drawdowns only occur upon project disbursements • Endorses existing money market index or creates a new one	• Refinancing risk owing to short tenor of the facilities

Cross Currency Interest Rate Swaps and NDFs

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- Optimal means of matching loan features (size, tenor, amortisation) when the FX regime and legal enforceability of derivatives contracts permit.
- The EBRD has established pools of liquidity through swaps in AMD, CZK, EGP, GEL, HUF, JOD, KZT, MAD, PLN, RON, RSD, RUB, TRY and UAH.

Advantages	Drawback
• Timing, size and tenor requirements can be matched more closely • Allows flexibility to offer fixed or floating loans	• Poor pricing transparency where markets lack liquidity and depth • May limit activity with local banks/subsidiaries when requirement to use local counterparty

Domestic Bonds

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- Issued under local laws and regulations via local infrastructure.
- The EBRD issued domestic HUF bonds in 1994 and 1996, and domestic RUB bonds from 2005.
- Since 2014 the Bank has issued AMD and GEL floating rate notes.
- The Bank issued RSD 2.5 billion FRN linked to 3-month BELIBOR in 2016.

Advantages

- Contributes to capital markets' development
- Can lengthen maturity of liabilities
- Create an opportunity for credit diversification in domestic investors' portfolios
- Reinforce existing market indices or create new, transparent ones

Drawback

- Onerous and sometimes inchoate legal and regulatory requirements
- Loan disbursement patterns may give rise to cash management needs, utilising bank credit lines and potentially increasing costs
- Triple-A rating not valued appropriately
- Exposure to payment and clearing systems

Domestic Bonds

EBRD's Inaugural AMD Floating Rate Note

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Transaction Overview

- The inaugural bond was auctioned to access a wider investor base and enhance price discovery.
- The FRN format was new to the domestic market.
- The Notes were listed on NASDAQ OMX.
- The issue was accepted for repo by the Central Bank of Armenia at issuance after technical modifications.

Notes Terms

Issue Date:	31 January 2014
Size:	AMD 2 billion
Coupon rate:	Linked to 6-month T-bill rates
Exchange:	NASDAQ OMX Armenia
Custody:	Central Depository of Armenia
Repo Eligibility	Central Bank of Armenia

Domestic Bonds

EBRD's Inaugural Public Bond Issuance in GEL

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Transaction Overview

- The Bank placed its inaugural public listed bond in the Georgian domestic market in June 2016.
- This five-year pioneering issuance had a floating rate coupon linked to the three-month certificates of deposit (CD) rate issued by the National Bank of Georgia.
- The bond totalling 107 million Georgian Lari (EUR 43.9 million) was lead-managed by Galt & Taggart.
- The bond was priced flat to the rate for 3-month Certificate of Deposit issued by the National Bank of Georgia.
- In December 2017 the Bank placed GEL 135 million (EUR 45 million) worth of bonds linked to a 3-month Certificate of Deposit issued by the National Bank of Georgia.

Notes Terms

• *Issue Date:*	17 June 2016
• *Size:*	GEL 107 million
• *Coupon rate:*	3-months CD
• *Exchange:*	Georgian Stock Exchange
• *Custody:*	Central Depository of Georgia
• *Repo Eligibility*	National Bank of Georgia

Domestic Bonds

EBRD's Inaugural Public Bond Issuance in RSD

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Transaction Overview

- Over the years, EBRD engaged in discussions with the Ministry of Finance, National Bank of Serbia and the Securities Commission in relation to the EBRD issuing bonds in local currency.
- In 2010, the regulators supported issuance by the EBRD in Serbian Dinar to help support the use of local currency.
- After 10 years in working on the legal and regulatory prerequisites, EBRD issued its inaugural Serbian dinar issue.
- The three-year 2.5 billion Serbian dinar ($20.29 million) bond was listed on the Belgrade Stock Exchange and was linked to a 3-month BELIBOR (the rate on dinar deposits in the interbank market) plus 40 basis points.

Notes Terms

• *Issue Date:*	5 December 2016
• *Size:*	RSD 2.500 billion
• *Coupon rate:*	3-months-BELIBOR plus 40 basis points
• *Exchange:*	Belgrade Stock Exchange
• *Custody:*	Central Depository of Serbia
• *Repo Eligibility*	National Bank of Serbia

Domestic Bonds

Ukrainian Debt Capital Market development

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Market Development

- Over the years, EBRD held ongoing discussions with the MoF, NBU and Securities Commission on the legal changes required for IFIs to be able to issue bonds on the local market.
- In July 2013, the Securities Market Law was amended to allow IFIs' local bond issuance.
- In February 2016, EBRD obtained confirmation from the NBU that IFIs' bonds can be used as collateral for O/N loans and direct repo transactions by local market players.
- In March 2016, EBRD obtained market and currency consent from the MoF.
- In April 2020, the Securities Commission approved a new resolution on IFIs' bonds issuance and circulation in Ukraine.
- In June 2020, the Securities Market Law was further amended to introduce provisions on bondholders' meeting.

Next steps

- Sign an agreement with National Depositary of Ukraine and appoint lead managers.

Eurobonds

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- Having one of the strongest credit profiles among supranationals, EBRD funds itself at the most competitive levels available in local currencies - through government curves and other options like TCX.
- EBRD has issued Eurobonds with exposure to AMD, AZN, BYN, CZK, EEK, EGP, GEL, HRK, HUF, KGS, KZT, LBP, MDL, MNT, PLN, RON, RSD, RUB, SKK, TJS, TND, TRY, UAH and UZS.

Advantages	Drawback
• Can contribute to capital markets development • Possible access to longer term funding • Easy to document in MTN format	• Loan disbursement patterns may give rise to cash management needs, utilising credit lines and potentially increasing costs • International investor interest may waver with currency views

Eurobonds

Pioneering Inflation-Linked Eurobond in KZT

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Transaction Overview

- In November 2016, EBRD issued KZT 34 billion (€92 mn) pioneering inflation-linked Eurobond.
- The Notes had a five-year maturity and paid a coupon of 3-month Consumer Price Index (CPI) rate plus 10 basis points per annum.
- The coupon rate was floored at 0% and was payable quarterly.
- The Notes were listed on the Kazakhstan Stock Exchange (KASE) and were accepted by the National Bank of Kazakhstan (NBK) for their repurchase operations (REPO) with banks.
- To date, EBRD has issued a total of KZT 784 bn (EUR 1,813 mn equivalent) of KZT linkers to finance KZT loan portfolio.

Notes Terms

• *Issue Date:*	21 November 2016
• *Size:*	KZT 34 billion
• *Coupon rate:*	3-months CPI
• *Maturity:*	21 November 2021
• *Custody:*	Euroclear / Clearstream
• *Exchange:*	London Stock Exchange / KASE

Pioneering TONIA Compounded Index Bond

European Bank for Reconstruction and Development

Transaction Overview

- In November 2021, EBRD issued KZT 12.5 billion (EUR 25 mn) of TONIA Compounded Index Eurobond.
- The Notes have a 3-year maturity and pay a coupon of 3-month TONIA flat. Coupons are floored at 0%.
- The Eurobond contains Settlement Disruption Event language, which allows for USD payments in case KZT payments are made impossible by either domestic regulation or the clearing systems.
- The Notes are listed on the Kazakhstan Stock Exchange (KASE) and are accepted by the National Bank of Kazakhstan (NBK) for their repurchase operations (REPO) with banks.
- Banks' internal assets definition now includes IFIs' KZT-denominated bonds that trade on KASE.

Notes Terms

• *Issue Date:*	11 November 2021
• *Size:*	KZT 12.5 billion
• *Coupon rate:*	3-month TONIA Compounded Index
• *Maturity:*	11 November 2024
• *Custody:*	Euroclear / Clearstream
• *Exchange:*	KASE

Promissory Notes

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- These are typically short-term instruments issued in countries which were signatories to the Geneva Convention on Bills of Exchange and Promissory Notes of 1930.
- Generally there are no prospectus and registration requirements.
- EBRD issued promissory notes in RUB in 2001-2003.

Advantages	Drawback
• Can contribute to capital markets' development • Simplicity of documentation	• Short-term liquidity management tool creates refinancing risk • Surrogate cash instruments can create reputational risk

The Currency Exchange Fund (TCX)

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- Designed to hedge currency and interest rate risks associated with long-term borrowing in less liquid local currencies.
- TCX's pricing policy is based on market prices and the application of state-of-the–art valuation methods.
- EBRD has hedged, via TCX, loans in most Local Currencies.
- No minimum formal/maximum loan size in line with its support of micro-finance institutions. EBRD's loans using TCX have maturities of up to 6 years.

Advantages	Drawback
• Mitigates FX and interest rate exposure for borrowers whose revenues are denominated in local currency • Risks are transferred to TCX by using non-deliverable forward transactions • Offers long term maturity of loans not provided by financial markets	• There must be a short–term benchmark rate available for pricing • Typically more expensive than EBRD's own funding

OFFICIAL USE

Credible Inter-bank Indices

Key to Successful Local Currency Lending

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- EBRD has been working with local banks and authorities in some of its Countries of Operations on creation of money market indices - Armenia (ongoing), Azerbaijan (ongoing), Belarus (ongoing), Egypt (CONIA), Georgia (TIBR), Jordan (ongoing), Kazakhstan (TONIA, KazPrime), Morocco (MONIA), Romania (ROBOR), Russia (MosPrime, RUONIA, ROISfix), Turkey (TLRref), Ukraine (UONIA) and Uzbekistan (ongoing).
- The development of a credible money-market index allows:
  - greater pricing transparency and consistency in the pricing of all index-linked loans;
  - the pricing of derivatives (including futures and interest rate swaps);
  - the interbank money-market to develop greater liquidity, increasing efficiency, and lengthening the maturity of interbank activity.

OFFICIAL USE

Credible Inter-bank Indices

Georgia: Tbilisi Interbank Rate (TIBR)

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- EBRD assisted the National Bank of Georgia (NBG) in reforming the TIBR, risk free rate for Georgian market.

- TIBR is the effective interest rate on the interbank Georgian lari (GEL) money market and computed and published by the NBG as a volume-weighted trimmed average of overnight unsecured money market transactions entered into by banks. The index calculation methodology was developed together by the NBG and the EBRD based on international standards.

- EBRD was the first to issue a local currency bond and then disburse a loan indexed to TIBR.

- EBRD was the first to execute GEL denominated Overnight Index Swaps (OIS) linked to TIBR, and still quotes, along with 6 local banks, on the GEL OIS market on a daily basis.

Credible Inter-bank Indices

Kazakhstan: Tenge Over-Night Index Average (TONIA)

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- EBRD assisted the Kazakhstan Stock Exchange (KASE) in developing the TONIA, risk free rate for Kazakh market.
- TONIA is the effective interest rate on the interbank Kazakh tenge (KZT) repo market and computed and published by the KASE as a volume-weighted trimmed average of overnight repo transactions
- The index calculation methodology was developed by KASE with the assistance of Money Market Working Group, which included the National Bank of Kazakhstan, the EBRD, and leading financial institutions.
- EBRD was the first to issue a local currency bond and then disburse a loan indexed to TONIA.

Section 4

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EBRD’s Role in Capital Markets Development

Capital Markets Development

EBRD's Role in Promoting Local Currency Development

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EBRD has been successful in strengthening local currency and capital markets by:

- Improving existing and/or helping to develop new money-market indices and supporting their use in financial instruments on local capital markets: Egypt (CONIA), Georgia (TIBR), Kazakhstan (TONIA, KazPrime), Morocco (MONIA), Romania (ROBOR), Poland (WIRON), Russia (MosPrime, RUONIA, ROISfix), Turkey (TLRref), Ukraine (UONIA);
- Utilising instruments that mobilise capital in local currency such as; insurance products (Unfunded Risk Participations and Non-payment Insurance), parallel loans, RSF/RLF programmes, on-lending multiples (through partner FIs) and TFP in 16 local currencies (PLN, RON, TRY, MAD, UAH, MNT, MDL, KZT, TND, GEL, KGS, UZS, AMD, RUB, RSD and JOD);
- Acting as an anchor investor in local currency bonds, including securitisations, and implementing capital market support programmes to expand local currency bond markets;
- Working on clearing and settlement to establish links between systems: EBRD worked to establish a bridge between international clearing and depository systems ("ICSDs") and the Kazakhstan Central Securities Depository, the Latvian Central Depository and the Romanian Central Depository, as well as to get currencies accepted by ICSDs including Latvian lat, Hungarian forint and Russian rouble; and
- Supporting reforms in local capital markets through technical cooperation (TC) projects to help build more efficient and self-sustaining financial markets in EBRD regions. Since 2019, donor funds totalling €23.1 million have supported 174 TC projects across 36 economies.

Capital Markets Development

EBRD's Role in Capital and Financial Markets Development

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Priority areas of focus under EBRD's TC projects include:

- <u>Upgrading capital markets policy framework</u> through implementing money markets development and capital market development strategies in Bulgaria, Croatia, Greece, Moldova, Poland, Slovenia and Uzbekistan and conducting capacity-building activities in Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Egypt, Georgia, Kosovo, Kyrgyz Republic, Montenegro, Morocco, North Macedonia, Romania, Serbia, Tunisia, Türkiye and Uzbekistan;
- <u>Expanding financial product range and investor base</u> with an aim to offer a full suite of products to domestic investors, enabling long-term savings in local currency and attracting investment from local and international institutional investors. Notable TCs resulted with:
  - ➢ Launch of social (gender) and green bonds in Georgia, Czechia and green municipal bonds and sustainability-linked bonds in the Baltic countries, Bulgaria, Greece and Poland;
  - ➢ Capital market support programmes in Armenia and Georgia, scaling-up local corporate bond issuance, including by SMEs;
  - ➢ Innovative products such as MSCI Baltic Index and Guarantee for Growth (G4G) products introduced in Albania and Ukraine with ongoing work in Egypt, Kosovo and Morocco; and
  - ➢ Improving SMEs access to capital markets via developing investment vehicles such as Capital Markets Development Accelerator Fund in the Baltic countries;
- <u>Improving capital market infrastructure</u> to enhance trading and post-trade settlement infrastructure and enable regional integration through developing business plans for stock exchanges, including new market segments for SMEs, feasibility studies on establishing CCPs or CSDs and capacity building on IPO processes for issuers and advisors. Notable TCs include preparation of a business development strategy for the infrastructure operators of Central European stock exchanges and a concept study on regional integration; and supporting integration between capital market infrastructure entities in Armenia, Croatia, Poland, Slovenia and Ukraine.

Capital Markets Development

EBRD's Role in Capital and Financial Markets Development

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- <u>Enhancing legal and regulatory environment</u> through drafting new laws and regulations which implement best international standards and lead to launching new products including in Albania, Armenia, Azerbaijan, Bulgaria, Croatia, Czech Republic, Egypt, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Mongolia, Moldova, Morocco, North Macedonia, Romania, Russian Federation, Serbia, Tajikistan, Tunisia, Ukraine and Uzbekistan. Notable TCs involve supporting:
  - ➢ Legal and regulatory reforms for derivatives, including introduction of close-out netting and collateral in EBRD regions through policy dialogue and TC, including in Armenia, Bulgaria, Croatia, Georgia, Kazakhstan, Latvia, Serbia and Tunisia. Currently ongoing reforms in Albania, Azerbaijan, Egypt, Estonia, Morocco, North Macedonia, Ukraine and Uzbekistan;
  - ➢ Development of legal and regulatory framework for covered bonds and/or securitisation in Estonia, Bulgaria, Croatia, Latvia, Lithuania, Slovak Republic, Romania, Poland, Georgia, Morrocco, with work ongoing in Ukraine;
  - ➢ Development of regulatory framework and conducting capacity building relating to sustainable debt instruments in the Baltic countries and Ukraine;
  - ➢ Local authorities with regulatory alignment of capital markets legislation with the EU acquis, in view of their EU accession with work ongoing in Ukraine and Moldova.

- <u>Promoting development of bank and non-bank financial sector</u> focused on the resilience of banks and non-bank financial institutions. Highlights include assisting central banks with bank regulation and supervision equivalence under EU law in Albania, Moldova, Morocco and Ukraine; supporting development of recovery and resolution frameworks for banks in Western Balkans and Morocco; facilitating private-sector insurance against war-related risks in Ukraine; supporting central banks in Georgia and Armenia on improving their sanction compliance frameworks.

Capital Markets Development

EBRD Role in Supporting a Local Investor Base

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EBRD has focused on the development of a local investor base through:

- Making equity investments in local banks, pension funds and insurance companies
- Improving the regulatory environment for investors and issuers, including through pension reform
- Channelling donor funding for technical assistance to the pension and insurance sector
- Providing guidance towards standardising mortgage loans to facilitate the development of secondary mortgage markets
- Facilitating the restructuring of bank balance sheets through co-investing in facilities to purchase non-performing loans
- Supporting local brokerage houses' market-making activities in mid-tier corporate bonds

Barriers to Local Currency Lending

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- Exchange rate policy
  - focus by central bank on exchange rate targeting, rather than monetary policy
  - macroeconomic instability and the lack of a transparent and credible policy framework
  - political rhetoric and/or commitment (incl. ERM II) to replace domestic currency
  - adoption of currency board (Bulgaria, Bosnia and Herzegovina, Estonia and Lithuania).
- Poorly regulated and/or capitalised banking system
  - lack of a lender of last resort (with guaranteed access to central bank repo facility)
  - term deposits that can be withdrawn with little (or no) notice.
- Lack of credible market indices, liquid money markets and secured instruments (Repo).
- High domestic interest rates.
- Inadequate market infrastructure
  - conflicting or unclear legal and regulatory environment, bureaucratic processes
  - imposition of new taxes, currency restrictions and other controls
  - poor payment and settlement systems
  - high domestic costs including listing fees and taxes
  - lack of institutional investor base and credit culture.

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Annex:
Socially Responsible Investments
&
Paris Alignment

Socially Responsible Investments

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- The EBRD is the first Multilateral Development Bank with an explicit requirement in its mandate to promote environmentally sound and sustainable development.
- We apply strict environmental and social standards to all projects we finance, which are governed by the Environmental and Social Policy and Performance Requirements.
- We are one of the largest investors in environmental projects in our countries of operations, including €25.7 billion in energy efficiency, climate change and sustainable resource finance as at December 2024 under our Green Economy Transition ("GET") approach. (GET investments include projects undertaken under two previous initiatives: the Sustainable Energy Initiative and the Sustainable Resource Initiative).
- The Just Transition Initiative seeks to harness the power of the private sector to accelerate the transition towards sustainable and inclusive market economies, focusing on (i) the Green economy transition, (ii) Supporting workers, and (iii) Regional economic development. For further information please see: https://www.ebrd.com/what-we-do/just-transition-initiative
- Our annual Greenhouse Gas ("GHG") assessment provides an estimate of the net carbon footprint that will result from all EBRD-financed projects signed during a given year, once the projects are fully implemented.

Our aim is to ensure that all projects we finance are socially and environmentally sustainable and respect the rights of local communities.

ESG and Environmental & Social Sustainability

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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;
- Project summary documents (publicly available) include main environmental and social benefits, risks, mitigants and action plans;
- The Compliance, Legal, Risk Management and Banking departments collectively oversee governance issues;
- EBRD policies, procedures and reports:-
  - ✓ Sustainability Report
  - ✓ TCFD
  - ✓ Updated and enhanced ESG reporting under GRI;
  - ✓ EBRD Environmental and Social Policy;
  - ✓ The Enforcement Policy and Procedures;
  - ✓ Corporate Governance Review Toolkit;
  - ✓ Domiciliation Policy;
  - ✓ Integrity and Anti-Corruption Report;
  - ✓ 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 minimum environmental and social performance requirements covering key areas of sustainability;
  - ✓ Assessment and Management of Environmental and Social Impacts and Issues;
  - ✓ Labour and Working Conditions;
  - ✓ Resource Efficiency and Pollution Prevention and Control;
  - ✓ Health and Safety;
  - ✓ Land Acquisition, Involuntary Resettlement and Economic Displacement;
  - ✓ Biodiversity Conservation and Sustainable Management of Living Natural Resources;
  - ✓ Indigenous Peoples;
  - ✓ Cultural Heritage;
  - ✓ Financial Intermediaries; and
  - ✓ Information Disclosure and Stakeholder Engagement.

For further strategies and policies, please see: EBRD Strategies and Policies
For further reports, please see: Publications (ebrd.com)

Enhancing ESG Reporting through GRI

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- The EBRD conducted its materiality assessment for GRI reporting in a multi-step process in 2020, involving internal and external stakeholders. The survey was published in Q4 2020 on EBRD's website (more than 80% of the external stakeholders that were approached participated in the survey). The majority of external respondents were ESG focused Asset Managers, Financial Institutions and NGOs.

- The exercise identified topics that were deemed material to the EBRD. EBRD also reported on several other topics the Bank deemed to be important:

Material topics	Topics of Interest
205 Anti-corruption	201 Economic Performance
302 Energy	202 Market Presence
304 Biodiversity	203 Indirect Economic Impacts
305 Emissions	204 Procurement Practices
307 Environmental Compliance	306 Waste
403 Occupational Health and Safety	401 Employment
405 Diversity and Equal Opportunities	404 Training and Education
406 Non-discrimination	414 Supplier Social Assessment
408 Child Labour	
409 Forced or Compulsory Labour	
411 Rights of Indigenous Peoples	
412 Human Rights Assessment	
413 Local Communities	

- "GRI Services reviewed that the content index is clearly presented and the references for all disclosures align with the appropriate sections in the body of the report".

- Sustainability reporting disclosures for 2023 in accordance with the GRI Standard: https://www.ebrd.com/gri-2023

Paris Alignment and GET 2.1

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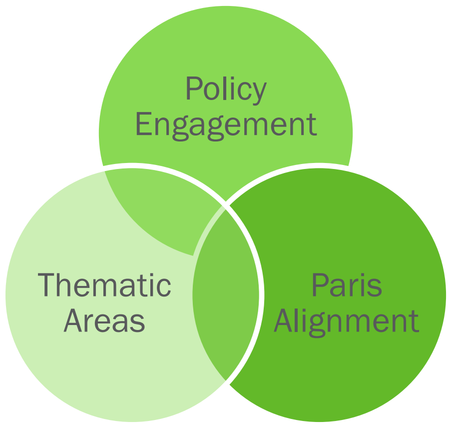
Committed to Paris Alignment of all the Bank's financial flows

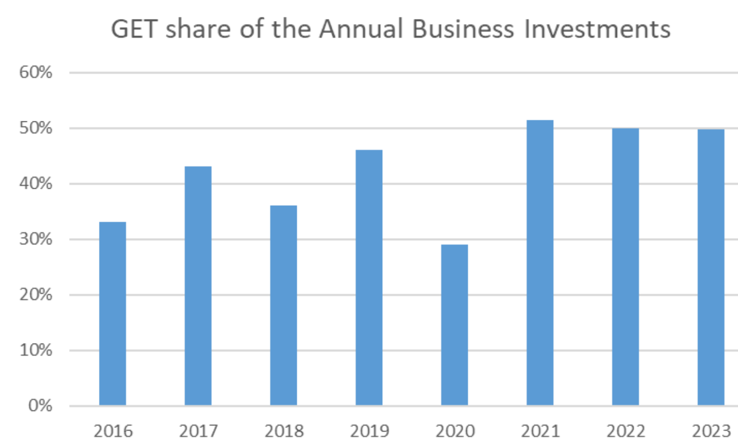
GET 2.1 aims to accelerate the transition to a green, low-carbon and resilient economy and to contribute to achieving a net zero carbon world by 2050.

- Policy engagements that focus on long-term and low-carbon strategies and greening financial systems;
- Building capacity and awareness for climate risk management

- Green Financial Systems
- Industrial Decarbonisation
- Sustainable Food Systems
- Energy Systems Integration
- Cities and Environmental Infrastructure
- Sustainable Connectivity
- Green Buildings
- Natural Capital



- Screening all investments to ensure they are in line with the Paris Agreement;
- Increasing capacity to support countries, regions and sectors develop low-carbon and climate resilient strategies; and
- Scaling efforts to mobilise climate finance
- Just transition approaches for countries, communities, sectors and workers



GET 2.1 Builds on a Track Record of Financing Green Investments €60 billion in 3,300 green projects since 2006.

GET 2.1 sets to achieve a green finance target ratio of more than 50% by 2025.

Joint MDB Paris Agreement Alignment Framework:
Six building blocks

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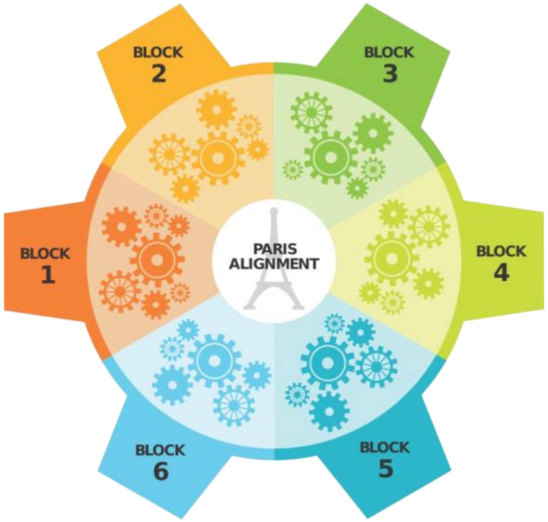

1 Alignment with mitigation goals
Operations consistent with national low-emissions development pathways and compatible with objectives of the Paris Agreement.

2 Adaptation and climate-resilient operations
Operations systematically screened for climate-resilience. Support increase in clients' ability to adapt to climate change.

3 Accelerated contribution to the transition through climate finance
Further scale up climate finance, operationalize new approaches to support NDCs, and accelerate realization of ambitions agreed under UNFCCC and in line with science-based evidence identified by IPCC.

4 Strategy, engagement and policy development
Develop new services to support clients put in place long-term strategies for low-emissions and climate-resilient development while ensuring consistency with SDGs.

5 Reporting
Develop tools and methods for characterizing, monitoring and reporting on Paris-aligned activities.

6 Align internal activities
Progressively ensure that internal operations, including facilities and other internal policies, are in line with the Paris Agreement.

Source: 2018 MDB statement: The MDBs' alignment approach to the objectives of the Paris Agreement: working together to catalyse low-emissions and climate-resilient development.
Note: The nine MDBs are: The African Development Bank Group, the Asian Development Bank, the Asian Infrastructure Investment Bank, the EBRD, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Development Bank, the New Development Bank, and the World Bank Group (World Bank, IFC, MIGA).

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