EBRD’s EU-backed guarantee to OTP Bank Ukraine to enable €200 million of new lending

January 7, 2025

The European Bank for Reconstruction and Development (EBRD) announced on 6 January the extension of a new, unfunded portfolio risk-sharing facility to Ukraine’s JSC OTP Bank (OTPU) to enable €200 million of new financing to Ukraine’s private sector in the midst of the ongoing war.

The EBRD’s facility will cover up to 50 per cent of OTP Bank’s credit risk on €200 million of newly issued sub-loans to private businesses operating in Ukraine. The credit enhancement mechanism will enable OTPU to finance critical industries such as agriculture, energy, manufacturing and transport, supporting company operations and preserving access to critical goods. The EBRD facility will be supported by first-loss risk cover funded by donors, including the European Union, under the Ukraine Investment Framework (UIF).

This is the fifth and largest such facility provided by the EBRD to OTPU, building on the successful cooperation between the two institutions to date. Including this facility, total enabled financing under similar EBRD guarantees signed since the start of Russia's full-scale war on Ukraine amounts to almost €2 billion.

Up to 20 per cent of the risk-shared loans will support long-term investments by private micro, small and medium-sized enterprises (MSMEs) in EU-compliant and green technologies, improving their competitiveness on domestic and foreign markets. Upon completion of their investment projects, eligible sub-borrowers will receive investment grant incentives financed by the EU under its EU4Business initiative, and technical assistance. The EBRD has already allocated €66 million of EU grant support for Ukrainian MSMEs under the EBRD-EU4Business Credit Line, including €5 million to projects through OTPU.

In the new addition to such risk-sharing agreements, sub-borrowers that have suffered asset destruction, loss or relocation due to the war, or those engaged in reintegrating veterans into the workforce, are eligible for additional investment incentives.