

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

**INTERIM FINANCIAL REPORT**

**At 31 March 2012**

**(UNAUDITED)**

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**Income statement****For the quarter ended 31 March 2012 (unaudited) and 31 March 2011 (unaudited)**

	<b>Quarter to 31 March 2012 €million</b>	<b>Quarter to 31 March 2011 €million</b>
Interest and similar income		
From Banking loans	263	189
From fixed-income debt securities and other interest	11	26
Interest expense and similar charges	(53)	(33)
<b>Net interest income</b>	<b>221</b>	<b>182</b>
Net fee and commission income	2	5
Dividend income	9	-
Net gains from share investments at fair value through profit or loss	397	165
Net gains from loans at fair value through profit or loss	9	2
Net gains from loans at amortised cost	4	-
Net gains from Treasury investments held at amortised cost	-	3
Net gains from dealing activities at fair value through profit or loss and foreign exchange	41	11
Fair value movement on non-qualifying and ineffective hedges	16	(5)
Provisions for impairment of Banking loan investments	1	27
General administrative expenses	(57)	(55)
Depreciation and amortisation	(6)	(5)
<b>Net profit for the period</b>	<b>637</b>	<b>330</b>

**Statement of comprehensive income****For the quarter ended 31 March 2012 (unaudited) and 31 March 2011 (unaudited)**

	<b>Quarter to 31 March 2012 €million</b>	<b>Quarter to 31 March 2011 €million</b>
<b>Net profit</b>	<b>637</b>	<b>330</b>
<b>Other comprehensive income/(loss)</b>		
Share investment designated as fair value through other comprehensive income	2	(2)
Cash flow hedges	(1)	(9)
<b>Total comprehensive income</b>	<b>638</b>	<b>319</b>
Attributable to:		
<b>Equity holders</b>	<b>638</b>	<b>319</b>

**Balance Sheet****At 31 March 2012 (unaudited) and 31 December 2011 (audited)**

	€million	31 March 2012 €million	€million	31 December 2011 €million
<b>Assets</b>				
Placements with and advances to credit institutions	6,008		5,172	
Debt securities				
At fair value through profit or loss	428		411	
At amortised cost	11,276		11,161	
Less: Provisions for impairment	(9)		(34)	
	<u>11,695</u>		<u>11,538</u>	
Collateralised placements	<u>843</u>		<u>851</u>	
		<u>18,546</u>		<u>17,561</u>
Other financial assets				
Derivative financial instruments	4,567		5,111	
Other financial assets	<u>608</u>		<u>517</u>	
		<u>5,175</u>		<u>5,628</u>
Loan investments				
<i>Banking portfolio</i>				
Loans at amortised cost	18,158		18,088	
Less: Provisions for impairment	(660)		(672)	
Loans at fair value through profit or loss	<u>222</u>		<u>239</u>	
		<u>17,720</u>		<u>17,655</u>
Share investments				
<i>Banking portfolio</i>				
Share investments at fair value through profit or loss	6,812		6,037	
<i>Treasury portfolio</i>				
Share investments at fair value through other comprehensive income	<u>60</u>		<u>58</u>	
		<u>6,872</u>		<u>6,095</u>
Intangible assets		44		44
Property, technology and office equipment		38		38
Paid-in capital receivable		14		15
<b>Total assets</b>		<b>48,409</b>		<b>47,036</b>
<b>Liabilities</b>				
Borrowings				
Amounts owed to credit institutions	2,744		2,610	
Debts evidenced by certificates	<u>29,815</u>		<u>29,195</u>	
		<u>32,559</u>		<u>31,805</u>
Other financial liabilities				
Derivative financial instruments	1,606		1,643	
Other financial liabilities	<u>432</u>		<u>415</u>	
		<u>2,038</u>		<u>2,058</u>
<b>Total liabilities</b>		<b>34,597</b>		<b>33,863</b>
<b>Members' equity</b>				
Paid-in capital		6,199		6,199
Reserves and retained earnings		<u>7,613</u>		<u>6,974</u>
<b>Total members' equity</b>		<b>13,812</b>		<b>13,173</b>
<b>Total liabilities and members' equity</b>		<b>48,409</b>		<b>47,036</b>
<b>Memorandum items</b>				
Undrawn commitments		10,284		10,034

**Statement of changes in equity for the quarter ended 31 March 2012 (unaudited) and 31 March 2011 (unaudited)**

	<b>Subscribed capital €million</b>	<b>Callable capital €million</b>	<b>Fair value through other comprehensive income reserve €million</b>	<b>Cash flow reserves €million</b>	<b>Retained earnings €million</b>	<b>Total equity €million</b>
At 31 December 2010	20,793	(14,596)	8	-	6,772	12,977
Total comprehensive income for the period	-	-	(2)	(9)	330	319
Internal tax for the period	-	-	-	-	1	1
<b>At 31 March 2011</b>	<b>20,793</b>	<b>(14,596)</b>	<b>6</b>	<b>(9)</b>	<b>7,103</b>	<b>13,297</b>
At 31 December 2011	28,380	(22,181)	10	15	6,949	13,173
Total comprehensive income for the period	-	-	2	(1)	637	638
Internal tax for the period	-	-	-	-	1	1
Capital subscriptions	157	(157)	-	-	-	-
<b>At 31 March 2012</b>	<b>28,537</b>	<b>(22,338)</b>	<b>12</b>	<b>14</b>	<b>7,587</b>	<b>13,812</b>

## Statement of cash flows for the quarter ended 31 March 2012 (unaudited) and 31 March 2011 (unaudited)

	Year to 31 March 2012 €million	Year to 31 March 2011 €million
<b>Cash flows from operating activities</b>		
Net profit for the year	637	330
Adjustments for:		
Unwinding of the discount relating to impaired identified assets	(3)	(3)
Interest income	(271)	(212)
Interest expense and similar charges	53	33
Net deferral of fees and direct costs	18	20
Internal tax	1	1
Realised gains on share investments and equity derivatives	(21)	(87)
Unrealised gains on share investments and equity derivatives at fair value through profit or loss	(376)	(78)
Unrealised gains from loans at fair value through profit or loss	(5)	(2)
Realised gains on Banking loans	(9)	-
Realised gains on Treasury investments	-	(1)
Fair value movement on hedges	(16)	5
Unrealised mark-to-market movement	116	(14)
Foreign exchange gains	-	(2)
Depreciation and amortisation	6	5
Provisions for impairment of debt securities at amortised cost	-	(1)
Gross provisions release for Banking loan losses	(1)	(27)
	<u>129</u>	<u>(33)</u>
Interest income received	252	195
Interest expense and similar charges paid	(20)	(20)
(Increase)/decrease in operating assets:		
Prepaid expenses	81	10
Proceeds from repayments of Banking loans	1,317	860
Funds advanced for Banking loans	(1,446)	(1,391)
Proceeds from sale of Banking share investments and equity derivatives	66	150
Funds advanced for Banking share investments	(413)	(76)
Net placements from credit institutions	468	22
Movement in amounts owed to credit institutions	134	(281)
Increase/(decrease) in operating liabilities:		
Accrued expenses	5	(15)
<b>Net cash from/(used in) operating activities</b>	<u>573</u>	<u>(579)</u>
<b>Cash flows used in investing activities</b>		
Proceeds from debt securities at amortised cost	3,356	1,977
Purchases of debt securities at amortised cost	(3,765)	(3,351)
Proceeds from sale of debt securities held at fair value through profit or loss	309	413
Purchases of debt securities held at fair value through profit or loss	(335)	(558)
Purchase of intangible assets, property, technology and office equipment	(6)	(4)
<b>Net cash used in investing activities</b>	<u>(441)</u>	<u>(1,523)</u>
<b>Cash flows from financing activities</b>		
Capital received	-	2
Issue of debts evidenced by certificates	4,194	4,824
Redemption of debts evidenced by certificates	(3,031)	(2,666)
<b>Net cash from financing activities</b>	<u>1,163</u>	<u>2,160</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,295</u>	<u>58</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>4,450</u>	<u>3,316</u>
<b>Cash and cash equivalents at 31 March</b>	<u>5,745</u>	<u>3,374</u>
	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Cash and cash equivalents<sup>1</sup></b>	<b>€million</b>	<b>€million</b>
Placements with and advances to credit institutions	5,745	3,374
Collateralised placements	-	-
<b>Cash and cash equivalents at 31 March</b>	<u>5,745</u>	<u>3,374</u>

<sup>1</sup> Cash and cash equivalents are amounts with less than three months to maturity from the date of the transactions, which are available for use at short notice and are subject to insignificant risk of change in value. Within the 31 March 2012 balance is €20 million restricted for technical assistance to be provided to member countries in the SEMED region.

## **Explanatory notes**

### **1. Establishment of the Bank**

#### **i Agreement Establishing the Bank**

The European Bank for Reconstruction and Development ("the Bank"), whose principal office is located in London, is an international organisation formed under the Agreement Establishing the Bank dated 29 May 1990 ("the Agreement"). At 31 March 2012 the Bank's shareholders comprised 63 countries, together with the European Union and the European Investment Bank.

#### **ii Headquarters Agreement**

The status, privileges and immunities of the Bank and persons connected therewith in the United Kingdom are defined in the Agreement and in the Headquarters Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Bank ("Headquarters Agreement"). The Headquarters Agreement was signed in London upon the commencement of the Bank's operations on 15 April 1991.

### **2. A summary of significant accounting policies**

#### **i Accounting convention**

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through other comprehensive income and financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. In addition, financial assets and liabilities subject to amortised cost measurement, where they form part of a qualifying hedge relationship, have been accounted for in accordance with hedge accounting rules. The financial statements have been prepared on a going concern basis.

#### **ii Financial statements presentation**

The financial statements are presented in a manner consistent with the Bank's audited financial statements for the year ended 31 December 2011. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods have been made. For further information please refer to the Bank's audited financial statements as at 31 December 2011. The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending 31 December 2012.

**3. Banking loan investments at amortised cost**

	2012 Sovereign loans €million	2012 Non-sovereign loans €million	2012 Total loans €million	2011 Sovereign loans €million	2011 Non-sovereign loans €million	2011 Total loans €million
<b>Operating assets</b>						
At 1 January	2,440	15,648	18,088	2,341	12,902	15,243
Movement in fair value revaluation <sup>1</sup>	-	(6)	(6)	-	(4)	(4)
Disbursements	108	1,335	1,443	60	1,312	1,372
Repayments and prepayments	(76)	(1,212)	(1,288)	(71)	(775)	(846)
Foreign exchange movements	(24)	(58)	(82)	(48)	(304)	(352)
Movement in net deferral of front end fees and related direct costs	-	3	3	(1)	(7)	(8)
<b>At 31 March</b>	<b>2,448</b>	<b>15,710</b>	<b>18,158</b>	<b>2,281</b>	<b>13,124</b>	<b>15,405</b>
Portfolio provisions for the unidentified impairment of loan investments	(13)	(392)	(405)	(11)	(337)	(348)
Specific provisions for the identified impairment of loan investments	-	(255)	(255)	-	(233)	(233)
<b>Total operating assets net of provisions for impairment at 31 March</b>	<b>2,435</b>	<b>15,063</b>	<b>17,498</b>	<b>2,270</b>	<b>12,554</b>	<b>14,824</b>

<sup>1</sup> The movement in fair value revaluation relates to those fixed rate loans that form part of a qualifying hedge relationship with a derivative position and as such are re-measured to fair value in respect of interest rate risk.

At 31 March 2012 the Bank categorised 58 loans as impaired, with operating assets totalling €508 million (31 December 2011: 58 loans totalling €484 million; 31 March 2011: 49 loans totalling €462 million). Specific provisions on these assets amounted to €255 million (31 December 2011: €250 million; 31 March 2011: €233 million).

**Banking loan investments at fair value through profit or loss**

	2012 Non-sovereign loans €million	2011 Non-sovereign loans €million
<b>Operating assets</b>		
At 1 January	239	221
Disbursements	3	2
Repayments and prepayments	(20)	19
Movement in fair value revaluation	5	(13)
Foreign exchange movements	(5)	6
<b>At 31 March</b>	<b>222</b>	<b>235</b>



**4. Share investments**

	<b>2012</b> <b>Fair value</b> <b>through</b> <b>profit or</b> <b>loss</b> <b>unlisted</b> <b>share</b> <b>investments</b> <b>€million</b>	<b>2012</b> <b>Fair value</b> <b>through</b> <b>profit or</b> <b>loss</b> <b>listed</b> <b>share</b> <b>investments</b> <b>€million</b>	<b>2012</b> <b>Fair value</b> <b>through</b> <b>profit or</b> <b>loss</b> <b>total</b> <b>share</b> <b>investments</b> <b>€million</b>	2011 Fair value through profit or loss unlisted share investments €million	2011 Fair value through profit or loss listed share investments €million	2011 Fair value through profit or loss total share investments €million
<b>Outstanding disbursements</b>						
At 1 January	4,444	1,627	6,071	3,908	1,529	5,437
Disbursements	361	52	413	74	2	76
Disposals	(43)	-	(43)	(42)	(21)	(63)
Written off	(2)	-	(2)	-	-	-
<b>At 31 March</b>	<b>4,760</b>	<b>1,679</b>	<b>6,439</b>	3,940	1,510	5,450
<b>Fair value adjustment</b>						
At 1 January	141	(175)	(34)	12	349	361
Movement in fair value revaluation	233	174	407	82	51	133
<b>At 31 March</b>	<b>374</b>	<b>(1)</b>	<b>373</b>	94	400	494
<b>Fair value at 31 March</b>	<b>5,134</b>	<b>1,678</b>	<b>6,812</b>	4,034	1,910	5,944

## 5. Primary segment analysis

### Business segments

For management purposes the business of the Bank is comprised primarily of Banking and Treasury operations. Banking activities represent investment in projects which, in accordance with the Agreement, are made for the purpose of assisting the countries of operations in their transition to a market economy, while 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 matters.

### Primary reporting format - business segment

	31 March 2012			31 March 2011		
	Banking €million	Treasury €million	Aggregated €million	Banking €million	Treasury €million	Aggregated €million
Interest income	263	11	274	189	26	215
Other income	421	41	462	172	14	186
<b>Total segment revenue</b>	<b>684</b>	<b>52</b>	<b>736</b>	361	40	401
Less interest expense and similar charges	(112)	20	(92)	(61)	(7)	(68)
Allocation of the return on capital	35	4	39	32	3	35
Less general administrative expenses	(53)	(4)	(57)	(51)	(4)	(55)
Less depreciation and amortisation	(6)	-	(6)	(5)	-	(5)
<b>Segment result before provisions and hedges</b>	<b>548</b>	<b>72</b>	<b>620</b>	276	32	308
Fair value movement on non-qualifying and ineffective hedges	-	16	16	-	(5)	(5)
Provision for impairment of loan investments	1	-	1	27	-	(27)
<b>Net profit for the period</b>	<b>549</b>	<b>88</b>	<b>637</b>	303	27	330
<b>Segment assets</b>	<b>25,396</b>	<b>23,013</b>	<b>48,409</b>	21,897	18,932	40,829
<b>Segment liabilities</b>	<b>284</b>	<b>34,313</b>	<b>34,597</b>	166	27,366	27,532

Interest expense and similar charges, net of the allocation of the return on capital, is €53 million (Q1 2011: €33 million). This is the Bank's "interest expense and similar charges" as reported in the income statement.