

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

**INTERIM FINANCIAL REPORT**

**At 30 September 2012**

**(UNAUDITED)**

## Table of contents

---

Income statement	2
Statement of comprehensive income	3
Balance sheet	4
Statement of changes in equity	5
Statement of cash flows	6
Explanatory notes	7

**Income statement****For the quarter ended 30 September 2012 (unaudited) and 30 September 2011 (unaudited)**

	<b>Quarter to 30 September 2012 € million</b>	<b>Actual Year to date 2012 € million</b>	<b>Quarter to 30 September 2011 € million</b>	<b>Actual Year to date 2011 € million</b>
Interest and similar income				
From Banking loans	265	787	219	606
From fixed-income debt securities and other interest	8	54	35	97
Interest expense and similar charges	(47)	(179)	(44)	(118)
<b>Net interest income</b>	<b>226</b>	<b>662</b>	210	585
Net fee and commission income	19	23	8	14
Dividend income	19	77	34	70
Net gains/(losses) from share investments at fair value through profit or loss	129	195	(653)	(391)
Net gains from loans at fair value through profit or loss	11	28	10	6
Net (losses)/gains from loans at amortised cost	(1)	3	2	2
Net losses from Treasury investments held at amortised cost	(4)	(4)	(4)	(4)
Net gains from dealing activities at fair value through profit or loss and foreign exchange	11	68	34	60
Fair value movement on non-qualifying and ineffective hedges	(7)	70	(86)	(93)
Provisions for impairment of Banking loan investments	(14)	(21)	8	(54)
General administrative expenses	(64)	(188)	(61)	(178)
Depreciation and amortisation	(7)	(19)	(5)	(15)
<b>Net profit/(loss) for the period</b>	<b>318</b>	<b>894</b>	(503)	2

**Statement of comprehensive income****For the quarter ended 30 September 2012 (unaudited) and 30 September 2011 (unaudited)**

	<b>Quarter to 30 September 2012 € million</b>	<b>Actual Year to date 2012 € million</b>	Quarter to 30 September 2011 € million	Actual Year to date 2011 € million
<b>Net profit/(loss)</b>	<b>318</b>	<b>894</b>	(503)	2
<b>Other comprehensive income/(loss)</b>				
Share investment designated as fair value through other comprehensive income	2	6	5	2
Cash flow hedges	-	3	9	(1)
<b>Total comprehensive income/(loss)</b>	<b>320</b>	<b>903</b>	(489)	3
Attributable to:				
<b>Equity holders</b>	<b>320</b>	<b>903</b>	(489)	3

**Balance Sheet****At 30 September 2012 (unaudited) and 31 December 2011 (audited)**

	€ million	30 September 2012 € million	€ million	31 December 2011 € million
<b>Assets</b>				
Placements with and advances to credit institutions	8,697		5,172	
Debt securities				
At fair value through profit or loss	344		411	
At amortised cost	11,883		11,161	
Less: Provisions for impairment	(9)		(34)	
	<u>12,218</u>		<u>11,538</u>	
Collateralised placements	<u>858</u>		<u>851</u>	
		<u>21,773</u>		<u>17,561</u>
Other financial assets				
Derivative financial instruments	5,363		5,111	
Other financial assets	<u>605</u>		<u>517</u>	
		<u>5,968</u>		<u>5,628</u>
Loan investments				
<i>Banking portfolio</i>				
Loans at amortised cost	18,940		18,088	
Less: Provisions for impairment	(688)		(672)	
Loans at fair value through profit or loss	<u>232</u>		<u>239</u>	
		<u>18,484</u>		<u>17,655</u>
Share investments				
<i>Banking portfolio</i>				
Share investments at fair value through profit or loss	6,623		6,037	
<i>Treasury portfolio</i>				
Share investments at fair value through other comprehensive income	<u>64</u>		<u>58</u>	
		<u>6,687</u>		<u>6,095</u>
Intangible assets		41		44
Property, technology and office equipment		42		38
Paid-in capital receivable		15		15
<b>Total assets</b>		<b>53,010</b>		<b>47,036</b>
<b>Liabilities</b>				
Borrowings				
Amounts owed to credit institutions	3,370		2,610	
Debts evidenced by certificates	<u>33,066</u>		<u>29,195</u>	
		<u>36,436</u>		<u>31,805</u>
Other financial liabilities				
Derivative financial instruments	1,890		1,643	
Other financial liabilities	<u>604</u>		<u>415</u>	
		<u>2,494</u>		<u>2,058</u>
<b>Total liabilities</b>		<b>38,930</b>		<b>33,863</b>
<b>Members' equity</b>				
Paid-in capital		6,199		6,199
Reserves and retained earnings		<u>7,881</u>		<u>6,974</u>
<b>Total members' equity</b>		<b>14,080</b>		<b>13,173</b>
<b>Total liabilities and members' equity</b>		<b>53,010</b>		<b>47,036</b>
<b>Memorandum items</b>				
Undrawn commitments		10,300		10,034

**Statement of changes in equity for the nine months ended 30 September 2012 (unaudited) and 30 September 2011 (unaudited)**

	Subscribed capital € million	Callable capital € million	Fair value through other comprehensive income reserve € million	Cash flow reserves € million	Retained earnings € million	Total equity € million
At 31 December 2010	20,793	(14,596)	8	-	6,772	12,977
Total comprehensive income for the period	-	-	2	(1)	2	3
Internal tax for the period	-	-	-	-	2	2
2011 Capital Increase	6,909	(6,909)	-	-	-	-
<b>At 30 September 2011</b>	<b>27,702</b>	<b>(21,505)</b>	<b>10</b>	<b>(1)</b>	<b>6,776</b>	<b>12,982</b>
At 31 December 2011	28,380	(22,181)	10	15	6,949	13,173
Total comprehensive income for the period	-	-	6	3	894	903
Internal tax for the period	-	-	-	-	-	4
Capital subscriptions	1,130	(1,130)	-	-	-	-
<b>At 30 September 2012</b>	<b>29,510</b>	<b>(23,311)</b>	<b>16</b>	<b>18</b>	<b>7,843</b>	<b>14,080</b>

**Statement of cash flows for the nine months ended 30 September 2012 (unaudited) and 30 September 2011 (unaudited)**

	Year to 30 September 2012 € million	Year to 30 September 2011 € million
<b>Cash flows from operating activities</b>		
Net profit for the period	894	2
Adjustments for:		
Unwinding of the discount relating to impaired identified assets	(9)	(8)
Interest income	(832)	(695)
Interest expense and similar charges	179	118
Net deferral of fees and direct costs	61	72
Internal tax	4	3
Realised gains on share investments and equity derivatives	(186)	(126)
Unrealised (gains)/losses on share investments and equity derivatives at fair value through profit or loss	(9)	517
Unrealised gains from loans at fair value through profit or loss	(24)	(6)
Realised gains on Banking loans	(7)	-
Fair value movement on hedges	(70)	93
Unrealised mark-to-market movement	(128)	408
Foreign exchange gains	-	(2)
Depreciation and amortisation	19	15
Provisions for impairment of debt securities at amortised cost	-	3
Gross provisions charge for Banking loan losses	21	54
	<u>(83)</u>	<u>448</u>
Interest income received	760	626
Interest expense and similar charges paid	(110)	(62)
Decrease/(increase) in operating assets:		
Prepaid expenses	95	11
Fair value movement on net Treasury assets	-	2,847
Proceeds from repayments of Banking loans	4,319	328
Funds advanced for Banking loans	(4,984)	(5,092)
Proceeds from sale of Banking share investments and equity derivatives	523	385
Funds advanced for Banking share investments	(928)	(756)
Net placements from credit institutions	(814)	22
Movement in amounts owed to credit institutions	492	540
Increase/(decrease) in operating liabilities:		
Accrued expenses	6	(1)
<b>Net cash from/(used in) operating activities</b>	<u>(724)</u>	<u>(704)</u>
<b>Cash flows used in investing activities</b>		
Proceeds from debt securities at amortised cost	9,442	7,011
Purchases of debt securities at amortised cost	(10,039)	(9,361)
Proceeds from sale of debt securities held at fair value through profit or loss	735	1,130
Purchases of debt securities held at fair value through profit or loss	(664)	(862)
Purchase of intangible assets, property, technology and office equipment	(19)	(15)
<b>Net cash used in investing activities</b>	<u>(545)</u>	<u>(2,097)</u>
<b>Cash flows from financing activities</b>		
Issue of debts evidenced by certificates	11,504	12,072
Redemption of debts evidenced by certificates	(7,785)	(7,525)
<b>Net cash from financing activities</b>	<u>3,719</u>	<u>4,547</u>
<b>Net increase in cash and cash equivalents</b>	<u>2,450</u>	<u>1,746</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 30 September</b>	<u>6,900</u>	<u>5,062</u>
	<b>30 September 2012</b>	<b>30 September 2011</b>
<b>Cash and cash equivalents<sup>1</sup></b>	<b>€ million</b>	<b>€ million</b>
Placements with and advances to credit institutions	6,900	5,041
Collateralised placements	-	21
<b>Cash and cash equivalents at 30 September</b>	<b>6,900</b>	<b>5,062</b>

<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 30 September 2012 balance is €18 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 30 September 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 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 full year ending 31 December 2012.



### 3. Banking loan investments

#### (i) at amortised cost

	<b>2012</b>	<b>2012</b>	<b>2012</b>	2011	2011	2011
	<b>Sovereign</b>	<b>Non-sovereign</b>	<b>Total</b>	Sovereign	Non-sovereign	Total
	<b>loans</b>	<b>loans</b>	<b>loans</b>	loans	loans	loans
	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>	€ million	€ million	€ 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>	-	1	1	-	6	6
Disbursements	336	4,604	4,940	223	4,830	5,053
Repayments and prepayments	(257)	(3,979)	(4,236)	(252)	(2,886)	(3,138)
Foreign exchange movements	4	139	143	(1)	(104)	(105)
Movement in net deferral of front end fees and related direct costs	1	4	5	(6)	(32)	(38)
Written off	-	(1)	(1)	-	(6)	(6)
<b>At 30 September</b>	<b>2,524</b>	<b>16,416</b>	<b>18,940</b>	2,305	14,710	17,015
Portfolio provisions for the unidentified impairment of loan investments	(13)	(374)	(387)	(12)	(439)	(451)
Specific provisions for the identified impairment of loan investments	-	(301)	(301)	-	(218)	(218)
<b>Total operating assets net of provisions for impairment at 30 September</b>	<b>2,511</b>	<b>15,741</b>	<b>18,252</b>	2,293	14,053	16,346

<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 30 September 2012 the Bank categorised 64 loans as impaired, with operating assets totalling €609 million (31 December 2011: 58 loans totalling €484 million; 30 September 2011: 52 loans totalling €434 million). Specific provisions on these assets amounted to €301 million (31 December 2011: €250 million; 30 September 2011: €218 million).

#### (ii) at fair value through profit or loss

	<b>2012</b>	2011
	<b>Non-sovereign</b>	Non-sovereign
	<b>loans</b>	loans
	<b>€ million</b>	€ million
<b>Operating assets</b>		
At 1 January	239	221
Disbursements	44	39
Repayments and prepayments	(76)	(37)
Movement in fair value revaluation	24	6
Foreign exchange movements	1	4
<b>At 30 September</b>	<b>232</b>	233

**4. Share investments**

	<b>2012</b>	<b>2012</b>	<b>2012</b>	2011	2011	2011
	<b>Fair value</b>	<b>Fair value</b>	<b>Fair value</b>	Fair value	Fair value	Fair value
	<b>Unlisted</b>	<b>Listed</b>	<b>Total</b>	Unlisted	Listed	Total
	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>	€ million	€ million	€ million
<b>Outstanding disbursements</b>						
At 1 January	4,444	1,627	6,071	3,908	1,529	5,437
Disbursements	792	136	928	626	130	756
Disposals	(297)	(38)	(335)	(227)	(32)	(259)
Written off	(1)	-	(1)	-	-	-
<b>At 30 September</b>	<b>4,938</b>	<b>1,725</b>	<b>6,663</b>	4,307	1,627	5,934
<b>Fair value adjustment</b>						
At 1 January	141	(175)	(34)	12	349	361
Transfer from unlisted to listed	-	-	-	6	(6)	-
Movement in fair value revaluation	(129)	123	(6)	158	(609)	(451)
<b>At 30 September</b>	<b>12</b>	<b>(52)</b>	<b>(40)</b>	176	(266)	(90)
<b>Fair value at 30 September</b>	<b>4,950</b>	<b>1,673</b>	<b>6,623</b>	4,483	1,361	5,844
<b>Equity derivatives at 30 September</b>	<b>300</b>	<b>67</b>	<b>367</b>	292	186	478

## 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

	First 9 months 2012			First 9 months 2011		
	Banking € million	Treasury € million	Aggregated € million	Banking € million	Treasury € million	Aggregated € million
Interest income	787	54	841	606	97	703
Other income	326	64	390	(299)	56	(243)
<b>Total segment revenue</b>	<b>1,113</b>	<b>118</b>	<b>1,231</b>	307	153	460
Less interest expense and similar charges	(303)	40	(263)	(212)	(35)	(247)
Allocation of the return on capital	76	8	84	116	13	129
Less general administrative expenses	(176)	(12)	(188)	(167)	(11)	(178)
Less depreciation and amortisation	(18)	(1)	(19)	(14)	(1)	(15)
<b>Segment result before provisions and hedges</b>	<b>692</b>	<b>153</b>	<b>845</b>	30	119	149
Fair value movement on non-qualifying and ineffective hedges	-	70	70	-	(93)	(93)
Provision for impairment of loan investments	(21)	-	(21)	(54)	-	(54)
<b>Net profit for the period</b>	<b>671</b>	<b>223</b>	<b>894</b>	(24)	26	2
<b>Segment assets</b>	<b>25,932</b>	<b>27,078</b>	<b>53,010</b>	23,350	22,176	45,526
<b>Segment liabilities</b>	<b>211</b>	<b>38,719</b>	<b>38,930</b>	197	32,347	32,544

Interest expense and similar charges, net of the allocation of the return on capital, is €179 million (2011: €118 million). This is the Bank's "interest expense and similar charges" as reported in the income statement.