

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

**INTERIM FINANCIAL REPORT**

**At 31 March 2013**

**(UNAUDITED)**

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**Income statement****For the quarter ended 31 March 2013 (unaudited) and 31 March 2012 (unaudited)**

	Quarter to 31 March 2013 €million	Quarter to 31 March 2012 €million
Interest and similar income		
From Banking loans	253	263
From fixed-income debt securities and other interest	26	51
Interest expense and similar charges	(24)	(48)
Net interest expense on derivatives	(43)	(45)
<b>Net interest income</b>	<b>212</b>	<b>221</b>
Net fee and commission income	7	2
Dividend income	8	9
Net gains from share investments at fair value through profit or loss	186	397
Net (losses)/gains from loans at fair value through profit or loss	(9)	9
Net gains from loans at amortised cost	3	4
Net gains from Treasury investments held at amortised cost	2	-
Net gains from Treasury activities at fair value through profit or loss and foreign exchange	41	41
Fair value movement on non-qualifying and ineffective hedges	44	16
Provisions for impairment of Banking loan investments	8	1
General administrative expenses	(67)	(57)
Depreciation and amortisation	(8)	(6)
<b>Net profit for the period</b>	<b>427</b>	<b>637</b>
Transfers of net income approved by the Board of Governors	(25)	-
<b>Financial accounting net profit after transfers of net income approved by the Board of Governors</b>	<b>402</b>	<b>637</b>

**Statement of comprehensive income****For the quarter ended 31 March 2013 (unaudited) and 31 March 2012 (unaudited)**

	Quarter to 31 March 2013 €million	Quarter to 31 March 2012 €million
<b>Net profit</b>	<b>402</b>	<b>637</b>
<b>Other comprehensive income/(loss)</b>		
Share investment designated as fair value through other comprehensive income	4	2
Cash flow hedges	(9)	(1)
<b>Total comprehensive income</b>	<b>397</b>	<b>638</b>
Attributable to:		
<b>Equity holders</b>	<b>397</b>	<b>638</b>

**Balance Sheet****At 31 March 2013 (unaudited) and 31 December 2012 (audited)**

	€million	31 March 2013 €million	€million	31 December 2012 €million
<b>Assets</b>				
Placements with and advances to credit institutions		8,796		7,515
Debt securities				
At fair value through profit or loss	212		175	
At amortised cost	11,632		12,243	
Less: Provisions for impairment	(1)		(8)	
		<u>11,843</u>		12,410
Collateralised placements		<u>596</u>		600
		<u>21,235</u>		<u>20,525</u>
Other financial assets				
Derivative financial instruments	4,462		4,671	
Other financial assets	457		354	
		<u>4,919</u>		<u>5,025</u>
Loan investments				
<i>Banking portfolio</i>				
Loans at amortised cost	19,424		19,333	
Less: Provisions for impairment	(736)		(736)	
Loans at fair value through profit or loss	239		247	
		<u>18,927</u>		<u>18,844</u>
Share investments				
<i>Banking portfolio</i>				
Share investments at fair value through profit or loss	6,715		6,649	
<i>Treasury portfolio</i>				
Share investments at fair value through other comprehensive income	67		64	
		<u>6,782</u>		<u>6,713</u>
Intangible assets		38		41
Property, technology and office equipment		41		42
Paid-in capital receivable		13		12
<b>Total assets</b>		<b>51,955</b>		<b>51,202</b>
<b>Liabilities</b>				
Borrowings				
Amounts owed to credit institutions	2,836		3,086	
Debts evidenced by certificates	32,305		31,824	
		<u>35,141</u>		<u>34,910</u>
Other financial liabilities				
Derivative financial instruments	1,672		1,752	
Other financial liabilities	734		530	
		<u>2,406</u>		<u>2,282</u>
<b>Total liabilities</b>		<b>37,547</b>		<b>37,192</b>
<b>Members' equity</b>				
Paid-in capital		6,202		6,202
Reserves and retained earnings		8,206		7,808
<b>Total members' equity</b>		<b>14,408</b>		<b>14,010</b>
<b>Total liabilities and members' equity</b>		<b>51,955</b>		<b>51,202</b>
<b>Memorandum items</b>				
Undrawn commitments		10,928		10,995

**Statement of changes in equity for the quarter ended 31 March 2013 (unaudited) and 31 March 2012 (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 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>
At 31 December 2012	29,601	(23,399)	16	7	7,785	14,040
Total comprehensive income for the period	-	-	4	(9)	402	397
Internal tax for the period	-	-	-	-	1	1
Capital subscriptions	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>29,601</b>	<b>(23,399)</b>	<b>20</b>	<b>(2)</b>	<b>8,188</b>	<b>14,408</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	402	637
Adjustments for:		
Unwinding of the discount relating to impaired identified assets	(4)	(3)
Interest income	(275)	(271)
Interest expense and similar charges	67	53
Net deferral of fees and direct costs	15	18
Internal tax	2	1
Realised gains on share investments and equity derivatives	(66)	(21)
Unrealised gains on share investments and equity derivatives at fair value through profit or loss	(120)	(376)
Unrealised losses/(gains) from loans at fair value through profit or loss	9	(5)
Realised gains on Banking loans	(3)	(9)
Realised gains on Treasury investments	(18)	-
Fair value movement on hedges	(44)	(16)
Unrealised mark-to-market movement	330	116
Foreign exchange gains	1	-
Depreciation and amortisation	8	6
Profit on disposal of property, technology and office equipment	(2)	-
Provisions for impairment of debt securities at amortised cost	1	-
Gross provisions release for Banking loan losses	(8)	(1)
	<u>295</u>	<u>129</u>
Interest income received	267	252
Interest expense and similar charges paid	(32)	(20)
(Increase)/decrease in operating assets:		
Prepaid expenses	11	81
Proceeds from repayments of Banking loans	1,856	1,317
Funds advanced for Banking loans	(1,752)	(1,446)
Proceeds from sale of Banking share investments and equity derivatives	170	66
Funds advanced for Banking share investments	(51)	(413)
Net placements (to)/from credit institutions	(844)	468
Movement in amounts owed to credit institutions	-	134
Decrease/(increase) in operating liabilities:		
Accrued expenses	(25)	5
<b>Net cash (used in)/from operating activities</b>	<u>(105)</u>	<u>573</u>
<b>Cash flows from/(used in) investing activities</b>		
Proceeds from debt securities at amortised cost	5,871	3,356
Purchases of debt securities at amortised cost	(5,277)	(3,765)
Proceeds from sale of debt securities held at fair value through profit or loss	234	309
Purchases of debt securities held at fair value through profit or loss	(245)	(335)
Proceeds from sale of property, technology and office equipment	3	-
Purchase of intangible assets, property, technology and office equipment	(6)	(6)
<b>Net cash from/(used in) investing activities</b>	<u>580</u>	<u>(441)</u>
<b>Cash flows from financing activities</b>		
Issue of debts evidenced by certificates	2,965	4,194
Redemption of debts evidenced by certificates	(2,758)	(3,031)
<b>Net cash from financing activities</b>	<u>207</u>	<u>1,163</u>
<b>Net increase in cash and cash equivalents</b>	<u>682</u>	<u>1,295</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>5,897</u>	<u>4,450</u>
<b>Cash and cash equivalents at 31 March</b>	<u>6,579</u>	<u>5,745</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 2013 balance is €17 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 2013 the Bank's shareholders comprised 64 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 2012. 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 2012. The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending 31 December 2013.

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

	<b>2013</b>	<b>2013</b>	<b>2013</b>	2012	2012	2012
	<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	<b>2,690</b>	<b>16,643</b>	<b>19,333</b>	2,440	15,648	18,088
Movement in fair value revaluation <sup>1</sup>	-	<b>(16)</b>	<b>(16)</b>	-	(6)	(6)
Disbursements	<b>59</b>	<b>1,670</b>	<b>1,729</b>	108	1,335	1,443
Repayments and prepayments	<b>(70)</b>	<b>(1,755)</b>	<b>(1,825)</b>	(76)	(1,212)	(1,288)
Foreign exchange movements	<b>20</b>	<b>171</b>	<b>191</b>	(24)	(58)	(82)
Movement in net deferral of front end fees and related direct costs	<b>2</b>	<b>10</b>	<b>12</b>	-	3	3
<b>At 31 March</b>	<b>2,701</b>	<b>16,723</b>	<b>19,424</b>	2,448	15,710	18,158
Portfolio provisions for the unidentified impairment of loan investments	<b>(17)</b>	<b>(446)</b>	<b>(463)</b>	(13)	(392)	(405)
Specific provisions for the identified impairment of loan investments	-	<b>(273)</b>	<b>(273)</b>	-	(255)	(255)
<b>Total operating assets net of provisions for impairment at 31 March</b>	<b>2,684</b>	<b>16,004</b>	<b>18,688</b>	2,435	15,063	17,498

<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 2013 the Bank categorised 71 loans as impaired, with operating assets totalling €88 million (31 December 2012: 72 loans totalling €24 million; 31 March 2012: 58 loans totalling €08 million). Specific provisions on these assets amounted to €73 million (31 December 2012: €80 million; 31 March 2012: €255 million).

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

	<b>2013</b>	2012
	<b>Non-sovereign</b>	Non-sovereign
	<b>loans</b>	Loans
	<b>€million</b>	€million
<b>Operating assets</b>		
At 1 January	<b>247</b>	239
Disbursements	<b>23</b>	3
Repayments and prepayments	<b>(27)</b>	(20)
Movement in fair value revaluation	<b>(9)</b>	5
Foreign exchange movements	<b>5</b>	(5)
<b>At 31 March</b>	<b>239</b>	222



#### 4. Share investments

	2013 Fair value Unlisted €million	2013 Fair value Listed €million	2013 Fair value Total €million	2012 Fair value Unlisted €million	2012 Fair value Listed €million	2012 Fair Value Total €million
<b>Outstanding disbursements</b>						
At 1 January	4,871	1,696	6,567	4,444	1,627	6,071
Transfer from unlisted to listed	(202)	202	-	-	-	-
Disbursements	47	4	51	361	52	413
Disposals	(68)	(36)	(104)	(43)	-	(43)
Written off	-	-	-	(2)	-	(2)
<b>At 31 March</b>	<b>4,648</b>	<b>1,866</b>	<b>6,514</b>	4,760	1,679	6,439
<b>Fair value adjustment</b>						
At 1 January	145	(63)	82	141	(175)	(34)
Transfer from unlisted to listed	5	(5)	-	-	-	-
Movement in fair value revaluation	117	2	119	233	174	407
<b>At 31 March</b>	<b>267</b>	<b>(66)</b>	<b>201</b>	374	(1)	373
<b>Fair value at 31 March</b>	<b>4,915</b>	<b>1,800</b>	<b>6,715</b>	5,134	1,678	6,812
<b>Equity derivatives at 31 March</b>	<b>283</b>	<b>70</b>	<b>353</b>	258	64	322

#### 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 2013			31 March 2012		
	Banking €million	Treasury €million	Aggregated €million	Banking €million	Treasury €million	Aggregated €million
Interest income	253	26	279	263	51	314
Other income	195	43	238	421	41	462
<b>Total segment revenue</b>	<b>448</b>	<b>69</b>	<b>517</b>	<b>684</b>	<b>92</b>	<b>776</b>
Less interest expense and similar charges	(75)	45	(30)	(112)	25	(87)
Net interest expense on derivatives	-	(43)	(43)	-	(45)	(45)
Allocation of the return on capital	5	1	6	35	4	39
Less general administrative expenses	(63)	(4)	(67)	(53)	(4)	(57)
Less depreciation and amortisation	(7)	(1)	(8)	(6)	-	(6)
<b>Segment result before provisions and hedges</b>	<b>308</b>	<b>67</b>	<b>375</b>	<b>548</b>	<b>72</b>	<b>620</b>
Fair value movement on non-qualifying and ineffective hedges	-	44	44	-	16	16
Provision for impairment of loan investments	8	-	8	1	-	1
<b>Net profit for the period</b>	<b>316</b>	<b>111</b>	<b>427</b>	<b>549</b>	<b>88</b>	<b>637</b>
<b>Segment assets</b>	<b>26,381</b>	<b>25,574</b>	<b>51,955</b>	<b>25,396</b>	<b>23,013</b>	<b>48,409</b>
<b>Segment liabilities</b>	<b>195</b>	<b>37,352</b>	<b>37,547</b>	<b>284</b>	<b>34,313</b>	<b>34,597</b>

Interest expense and similar charges, net of the allocation of the return on capital, is €24 million (Q1 2012: €48 million). This is the Bank's "interest expense and similar charges" as reported in the income statement.