

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

INTERIM FINANCIAL REPORT

At 30 September 2013

(UNAUDITED)

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Income statement**For the quarter ended 30 September 2013 (unaudited) and 30 September 2012 (unaudited)**

	Quarter to 30 September 2013 € million	Actual Year to date 2013 € million	Quarter to 30 September 2012 € million	Actual Year to date 2012 € million
Interest and similar income				
From Banking loans	245	741	265	787
From fixed-income debt securities and other interest	23	75	39	133
Interest expense and similar charges	(21)	(68)	(36)	(125)
Net interest expense on derivatives	(39)	(122)	(42)	(133)
Net interest income	208	626	226	662
Net fee and commission income	8	20	19	23
Dividend income	22	78	19	77
Net gains from share investments at fair value through profit or loss	178	208	129	195
Net (losses)/gains from loans at fair value through profit or loss	(5)	(8)	11	28
Net gains/(losses) from loans at amortised cost	-	3	(1)	3
Net losses from Treasury investments held at amortised cost	(8)	(7)	(4)	(4)
Net gains from Treasury activities at fair value through profit or loss and foreign exchange	22	101	11	68
Fair value movement on non-qualifying and ineffective hedges	(16)	(18)	(7)	70
Provisions for impairment of Banking loan investments	(52)	(58)	(14)	(21)
General administrative expenses	(74)	(221)	(64)	(188)
Depreciation and amortisation	(6)	(19)	(7)	(19)
Net profit for the period	277	705	318	894
Transfers of net income approved by the Board of Governors	-	(90)	-	-
Financial accounting net profit after transfers of net income approved by the Board of Governors	277	615	318	894

Statement of comprehensive income**For the quarter ended 30 September 2013 (unaudited) and 30 September 2012 (unaudited)**

	Quarter to 30 September 2013 € million	Actual Year to date 2013 € million	Quarter to 30 September 2012 € million	Actual Year to date 2012 € million
Net profit	277	615	318	894
Other comprehensive (loss)/income				
Share investment designated as fair value through other comprehensive income	(3)	(2)	2	6
Cash flow hedges	9	(4)	-	3
Total comprehensive income	283	609	320	903
Attributable to:				
Equity holders	283	609	320	903

Balance Sheet**At 30 September 2013 (unaudited) and 31 December 2012 (audited)**

	30 September 2013		31 December 2012
	€ million	€ million	€ million
Assets			
Placements with and advances to credit institutions		8,765	7,515
Debt securities			
At fair value through profit or loss	143		175
At amortised cost	11,410		12,243
Less: Provisions for impairment	-		(8)
		<u>11,553</u>	<u>12,410</u>
Collateralised placements		<u>367</u>	<u>600</u>
		<u>20,685</u>	<u>20,525</u>
Other financial assets			
Derivative financial instruments	3,389		4,671
Other financial assets	406		354
		<u>3,795</u>	<u>5,025</u>
Loan investments			
<i>Banking portfolio</i>			
Loans at amortised cost	19,200		19,333
Less: Provisions for impairment	(748)		(736)
Loans at fair value through profit or loss	232		247
		<u>18,684</u>	<u>18,844</u>
Share investments			
<i>Banking portfolio</i>			
Share investments at fair value through profit or loss	6,335		6,649
<i>Treasury portfolio</i>			
Share investments at fair value through other comprehensive income	62		64
		<u>6,397</u>	<u>6,713</u>
Intangible assets		38	41
Property, technology and office equipment		44	42
Paid-in capital receivable		10	12
Total assets		49,653	51,202
Liabilities			
Borrowings			
Amounts owed to credit institutions	1,627		3,086
Debts evidenced by certificates	30,317		31,824
		<u>31,944</u>	<u>34,910</u>
Other financial liabilities			
Derivative financial instruments	2,317		1,752
Other financial liabilities	769		530
		<u>3,086</u>	<u>2,282</u>
Total liabilities		35,030	37,192
Members' equity			
Paid-in capital		6,202	6,202
Reserves and retained earnings		8,421	7,808
Total members' equity		14,623	14,010
Total liabilities and members' equity		49,653	51,202
Memorandum items			
Undrawn commitments		10,722	10,995

Statement of changes in equity for nine months ended 30 September 2013 (unaudited) and 30 September 2012 (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 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)	-	-	-	-
At 30 September 2012	29,510	(23,311)	16	18	7,843	14,080
At 31 December 2012	29,601	(23,399)	16	7	7,785	14,010
Total comprehensive income for the period	-	-	(2)	(4)	615	609
Internal tax for the period	-	-	-	-	4	4
At 30 September 2013	29,601	(23,399)	14	3	8,404	14,623

Statement of cash flows for the nine months ended 30 September 2013 (unaudited) and 30 September 2012 (unaudited)

	Year to 30 September 2013 € million	Year to 30 September 2012 € million
Cash flows from operating activities		
Net profit for the year	615	894
Adjustments for:		
Unwinding of the discount relating to impaired identified assets	(13)	(9)
Interest income	(803)	(832)
Interest expense and similar charges	190	179
Net deferral of fees and direct costs	58	61
Internal tax	4	4
Realised gains on share investments and equity derivatives	(345)	(186)
Unrealised losses/(gains) on share investments and equity derivatives at fair value through profit or loss	137	(9)
Unrealised losses/(gains) from loans at fair value through profit or loss	8	(24)
Realised gains on Banking loans	(3)	(7)
Realised (gains)/losses on Treasury investments	(11)	4
Fair value movement on hedges	18	(70)
Unrealised mark-to-market movement	3	(128)
Depreciation and amortisation	19	19
Profit on disposal of property, technology and office equipment	(1)	-
Provisions for impairment of debt securities at amortised cost	(8)	-
Gross provisions release for Banking loan losses	58	21
	<u>(74)</u>	<u>(83)</u>
Interest income received	756	760
Interest expense and similar charges paid	(171)	(110)
Increase in operating assets:		
Prepaid expenses	13	95
Proceeds from repayments of Banking loans	5,168	4,319
Funds advanced for Banking loans	(5,411)	(4,984)
Proceeds from sale of Banking share investments and equity derivatives	882	523
Funds advanced for Banking share investments	(335)	(928)
Net placements to credit institutions	(2,391)	(814)
Movement in amounts owed to credit institutions	-	492
Increase in operating liabilities:		
Accrued expenses	9	6
Net cash used in operating activities	<u>(1,554)</u>	<u>(724)</u>
Cash flows from/(used in) investing activities		
Proceeds from debt securities at amortised cost	13,150	9,442
Purchases of debt securities at amortised cost	(12,634)	(10,039)
Proceeds from sale of debt securities held at fair value through profit or loss	435	735
Purchases of debt securities held at fair value through profit or loss	(434)	(664)
Proceeds from sale of property, technology and office equipment	3	-
Purchase of intangible assets, property, technology and office equipment	(21)	(19)
Net cash from/(used in) investing activities	<u>499</u>	<u>(545)</u>
Cash flows from financing activities		
Capital received	2	-
Issue of debts evidenced by certificates	8,533	11,504
Redemption of debts evidenced by certificates	(7,395)	(7,785)
Net cash from financing activities	<u>1,140</u>	<u>3,719</u>
Net increase in cash and cash equivalents	<u>85</u>	<u>2,450</u>
Cash and cash equivalents at beginning of the year	<u>5,892</u>	<u>4,450</u>
Cash and cash equivalents at 30 September¹	<u>5,977</u>	<u>6,900</u>

¹ 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 2013 balance is €15 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 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

	2013 Sovereign loans € million	2013 Non-sovereign loans € million	2013 Total loans € million	2012 Sovereign loans € million	2012 Non-sovereign loans € million	2012 Total loans € million
Operating assets						
At 1 January	2,690	16,643	19,333	2,440	15,648	18,088
Movement in fair value revaluation ¹	-	(30)	(30)	-	1	1
Disbursements	346	5,029	5,375	336	4,604	4,940
Repayments and prepayments	(254)	(4,872)	(5,126)	(257)	(3,979)	(4,236)
Foreign exchange movements	(19)	(347)	(366)	4	139	143
Movement in net deferral of front end fees and related direct costs	4	22	26	1	4	5
Written off	-	(12)	(12)	-	(1)	(1)
At 30 September	2,767	16,433	19,200	2,524	16,416	18,940
Portfolio provisions for the unidentified impairment of loan investments	(17)	(411)	(428)	(13)	(374)	(387)
Specific provisions for the identified impairment of loan investments	-	(320)	(320)	-	(301)	(301)
Total operating assets net of provisions for impairment at 30 September	2,750	15,702	18,452	2,511	15,741	18,252

¹ 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 2013 the Bank categorised 76 loans as impaired, with operating assets totalling €671 million (31 December 2012: 72 loans totalling €624 million; 30 September 2012: 64 loans totalling €609 million). Specific provisions on these assets amounted to €320 million (31 December 2012: €280 million; 30 September 2013: €301 million).

Banking loan investments at fair value through profit or loss

	2013 Non-sovereign loans € million	2012 Non-sovereign Loans € million
Operating assets		
At 1 January	247	239
Disbursements	36	44
Repayments and prepayments	(38)	(76)
Movement in fair value revaluation	(8)	24
Foreign exchange movements	(5)	1
At 30 September	232	232

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
Outstanding disbursements						
At 1 January	4,871	1,696	6,567	4,444	1,627	6,071
Transfer from unlisted to listed	(202)	202	-			
Disbursements	245	90	335	792	136	928
Disposals	(477)	(44)	(521)	(297)	(38)	(335)
Written off	(17)	-	(17)	(1)	-	(1)
At 30 September	4,420	1,944	6,364	4,938	1,725	6,663
Fair value adjustment						
At 1 January	145	(63)	82	141	(175)	(34)
Transfer from unlisted to listed	5	(5)	-	-	-	-
Movement in fair value revaluation	(127)	16	(111)	(129)	123	(6)
At 30 September	23	(52)	(29)	12	(52)	(40)
Fair value at 30 September	4,443	1,892	6,335	4,950	1,673	6,623
Equity derivatives at 30 September	263	57	320	300	67	367

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 2013			First 9 months 2012		
	Banking € million	Treasury € million	Aggregated € million	Banking € million	Treasury € million	Aggregated € million
Interest income	741	75	816	787	133	920
Other income	301	94	395	326	64	390
Total segment revenue	1,042	169	1,211	1,113	197	1,310
Less interest expense and similar charges	(210)	124	(86)	(303)	94	(209)
Net interest expense on derivatives	-	(122)	(122)	-	(133)	(133)
Allocation of the return on capital	16	2	18	76	8	84
Less general administrative expenses	(207)	(14)	(221)	(176)	(12)	(188)
Less depreciation and amortisation	(18)	(1)	(19)	(18)	(1)	(19)
Segment result before provisions and hedges	623	158	781	692	153	845
Fair value movement on non-qualifying and ineffective hedges	-	(18)	(18)	-	70	70
Provision for impairment of loan investments	(58)	-	(58)	(21)	-	(21)
Net profit for the period	565	140	705	671	223	894
Transfers of net income approved by the Board of Governors			(90)			-
Net profit after transfers approved by the Board of Governors			615			894
Segment assets	25,740	23,913	49,653	25,932	27,078	53,010
Segment liabilities	254	34,776	35,030	211	38,719	38,930

Interest expense and similar charges, net of the allocation of the return on capital, is €68 million (2012: €125 million). This is the Bank's "interest expense and similar charges" as reported in the income statement.