

DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT



European Bank
for Reconstruction and Development

INTERIM FINANCIAL REPORT

At 30 June 2022

(UNAUDITED)

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European Bank for Reconstruction and Development: Interim Financial Report at 30 June 2022

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Income statement

For the quarter ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited)

| | Quarter 2 2022 € million | YTD 2022 € million | Quarter 2 2021 € million | YTD 2021 € million |
|---|--------------------------------|--------------------------|--------------------------------|--------------------------|
| Interest and similar income | | | | |
| From Banking loans | 365 | 680 | 258 | 483 |
| From fixed-income debt securities and other interest | 87 | 146 | 38 | 83 |
| Interest expense and similar charges | (271) | (371) | (82) | (147) |
| Net interest expense on derivatives | (18) | (52) | (27) | (58) |
| Net interest income | 163 | 403 | 187 | 361 |
| Fee and commission income | 19 | 38 | 27 | 53 |
| Fee and commission expense | (2) | (4) | (10) | (16) |
| Net fee and commission income | 17 | 34 | 17 | 37 |
| Donor related income | 5 | 9 | 4 | 4 |
| Donor related expense | (6) | (10) | (4) | (4) |
| Net donor-related income | (1) | (1) | 0 | 0 |
| Dividend income | 65 | 75 | 34 | 40 |
| Net (losses)/gains from share investments | (88) | (1,449) | 1,101 | 1,150 |
| Net (losses)/gains from loans | (19) | (74) | 17 | 32 |
| Net gains from Treasury assets held at amortised cost | - | - | - | 1 |
| Net gains/(losses) from Treasury activities at fair value through profit or loss and foreign exchange | 46 | 85 | (2) | 51 |
| Fair value movement on non-qualifying and ineffective hedges | 166 | 405 | 3 | 70 |
| Impairment (charge)/release on Banking loan investments | (11) | (1,381) | (21) | 7 |
| Impairment (charge)/release on guarantees | (24) | (29) | 3 | 1 |
| General administrative expenses | (117) | (220) | (95) | (182) |
| Depreciation and amortisation | (18) | (34) | (15) | (27) |
| Net profit/(loss) for the period | 179 | (2,186) | 1,229 | 1,541 |
| Attributable to: | | | | |
| Equity holders | 179 | (2,186) | 1,229 | 1,541 |
| Memorandum items | | | | |
| Transfers of net income approved by the Board of Governors | (1) | (1) | - | - |
| Net profit/(loss) after transfers of net income approved by the Board of Governors | 178 | (2,187) | 1,229 | 1,541 |

Statement of comprehensive income

For the quarter ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited)

| | Quarter 2 2022 € million | YTD 2022 € million | Quarter 2 2021 € million | YTD 2021 € million |
|--|--------------------------------|--------------------------|--------------------------------|--------------------------|
| Net profit/(loss) | 179 | (2,186) | 1,229 | 1,541 |
| Other comprehensive income/(expense) | | | | |
| 1. Items that will not be reclassified subsequently to profit or loss | | | | |
| – Gains on share investments designated as fair value through other comprehensive income | 3 | 2 | 14 | 10 |
| 2. Items that may be reclassified subsequently to profit or loss | | | | |
| – (Losses)/gains on cash flow hedges | (1) | (1) | (5) | 10 |
| – (Losses)/gains on fair value hedges | (349) | (437) | 38 | (42) |
| – (Losses)/gains on loans designated as fair value through other comprehensive income | (22) | (157) | 1 | 8 |
| Total comprehensive income | (190) | (2,779) | 1,277 | 1,527 |
| Attributable to: | | | | |
| Equity holders | (190) | (2,779) | 1,277 | 1,527 |

Balance sheet

At 30 June 2022 (unaudited) and 31 December 2021 (audited)

| At 30 June 2022 | € million | 30 Jun 2022 € million | € million | 31 Dec 2021 € million |
|--|-----------|-----------------------------|-----------|-----------------------------|
| Assets | | | | |
| Placements with and advances to credit institutions | 24,006 | | 22,619 | |
| Debt securities | | | | |
| At fair value through profit or loss | 808 | | 1,050 | |
| At amortised cost | 10,075 | | 10,304 | |
| | | 34,889 | | 33,973 |
| Other financial assets | | | | |
| Derivative financial instruments | 5,208 | | 4,960 | |
| Other financial assets | 505 | | 470 | |
| | | 5,713 | | 5,430 |
| Loan investments | | | | |
| Loans at amortised cost | 27,987 | | 27,208 | |
| Less: Impairment | (2,161) | | (963) | |
| Loans at fair value through other comprehensive income | 1,327 | | 1,907 | |
| Loans at fair value through profit or loss | 457 | | 575 | |
| | | 27,610 | | 28,727 |
| Share investments | | | | |
| Banking Portfolio: | | | | |
| At fair value through profit or loss | 4,365 | | 6,010 | |
| Treasury Portfolio: | | | | |
| Share investments at fair value through other comprehensive income | 134 | | 131 | |
| | | 4,499 | | 6,141 |
| Intangible assets | | | | |
| Property, technology and equipment | | 126 | | 110 |
| | | 433 | | 392 |
| Total assets | | 73,270 | | 74,773 |
| Liabilities | | | | |
| Borrowings | | | | |
| Amounts owed to credit institutions and other third parties | 752 | | 1,000 | |
| Debts evidenced by certificates | 47,838 | | 49,126 | |
| | | 48,590 | | 50,126 |
| Other financial liabilities | | | | |
| Derivative financial instruments | 5,896 | | 3,133 | |
| Other financial liabilities | 1,219 | | 1,169 | |
| | | 7,115 | | 4,302 |
| Total liabilities | | 55,705 | | 54,428 |
| Members' equity attributable to equity holders | | | | |
| Paid-in capital | 6,217 | | 6,217 | |
| Reserves and retained earnings | 11,348 | | 14,128 | |
| Total members' equity | | 17,565 | | 20,345 |
| Total liabilities and members' equity | | 73,270 | | 74,773 |
| Memorandum items | | | | |
| Undrawn commitments | | 14,937 | | 15,867 |

Statement of changes in equity

For the quarter ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited)

| | Subscribed capital € million | Callable capital € million | Revaluation reserve € million | Hedging reserve € million | Actuarial remeasurement € million | Retained earnings € million | Total equity € million |
|--|---------------------------------|-------------------------------|----------------------------------|------------------------------|--------------------------------------|--------------------------------|---------------------------|
| At 31 December 2020 | 29,755 | (23,538) | 111 | (29) | 12 | 11,580 | 17,891 |
| Total comprehensive income for the year | - | - | 18 | (32) | - | 1,541 | 1,527 |
| At 30 June 2021 | 29,755 | (23,538) | 129 | (61) | 12 | 13,121 | 19,418 |
| At 31 December 2021 | 29,759 | (23,542) | 98 | (54) | 82 | 14,002 | 20,345 |
| Total comprehensive income for the year | - | - | (155) | (438) | - | (2,186) | (2,779) |
| Transfers of net income approved by the Board of Governors | | | | | | (1) | (1) |
| At 30 June 2022 | 29,759 | (23,542) | (57) | (492) | 82 | 11,815 | 17,565 |

Statement of cash flows

For the period to 30 June 2022 (unaudited) and 30 June 2021 (unaudited)

| | € million | Quarter 2 2022 € million | € million | Quarter 2 2021 € million |
|--|-----------|--------------------------------|-----------|--------------------------------|
| Cash flows from operating activities | | | | |
| Net (loss)/profit for the year | (2,186) | | 1,541 | |
| Adjustments to reconcile net (loss)/profit to net cash flows: | | | | |
| <i>Non-cash items in the income statement</i> | | | | |
| Depreciation and amortisation | 34 | | 27 | |
| Net impairment charge/(release) for Banking loan losses and guarantees | 1,410 | | (8) | |
| Fair value movement on share investments | 1,450 | | (1,150) | |
| Fair value movement on loans held at fair value through profit or loss | 74 | | (32) | |
| Fair value movement on Treasury investments | (85) | | (48) | |
| Other unrealised fair value movements | (405) | | (70) | |
| Cash flows from the sale and purchase of operating assets | | | | |
| Proceeds from repayments of Banking loans | 4,321 | | 3,730 | |
| Funds advanced for Banking loans | (3,982) | | (3,821) | |
| Proceeds from sale of Banking share investments | 293 | | 318 | |
| Funds advanced for Banking share investments | (239) | | (179) | |
| Net cash flows from Treasury derivative settlements | 532 | | (564) | |
| Net placements to credit institutions | (380) | | (1,117) | |
| Working capital adjustment: | | | | |
| Movement in interest income | 184 | | 172 | |
| Movement in interest expense | 61 | | 67 | |
| Movement in net fee and commission income | 9 | | 7 | |
| Movement in accrued expenses | (29) | | 33 | |
| Net cash used in operating activities | | 1,062 | | (1,094) |
| Cash flows from investing activities | | | | |
| Proceeds from debt securities at amortised cost | 7,068 | | 3,481 | |
| Purchases of debt securities at amortised cost | (6,465) | | (3,342) | |
| Proceeds from sale of debt securities at fair value through profit or loss | 2,033 | | 2,449 | |
| Purchases of debt securities at fair value through profit or loss | (1,808) | | (2,134) | |
| Purchase of intangible assets, property, technology and equipment | (87) | | (24) | |
| Cash flows from/(used in) investing activities | | 741 | | 430 |
| Cash flows from financing activities | | | | |
| Capital received | - | | (1) | |
| Net income allocation payments | (1) | | (50) | |
| Lease liability payments | (22) | | (15) | |
| Issue of debts evidenced by certificates | 6,887 | | 10,978 | |
| Redemption of debts evidenced by certificates | (8,249) | | (9,389) | |
| Net cash from financing activities | | (1,385) | | 1,523 |
| Net increase in cash and cash equivalents | | 418 | | 859 |
| Cash and cash equivalents at beginning of the year | | 5,176 | | 3,942 |
| Cash and cash equivalents at 30 June¹ | | 5,594 | | 4,801 |

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 June 2022 balance is €4 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 June 2022 the Bank's shareholders comprised 73 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 with the Bank 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 **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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, 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 which form part of a qualifying hedge relationship have been accounted for in accordance with hedge accounting rules.

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 2021.

The financial statements have been prepared on a going concern basis. In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the period have been made, and the significant assumptions used in making accounting estimates are reasonable. The estimates made in these interim financial statements consider all known relevant and material information available at the time of their issuance as required by IFRS, and any contingent assets and liabilities have been disclosed in accordance with IFRS requirements. Management are not aware of any material deficiencies in either the design or operation of internal controls over financial reporting.

The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending 31 December 2022.

3. Banking loan investments at amortised cost

| | 30 Jun 2022 Sovereign € million | 30 Jun 2022 Non-sovereign € million | 30 Jun 2022 Total loans € million | 31 Dec 2021 Sovereign € million | 31 Dec 2021 Non-sovereign € million | 31 Dec 2021 Total loans € million |
|--|---------------------------------------|---|---|---------------------------------------|---|---|
| At 1 January | 5,524 | 21,684 | 27,208 | 5,133 | 20,883 | 26,016 |
| Disbursements | 712 | 3,133 | 3,845 | 1,160 | 7,062 | 8,222 |
| Repayments and prepayments | (416) | (3,440) | (3,856) | (860) | (6,623) | (7,483) |
| Remeasurement of previously impaired loans | - | 8 | 8 | - | 5 | 5 |
| Foreign exchange movements | 135 | 575 | 710 | 117 | 407 | 524 |
| Movement in net deferred fee, direct costs and effective interest rate adjustments | - | 75 | 75 | (26) | 29 | 3 |
| Reclassification | - | - | - | - | (53) | (53) |
| Written off | - | (3) | (3) | - | (26) | (26) |
| At period end | 5,955 | 22,032 | 27,987 | 5,524 | 21,684 | 27,208 |
| Impairment period end | (357) | (1,804) | (2,161) | (17) | (946) | (963) |
| Total net of impairment at period end | 5,598 | 20,228 | 25,826 | 5,507 | 20,738 | 26,245 |

At 30 June 2022, the Bank categorised 159 loan investments at amortised cost as Stage 3 credit-impaired, with operating assets totalling €1,968 million (2021: 95 loans totalling €1,437 million). Stage 3 Impairment on these assets amounted to €1,123 million (2021: €733 million).

4. Banking loan investments at fair value through profit or loss

| | 30 Jun 2022 Sovereign € million | 30 Jun 2022 Non-sovereign € million | 30 Jun 2022 Total loans € million | 31 Dec 2021 Sovereign € million | 31 Dec 2021 Non-sovereign € million | 31 Dec 2021 Total loans € million |
|------------------------------------|---------------------------------------|---|---|---------------------------------------|---|---|
| At 1 January | 58 | 517 | 575 | - | 319 | 319 |
| Movement in fair value revaluation | (33) | (73) | (106) | (8) | 35 | 27 |
| Disbursements | - | 3 | 3 | 65 | 175 | 240 |
| Repayments and prepayments | - | (34) | (34) | - | (80) | (80) |
| Reclassification | - | - | - | - | 53 | 53 |
| Foreign exchange movements | 6 | 12 | 18 | 1 | 15 | 16 |
| At period end | 12 | 425 | 456 | 58 | 517 | 575 |

At 30 June 2022, the Bank categorised six fair value through profit or loss loans as non-performing, with operating assets of €94 million (2021: five loans with operating assets of €30 million). Net fair value losses on these assets amounted to €33 million (2021: €17 million). During Q2 2022, the Bank wrote off one loan investment at fair value through profit or loss, with operating assets totalling €1 million (31 December 2021: nil)

5. Banking loan investments at fair value through other comprehensive income

| | 30 Jun 2022 € million | 31 Dec 2021 € million |
|--|--------------------------|--------------------------|
| Non-sovereign loans | | |
| At 1 January | 1,907 | 2,280 |
| Movement in fair value revaluation | (185) | (46) |
| Movement in expected credit loss | (216) | 8 |
| Repayments and prepayments | (207) | (352) |
| Foreign exchange movements | 8 | 9 |
| Movement in effective interest rate adjustment | 20 | 8 |
| At period end | 1,327 | 1,907 |

At 30 June 2022, the bank categorised one fair value through other comprehensive income loan as non performing, with operating assets totalling €129 million (31 December 2021: none). The fair value loss on this asset amounted to €13 million (2021: nil).

6. Banking share investments at fair value through profit or loss

| | 30 Jun 2022 Fair value Unlisted € million | 30 Jun 2022 Fair value Listed € million | 30 Jun 2022 Fair value Total € million | 31 Dec 2021 Fair value Unlisted € million | 31 Dec 2021 Fair value Listed € million | 31 Dec 2021 Fair value Total € million |
|--------------------------------------|---|---|--|---|---|--|
| Outstanding disbursements | | | | | | |
| At 1 January | 3,131 | 1,448 | 4,579 | 3,154 | 1,552 | 4,706 |
| Transfer between unlisted and listed | - | - | - | - | - | - |
| Disbursements | 250 | 6 | 256 | 502 | 113 | 615 |
| Disposals | (139) | (55) | (194) | (525) | (217) | (742) |
| Written off | (1) | - | (1) | - | - | - |
| At period end | 3,241 | 1,399 | 4,640 | 3,131 | 1,448 | 4,579 |
| Fair value adjustment | | | | | | |
| At 1 January | 1,020 | 411 | 1,431 | 71 | 95 | 166 |
| Transfer between unlisted and listed | - | - | - | - | - | - |
| Movement in fair value revaluation | (946) | (760) | (1,706) | 949 | 316 | 1,265 |
| At period end | 74 | (349) | (275) | 1,020 | 411 | 1,431 |
| Fair value at period end | 3,315 | 1,050 | 4,365 | 4,151 | 1,859 | 6,010 |
| Equity Derivatives | 155 | 32 | 187 | 125 | (57) | 68 |

7. Primary segment analysis

Business segments

The Bank's activities are primarily Banking and Treasury. Banking activities represent investments in projects that, in accordance with the Agreement, are made for the purpose of assisting the economies in which the Bank invests in their transition to open, market economies whilst fostering sustainable and inclusive growth and 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.

Information on the financial performance of Banking and Treasury operations is prepared regularly. On this basis, Banking and Treasury operations have been identified as the operating segments.

Segment performance

The segment information for the operating segments for the years ended 30 June 2022 and 30 June 2021 is as follows:

| | Banking 30 Jun 2022 € million | Treasury 30 Jun 2022 € million | Aggregated 30 Jun 2022 € million | Banking 30 Jun 2021 € million | Treasury 30 Jun 2021 € million | Aggregated 30 Jun 2021 € million |
|---|--|---|---|--|---|---|
| Interest income | 680 | 146 | 826 | 483 | 83 | 566 |
| Other income/(expense) | (1,415) | 85 | (1,330) | 1,259 | 52 | 1,311 |
| Total segment (expense)/revenue | (735) | 231 | (504) | 1,742 | 135 | 1,877 |
| Interest expense and similar charges | - | (371) | (371) | - | (147) | (147) |
| Net interest expense on derivatives | - | (52) | (52) | - | (58) | (58) |
| Internal funding charge | (194) | 194 | - | (139) | 139 | - |
| General administrative expenses | (207) | (13) | (220) | (171) | (11) | (182) |
| Depreciation and amortisation | (32) | (2) | (34) | (25) | (2) | (27) |
| Segment result before impairment and hedges | (1,168) | (13) | (1,181) | 1,407 | 56 | 1,463 |
| Fair value movement on non-qualifying and ineffective hedges | - | 405 | 405 | - | 70 | 70 |
| Impairment of loan investments and guarantees | (1,410) | - | (1,410) | 8 | - | 8 |
| Net (loss)/profit for the period | (2,578) | 392 | (2,186) | 1,415 | 126 | 1,541 |
| Transfers of net income approved by the Board of Governors | | | (1) | | | - |
| Net profit/(loss) after transfers approved by the Board of Governors | | | (2,187) | | | 1,541 |
| Segment assets | 33,120 | 40,150 | 73,270 | 34,682 | 38,837 | 73,519 |
| Segment liabilities | 912 | 54,793 | 55,705 | 998 | 53,103 | 54,101 |

8. Fair value of financial assets and liabilities

Classification and fair value of financial assets and liabilities

| | Carrying amount € million | Fair value € million |
|---|------------------------------|-------------------------|
| Financial assets at 30 June 2022 | | |
| Financial assets measured at fair value through profit or loss or fair value through other comprehensive income: | | |
| Debt securities | 808 | 808 |
| Derivative financial instruments | 5,208 | 5,208 |
| Share investments (Banking portfolio) | 4,365 | 4,365 |
| Banking loans at fair value through other comprehensive income | 1,327 | 1,327 |
| Banking loans at fair value through profit or loss | 457 | 457 |
| Share investments (Treasury portfolio) | 134 | 134 |
| | 12,299 | 12,299 |
| Financial assets measured at amortised cost: | | |
| Placements with and advances to credit institutions | 24,006 | 24,006 |
| Debt securities | 10,075 | 10,020 |
| Other financial assets | 505 | 505 |
| Banking loan investments at amortised cost | 25,826 | 25,951 |
| | 60,412 | 60,482 |
| Total | 72,711 | 72,781 |
| Financial liabilities at 30 June 2022 | | |
| Amounts owed to credit institutions | (752) | (752) |
| Debts evidenced by certificates | (47,838) | (48,012) |
| Derivative financial instruments | (5,896) | (5,896) |
| Equity Participation Fund | (177) | (177) |
| Other financial liabilities | (1,042) | (1,042) |
| Total | (55,705) | (55,879) |

Fair Value Estimation Techniques

The Bank's balance sheet approximates to fair value in all financial asset and liability categories, with the exception of loan investments at amortised cost.

The amortised cost instruments held within placements with and advances to credit institutions, other financial assets, amounts owed to credit institutions and other financial liabilities are all deemed to have amortised cost values approximating their fair value, being primary simple, short-term instruments. They are classified as having Level 2 inputs (see fair value hierarchy, below) as the Bank's assessment of their fair value is based on the observable market valuation of similar assets and liabilities.

The fair value of amortised cost debt securities is determined using Level 2 inputs, employing valuation techniques appropriate to the market and industry of each investment. The primary valuation techniques used are quotes from brokerage services and discounted cash flows. Techniques used to support these valuations include industry valuation benchmarks and recent transaction prices.

Banking loan investments whereby the objective of the Bank's business model is to hold these investments to collect the contractual cash flow, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, are recognised at amortised cost. The fair value of these loans was calculated using Level 3 inputs by discounting the cash flows at a year end interest rate applicable to each loan and further discounting the value by an internal measure of credit risk.

Debts evidenced by certificates represents the Bank's borrowings raised through the issuance of commercial paper and bonds. The fair value of the Bank's issued bonds is determined using discounted cash flow models and therefore relies on Level 3 inputs. Due to the short-tenor nature of commercial paper, amortised cost approximates fair value. The fair value of the Bank's issued commercial paper is determined based on the observable market valuation of similar assets and liabilities and therefore relies on Level 2 inputs.

Fair value hierarchy

IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. This level includes listed share investments on stock exchanges and listed bonds classified as loans held at fair value through other comprehensive income.
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt securities, most derivative products and listed share and bond investments valued using a quoted price but where there is no market sufficiently active to be included in Level 1. The sources of inputs include prices available from screen-based services such as SuperDerivatives and Bloomberg, broker quotes and observable market data such as interest rates and foreign exchange rates which are used in deriving the valuations of derivative products.
- **Level 3** - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes share investments and debt securities or derivative products for which not all market data is observable.

The table below provides information at 30 June 2022 about the Bank's financial assets and financial liabilities measured at fair value. Financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

| | At 30 June 2022 | | | |
|--|----------------------|----------------------|----------------------|--------------------|
| | Level 1 € million | Level 2 € million | Level 3 € million | Total € million |
| Debt securities | 508 | 300 | - | 808 |
| Derivative financial instruments | - | 4,971 | 236 | 5,207 |
| Banking loans | 1,457 | 32 | 295 | 1,784 |
| Share investments (Banking portfolio) | 1,010 | 40 | 3,315 | 4,365 |
| Share investments (Treasury portfolio) | - | 134 | - | 134 |
| Total financial assets at fair value | 2,975 | 5,477 | 3,846 | 12,298 |
| Derivative financial instruments | - | (5,846) | (49) | (5,895) |
| Equity Participation Fund | - | - | (174) | (174) |
| Total financial liabilities at fair value | - | (5,846) | (223) | (6,069) |

The table below provides a reconciliation of the fair values of the Bank's level 3 financial assets and financial liabilities for the period ended 30 June 2022.

| | Derivative financial instrument s € million | Banking loans € million | Banking share investment s € million | Total assets € million | Other liabilities € million | Derivative financial instrument s € million | Total liabilities € million |
|--|---|-------------------------------|--|------------------------------|-----------------------------------|---|-----------------------------------|
| Balance at 31 December 2021 | 216 | 348 | 4,289 | 4,853 | (195) | (149) | (344) |
| <i>Net gains/(losses) recognised in:</i> | | | | | | | |
| - Net (losses)/gains from share investments at fair value through profit and loss | 146 | | (938) | (792) | 34 | 4 | 38 |
| - Net losses from loans | - | (74) | - | (74) | - | - | - |
| Issuances | - | 3 | - | 3 | - | - | - |
| Purchases | - | - | 250 | 250 | (17) | - | (17) |
| Settlements | (126) | 12 | - | (114) | 4 | 96 | 100 |
| Sales | - | - | (208) | (208) | - | - | - |
| Transfers in/(out) of Level 3 | - | 6 | (78) | (72) | - | - | - |
| Balance at 30 June 2022 | 236 | 295 | 3,315 | 3,846 | (174) | (49) | (223) |
| <i>Net gains/(losses) for the period for Level 3 instruments held at 30 June 2022 recognised in:</i> | | | | | | | |
| - Net (losses)/gains from share investments at fair value through profit and loss | 115 | - | (1,041) | (926) | 35 | 4 | 39 |
| - Net losses from loans | - | (74) | - | (74) | - | - | - |

Level 3 – sensitivity analysis

The table below presents the level 3 financial instruments carried at fair value at 30 June 2022, the main valuation models/techniques used in the valuation of these financial instruments and the estimated increases or decreases in fair value based on reasonably possible alternative assumptions:

| | Main valuation models/techniques | Impact on net profit in Quarter 2 2022 | | |
|---|--|--|--------------------------------|----------------------------------|
| | | Carrying amount € million | Favourable change € million | Unfavourable change € million |
| Banking loans | DCF and option pricing models | 295 | 46 | (32) |
| Banking share investments, EPF and associated derivatives | NAV and EBITDA multiples, DCF models, compounded interest and option pricing models* | 3,328 | 622 | (674) |
| At period end | | 3,623 | 668 | (706) |

* NAV = net asset value; EBITDA = earnings before interest, tax, depreciation and amortisation.

The EBRD Shareholder Special Fund

The Rules of the EBRD Shareholder Special Fund require submission of the financial statements to the Board on a quarterly basis.

Statement of comprehensive income

For the quarter ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited)

| | Quarter 2 2022 € million | YTD 2022 € million | Quarter 2 2021 € million | YTD 2021 € million |
|--|--------------------------------|--------------------------|--------------------------------|--------------------------|
| Technical cooperation expenses | (11) | (21) | (13) | (30) |
| Disbursements for investment grants | (5) | (7) | (3) | (5) |
| Net unrealised gains from share investments | 4 | 5 | - | 6 |
| Operating expenses | - | (1) | (1) | (1) |
| Foreign exchange movement | 3 | 4 | (1) | 1 |
| Net loss and comprehensive expense for the period | (9) | (20) | (18) | (29) |
| Total comprehensive expense attributable to: | | | | |
| Contributors | (9) | (20) | (18) | (29) |

Balance Sheet

At 30 June 2022 (unaudited) and 31 December 2021 (audited)

| | 30 June 2022 € million | 31 December 2021 € million |
|--|------------------------------|----------------------------------|
| Assets | | |
| Placements with credit institutions | 436 | 470 |
| Local office advances | 2 | - |
| Contributions receivable | 112 | 110 |
| Share investments | 56 | 51 |
| Total assets | 606 | 631 |
| Liabilities and contributors' resources | | |
| Accrued expenses | 47 | 52 |
| Financial guarantee liability | 1 | 1 |
| Total liabilities | 48 | 53 |
| Contributions | 1,200 | 1,200 |
| Reserves and accumulated loss | (642) | (622) |
| Total contributors' resources | 558 | 578 |
| Total liabilities and contributors' resources | 606 | 631 |

The EBRD Shareholder Special Fund

Statement of changes in contributors' resources

For the period ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited)

| | Contributions € million | Accumulated loss € million | Total € million |
|--|----------------------------|-------------------------------|--------------------|
| At 31 December 2020 | 1,135 | (556) | 579 |
| Total comprehensive expense for the period | - | (29) | (29) |
| At 30 June 2021 | 1,135 | (585) | 550 |
| At 31 December 2021 | 1,200 | (622) | 578 |
| Total comprehensive expense for the period | - | (20) | (20) |
| At 30 June 2022 | 1,200 | (642) | 558 |

Statement of cash flows

For the period to 30 June 2022 (unaudited) and 30 June 2022 (unaudited)

| | € million | Period to 30 June 2022 € million | € million | Period to 30 June 2021 € million |
|--|-----------|---|-----------|---|
| Cash flows from operating activities | | | | |
| Net loss for the period | (20) | | (29) | |
| Adjustment to reconcile net loss to net cash flows: | | | | |
| <i>Non-cash items in the statement of comprehensive income</i> | | | | |
| Net unrealised gains on share investments | (5) | | (6) | |
| Foreign exchange movement | (4) | | (1) | |
| | | (29) | | (36) |
| <i>Cash flows from the sale and purchase of operating assets</i> | | | | |
| Net placements to credit institutions | 40 | | - | |
| <i>Working capital adjustment</i> | | | | |
| Funds advanced to local offices | (2) | | (1) | |
| Movement in accrued expenses | (5) | | 5 | |
| Management fees paid | (2) | | - | |
| Net cash from/(used in) operating activities | | 31 | | 4 |
| <i>Cash flows from financing activities</i> | | | | |
| Net increase /(decrease) in cash and cash equivalents | | 22 | | (32) |
| Cash and cash equivalents at the beginning of the period | | 280 | | 288 |
| Effect of foreign exchange rate changes | | 4 | | (2) |
| Cash and cash equivalents at 30 June* | | 286 | | 254 |

*Cash and cash equivalents are amounts with less than three months maturity from the date of transaction. The Fund also has €150 million on 3 to 6 months placements as at 30 June 2022.

The EBRD Shareholder Special Fund

Explanatory notes

1 Creation of the Special Fund

The creation of the EBRD Shareholder Fund (“the Fund”) was approved by the Board of Directors (“the Board”) of the Bank on 15 April 2008 and is administered, inter alia, in accordance with the Agreement Establishing the Bank and under the terms of Rules and Regulations of the Fund. The Fund became operational after the Governors of the Bank adopted the 2007 Net Income Allocation Resolution during its Annual General Meeting on 18-19 May 2008.

The Fund was established in accordance with Article 18 of the Agreement Establishing the Bank. The Fund is not part of the ordinary capital resources of the Bank, but the privileges and immunities available to the Bank are extended to the Fund. The objective of the Fund is to broaden the scope and deepen the intensity of the Bank’s transition impact in support of the Bank’s key priorities.

2 A summary of significant accounting policies

i. Basis of preparation

These interim 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 profit or loss. The financial statements have been prepared on a going concern basis.

ii. Financial statement presentation

The financial statements are presented in a manner consistent with the Fund’s audited financial statements for the year ended 31 December 2021.

The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending 31 December 2022.

3 Disbursements for technical cooperation projects

| | Commitments approved € million | Disbursements € million | Undrawn commitments € million |
|------------------------|--------------------------------------|----------------------------|-------------------------------------|
| Total projects | | | |
| As at 31 December 2021 | 566 | (515) | 51 |
| Movement in the period | 26 | (21) | 5 |
| At 30 June 2022 | 592 | (536) | 56 |

4 Undrawn commitments

| | 30 June 2022 € million | 31 December 2021 € million |
|------------------------------------|------------------------------|----------------------------------|
| Technical cooperation expenses | 56 | 51 |
| Incentive fees | 7 | 9 |
| First loss risk sharing guarantees | 25 | 6 |
| Investment grants | 74 | 51 |
| At period end | 162 | 117 |

This represents amounts for which the Fund has contracted but for which the transaction or service was not performed at the period end.

5 Share investments

| | 30 June 2022 € million | 31 December 2021 € million |
|------------------------------------|------------------------------|----------------------------------|
| Outstanding disbursements | | |
| At 1 January | 48 | 38 |
| Disbursements | - | 10 |
| Total | 48 | 48 |
| Fair value adjustment | | |
| At 1 January | 3 | (2) |
| Movement in fair value revaluation | 5 | 5 |
| Total | 4 | 3 |
| Fair value at period end | 56 | 51 |