

The EBRD's *Annual Report* provides a comprehensive overview of the Bank's activities and achievements in its region of operations over the past year.

The 2013 edition demonstrates that, amid economic turbulence and the deterioration of economies, the EBRD remains a strong, resilient and trusted partner.

The report describes the transition impact of the Bank's investments, projects and policy work, highlights its innovation in key sectors and geographical initiatives, and shows how the Bank continues to promote sustainable growth and recovery.

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Front cover: Ulaanbaatar, Mongolia

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President's message

A quarter of a century has passed swiftly. 2014 marks the 25th anniversary of the first free elections in Poland, the fall of the Berlin Wall and the collapse of communist rule in central and eastern Europe. Those defining events in modern history led directly to the founding of the European Bank for Reconstruction and Development.

Since then, the EBRD has worked hard to change lives in the countries where it invests, and 2013 continued that trend of engagement. Our number of projects was close to record levels and their transition impact was high. We invested €8.5 billion in more than 30 countries. Another page in EBRD history was written as Jordan, Morocco and Tunisia became recipient countries and the Bank completed its first full year of investment in the new southern and eastern Mediterranean (SEMED) region. That impact on transition, which lies at the heart of our mission, was accomplished not only through investment. Enhanced policy dialogue, technical assistance and international cooperation all played vital parts in fulfilling our goals.

All this was achieved despite another year when the EBRD faced a challenging external economic environment as we worked to help build and strengthen open-market economies. The past few years have seen a marked slowdown in growth and economic development due to the shockwaves from the global financial crisis. In some countries this has been exacerbated by domestic factors, such as the lack of a good business climate, or insufficient economic and democratic reforms. In such countries, transition gains since the collapse of central planning have not only slowed but have been reversed. These nations are now stuck in transition, as defined in the EBRD's *Transition Report 2013*.

We have put a great deal of effort into developing our response to this problem. As the largest foreign investor in most of the countries where we work, we have built up a unique reservoir of expertise over more than two decades. Our focus in 2014 will be on drawing up a comprehensive approach to re-energising transition, as we move towards the Bank's next capital resource planning period. New areas of emphasis that were agreed by our Board of Directors in 2013 will certainly help in this regard. We launched the Small Business Initiative, which allows us to enhance our support for small and medium-sized enterprises (SMEs) by bringing a more coordinated and country-focused approach to the Bank's activities in this area. SMEs are an important source of jobs and growth. Around half of all EBRD projects and a fifth of our investments are in this sector. We have also broadened

the scope of our highly successful Sustainable Energy Initiative with a new Sustainable Resource Initiative. This development goes beyond our current targeting of the efficient use of energy and focuses on the efficient use of water and materials; addressing these key sustainability issues should make businesses more competitive.

If we are to reinvigorate transition, we must be far more ambitious and innovative in seeking solutions. Policy dialogue at all levels, leading to sustained reform, will be crucial if we are not to end up with successful projects but little systemic change. There is a pressing need to improve the business climate in many countries, which includes supporting governments in tackling corruption at all levels. If they do not, investment will continue to move elsewhere in a recovering and highly competitive global economy. Revitalising transition will not be easy, but it is our duty to attempt this if we are to stay true to our mandate.

As we encourage companies and countries to change, we must ensure that the EBRD practises what it preaches. Over the past year we have made progress on internal modernisation. We have introduced a programme to ensure that we are as effective as possible and continue to deliver what our clients need, in a world that is far more complex and challenging than in 1991. We have begun the work of improving the management skills of our staff and have laid the ground for a full process and cost-efficiency review in 2014. We continue to innovate, including in the way that we increase the mobilisation of external finance to work alongside our own. The end result should be more transition impact and greater value for both our clients and shareholders.

The 2013 Staff Engagement Survey showed that EBRD employees remain highly committed to supporting the transition process in countries where we work. This commitment should bolster our belief that we can make a significant contribution to revitalising transition. Our efforts remain as needed as ever, as the Bank prepares for the challenges ahead.



Suma Chakrabarti
President, European Bank for
Reconstruction and Development



Who we are

The EBRD is investing in changing people's lives and environments across a region that stretches from central Europe to Central Asia, the Western Balkans and the southern and eastern Mediterranean.

Working together with the private sector, we invest in projects, engage in policy dialogue and provide technical advice that fosters innovation and builds sustainable and open-market economies.

What we do

We provide funds for well-structured, financially robust projects of all sizes (including many small businesses), both directly and through financial intermediaries such as local banks and investment funds. The Bank works mainly with private sector clients, but also finances municipal entities and publicly owned companies. Our principal financing instruments are loans, equity investments and guarantees. We maintain close policy dialogue with governments, authorities, international financial institutions, and representatives of civil society, and provide targeted technical assistance using funds donated by member governments and institutions.

Where we invest

EBRD ANNUAL BANK INVESTMENT IN 2013¹ (€ MILLION)

Central Europe and the Baltic states

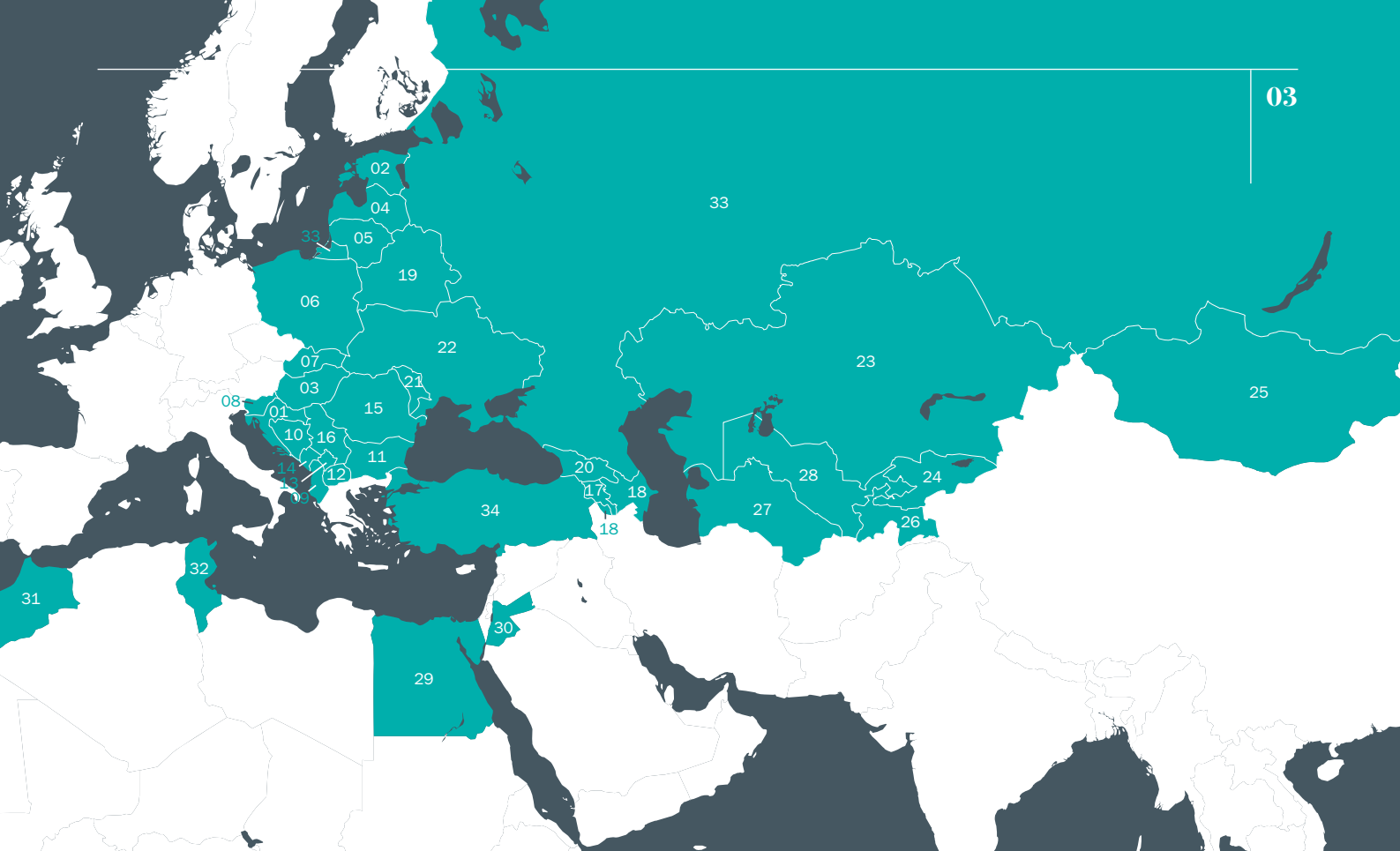
| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|----------|-----------------|--------------|--------------|---------------------------|
| 01 | Croatia | 288 | 210 | 3,037 |
| 02 | Estonia | 23 | 4 | 566 |
| 03 | Hungary | 200 | 75 | 2,863 |
| 04 | Latvia | 23 | 4 | 598 |
| 05 | Lithuania | 32 | 37 | 672 |
| 06 | Poland | 756 | 672 | 6,849 |
| 07 | Slovak Republic | 237 | 185 | 2,024 |
| 08 | Slovenia | 48 | 28 | 813 |
| | Total | 1,607 | 1,215 | 17,422² |

South-eastern Europe

| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|----------|------------------------|--------------|--------------|----------------------|
| 09 | Albania | 138 | 69 | 870 |
| 10 | Bosnia and Herzegovina | 208 | 125 | 1,682 |
| 11 | Bulgaria | 197 | 246 | 2,858 |
| 12 | FYR Macedonia | 74 | 157 | 1,159 |
| 13 | Kosovo ³ | 22 | 5 | 88 |
| 14 | Montenegro | 78 | 39 | 401 |
| 15 | Romania | 508 | 612 | 6,618 |
| 16 | Serbia | 424 | 269 | 3,530 |
| | Total | 1,648 | 1,522 | 17,206 |

Eastern Europe and the Caucasus⁴

| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|----------|--------------|--------------|--------------|----------------------|
| 17 | Armenia | 49 | 94 | 662 |
| 18 | Azerbaijan | 163 | 83 | 1,717 |
| 19 | Belarus | 255 | 185 | 1,305 |
| 20 | Georgia | 116 | 103 | 1,835 |
| 21 | Moldova | 128 | 102 | 862 |
| 22 | Ukraine | 798 | 934 | 8,946 |
| | Total | 1,509 | 1,500 | 15,327 |



Central Asia

| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|--------------|-----------------|------------|------------|----------------------|
| 23 | Kazakhstan | 328 | 374 | 4,916 |
| 24 | Kyrgyz Republic | 134 | 16 | 548 |
| 25 | Mongolia | 64 | 419 | 754 |
| 26 | Tajikstan | 14 | 46 | 299 |
| 27 | Turkmenistan | 8 | 14 | 180 |
| 28 | Uzbekistan | N/A | 2 | 741 |
| Total | | 549 | 871 | 7,438 |

Southern and eastern Mediterranean⁵

| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|--------------|---------|------------|------------|----------------------|
| 29 | Egypt | 151 | 10 | 161 |
| 30 | Jordan | 60 | 123 | 183 |
| 31 | Morocco | 168 | 23 | 191 |
| 32 | Tunisia | 69 | 25 | 94 |
| Total | | 449 | 181 | 629 |

Russia

| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|--------------|---------|--------------|--------------|----------------------|
| 33 | Russia | 1,816 | 2,582 | 24,759 |
| Total | | 1,816 | 2,582 | 24,759 |

Turkey

| Map ref. | Country | 2013 | 2012 | Cumulative 1991-2013 |
|--------------|---------|------------|--------------|----------------------|
| 34 | Turkey | 920 | 1,049 | 3,496 |
| Total | | 920 | 1,049 | 3,496 |

N/A - not applicable

¹ "Annual Bank investment" (ABI) - volume of commitments made by the Bank in the year to finance investment operations, including to restructured operations, less cancellations or sales of such commitments within the same year. In previous EBRD Annual Reports, ABI was shown as annual business volume (ABV).

² This figure excludes investments totalling €1,137 million made in the Czech Republic before 2008.

³ Kosovo became a member of the EBRD and an EBRD recipient country on 17 December 2012.

⁴ Formerly Western CIS and the Caucasus.

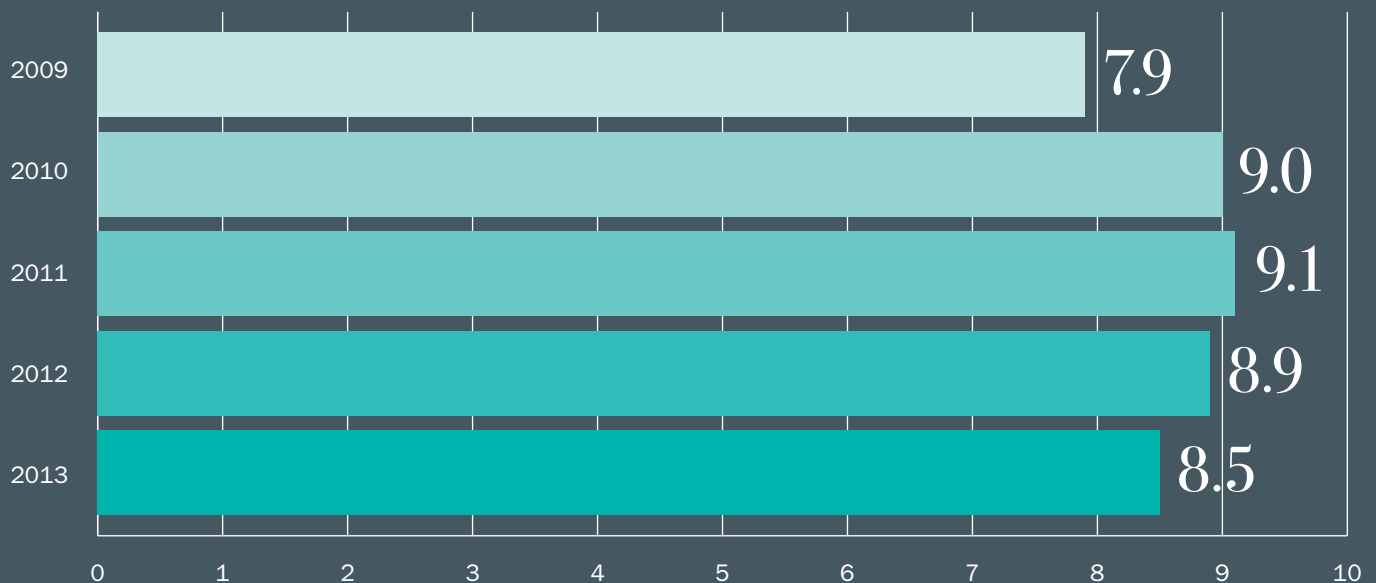
⁵ In May 2012, the EBRD Board of Governors allocated funds from the Bank's net income to implement early investment operations in the southern and eastern Mediterranean region. The Board of Governors also granted the four countries the status of potential recipient countries under Article 18 of the Agreement Establishing the Bank. In November 2013, Jordan, Morocco and Tunisia became EBRD recipient countries.

2013 in numbers

EBRD ANNUAL BANK INVESTMENT BY SECTOR 2013



EBRD ANNUAL BANK INVESTMENT 2009-13 (€ BILLION)



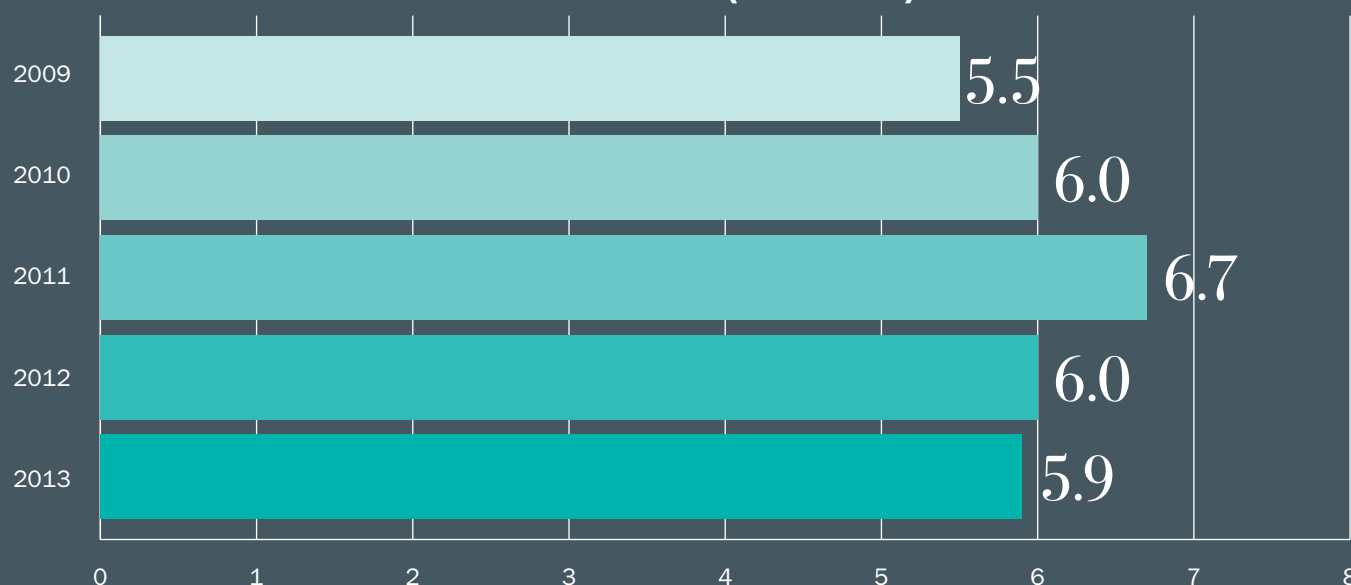
OPERATIONAL RESULTS 2009-13

| | 2013 | 2012 | 2011 | 2010 | 2009 | Cumulative 1991-2013 |
|--|---------------|---------------|---------------|---------------|---------------|-------------------------|
| Number of projects | 392 | 393 | 380 | 386 | 311 | 3,944 |
| Annual Bank investment (€ million) | 8,498 | 8,920 | 9,051 | 9,009 | 7,861 | 84,757 |
| Non-EBRD finance (€ million) | 13,488 | 17,372 | 20,802 | 13,174 | 10,353 | 168,283 |
| Total project value⁶ | 20,527 | 24,871 | 29,479 | 22,039 | 18,087 | 253,349 |

FINANCIAL RESULTS 2009-13

| € million | 2013 | Restated 2012 | 2011 | 2010 | 2009 |
|---|---------------|------------------|---------------|---------------|---------------|
| Realised profit before impairment ⁷ | 1,169 | 1,007 | 866 | 927 | 849 |
| Net profit/(loss) before transfers of net income approved by the Board of Governors | 1,012 | 1,021 | 173 | 1,377 | (746) |
| Transfers of net income approved by the Board of Governors | (90) | (190) | – | (150) | (165) |
| Net profit/(loss) after transfers of net income approved by the Board of Governors | 922 | 831 | 173 | 1,227 | (911) |
| Paid-in capital | 6,202 | 6,202 | 6,199 | 6,197 | 5,198 |
| Reserves and retained earnings ⁸ | 8,674 | 7,748 | 6,974 | 6,780 | 6,317 |
| Total members' equity (€ million) | 14,876 | 13,950 | 13,173 | 12,977 | 11,515 |

GROSS ANNUAL DISBURSEMENTS 2009-13 (€ BILLION)



⁶ "Total project value" is the total amount of finance provided to a project, including both EBRD and non-EBRD finance, and is reported in the year in which the project first signs. EBRD financing may be committed over more than one year with "annual Bank investment" (ABI) reflecting EBRD finance by year of commitment. The amount of finance to be provided by non-EBRD parties is reported in the year the project first signs.

⁷ Realised profit is before unrealised fair value adjustments to share investments, provisions and other unrealised amounts and transfers of net income.

⁸ The movement in reserves and retained earnings reflects the net profit after transfers of net income, the movement in other comprehensive income and the retention of internal tax.