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**INTERIM FINANCIAL REPORT**

**At 30 JUNE 2010**

**SUPPL**

**(UNAUDITED)**

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**Income statement****For the six months ended 30 June 2010 (unaudited) and 30 June 2009 (unaudited)**

	Quarter to 30 June 2010 € million	Year to date 30 June 2010 € million	Quarter to 30 June 2009 € million	Year to date 30 June 2009 € million
Interest and similar income				
From Banking loans	160	310	156	347
From fixed-income debt securities and other interest	17	36	70	175
Interest expense and similar charges	(22)	(50)	(88)	(208)
<b>Net interest income</b>	<b>155</b>	<b>296</b>	<b>138</b>	<b>314</b>
Net fee and commission income	6	10	2	3
Dividend income	21	21	22	22
Net gains/(losses) from share investments at fair value through profit or loss	133	207	(166)	(380)
Net (losses)/gains from available-for-sale share investments	(45)	(43)	25	(134)
Net losses from Treasury investments	-	-	(7)	(9)
Net gains from dealing activities at fair value through profit or loss	19	32	46	34
Foreign exchange movement	1	1	1	1
Fair value movement on non-qualifying and ineffective hedges	(47)	(62)	(13)	85
Provisions for impairment of Banking loan investments	10	10	(218)	(354)
Provisions for impairment of Treasury loan investments	(15)	(10)	(8)	(14)
General administrative expenses	(56)	(108)	(55)	(105)
Depreciation and amortisation	(5)	(11)	(4)	(8)
<b>Net profit/(loss) for the period</b>	<b>177</b>	<b>343</b>	<b>(237)</b>	<b>(545)</b>
Transfers of net income approved by the Board of Governors	(150)	(150)	(30)	(165)
<b>Net profit/(loss) after transfers of net income approved by the Board of Governors</b>	<b>27</b>	<b>193</b>	<b>(267)</b>	<b>(710)</b>
Attributable to:				
<b>Equity holders</b>	<b>27</b>	<b>193</b>	<b>(267)</b>	<b>(710)</b>

**Statement of comprehensive income**

**For the six months ended 30 June 2010 (unaudited) and 30 June 2009 (unaudited)**

	Quarter to 30 June 2010 € million	Year to date 30 June 2010 € million	Quarter to 30 June 2009 € million	Year to date 30 June 2009 € million
<b>Net profit/(loss) after transfers of net income approved by the Board of Governors</b>	27	193	(267)	(710)
<b>Other comprehensive (expense)/income</b>				
Available-for-sale financial assets	(309)	6	159	(12)
Cash flow hedges	22	25	26	41
<b>Total comprehensive (expense)/income</b>	<b>(260)</b>	<b>224</b>	<b>(82)</b>	<b>(681)</b>
Attributable to:				
<b>Equity holders</b>	<b>(260)</b>	<b>224</b>	<b>(82)</b>	<b>(681)</b>

## Statement of financial position

At 30 June 2010 (unaudited) and 31 December 2009 (audited)

	€ million	30 June 2010 € million	€ million	31 December 2009 € million
<b>Assets</b>				
Placements with and advances to credit institutions	4,863		3,247	
Debt securities				
At fair value through profit or loss	466		222	
Available-for-sale	1,718		1,012	
Held-to-maturity	1,018		1,239	
	<u>3,202</u>		<u>2,473</u>	
Collateralised placements	1,233		1,171	
		<u>9,298</u>		<u>6,891</u>
Other financial assets				
Derivative financial instruments	3,478		2,538	
Other financial assets	932		483	
		<u>4,410</u>		<u>3,021</u>
Loan investments				
<i>Treasury portfolio</i>				
Loans	5,443		5,484	
Less: Provisions for impairment	(193)		(163)	
	<u>5,250</u>		<u>5,321</u>	
<i>Banking portfolio</i>				
Loans	14,476		13,125	
Less: Provisions for impairment	(790)		(719)	
	<u>13,686</u>		<u>12,406</u>	
		<u>18,936</u>		<u>17,727</u>
Share investments				
<i>Banking portfolio</i>				
Share investments at fair value through profit or loss	2,430		2,279	
Available-for-sale share investments	2,493		2,455	
	<u>4,923</u>		<u>4,734</u>	
<i>Treasury portfolio</i>				
Available-for-sale share investments	58		57	
		<u>4,981</u>		<u>4,791</u>
Intangible assets		49		53
Property, technology and office equipment		39		39
Paid-in capital receivable		18		17
<b>Total assets</b>		<b>37,731</b>		<b>32,539</b>
<b>Liabilities</b>				
Borrowings				
Amounts owed to credit institutions	2,262		2,129	
Debts evidenced by certificates	22,433		17,715	
		<u>24,695</u>		<u>19,844</u>
Other financial liabilities				
Derivative financial instruments	670		803	
Other financial liabilities	625		377	
		<u>1,295</u>		<u>1,180</u>
<b>Total liabilities</b>		<b>25,990</b>		<b>21,024</b>
<b>Members' equity</b>				
Subscribed capital	20,793		19,794	
Callable capital	(14,596)		(14,596)	
Paid-in capital		6,197		5,198
Reserves and retained earnings		5,544		6,317
<b>Total members' equity</b>		<b>11,741</b>		<b>11,515</b>
<b>Total liabilities and members' equity</b>		<b>37,731</b>		<b>32,539</b>

**Statement of changes in equity for the six months ended 30 June 2010 (unaudited) and 30 June 2009 (unaudited)**

	Subscribed capital € million	Callable capital € million	Available-for-sale financial assets € million	Cash flow hedges € million	Retained earnings € million	Total equity € million
<b>For the period ended 30 June 2010</b>						
At 31 December 2008	19,794	(14,596)	495	(52)	6,109	11,750
Total comprehensive expense for the period	-	-	(12)	41	(710)	(681)
Internal tax for the period	-	-	-	-	2	2
At 30 June 2009	19,794	(14,596)	483	(11)	5,401	11,071
At 31 December 2009	19,794	(14,596)	1,130	(15)	5,202	11,515
Total comprehensive expense for the period	-	-	6	25	193	224
Internal tax for the period	-	-	-	-	2	2
Issuance of paid-in shares	999	-	-	-	(999)	-
<b>At 30 June 2010</b>	<b>20,793</b>	<b>(14,596)</b>	<b>1,136</b>	<b>10</b>	<b>4,398</b>	<b>11,741</b>

## Statement of cash flows for the six months ended 30 June 2010 (unaudited) and 30 June 2009 (unaudited)

	€ million	Period to 30 June 2010 € million	Period to 30 June 2009 € million
<b>Cash flows from operating activities</b>			
Net profit/(loss) for the period <sup>1</sup>	193		(710)
Adjustments for:			
Unwinding of the discount relating to impaired identified assets	(3)		(2)
Interest income	(343)		(522)
Interest expense and similar charges	50		208
Net deferral of fees and direct costs	50		46
Internal taxation	2		2
Realised gains on share investments and equity derivatives	(15)		(69)
Unrealised (gains)/losses on share investments and equity derivatives at fair value through profit or loss	(182)		388
Impairment losses on available-for-sale share investments	33		195
Realised losses on available-for-sale Treasury assets	-		9
Unrealised losses on dealing securities	-		(16)
Fair value movement on capital receivable and associated hedges	62		(85)
Foreign exchange gains	(1)		(1)
Depreciation and amortisation	11		8
Provisions for impairment of Treasury loan investments	10		14
Gross provisions (release)/charge for Banking loan losses	(10)		354
	(143)		(181)
Interest income received	343		619
Interest expense and similar charges paid	(47)		(190)
(Increase)/decrease in operating assets:			
Prepaid expenses	(27)		(23)
Fair value movement on net Treasury assets	468		1,325
Proceeds from repayments of Banking loans	1,615		1,643
Proceeds from prepayments of Banking loans	599		122
Funds advanced for Banking loans	(2,468)		(2,227)
Proceeds from sale of Banking share investments and equity derivatives	129		130
Funds advanced for Banking share investments	(412)		(205)
Net placements (to)/from credit institutions	(47)		750
Increase/(decrease) in operating liabilities:			
Accrued expenses	14		(64)
<b>Net cash from operating activities</b>		<b>24</b>	<b>1,699</b>
<b>Cash flows used in investing activities</b>			
Proceeds from repayments of Treasury loans	362		220
Purchases of Treasury loans	-		(1)
Proceeds from sale of available-for-sale debt securities	185		2,267
Purchases of available-for-sale debt securities	(797)		(1,741)
Proceeds from the redemption of held-to-maturity debt securities	2,805		-
Purchases of held-to-maturity debt securities	(2,397)		-
Proceeds from sale of securities held at fair value through profit or loss	381		-
Purchases of debt securities held at fair value through profit or loss	(499)		-
Purchase of intangible assets, property, technology and office equipment	(8)		(11)
<b>Net cash from investing activities</b>		<b>32</b>	<b>734</b>
<b>Cash flows from financing activities</b>			
Capital received	2		26
Issue of debts evidenced by certificates	7,556		8,446
Redemption of debts evidenced by certificates	(6,116)		(9,577)
<b>Net cash from financing activities</b>		<b>1,442</b>	<b>(1,105)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,498</b>	<b>1,328</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,103</b>	<b>434</b>
<b>Cash and cash equivalents at 30 June</b>		<b>2,601</b>	<b>1,762</b>
<b>Cash and cash equivalents comprise the following amounts maturing within three months</b>		<b>30 June 2010</b>	<b>30 June 2009</b>
		<b>€ million</b>	<b>€ million</b>
Placements with and advances to credit institutions		4,863	4,035
Amounts owed to credit institutions		(2,262)	(2,273)
<b>Cash and cash equivalents at 30 June</b>		<b>2,601</b>	<b>1,762</b>

<sup>1</sup> Operating profit includes dividends of €21 million received for the period to 30 June 2010 (30 June 2009: €22 million).

## **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 2010 the Bank’s shareholders comprised 61 countries, together with the European Community 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 AFS financial assets, 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 statement presentation**

The financial statements are presented in a manner consistent with the Bank’s audited financial statements as of and for the year ended 31 December 2009. 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 2009. The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending 31 December 2010.



**3. Loan investments**

	2010 Sovereign loans € million	2010 Non-sovereign loans € million	2010 Total loans € million	2009 Sovereign loans € million	2009 Non-sovereign loans € million	2009 Total loans € million
<b>Operating assets</b>						
At 1 January	2,264	10,861	13,125	2,068	8,862	10,930
Movement in fair value revaluation <sup>1</sup>	-	17	17	-	1	1
Disbursements	114	2,354	2,468	199	2,028	2,227
Repayments and prepayments	(172)	(2,042)	(2,214)	(145)	(1,620)	(1,765)
Foreign exchange movements	158	961	1,119	1	(50)	(49)
Movement in net deferral of front end fees and related direct costs	(6)	(28)	(34)	(7)	(28)	(35)
Written off	-	(5)	(5)	-	-	-
<b>At 30 June</b>	<b>2,358</b>	<b>12,118</b>	<b>14,476</b>	<b>2,116</b>	<b>9,193</b>	<b>11,309</b>
Impairment at 30 June	(12)	(778)	(790)	(11)	(560)	(571)
<b>Total operating assets net of impairment at 30 June</b>	<b>2,346</b>	<b>11,340</b>	<b>13,686</b>	<b>2,105</b>	<b>8,633</b>	<b>10,738</b>

<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 June 2010 the Bank categorised 45 loans as impaired, totalling €376 million (31 December 2009: 34 loans totalling €305 million; 30 June 2009: 32 loans totalling €286 million). Specific provisions on these assets amounted to €244 million (31 December 2009: €216 million; 30 June 2009: €164 million).

## 4. Share investments

	Fair value through profit or loss unlisted share investments € million	Fair value through profit or loss listed share investments € million	Fair value through profit or loss total share investments € million	Available-for-sale unlisted share investments € million	Available-for-sale listed share investments € million	Available-for-sale total share investments € million	Total share investments € million
<b>Outstanding disbursements</b>							
At 31 December 2008	1,452	268	1,720	1,223	966	2,189	3,909
Transfer between classes	(5)	5	-	(3)	3	-	-
Disbursements	134	-	134	39	32	71	205
Disposals	(7)	-	(7)	(35)	(3)	(38)	(45)
Written off	(14)	-	(14)	(2)	-	(2)	(16)
At 30 June 2009	1,560	273	1,833	1,222	998	2,220	4,053
At 31 December 2009	1,875	279	2,154	1,382	984	2,366	4,520
Disbursements	276	1	277	126	9	135	412
Disposals	(63)	-	(63)	(21)	(7)	(28)	(91)
Written off	(1)	-	(1)	(22)	-	(22)	(23)
At 30 June 2010	2,087	280	2,367	1,465	986	2,451	4,818
<b>Fair value adjustment</b>							
At 31 December 2008	534	56	590	115	(250)	(135)	455
Transfer between classes	-	-	-	(1)	1	-	-
Movement in fair value revaluation	(296)	38	(258)	(187)	106	(81)	(339)
Impairment of available-for-sale share investments	-	-	-	(47)	(148)	(195)	(195)
At 30 June 2009	238	94	332	(120)	(291)	(411)	(79)
At 31 December 2009	28	97	125	(57)	146	89	214
Movement in fair value revaluation	(50)	(12)	(62)	76	(90)	(14)	(76)
Impairment of available-for-sale share investments	-	-	-	(33)	-	(33)	(33)
At 30 June 2010	(22)	85	63	(14)	56	42	105
<b>Fair value at 30 June 2010</b>	<b>2,065</b>	<b>365</b>	<b>2,430</b>	<b>1,451</b>	<b>1,042</b>	<b>2,493</b>	<b>4,923</b>
Fair value at 30 June 2009	1,798	367	2,165	1,102	707	1,809	3,974

At 30 June 2010 the Bank categorised 53 available-for-sale share investments as impaired, with outstanding disbursements totalling €990 million (31 December 2009: 46 available-for-sale share investments totalling €982 million; 30 June 2009: 42 available-for-sale share investments totalling €973 million).

## 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

	30 June 2010			30 June 2009		
	Banking € million	Treasury € million	Aggregated € million	Banking € million	Treasury € million	Aggregated € million
Interest income	310	36	346	347	175	522
Other income/(expense)	195	33	228	(489)	26	(463)
<b>Total segment revenue/(expense)</b>	<b>505</b>	<b>69</b>	<b>574</b>	<b>(142)</b>	<b>201</b>	<b>59</b>
Less interest expense and similar charges	(93)	-	(93)	(241)	(137)	(378)
Allocation of the return on capital	38	5	43	153	17	170
Fair value movement on non-qualifying hedges	6	(68)	(62)	105	(20)	85
Less general administrative expenses	(102)	(6)	(108)	(99)	(6)	(105)
Less depreciation and amortisation	(10)	(1)	(11)	(7)	(1)	(8)
<b>Segment result before provisions</b>	<b>344</b>	<b>(1)</b>	<b>343</b>	<b>(231)</b>	<b>54</b>	<b>(177)</b>
Provision for impairment of loan investments	10	(10)	-	(354)	(14)	(368)
<b>Net profit/(loss) for the period</b>	<b>354</b>	<b>(11)</b>	<b>343</b>	<b>(585)</b>	<b>40</b>	<b>(545)</b>
Transfers of net income approved by the Board of Governors			(150)			(165)
<b>Net profit/(loss) after transfers approved by the Board of Governors</b>			<b>193</b>			<b>(710)</b>
<b>Segment assets</b>	<b>19,366</b>	<b>18,347</b>	<b>37,713</b>	<b>15,158</b>	<b>16,543</b>	<b>31,701</b>
Paid-in capital receivable			18			21
<b>Total assets</b>			<b>37,731</b>			<b>31,722</b>
<b>Segment liabilities</b>						
<b>Total liabilities</b>	<b>191</b>	<b>25,799</b>	<b>25,990</b>	<b>120</b>	<b>20,531</b>	<b>20,651</b>
Capital expenditure	7	1	8	10	1	11

Interest expenses and similar charges and the allocation of the return on capital total €50 million (H1 2009: €208 million). This is the Bank's "interest expenses and similar charges" as reported in the income statement.