

# Half-Year Report

Condensed Interim Financial Statements

As at 30 June 2013

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## Comments on financial results as at 30 June 2013 (unaudited)

Within an economic environment remaining difficult in Europe, the CEB continued to fulfil its role as an international financial institution with a social vocation, in accordance with its mandate.

In terms of activities for the first half-year of 2013, the amounts of projects approved (€ 1.4 billion) and loans disbursed (€ 502.8 million) are in line with the objectives defined in the Development Plan for 2010-2014. The stock of projects approved awaiting financing reached € 5.3 billion compared to € 4.9 billion at end 2012, of which 62.0% are in favour of target countries from Central, Eastern and South Eastern Europe. Outstanding loans remained stable and stood at nearly € 12.0 billion at 30 June 2013 (31 December 2012: €12.1 billion).

The **capital adequacy ratio's** increase compared to June 2012 is due to the deterioration in the quality of CEB's loan portfolio, which was largely offset by the increase in CEB's usable equity as well as Turkey's rating upgrade to investment grade category.

For the same reasons, the **risk asset coverage ratio** has improved considerably since June 2012. However, due to the Bank's social mandate to focus its lending on target group countries, a decrease in this ratio to below its threshold is not expected in the short term.

The remaining prudential ratios (**indebtedness, portfolio and strengthened liquidity**) remain within their respective limits.

During the first half-year of 2013, the Bank issued bonds for an amount of € 2.1 billion. The amount of debt, which supports the Bank's operations, decreased from € 20.2 billion at 31 December 2012 to € 19.8 billion at 30 June 2013. This change is mainly due to the foreign exchange variation between the Australian dollar and the Euro during this period.

The net profit (unaudited) at 30 June 2013 amounted to € 60.9 million, i.e. a slight decrease of € 0.1 million (0.2%) compared to the same period in 2012. This evolution is mainly due to the increase in the interest margin (€ 5.4 million), to the negative impact of financial instruments at fair value through profit and loss (€ 4.0 million) and to the increase in general operating expenses (€ 1.9 million).

Equity at 30 June 2013 stood at € 2.3 billion, compared to € 2.2 billion at 30 June 2012, whereas own funds (equity plus uncalled capital) reached close to € 7.2 billion, compared to € 7.0 billion at 30 June 2012. The capital increase that became effective on 31 December 2011 and for which the subscription period ran until 31 December 2012 was subscribed at a rate of 98%.

### Key figures

(in million euros)

|                          | 30/06/2013 (*) | 30/06/2012<br>Restated (*) (**) | 31/12/2012  |
|--------------------------|----------------|---------------------------------|-------------|
| Projects approved        | 1 408          | 1 001                           | 1 798       |
| Stock of projects        | 5 327          | 5 135                           | 4 867       |
| Loans disbursed          | 503            | 620                             | 1 584       |
| Loans outstanding        | 11 990         | 12 160                          | 12 131      |
| Bonds issued             | 2 064          | 3 303                           | 3 219       |
| Debt securities in issue | 19 765         | 20 636                          | 20 215      |
| Net profit               | 61             | 61                              | 120         |
| Equity                   | 2 333          | 2 183                           | 2 262 (***) |
| Own funds                | 7 187          | 6 967                           | 7 116 (***) |
| Total assets             | 25 472         | 27 353                          | 26 858      |

(\*) Unaudited

(\*\*) In accordance with the anticipated application of the revised IAS 19, the CEB restated the accounting figures as at 1 January 2012 and 30 June 2012. The changes are detailed in Note A, paragraph 2.

(\*\*\*) After allocation of profit

# FINANCIAL STATEMENTS

## The Bank's objectives

"The primary purpose of the Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations and as a result of the presence of victims of natural or ecological disasters.

The investment projects to which the Bank contributes may be intended either to help such people in the country in which they find themselves or to enable them to return to their countries of origin when the conditions for return are met or, where applicable, to settle in another host country. These projects must be approved by a member of the Bank.

The Bank may also contribute to the realisation of investment projects approved by a member of the Bank which enable jobs to be created in disadvantaged regions, people in low income groups to be housed or social infrastructure to be created".

(Articles of Agreement, Article II).

## Sectors of action

The Bank (CEB) contributes to the implementation of socially-orientated investment projects in favour of social cohesion through three major sectoral lines of action, namely the strengthening of social integration, management of the environment and supporting public infrastructure with a social vocation.

Its actions comply with eligibility criteria specific to each sectoral line of action, thus reflecting not only the CEB's specific social vocation, but also the development logic underpinning all its activity.

In accordance with resolution 1522 (2009) approved by the Administrative Council on 20 November 2009, each of these three action lines involves the following fields:

### - Strengthening of social integration

To contribute to strengthening social integration and thus to attack the roots of exclusion means, at operational level, acting in favour of refugees, migrants and displaced persons, promoting social housing and the creation and preservation of jobs, improving living conditions in urban and rural areas.

### - Management of the environment

To contribute to managing the environment means not only systematically responding to emergency situations in the event of natural or ecological disasters, but also promoting protection of the environment and preservation of historic and cultural heritage.

### - Supporting public infrastructure with a social vocation

An integrated approach to support the development of public infrastructure with a social vocation in the key sectors of health, education, vocational training and administrative and judicial public services in the long term facilitates more dynamic and more equitable social and economic growth, thus promoting individual fulfilment and collective well-being.

## Balance sheet

As at 30 June 2013 (unaudited) and 31 December 2012 (audited)

| <i>in thousand euros</i>                                   | Notes | 30/06/2013        | 31/12/2012        |
|--|-------|-------------------|-------------------|
| <b>Assets</b>  |       |                   |                   |
| Cash in hand, balances with central banks                  |       | 271 744           | 327 373           |
| Financial assets at fair value through profit or loss      |       | 834 276           | 1 200 675         |
| Hedging derivative instruments                             |       | 1 116 245         | 1 402 383         |
| Available-for-sale financial assets                        |       | 3 985 543         | 4 930 030         |
| Loans and advances to credit institutions and to customers |       |                   |                   |
| Loans  | D     | 12 215 157        | 12 448 526        |
| Advances   | D     | 4 479 223         | 4 021 106         |
| Financial assets held to maturity                          |       | 2 520 695         | 2 477 909         |
| Tangible and intangible assets                             |       | 44 445            | 44 909            |
| Other assets   |       | 4 898             | 4 665             |
| <b>Total assets</b>  |       | <b>25 472 226</b> | <b>26 857 576</b> |
| <b>Liabilities and equity</b>                              |       |                   |                   |
| <b>Liabilities</b>   |       |                   |                   |
| Financial liabilities at fair value through profit or loss |       | 279 313           | 428 908           |
| Hedging derivative instruments                             |       | 577 805           | 595 059           |
| Amounts owed to credit institutions and to customers       | E     | 88 934            | 83 352            |
| Debt securities in issue                                   | E     | 20 719 842        | 21 558 288        |
| Other liabilities  |       | 1 229 154         | 1 693 417         |
| Social Dividend Account (SDA)                              |       | 75 786            | 77 654            |
| Provisions   |       | 168 566           | 159 259           |
| <b>Total liabilities</b>                                   |       | <b>23 139 400</b> | <b>24 595 937</b> |
| <b>Equity</b>  |       |                   |                   |
| Capital  | F     |                   |                   |
| Subscribed   |       | 5 465 660         | 5 465 660         |
| Uncalled   |       | (4 853 971)       | (4 853 971)       |
| Called   |       | 611 689           | 611 689           |
| General reserve  |       | 1 781 692         | 1 661 462         |
| Net profit   |       | 60 937            | 120 230           |
| <b>Total capital, general reserve net profit</b>           |       | <b>2 454 318</b>  | <b>2 393 381</b>  |
| Gains or losses recognised directly in equity              |       | (121 492)         | (131 742)         |
| <b>Total equity</b>  |       | <b>2 332 826</b>  | <b>2 261 639</b>  |
| <b>Total liabilities and equity</b>                        |       | <b>25 472 226</b> | <b>26 857 576</b> |

## Income statement

### For the first half 2013 (unaudited) and the first half 2012 (unaudited)

| <i>in thousand euros</i>  | Notes    | 30/06/2013    | 30/06/2012<br>Restated (*) |
|---|----------|---------------|----------------------------|
| Interest and similar income   |          |               |                            |
| Available-for-sale financial assets   |          | 9 687         | 25 807                     |
| Loans and advances to credit institutions and to customers                          |          | 46 894        | 106 102                    |
| Financial assets held to maturity   |          | 46 493        | 46 431                     |
| Interest expenses and similar charges   |          |               |                            |
| Amounts owed to credit institutions and to customers                                |          | (951)         | (5 270)                    |
| Debt securities in issue  |          | (18 470)      | (94 717)                   |
| Other interest expenses and similar charges   |          | (2 389)       | (2 443)                    |
| <b>Interest margin</b>  | <b>G</b> | <b>81 264</b> | <b>75 910</b>              |
| Net gains or losses from financial instruments at fair value through profit or loss |          | (354)         | 3 616                      |
| Net gains or losses from available-for-sale financial assets                        |          | 25            | 32                         |
| Commissions (income)  |          | 443           | 77                         |
| Commissions (expenses)  |          | (743)         | (828)                      |
| <b>Net banking income</b>   |          | <b>80 635</b> | <b>78 807</b>              |
| General operating expenses  |          | (18 597)      | (16 684)                   |
| Depreciation and amortisation charges of fixed assets                               |          | (1 101)       | (1 057)                    |
| <b>Gross operating income</b>   |          | <b>60 937</b> | <b>61 066</b>              |
| Cost of risk  |          |               |                            |
| <b>Net profit</b>   |          | <b>60 937</b> | <b>61 066</b>              |

(\*) In accordance with the anticipated application of the revised IAS 19, the CEB restated the accounting figures for the first half-year of 2012. The changes are detailed in Note A, paragraph 2.

## Statement of comprehensive income

### For the first half 2013 (unaudited) and the first half 2012 (unaudited)

In thousand euros

|  | 30/06/2013    | 30/06/2012<br>Restated <sup>(*)</sup> |
|--|---------------|---------------------------------------|
| <b>Net profit</b>  | <b>60 937</b> | <b>61 066</b>                         |
| Changes in value of available-for-sale financial assets                        | 13 198        | 30 191                                |
| Changes in actuarial differences related to the pension scheme                 | (2 280)       |                                       |
| Changes in actuarial differences related to the other post-employment benefits | (668)         |                                       |
| <b>Total other elements of comprehensive income</b>                            | <b>10 250</b> | <b>30 191</b>                         |
| <b>Comprehensive income</b>  | <b>71 187</b> | <b>91 257</b>                         |

(\*) In accordance with the anticipated application of the revised IAS 19, the CEB restated the accounting figures for the first half-year of 2012. The changes are detailed in Note A, paragraph 2.

## Statement of changes in equity

### For the first half 2013 (unaudited) and the first half 2012 (unaudited)

In thousand euros

|  | Capital and reserves |                     |                  | Gains or losses recognised directly in equity |                       |                  | Total equity     |
|--|----------------------|---------------------|------------------|---|-----------------------|------------------|------------------|
|  | Called capital       | Reserves and result | Total            | Available for sale financial assets           | Actuarial differences | Total            |                  |
| <b>Equity as at 31 December 2011<br/>Restated <sup>(*)</sup></b>         | <b>554 268</b>       | <b>1 719 883</b>    | <b>2 274 151</b> | <b>(161 925)</b>                              | <b>(19 231)</b>       | <b>(181 156)</b> | <b>2 092 995</b> |
| Capital increase   | 48 528               | (48 528)            |                  |   |                       |                  |                  |
| Appropriation of profit for the 2011 financial year                      |                      | (1 000)             | (1 000)          |   |                       |                  | (1 000)          |
| Net profit   |                      | 61 066              | 61 066           |   |                       |                  | 61 066           |
| Changes in value of assets and liabilities recognised directly in equity |                      |                     |                  | 30 191  |                       | 30 191           | 30 191           |
| <b>Equity as at 30 June 2012<br/>Restated <sup>(*)</sup></b>             | <b>602 796</b>       | <b>1 731 421</b>    | <b>2 334 217</b> | <b>(131 734)</b>                              | <b>(19 231)</b>       | <b>(150 965)</b> | <b>2 183 252</b> |
| Capital increase   | 8 893                | (8 893)             |                  |   |                       |                  |                  |
| Net profit   |                      | 59 164              | 59 164           |   |                       |                  | 59 164           |
| Changes in value of assets and liabilities recognised directly in equity |                      |                     |                  | 57 311  | (38 088)              | 19 223           | 19 223           |
| <b>Equity as at 31 December 2012</b>                                     | <b>611 689</b>       | <b>1 781 692</b>    | <b>2 393 381</b> | <b>(74 423)</b>                               | <b>(57 319)</b>       | <b>(131 742)</b> | <b>2 261 639</b> |
| Net profit   |                      | 60 937              | 60 937           |   |                       |                  | 60 937           |
| Changes in value of assets and liabilities recognised directly in equity |                      |                     |                  | 13 198  | (2 948)               | 10 250           | 10 250           |
| <b>Equity as at 30 June 2013</b>   | <b>611 689</b>       | <b>1 842 629</b>    | <b>2 454 318</b> | <b>(61 225)</b>                               | <b>(60 267)</b>       | <b>(121 492)</b> | <b>2 332 826</b> |

(\*) In accordance with the anticipated application of the revised IAS 19, the CEB restated the accounting figures as at 31 December 2011 and 30 June 2012. The changes are detailed in Note A, paragraph 2.

## Statement of cash flows

### For the first half 2013 (unaudited) and the first half 2012 (unaudited)

| <i>In thousand euros</i>  | 30/06/2013       | 30/06/2012<br>Restated <sup>(*)</sup> |
|---|------------------|---------------------------------------|
| Net profit  | 60 937           | 61 066                                |
| +/- Depreciation charges of tangible and intangible assets                                    | 1 101            | 1 057                                 |
| +/- Net loss/net profit from investing operations   | 10 333           | 5 841                                 |
| +/- Change in interest receivable   | 26 653           | 143 920                               |
| +/- Change in interest payable  | (23 422)         | (154 149)                             |
| +/- Other movements   | 5 648            | 1 104                                 |
| <i>Total of non-monetary items included in the result</i>                                     | <i>20 314</i>    | <i>(2 226)</i>                        |
| + Reimbursements related to operations with credit institutions and customers                 | 2 157 703        | 595 381                               |
| - Disbursements related to operations with credit institutions and customers                  | (2 936 699)      | (622 584)                             |
| + Reimbursements related to other operations affecting financial assets or liabilities        | 2 733 375        | 2 579 843                             |
| - Disbursements related to other operations affecting financial assets or liabilities         | (2 350 270)      | (2 366 660)                           |
| +/- Cash flows related to operations affecting non-financial assets or liabilities            | (8 073)          | (1 083)                               |
| <i>Net decrease /(increase) of assets and liabilities resulting from operating activities</i> | <i>(403 964)</i> | <i>184 897</i>                        |
| <b>Total net cash flows from operating activities (a)</b>                                     | <b>(322 713)</b> | <b>243 736</b>                        |
| + Reimbursements related to financial assets held to maturity                                 | 98 293           | 40 486                                |
| - Disbursements related to financial assets held to maturity                                  | (144 743)        | (68 695)                              |
| +/- Cash flows related to tangible and intangible assets                                      | (637)            | (14 201)                              |
| <b>Total net cash flows from investing operations (b)</b>                                     | <b>(47 087)</b>  | <b>(42 410)</b>                       |
| +/- Cash flows from or to Member States   | (733)            | (885)                                 |
| + Reimbursements related to debt securities in issue  | 2 786 155        | 5 066 285                             |
| - Disbursements related to debt securities in issue   | (2 895 662)      | (4 759 621)                           |
| <b>Total net cash flows from financing operations (c)</b>                                     | <b>(110 240)</b> | <b>305 778</b>                        |
| <b>Effect of changes in foreign exchange rates on cash and cash equivalents (d)</b>           | <b>6 679</b>     | <b>10 924</b>                         |
| <b>Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)</b>                   | <b>(473 361)</b> | <b>518 029</b>                        |
| <u>Cash and cash equivalents at the beginning of the financial year</u>                       | <u>2 559 425</u> | <u>4 958 369</u>                      |
| Cash in hand, balances with central banks   | 327 373          | 242 980                               |
| Advances repayable on demand and term deposits with credit institutions                       | 2 232 052        | 4 715 389                             |
| <u>Cash and cash equivalents at the end of the financial year</u>                             | <u>2 086 064</u> | <u>5 476 398</u>                      |
| Cash in hand, balances with central banks   | 271 744          | 125 535                               |
| Advances repayable on demand and term deposits with credit institutions                       | 1 814 320        | 5 350 863                             |
| <b>Changes in cash and cash equivalents</b>   | <b>(473 361)</b> | <b>518 029</b>                        |

(\*) In accordance with the anticipated application of the revised IAS 19, the CEB restated the accounting figures for the first half-year of 2012. The changes are detailed in Note A, paragraph 2.



## NOTES TO THE FINANCIAL STATEMENTS

### Note A – Summary of principal accounting methods applied by the Bank (CEB)

#### 1. Applicable accounting norms

The Bank's separate accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (\*). In this regard, certain provisions of IAS 39 relating to hedge accounting have been excluded, and no adoption procedure of certain recent texts has yet begun.

The CEB applied by anticipation on 1 January 2012 the amendment to the IAS 19 "Employee benefits", adopted by the European Union on 5 June 2012. Hence, the provision regarding post-employment benefits, adjusted for actuarial gains and losses, is included in the Bank's balance sheet. Following the IASB's decision regarding the first retroactive application of the standard in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", concerned balance sheet items have been restated as at 1 January 2012 and 30 June 2012 (see paragraph 2 of this chapter).

Moreover, the financial instruments project (in replacement of IAS 39) is still ongoing at IASB. The application date of IFRS 9 (one of its components) has been postponed to 1 January 2015. On the other hand, the European Union has deferred the approval of this standard.

The content of this publication is in compliance with IAS 34 concerning interim financial information, which allows the publication of condensed half-year financial statements as well as selected notes to the financial statements.

The entry into force of the other standards with mandatory application after 1 January 2013 had no impact on the condensed financial statements for the six months ended 30 June 2013.

The CEB did not apply in advance the new standards, amendments or interpretations adopted by the European Union since their application was still optional in 2013.

The half-year financial statements are unaudited.

This interim financial information is to be read together with the financial statements prepared for the year ended 31 December 2012 (available on the Bank's website [www.coebank.org](http://www.coebank.org)).

The reported half-year profits do not necessarily reflect full-year profits.

#### 2. Effects of the application of the revised IAS 19

The anticipated application of the amendment to the IAS 19 "Employee benefits" had the following impact in the first half-year of 2012 balance sheet and income statement:

- in the balance sheet as at 31 December 2011, an increase in "Provisions" of € 18 670 thousand, an increase in the "Net profit" of € 561 thousand and a decrease in "Gains or losses recognised directly in equity" of € 19 231 thousand,
- in the balance sheet as at 30 June 2012, an increase in "Provisions" of € 18 388 thousand, an increase in the "General Reserve" of € 561 thousand, an increase in the "Net profit" of € 282 thousand and a decrease in "Gains or losses recognised directly in equity" of € 19 231 thousand,
- in the income statement as at 30 June 2012, an increase in the "Net profit" of € 282 thousand, of which + € 141 thousand in the item "Other interest expenses and similar charges" and + € 141 thousand in the item "General operating expenses".

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(\*) A complete reference guide of standards adopted within the European Union is available on the European Commission website: [http://ec.europa.eu/internal\\_market/accounting/ias/standards\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/standards_en.htm)

## Note B – Ratios

As a multilateral development bank, the CEB is not subject to its Member States' regulatory ratios, the Basel Committee recommendations or European Union directives. Nonetheless, the CEB has decided to observe these regulations as a point of reference for its risk management and control policy.

Within the context of its lending and treasury activities, the CEB is exposed to four main types of risk: credit risk, market risk, liquidity risk and operational risk. Monitoring these risks through its prudential framework ensures the Bank's capability to sustain its financial soundness.

| Prudential ratios <sup>(1)</sup>    | 30/06/2013 | 30/06/2012 * | 31/12/2012 |
|-------------------------------------|------------|--------------|------------|
| Capital adequacy ratio              | 47.3%      | 40.3%        | 45.3%      |
| Risk asset coverage ratio           | 76.0%      | 98.1%        | 94.8%      |
| Indebtedness ratio                  | 2.67       | 2.75         | 2.75       |
| Portfolio ratio                     | 1.37       | 1.46         | 1.37       |
| Strengthened liquidity ratio        | 115.2%     | 156.5%       | 96.4%      |
| Other ratio                         |            |              |            |
| Cost-to-income ratio <sup>(2)</sup> | 24.4%      | 22.5%        | 23.1%      |

\* restated

<sup>(1)</sup> For the definitions of the prudential ratios see the Report of the Governor 2012, p. 80

<sup>(2)</sup> The cost-to-income ratio equals general operating expenses (including net depreciation and amortization charges of fixed assets) divided by net banking income.

The **capital adequacy ratio (CAR)** measures the CEB's risk weighted loan portfolio as a percentage of the CEB's usable equity (paid-in capital, reserves, gains or losses recognized directly in equity) and is fixed at 100%. At 30 June 2013, the capital adequacy ratio stood at 47.3%, i.e. a 17.3% increase compared to the end of June 2012. The increase in usable equity as well as Turkey's rating upgrade to investment grade category that occurred in the 2<sup>nd</sup> quarter of 2013 largely offset the deterioration in the quality of the loan portfolio (resulting mainly from Croatia's rating downgrade to below investment grade) and the increase in the default probability of the loan portfolio (updated at the beginning of 2013).

The **risk asset coverage ratio (RACR)** exceeds its warning threshold, which is fixed at 66% of the CEB's sound equity (paid-in capital, reserves, gains or losses recognized directly in equity, uncalled capital of member states with Aaa/Aa second best rating). However, the RACR improved significantly over the last 12 months, recording a 22.5% year-on-year decrease, standing at 76.0% at the end of June 2013, for the same reasons as stated under the description of CAR above.

Due to the CEB's social mandate to foster its lending to Target group countries, this ratio is not expected to return below its current limit in the short term. The Boards are periodically informed of its status and loan disbursements are closely monitored.

The **prudential ratios for indebtedness, portfolio and strengthened liquidity** remain within their respective limits. The variations (increase or decrease) solely reflect the Bank's activity development (lending, debt and treasury).

## Note C – Financial assets and liabilities

Financial assets and liabilities are presented in the table below according to their accounting valuation rules.

Conditions for loan disbursement are equivalent to those implemented by other financial institutions that operate on the multilateral development banks market. The Bank does not have a policy for selling this type of receivables.

*In thousand euros*

| <b>30 June 2013</b>  | <b>At fair value<br/>through profit<br/>or loss</b> | <b>At fair value<br/>through<br/>equity</b> | <b>Amortised<br/>cost</b> | <b>Carrying<br/>value</b> |
|--|---|---|---------------------------|---------------------------|
| <b>Assets</b>  |   |   |                           |                           |
| Cash in hand, balances with central banks                  |   |   | 271 744                   | 271 744                   |
| Financial assets at fair value through profit or loss      | 834 276   |   |                           | 834 276                   |
| Hedging derivative instruments                             | 1 116 245   |   |                           | 1 116 245                 |
| Available-for-sale financial assets                        |   | 3 985 543                                   |                           | 3 985 543                 |
| Loans and advances to credit institutions and to customers |   |   | 16 694 380                | 16 694 380                |
| Financial assets held to maturity                          |   |   | 2 520 695                 | 2 520 695                 |
| <b>Total assets</b>  | <b>1 950 521</b>                                    | <b>3 985 543</b>                            | <b>19 486 819</b>         | <b>25 422 883</b>         |
| <b>Liabilities</b>   |   |   |                           |                           |
| Financial liabilities at fair value through profit or loss | 279 313   |   |                           | 279 313                   |
| Hedging derivative instruments                             | 577 805   |   |                           | 577 805                   |
| Amounts owed to credit institutions and to customers       |   |   | 88 934                    | 88 934                    |
| Debt securities in issue                                   |   |   | 20 719 842                | 20 719 842                |
| Selective Trust Account (STA)                              |   |   | 75 786                    | 75 786                    |
| <b>Total liabilities</b>                                   | <b>857 118</b>                                      |   | <b>20 884 562</b>         | <b>21 741 680</b>         |

*In thousand euros*

| <b>31 December 2012</b>                                    | <b>At fair value<br/>through profit<br/>or loss</b> | <b>At fair value<br/>through<br/>equity</b> | <b>Amortised<br/>cost</b> | <b>Carrying<br/>value</b> |
|--|---|---|---------------------------|---------------------------|
| <b>Assets</b>  |   |   |                           |                           |
| Cash in hand, balances with central banks                  |   |   | 327 373                   | 327 373                   |
| Financial assets at fair value through profit or loss      | 1 200 675   |   |                           | 1 200 675                 |
| Hedging derivative instruments                             | 1 402 383   |   |                           | 1 402 383                 |
| Available-for-sale financial assets                        |   | 4 930 030                                   |                           | 4 930 030                 |
| Loans and advances to credit institutions and to customers |   |   | 16 469 632                | 16 469 632                |
| Financial assets held to maturity                          |   |   | 2 477 909                 | 2 477 909                 |
| <b>Total assets</b>  | <b>2 603 058</b>                                    | <b>4 930 030</b>                            | <b>19 274 914</b>         | <b>26 808 002</b>         |
| <b>Liabilities</b>   |   |   |                           |                           |
| Financial liabilities at fair value through profit or loss | 428 908   |   |                           | 428 908                   |
| Hedging derivative instruments                             | 595 059   |   |                           | 595 059                   |
| Amounts owed to credit institutions and to customers       |   |   | 83 352                    | 83 352                    |
| Debt securities in issue                                   |   |   | 21 558 288                | 21 558 288                |
| Selective Trust Account (STA)                              |   |   | 77 654                    | 77 654                    |
| <b>Total liabilities</b>                                   | <b>1 023 967</b>                                    |   | <b>21 719 294</b>         | <b>22 743 261</b>         |

## Note D - Loans and advances to credit institutions and to customers

This heading covers loans to credit institutions and to customers as well as deposits to credit institutions.

*In thousand euros*

| <b>Breakdown of loans by category of borrower</b>           | <b>30/06/2013</b> | <b>31/12/2012</b> |
|---|-------------------|-------------------|
| <b>Loans to credit institutions</b>                         |                   |                   |
| Loans   | 6 645 259         | 6 792 344         |
| Interest receivable   | 16 401            | 13 732            |
| Unpaid receivables  | 872               | 870               |
| Depreciation of loans to credit institutions <sup>(*)</sup> | (1 873)           | (1 871)           |
| <b>Sub-total</b>  | <b>6 660 659</b>  | <b>6 805 075</b>  |
| <b>Loans to customers</b>                                   |                   |                   |
| Loans   | 5 345 094         | 5 338 705         |
| Interest receivable   | 24 847            | 24 934            |
| <b>Sub-total</b>  | <b>5 369 941</b>  | <b>5 363 639</b>  |
| Value adjustment of loans hedged by derivative instruments  | 184 557           | 279 812           |
| <b>Total loans</b>  | <b>12 215 157</b> | <b>12 448 526</b> |
| <b>Other loans and advances</b>                             |                   |                   |
| Advances repayable on demand                                | 109 837           | 167 458           |
| Advances with agreed maturity dates or periods of notice    | 4 367 771         | 3 852 763         |
| <b>Sub-total</b>  | <b>4 477 608</b>  | <b>4 020 221</b>  |
| Interest receivable   | 1 615             | 885               |
| <b>Total other advances</b>                                 | <b>4 479 223</b>  | <b>4 021 106</b>  |

*(\*) Change in this balance concerns accrued interest of an impaired loan.*

The breakdown of outstanding loans by borrowers' country is included in the table below.

*In thousand euros*

| Breakdown by borrowers' country location    | 30/06/2013        | %             | 31/12/2012        | %             |
|---|-------------------|---------------|-------------------|---------------|
| Poland                                      | 1 428 897         | 11.92         | 1 490 833         | 12.29         |
| Hungary                                     | 1 302 968         | 10.87         | 1 323 897         | 10.91         |
| Spain                                       | 1 175 106         | 9.80          | 1 179 529         | 9.72          |
| Turkey                                      | 965 103           | 8.05          | 892 113           | 7.35          |
| Romania                                     | 917 821           | 7.65          | 922 361           | 7.60          |
| France                                      | 859 288           | 7.17          | 868 807           | 7.16          |
| Italy                                       | 691 485           | 5.77          | 723 393           | 5.96          |
| Belgium                                     | 655 082           | 5.46          | 573 294           | 4.73          |
| Cyprus                                      | 612 329           | 5.11          | 626 877           | 5.17          |
| Germany                                     | 536 132           | 4.47          | 592 768           | 4.89          |
| Portugal                                    | 430 658           | 3.59          | 432 221           | 3.56          |
| Finland                                     | 320 792           | 2.68          | 355 292           | 2.93          |
| Croatia                                     | 286 833           | 2.39          | 271 037           | 2.23          |
| Denmark                                     | 228 333           | 1.90          | 233 333           | 1.92          |
| Iceland                                     | 203 574           | 1.70          | 212 429           | 1.75          |
| Sweden                                      | 180 951           | 1.51          | 251 368           | 2.07          |
| Lithuania                                   | 147 029           | 1.23          | 100 743           | 0.83          |
| Slovenia                                    | 126 383           | 1.05          | 155 019           | 1.28          |
| Latvia                                      | 126 229           | 1.05          | 138 245           | 1.14          |
| Slovak Republic                             | 110 585           | 0.92          | 83 874            | 0.69          |
| Albania                                     | 110 049           | 0.92          | 108 238           | 0.89          |
| Bulgaria                                    | 93 510            | 0.78          | 99 615            | 0.82          |
| Ireland                                     | 88 074            | 0.73          | 89 458            | 0.74          |
| Serbia                                      | 85 308            | 0.71          | 70 481            | 0.58          |
| Greece                                      | 58 532            | 0.49          | 83 534            | 0.69          |
| Bosnia and Herzegovina                      | 57 641            | 0.48          | 59 659            | 0.49          |
| "the former Yugoslav Republic of Macedonia" | 57 388            | 0.48          | 48 225            | 0.40          |
| Malta                                       | 50 500            | 0.42          | 58 050            | 0.48          |
| Czech Republic                              | 34 906            | 0.29          | 35 106            | 0.29          |
| Estonia                                     | 26 415            | 0.22          | 28 498            | 0.23          |
| Moldova (Republic of)                       | 13 254            | 0.11          | 13 441            | 0.11          |
| Montenegro                                  | 9 079             | 0.08          | 9 079             | 0.07          |
| San Marino                                  | 116               | 0.01          | 232               | 0.01          |
| <b>Total</b>                                | <b>11 990 353</b> | <b>100.00</b> | <b>12 131 049</b> | <b>100.00</b> |

## Note E - Amounts owed to credit institutions and to customers and debt securities in issue

*In thousand euros*

|   | 30/06/2013        | 31/12/2012        |
|---|-------------------|-------------------|
| Amounts owed to credit institutions and to customers                          |                   |                   |
| Interest-bearing accounts   | 88 934            | 83 352            |
| <i>of which European Union</i>  | 58 826            | 60 639            |
| <b>Total</b>  | <b>88 934</b>     | <b>83 352</b>     |
| Debt securities in issue  |                   |                   |
| Bonds   | 18 813 882        | 19 018 005        |
| Euro Commercial Paper   | 950 937           | 1 196 576         |
| Interest payable  | 295 193           | 312 248           |
| Value adjustment of debt securities in issue hedged by derivative instruments | 659 830           | 1 031 459         |
| <b>Total</b>  | <b>20 719 842</b> | <b>21 558 288</b> |

## Note F – Capital

Following a recommendation by the Administrative Council, on 4 February 2011 the Governing Board has approved the Bank's 6<sup>th</sup> capital increase [Resolution 386 (2011)] which entered into force on 31 December 2011. The subscription rate reached 98%, therefore exceeding the minimum threshold of 67%. The subscription period ran until 31 December 2012.

Capital breakdown by Member State is presented below:

*in thousand euros*

| Members                                     | Subscribed capital | Uncalled capital | Called capital | Voting rights   |
|---|--------------------|------------------|----------------|-----------------|
| France                                      | 915 770            | 814 114          | 101 656        | 16.755%         |
| Germany                                     | 915 770            | 814 114          | 101 656        | 16.755%         |
| Italy                                       | 915 770            | 814 114          | 101 656        | 16.755%         |
| Spain                                       | 597 257            | 530 958          | 66 299         | 10.927%         |
| Turkey                                      | 388 299            | 345 197          | 43 102         | 7.104%          |
| Netherlands                                 | 198 813            | 176 743          | 22 070         | 3.637%          |
| Belgium                                     | 164 321            | 146 083          | 18 238         | 3.006%          |
| Greece                                      | 164 321            | 146 083          | 18 238         | 3.006%          |
| Portugal                                    | 139 172            | 123 724          | 15 448         | 2.546%          |
| Sweden                                      | 139 172            | 123 724          | 15 448         | 2.546%          |
| Poland                                      | 128 260            | 114 023          | 14 237         | 2.347%          |
| Denmark                                     | 89 667             | 79 712           | 9 955          | 1.641%          |
| Finland                                     | 69 786             | 62 039           | 7 747          | 1.277%          |
| Norway                                      | 69 786             | 62 039           | 7 747          | 1.277%          |
| Bulgaria                                    | 62 459             | 55 526           | 6 933          | 1.143%          |
| Romania                                     | 59 914             | 53 264           | 6 650          | 1.096%          |
| Switzerland                                 | 53 824             | 43 229           | 10 595         | 0.985%          |
| Ireland                                     | 48 310             | 42 948           | 5 362          | 0.884%          |
| Hungary                                     | 44 788             | 39 816           | 4 972          | 0.819%          |
| Czech Republic                              | 43 037             | 38 260           | 4 777          | 0.787%          |
| Luxembourg                                  | 34 734             | 30 878           | 3 856          | 0.635%          |
| Serbia                                      | 25 841             | 22 973           | 2 868          | 0.473%          |
| Croatia                                     | 21 376             | 19 003           | 2 373          | 0.391%          |
| Cyprus                                      | 19 882             | 17 676           | 2 206          | 0.364%          |
| Slovak Republic                             | 18 959             | 16 854           | 2 105          | 0.347%          |
| Albania                                     | 13 385             | 11 899           | 1 486          | 0.245%          |
| Latvia                                      | 12 808             | 11 387           | 1 421          | 0.234%          |
| Estonia                                     | 12 723             | 11 311           | 1 412          | 0.233%          |
| "the former Yugoslav Republic of Macedonia" | 12 723             | 11 311           | 1 412          | 0.233%          |
| Lithuania                                   | 12 588             | 11 191           | 1 397          | 0.230%          |
| Slovenia                                    | 12 295             | 10 930           | 1 365          | 0.225%          |
| Iceland                                     | 10 144             | 9 018            | 1 126          | 0.186%          |
| Malta                                       | 10 144             | 9 018            | 1 126          | 0.186%          |
| Georgia                                     | 9 876              | 8 780            | 1 096          | 0.181%          |
| Bosnia and Herzegovina                      | 9 689              | 8 614            | 1 075          | 0.177%          |
| Montenegro                                  | 6 584              | 5 853            | 731            | 0.120%          |
| Moldova (Republic of)                       | 5 488              | 4 878            | 610            | 0.100%          |
| San Marino                                  | 4 867              | 4 206            | 661            | 0.089%          |
| Liechtenstein                               | 2 921              | 2 374            | 547            | 0.053%          |
| Holy See                                    | 137                | 107              | 30             | 0.003%          |
| <b>Total</b>                                | <b>5 465 660</b>   | <b>4 853 971</b> | <b>611 689</b> | <b>100.000%</b> |

Kosovo is authorized by the Governing Board to accede to the CEB within one year according to the following conditions: *To subscribe participating certificates to the value of € 6 559 000, corresponding to a rate of contribution to the capital subscribed of 0.12%.*

## Note G – Interest margin

Income and expenses are accounted for in accordance with the effective interest rate method (interest, commissions and charges).

Changes in value calculated exclusive of accrued interest on financial instruments are accounted for under "Net gains or losses from financial instruments at fair value through profit or loss".

Interest income and expenses from fair value hedging derivatives are shown together with the income and expenses arising from those items for which they provide risk coverage.

|   | <i>In thousand euros</i> |                                    |
|---|--------------------------|------------------------------------|
|   | <b>30/06/2013</b>        | <b>30/06/2012<br/>Restated (*)</b> |
| <b>Available-for-sale financial assets</b>                        |                          |                                    |
| Securities transactions   | 22 576                   | 33 671                             |
| Hedging derivatives   | (12 889)                 | (7 864)                            |
| <b>Sub-total</b>  | <b>9 687</b>             | <b>25 807</b>                      |
| <b>Loans and advances to credit institutions and to customers</b> |                          |                                    |
| Loans (exclusive of interbanking)                                 | 100 115                  | 139 603                            |
| Hedging derivatives   | (56 065)                 | (46 814)                           |
| Advances  | 2 844                    | 13 313                             |
| <b>Sub-total</b>  | <b>46 894</b>            | <b>106 102</b>                     |
| <b>Financial assets held to maturity</b>                          |                          |                                    |
| Securities transactions   | 46 493                   | 46 431                             |
| <b>Sub-total</b>  | <b>46 493</b>            | <b>46 431</b>                      |
| <b>Amounts owed to credit institutions and to customers</b>       |                          |                                    |
| Interest-bearing accounts and deposits                            | (951)                    | (5 270)                            |
| <b>Sub-total</b>  | <b>(951)</b>             | <b>(5 270)</b>                     |
| <b>Debt securities in issue</b>                                   |                          |                                    |
| Bonds   | (318 225)                | (352 785)                          |
| Hedging derivatives   | 299 755                  | 258 068                            |
| <b>Sub-total</b>  | <b>(18 470)</b>          | <b>(94 717)</b>                    |
| <b>Other interest expenses and similar charges</b>                | <b>(2 389)</b>           | <b>(2 443)</b>                     |
| <b>Interest margin</b>  | <b>81 264</b>            | <b>75 910</b>                      |

(\*) In accordance with the anticipated application of the revised IAS 19, the CEB restated the accounting figures for the first half-year of 2012. The changes are detailed in Note A, paragraph 2.