CEB

COUNCIL OF EUROPE DEVELOPMENT BANK
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

Half-Year Report

Interim Financial Statements

At 30 June 2008

www.coebank.org

TABLE OF CONTENTS

Balance sheet 2

Profit and loss account 3

Statement of changes in shareholders' equity 4

Statement of cash flows 5

Notes to the financial statements 6

Balance sheet

As at 30 June 2008 (non audited) and 31 December 2007 (audited)

In thousand euros

Assets	Notes	**30/06/2008**	**31/12/2007**
Cash in hand, balances with central banks		198 493	185 983
Fair value financial assets through profit or loss		221 282	182 180
Hedging derivatives		658 531	1 003 008
Available-for-sale financial assets		2 660 205	2 262 071
Loans and advances to credit institutions and to customers			
Loans	A	11 937 947	12 114 377
Advances	A	1 916 646	746 850
Financial assets held to maturity		2 062 361	1 969 611
Fixed assets		31 145	30 460
Other assets		8 768	14 405
Total assets		**19 695 378**	**18 508 945**
Liabilities			
Fair value financial liabilities through profit or loss		3 505 749	2 761 104
Hedging derivatives		492 446	436 552
Amounts owed to credit institutions and to customers	B	54 805	52 264
Debt securities	B	13 608 981	13 263 780
Other liabilities		40 481	32 642
Selective Trust Account (STA)		80 127	75 464
Provision for financial risks		64 585	61 454
Total liabilities		**17 847 174**	**16 683 260**
Capital	C		
Subscribed		3 303 450	3 303 450
Uncalled		(2 933 712)	(2 933 712)
Called		369 738	369 738
General reserve		1 489 760	1 401 487
Unrealised or deferred gains or losses		(61 974)	(38 813)
Profit for the period		50 680	93 273
Total shareholders' equity		**1 848 204**	**1 825 685**
Total liabilities and shareholders' equity		**19 695 378**	**18 508 945**

Profit and loss account

For the half-year ended 30 June 2008 (non audited) and 30 June 2007 (non audited)

In thousand euros

	30/06/2008	30/06/2007
Interest receivable and similar income		
Available-for-sale financial assets	63 854	42 218
Loans and advances to credit institutions and to customers	319 241	262 771
Financial assets held to maturity	45 150	45 176
Interest expenses and similar charges		
Amounts owed to credit institutions and to customers	(3 480)	(3 969)
Debt securities	(362 005)	(286 147)
Other interest expenses and similar charges	(1 550)	(1 381)
Interest margin	**61 210**	**58 668**
Net gains or losses on fair value financial instruments through profit or loss	3 774	2 402
Net gains or losses on available-for-sale financial assets	64	21
Net commissions	(189)	(171)
Total operating income	**64 859**	**60 920**
General operating expenses	(13 400)	(13 075)
Net depreciation charges of fixed assets	(779)	(756)
Operating profit before provisions	**50 680**	**47 089**
Risk cost		
Profit for the year	**50 680**	**47 089**

Statement of changes in shareholders' equity

For the half-year ended 30 June 2008 (non audited) and 30 June 2007 (non audited)

In thousand euros

	Called capital	Reserves and result	Unrealised or deferred gains/losses	Total shareholders' equity
As at 31 December 2006	**368 648**	**1 404 448**	**(301)**	**1 772 795**
Appropriation of profit for the 2006 financial year		(6 000)		(6 000)
Profit for the first half-year 2007		47 089		47 089
Other movements	654	1 738	84	2 476
As at 30 June 2007	**369 302**	**1 447 275**	**(217)**	**1 816 360**
As at 31 December 2007	**369 738**	**1 494 760**	**(38 813)**	**1 825 685**
Appropriation of profit for the 2007 financial year		(5 000)		(5 000)
Profit for the first half-year 2008		50 680		50 680
Other movements			(23 161)	(23 161)
As at 30 June 2008	**369 738**	**1 540 440**	**(61 974)**	**1 848 204**

Statement of cash flows

For the half-year ended 30 June 2008 (non audited) and 30 June 2007 (non audited)

In thousand euros

Period to 30 June	30/06/2008	30/06/2007
Profit for the first half-year	**50 680**	**47 089**
+/- Net depreciation charges of tangible and intangible fixed assets	779	756
+/- Net provision charges		
+/- Net losses/net profits from investment operations	1 737	1 593
+/- Other movements	(26 394)	22 222
Total of non-monetary items included in the result	**(23 878)**	**24 571**
+/- Cash flows related to operations with credit institutions and customers	130 045	289 932
+/- Cash flows related to other operations affecting financial assets or liabilities	(350 195)	(602 136)
+/- Cash flows related to operations affecting non-financial assets or liabilities	12 513	15 171
Net decrease /(increase) of assets and liabilities resulting from operational activities	**(207 637)**	**(297 033)**
Total net cash flows generated by operational activities (a)	**(180 835)**	**(225 373)**
+/- Cash flows related to financial assets held to maturity	(101 505)	(82 800)
+/- Cash flows related to tangible and intangible fixed assets	(1 463)	(792)
Total net cash flows related to investment operations (b)	**(102 968)**	**(83 592)**
+/- Cash flows from/to member states	7 271	8 617
+/- Net cash flows from financing operations	1 464 380	1 371 872
Total net cash flows related to financing operations (c)	**1 471 651**	**1 380 489**
Effects of exchange rate variations on cash and cash equivalents (d)	**(12 458)**	**(10 020)**
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)	**1 175 390**	**1 061 504**
Cash and cash equivalents as at 1 January	**931 458**	**1 148 200**
Cash in hand, central banks	*185 983*	*47*
Assets accounts and loans repayable on demand with credit institutions	*745 475*	*1 148 153*
Cash and cash equivalents as at 30 June	**2 106 848**	**2 209 704**
Cash in hand, central banks	*197 901*	*54*
Assets accounts and loans repayable on demand with credit institutions	*1 908 947*	*2 209 650*
Net cash flows variations	**1 175 390**	**1 061 504**

Financing activities consist of cash flows deriving from debt securities.

Notes to the 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

In accordance with Resolution 1495 (2006) approved by the Administrative Council on 16 June 2006, the CEB contributes to the implementation of socially-oriented 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 the development of human capital.

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.

Each of these three action lines involves the following fields:

- **Strengthening of social integration**

To contribute to strengthening social integration and thus to tackle 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 and modernising the infrastructure of administrative and judicial public services.

- **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.

- **Development of human capital**

Providing support for the development of human capital in the key sectors of health, education and vocational training in the long run facilitates more dynamic and more equitable social and economic growth, thus promoting individual fulfilment and collective well-being.

Summary of accounting policies applied by the Bank

The International Financial Reporting Standards (IFRS) have been applied to financial statements since 1 January 2005 (date of the first application), in conformity with the recommendations of IFRS 1, "First-time adoption of International Financial Reporting Standards" and in keeping with the other standards of the IFRS, taking into account the version and the interpretations of the standards as adopted by the European Union.

The accounting methods applied at 30 June 2008 are identical to those applied at 31 December 2007 for the end-of-year financial statements, as presented in the 2007 Report of the Governor.

The content of this publication is in compliance with IAS 34 concerning intermediary financial information, which allows the publication of summarised half yearly financial statements as well as selected notes to the financial statements. This interim financial information is to be read together with the financial statements drawn-up for the year ended at 31 December 2007 (www.coebank.org).

The half-year report at 30 June 2008 has not been audited.

Notes to the financial statements

- **Note A – Loans and advances to credit institutions and to customers**

This heading covers loans to credit institutions and to customers, and deposits to credit institutions.

In thousand euros

Breakdown by category of borrower	30/06/2008	31/12/2007
Loans to credit institutions		
Loans	7 951 283	8 005 311
Interest receivable	46 471	48 472
Sub-total	**7 997 754**	**8 053 783**
Loans to customers		
Loans	3 913 246	4 002 019
Interest receivable	37 502	36 100
Sub-total	**3 950 748**	**4 038 119**
Value adjustment of loans hedged by hedging derivatives	(10 555)	**22 475**
Total loans	**11 937 947**	**12 114 377**
Other loans and advances		
Advances repayable on demand	3 947	6 045
Advances with agreed maturity dates or periods of notice	1 905 000	739 430
Sub-total	**1 908 947**	**745 475**
Interest receivable	7 699	1 375
Total other advances	**1 916 646**	**746 850**

Breakdown of outstanding loans by borrower country as at 30 June 2008 and 31 December 2007:

In thousand euros

Breakdown by borrower country	30/06/2008	%	31/12/2007	%
Spain	2 136 178	18,00	2 233 528	18,60
Italy	1 208 799	10,19	1 258 726	10,48
France	1 098 861	9,26	1 105 297	9,21
Germany	986 595	8,32	963 827	8,03
Poland	792 914	6,68	747 148	6,22
Finland	706 107	5,95	688 170	5,73
Hungary	664 773	5,60	676 576	5,63
Turkey	626 420	5,28	653 198	5,44
Portugal	500 837	4,22	502 500	4,18
Cyprus	458 903	3,87	459 037	3,82
Greece	446 640	3,76	476 815	3,97
Romania	350 120	2,95	329 478	2,74
Denmark	345 000	2,91	350 000	2,91
Sweden	236 957	2,00	214 112	1,78
Croatia	192 380	1,62	195 277	1,63
Belgium	177 346	1,49	212 795	1,77
Iceland	156 324	1,32	142 978	1,19
Norway	126 500	1,07	187 400	1,56
Latvia	114 053	0,96	114 535	0,95
Malta	101 000	0,85	101 000	0,84
Bulgaria	78 720	0,66	82 437	0,69
Slovenia	70 909	0,60	63 654	0,53
Bosnia and Herzegovina	58 991	0,50	31 926	0,27
Ireland	44 813	0,38	44 813	0,37
Serbia	38 996	0,33	31 617	0,26
Slovak Republic	34 022	0,29	34 308	0,29
Lithuania	29 792	0,25	30 375	0,25
Czech Republic	29 685	0,25	24 969	0,21
"The former Yugoslav Republic of Macedonia"	20 186	0,17	20 914	0,17
Albania	19 326	0,16	17 580	0,15
Estonia	6 055	0,05	7 365	0,06
Moldova	4 700	0,04	3 000	0,02
San Marino	1 627	0,01	1 975	0,02
Total	**11 864 529**	**100**	**12 007 330**	**100**

- **Note B - Amounts owed to credit institutions, to customers and debt securities**

In thousand euros

	30/06/2008	31/12/2007
Amounts owed to customers		
Interest-bearing accounts	54 770	52 264
of which, European Community	*53 426*	*50 646*
Interest payable	35	-
Total amounts owed to customers	**54 805**	**52 264**
Debt securities		
Bonds	13 318 487	12 493 687
Interest payable	282 414	504 886
Value adjustment of debt securities hedged by derivatives	8 080	265 207
Total debt securities	**13 608 981**	**13 263 780**

• Note C – Subscribed capital

The capital is composed of participating certificates of 1000 euros. Each participating certificate represents one vote. All member states of the Council of Europe or other states, upon authorization by the Governing Board, may subscribe to the capital. This subscription is effective upon acceptance of the Articles of Agreement.

In thousand euros

Members	Subscribed capital	Uncalled capital	Called capital
Germany	549 692	489 000	60 692
France	549 692	489 000	60 692
Italy	549 692	489 000	60 692
Spain	358 504	318 922	39 582
Turkey	233 077	207 344	25 733
Netherlands	119 338	106 161	13 177
Belgium	98 634	87 746	10 888
Greece	98 634	87 746	10 888
Portugal	83 538	74 315	9 223
Sweden	83 538	74 315	9 223
Poland	76 988	68 488	8 500
Switzerland	53 824	43 229	10 595
Denmark	53 823	47 879	5 944
Norway	41 889	37 264	4 625
Finland	41 889	37 264	4 625
Bulgaria	37 491	33 352	4 139
Romania	35 963	31 993	3 970
Ireland	28 998	25 797	3 201
Hungary	26 884	23 916	2 968
Czech Republic	25 833	22 981	2 852
Luxembourg	20 849	18 547	2 302
Serbia	15 511	13 799	1 712
Croatia	12 831	11 414	1 417
Cyprus	11 934	10 617	1 317
Slovak Republic	11 380	10 123	1 257
Albania	8 034	7 147	887
Latvia	7 688	6 840	848
Estonia	7 637	6 794	843
"the former Yugoslav Republic of Macedonia"	7 637	6 794	843
Lithuania	7 556	6 722	834
Slovenia	7 380	6 565	815
Iceland	6 089	5 417	672
Malta	6 089	5 417	672
Georgia	5 928	5 274	654
Bosnia and Herzegovina	5 816	5 174	642
Montenegro	3 952	3 516	436
Moldova	3 294	2 930	364
San Marino	2 921	2 478	443
Liechtenstein	2 921	2 374	547
Holy See	82	58	24
Total at 30 June 2008	**3 303 450**	**2 933 712**	**369 738**
Total at 31 December 2007	**3 303 450**	**2 933 712**	**369 738**