CEB

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

Half-Year Report

Condensed Interim Financial Statements

As at 30 June 2009

www.coebank.org

1 October 2009

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Balance sheet

As at 30 June 2009 (unaudited) and 31 December 2008 (audited)

In thousand euros

Assets	Notes	**30/06/2009**	**31/12/2008**
Cash in hand, balances with central banks		193 556	194 275
Financial assets at fair value through profit or loss		283 489	289 582
Hedging derivatives		1 221 224	1 693 822
Available-for-sale financial assets	B	3 223 136	2 628 227
Loans and advances to credit institutions and to customers			
Loans	A	12 017 642	12 601 277
Advances	A	2 751 807	1 979 204
Financial assets held to maturity	B	1 916 128	1 975 983
Fixed assets		31 428	31 738
Other assets		5 705	8 932
Total assets		**21 644 115**	**21 403 040**
Liabilities			
Financial liabilities at fair value through profit or loss		2 209 257	2 515 544
Hedging derivatives		390 591	434 793
Amounts owed to credit institutions and to customers	C	68 071	73 281
Debt securities in issue	C	16 840 134	16 171 014
Other liabilities		144 798	277 269
Selective Trust Account (STA)		76 669	78 684
Provisions		70 884	67 726
Total liabilities		**19 800 404**	**19 618 311**
Capital	D		
Subscribed		3 303 450	3 303 450
Uncalled		(2 933 712)	(2 933 712)
Called		369 738	369 738
General reserve		1 585 587	1 489 760
Gains or losses recognised directly in members' equity		(163 146)	(170 596)
Net profit for the period		51 532	95 827
Total members' equity		**1 843 711**	**1 784 729**
Total liabilities and members' equity		**21 644 115**	**21 403 040**

Income statement

For the six months ended 30 June 2009 (unaudited) and 30 June 2008 (unaudited)

In thousand euros

	Notes	30/06/2009	30/06/2008
Interest and similar income			
Available-for-sale financial assets		33 803	63 854
Loans and advances to credit institutions and to customers		179 008	319 241
Financial assets held to maturity		44 282	45 150
Interest expenses and similar charges			
Amounts owed to credit institutions and to customers		(3 751)	(3 480)
Debt securities in issue		(183 812)	(362 005)
Other interest expenses and similar charges		(1 688)	(1 550)
Interest margin	E	**67 842**	**61 210**
Net gains or losses from financial instruments at fair value through profit or loss		(337)	3 774
Net gains or losses from available-for-sale financial assets		111	64
Commissions and other net expenses (*)		(718)	(411)
Net banking income		**66 898**	**64 637**
General operating expenses (*)		(14 526)	(13 178)
Net depreciation and amortisation charges of fixed assets		(843)	(779)
Gross operating income		**51 529**	**50 680**
Cost of risk		3	
Net profit		**51 532**	**50 680**

(*) The Bank's expenses related to debt securities (rating, consulting, audit, legal) have been classified under "Net banking income" since 1 January 2009 (€527 thousand). Pro-forma reclassification was performed on 30 June 2008 (€222 thousand) between "General operating expenses" and "Commissions and other net expenses" headings.

Statement of comprehensive income

For the six months ended 30 June 2009 (unaudited) and 30 June 2008 (unaudited)

In thousand euros

	30/06/2009	30/06/2008
Net profit	**51 532**	**50 680**
Changes in value of available-for-sale financial assets	7 096	(22 970)
Changes in value of available-for-sale financial assets recognised in the income statement for the period	354	(191)
Changes in assets and liabilities recognised directly in members' equity	**7 450**	**(23 161)**
Total	**58 982**	**27 519**

Statement of changes in members' equity

For the six months ended 30 June 2009 (unaudited) and June 2008 (unaudited)

In thousand euros

	Called capital	Reserves and profits	Gains or losses recognised directly in members' equity	Total members' equity
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 period ended 30 June 2008		50 680		50 680
Other changes in assets and liabilities recognised directly in members' equity			(23 161)	(23 161)
As at 30 June 2008	**369 738**	**1 540 440**	**(61 974)**	**1 848 204**
As at 31 December 2008	**369 738**	**1 585 587**	**(170 596)**	**1 784 729**
Profit for the period ended 30 June 2009		51 532		51 532
Other changes in assets and liabilities recognised directly in members' equity			7 450	7 450
As at 30 June 2009	**369 738**	**1 637 119**	**(163 146)**	**1 843 711**

Statement of cash flows

For the six months ended 30 June 2009 (unaudited) and 30 June 2008 (unaudited)

In thousand euros

Period to 30 June	30/06/2009	30/06/2008
Profit for the period	**51 532**	**50 680**
+/- Net depreciation and amortisation charges of tangible and intangible fixed assets	843	779
+/- Net provisions	(3)	
+/- Net losses/net profits from investing operations	1 409	1 737
+/- Other movements	(823)	(26 394)
Total of non-monetary items included in the result	**1 426**	**(23 878)**
+/- Cash flows from operations with credit institutions and customers	505 891	130 045
+/- Cash flows from other operations affecting financial assets or liabilities	(736 153)	(350 195)
+/- Cash flows from operations affecting non-financial assets or liabilities	(139 111)	12 513
Net decrease /(increase) in assets and liabilities resulting from operating activities	**(369 373)**	**(207 637)**
Total net cash flows generated by operating activities (a)	**(316 415)**	**(180 835)**
+/- Cash flows from financial assets held to maturity	49 985	(101 505)
+/- Cash flows from tangible and intangible fixed assets	(534)	(1 463)
Total net cash flows from investing operations (b)	**49 451**	**(102 968)**
+/- Cash flows from/to member states	2 199	7 271
+/- Net cash flows from financing operations	1 043 486	1 464 380
Total net cash flows from financing operations (c)	**1 045 685**	**1 471 651**
Effects of changes in foreign exchange rates on cash and cash equivalents (d)	**(218)**	**(12 458)**
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)	**778 503**	**1 175 390**
Cash and cash equivalents as at 1 January	**2 166 256**	**931 458**
Cash in hand, balances with central banks	*194 275*	*185 983*
Assets accounts and loans repayable on demand with credit institutions	*1 971 981*	*745 475*
Cash and cash equivalents as at 30 June	**2 944 759**	**2 106 848**
Cash in hand, balances with central banks	*193 556*	*197 901*
Assets accounts and loans repayable on demand with credit institutions	*2 751 203*	*1 908 947*
Changes in cash and cash equivalents	**778 503**	**1 175 390**

Financing activities consist of cash flows from debt securities in issue.

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 (CEB) 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 Bank (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 the Bank's 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 (*). These standards exclude several provisions of the IAS 39 as approved by IASB regarding hedge accounting.

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

In the accounts reported at 30 June 2009, the Bank applies the provisions of the revised IAS 1 and therefore releases a new statement "Other comprehensive income".

The standards with mandatory application after 1 January 2009 had no impact on the condensed six months financial statements as at 30 June 2009.

CEB did not apply in advance the new standards, amendments or interpretations adopted by the European Union since their application was still optional in 2009.

This interim financial information is to be read together with the financial statements prepared for the year ended 31 December 2008 (available on the Bank's website www.coebank.org).

The half-year financial statements have not been audited.

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

(*) 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_en.htm

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 advances to credit institutions.

In thousand euros

Breakdown of loans by category of borrower	30/06/2009	31/12/2008
Loans to credit institutions		
Loans outstanding	7 542 617	8 299 797
Interest receivable	16 646	48 731
Provisions for loans to credit institutions	(906)	(909)
Sub-total	**7 558 357**	**8 347 619**
Loans to customers		
Loans outstanding	4 325 605	4 123 452
Interest receivable	30 016	36 168
Sub-total	**4 355 621**	**4 159 620**
Value adjustment of loans hedged by hedging derivatives	103 664	94 038
Total loans	**12 017 642**	**12 601 277**
Other loans and advances		
Advances repayable on demand	11 827	11 981
Advances with agreed maturity dates or periods of notice	2 739 376	1 960 000
Sub-total	**2 751 203**	**1 971 981**
Interest receivable	604	7 223
Total other loans and advances	**2 751 807**	**1 979 204**

Breakdown of outstanding loans by borrower country as at 30 June 2009 and 31 December 2008:

In thousand euros

Breakdown by borrower country	30/06/2009	%	31/12/2008	%
Spain	1 695 731	14,29	2 097 344	16,88
France	1 215 807	10,24	1 222 386	9,84
Italy	1 081 345	9,11	1 233 733	9,93
Hungary	894 297	7,54	807 775	6,50
Poland	819 000	6,90	751 489	6,05
Germany	745 486	6,28	911 468	7,34
Finland	707 208	5,96	751 149	6,05
Turkey	670 700	5,65	686 521	5,53
Cyprus	546 072	4,60	500 901	4,03
Portugal	539 471	4,55	516 133	4,15
Romania	503 247	4,24	441 475	3,55
Greece	400 964	3,38	420 584	3,39
Denmark	321 667	2,71	326 667	2,63
Croatia	266 456	2,25	221 305	1,78
Sweden	224 838	1,89	280 402	2,26
Iceland	201 206	1,70	168 636	1,36
Latvia	188 350	1,59	164 501	1,32
Norway	126 500	1,07	126 500	1,02
Bosnia and Herzegovina	96 207	0,81	97 651	0,79
Slovenia	92 523	0,78	89 437	0,72
Malta	90 900	0,77	98 450	0,79
Belgium	82 546	0,70	148 220	1,19
Bulgaria	71 223	0,60	78 147	0,63
Ireland	62 454	0,53	64 583	0,52
Serbia	51 376	0,43	53 664	0,43
Albania	40 826	0,34	33 211	0,27
Czech Republic	30 894	0,26	33 760	0,27
"The former Yugoslav Republic of Macedonia"	29 227	0,25	25 252	0,20
Lithuania	29 151	0,25	29 371	0,24
Slovak Republic	28 361	0,24	28 647	0,23
Moldova	8 163	0,07	6 203	0,05
Estonia	4 745	0,04	6 055	0,05
San Marino	1 278	0,01	1 627	0,01
Total	**11 868 220**	**100**	**12 423 248**	**100**

• Note B – Securities portfolio

In thousand euros

	30/06/2009		31/12/2008	
	Balance sheet value (*)	***Of which gains or losses recognised directly in members' equity (**)***	**Balance sheet value (*)**	***Of which gains or losses recognised directly in members' equity (**)***
Available-for-sale financial assets				
Treasury bills and similar securities	116 355		216 238	
Debt securities and other fixed income securities	3 075 301	(163 370)	2 382 855	(170 868)
Shares and other variable-yield securities	750	224	799	272
Sub-total	**3 192 406**	**(163 146)**	**2 599 892**	**(170 596)**
Fair value adjustment of securities hedged by hedging derivatives	30 730		28 335	
Total available-for-sale financial assets	**3 223 136**	**(163 146)**	**2 628 227**	**(170 596)**
Financial assets held to maturity				
Treasury bills and similar securities	1 036 316		1 085 270	
Debt securities and other fixed income securities	879 812		890 713	
Total financial assets held to maturity	**1 916 128**		**1 975 983**	
Total securities portfolio	**5 139 264**	**(163 146)**	**4 604 210**	**(170 596)**

(*) Including accrued interest

(**)The market value of the securities is determined on the basis of the prices listed on active markets

In 2008 and 2009 none of the securities categorised as financial assets available-for-sale or as financial assets held to maturity has been given as collateral.

The Bank owns only one line of depreciated securities classified as available-for-sale financial assets (shares and other variable-yield securities) whose gross value amounts to €1.4 million. The provision amounts to €0.63 million at 30 June 2009 (€0.58 million at 31 December 2008).

Note C - Amounts owed to credit institutions, to customers and debt securities in issue

In thousand euros

	30/06/2009	31/12/2008
Amounts owed to customers		
Interest-bearing accounts	68 046	73 281
of which, European Community	*66 183*	*70 274*
Interest payable	25	
Total amounts owed to customers	**68 071**	**73 281**
Debt securities in issue		
Bonds	15 767 303	14 627 200
Interest payable	320 766	477 723
Value adjustment of debt securities in issue hedged by hedging derivatives	752 065	1 066 091
Total debt securities in issue	**16 840 134**	**16 171 014**

• Note D – Subscribed capital

The capital consists of participating certificates of €1000 each. 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 2009	**3 303 450**	**2 933 712**	**369 738**
Total at 31 December 2008	**3 303 450**	**2 933 712**	**369 738**

• Note E – 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 with the income and expenses arising from those items for which they provide the risk coverage.

In thousand euros

	30/06/2009	30/06/2008
Available-for-sale financial assets	40 265	61 006
Hedging derivatives	(6 462)	2 848
Sub-total	**33 803**	**63 854**
Loans and advances to credit institutions and to customers		
Loans	186 936	286 539
Other loans and advances	20 773	35 984
Hedging derivatives	(28 701)	(3 282)
Sub-total	**179 008**	**319 241**
Financial assets held to maturity	44 282	45 150
Sub-total	**44 282**	**45 150**
Amounts owed to credit institutions and to customers		
Issues	(15)	(8)
Interest-bearing accounts	(3 736)	(3 472)
Sub-total	**(3 751)**	**(3 480)**
Debt securities		
Debt securities in issue	(374 103)	(324 818)
Hedging derivatives	190 291	(37 187)
Sub-total	**(183 812)**	**(362 005)**
Other interest expenses and similar charges	(1 688)	(1 550)
Interest margin	**67 842**	**61 210**