CEB

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

Half-Year Report

Interim Financial Statements

At 30 June 2007

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Balance Sheet

As at 30 June 2007 (non audited) and 31 December 2006 (audited)

In thousand euros

Assets	Notes	**30/06/2007**	**31/12/2006**
Cash in hand, balances with central banks		54	47
Fair value financial assets through profit or loss		198 908	158 217
Hedging derivatives		723 937	815 775
Available-for-sale financial assets		2 424 068	2 049 204
Loans and advances to credit institutions and to customers			
Loans	A	11 760 871	12 101 562
Advances	A	2 216 544	1 151 572
Financial assets held to maturity		1 981 722	1 901 241
Fixed assets		30 452	30 413
Other assets		12 828	24 439
Total assets		**19 349 384**	**18 232 470**
Liabilities			
Fair value financial liabilities through profit or loss		2 051 312	2 039 517
Hedging derivatives		682 725	559 418
Amounts owed to credit institutions and to customers	B	88 457	70 304
Debt securities	B	14 493 691	13 620 468
Other liabilities		82 517	44 491
Selective Trust Account (STA)		75 979	70 410
Provision for financial risks		58 343	55 067
Total liabilities		**17 533 024**	**16 459 675**
Capital	C		
Subscribed		3 299 498	3 293 570
Uncalled		(2 930 196)	(2 924 922)
Called		369 302	368 648
General reserve		1 400 186	1 316 359
Unrealised or deferred gains or losses		(217)	(301)
Profit for the year		47 089	88 089
Total shareholders' equity		**1 816 360**	**1 772 795**
Total liabilities and shareholders' equity		**19 349 384**	**18 232 470**

Profit and Loss Account

For the half-year ended 30 June 2007 (non audited) and 30 June 2006 (non audited)

In thousand euros

	30/06/2007	30/06/2006
Interest receivable and similar income		
Available-for-sale financial assets	42 218	16 816
Loans and advances to credit institutions and to customers	262 770	186 213
Financial assets held to maturity	45 176	43 989
Interest expenses and similar charges		
Amounts owed to credit institutions and to customers	(3 969)	(3 999)
Debt securities	(286 147)	(186 639)
Other interest expenses and similar charges	(1 381)	(1 240)
Interest margin	**58 667**	**55 140**
Net gains or losses on fair value financial instruments through profit or loss	2 402	523
Net gains or losses on available-for-sale financial assets	22	28
Net commissions	(171)	27
Total operating income	**60 920**	**55 718**
General operating expenses	(13 075)	(12 825)
Net depreciation charges of fixed assets	(756)	(798)
Operating profit before provisions	**47 089**	**42 095**
Risk cost		
Profit for the year	**47 089**	**42 095**

Statement of changes in shareholders' equity

For the half-year ended 30 June 2007 (non audited) and 30 June 2006 (non audited)

In thousand euros

	Called capital	Reserves and result	Unrealised or deferred Gains/Losses	Total shareholders' equity
As at 31 December 2005	**368 648**	**1 324 359**	**225**	**1 693 232**
Appropriation of profit for the 2005 financial year		(8 000)		(8 000)
Profit for the first half-year 2006		42 095		42 095
Other movements			268	268
As at 30 June 2006	**368 648**	**1 358 454**	**493**	**1 727 595**
As at 31 December 2006	**368 648**	**1 404 448**	**(301)**	**1 772 795**
Called capital and reserves	654	1 738		2 392
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			84	84
As at 30 June 2007	**369 302**	**1 447 275**	**(217)**	**1 816 360**

Statement of cash flows

For the half-year ended 30 June 2007 (non audited) and 30 June 2006 (non audited)

In thousand euros

Period to 30 June	30/06/2007	30/06/2006
Profit for the first half-year	**47 089**	**42 095**
+/- Net depreciation charges of tangible and intangible fixed assets	756	798
+/- Net provision charges		
+/- Net losses/net profits from investment operations	1 593	1 592
+/- Other movements	22 222	16 701
Total of non-monetary items included in the result	**24 571**	**19 091**
+/- Cash flows related to operations with credit institutions and customers	289 932	(171 667)
+/- Cash flows related to other operations affecting financial assets or liabilities	(602 136)	(231 557)
+/- Cash flows related to operations affecting non-financial assets or liabilities	15 171	(129 550)
Net decrease /(increase) of assets and liabilities resulting from operational activities	**(297 033)**	**(532 774)**
Total net cash flows generated by operational activities (a)	**(225 373)**	**(471 588)**
+/- Cash flows related to financial assets held to maturity	(82 800)	(54 635)
+/- Cash flows related to tangible and intangible fixed assets	(792)	(682)
Total net cash flows related to investment operations (b)	**(83 592)**	**(55 317)**
+/- Cash flows from/to member states	8 617	11 174
+/- Net cash flows from financing operations	1 371 872	585 676
Total net cash flows related to financing operations (c)	**1 380 489**	**596 850**
Effects of exchange rate variations on cash and cash equivalents (d)	**(10 020)**	**(36 409)**
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)	**1 061 504**	**33 536**
Cash and cash equivalents as at 1 January	**1 148 200**	**1 731 310**
Cash in hand, Central Banks	*47*	*65*
Accounts assets and loans repayable on demand with credit institutions	*1 148 153*	*1 731 245*
Cash and cash equivalents as at 30 June	**2 209 704**	**1 764 846**
Cash in hand, central banks	*54*	*75*
Accounts assets and loans repayable on demand with credit institutions	*2 209 650*	*1 764 771*
Net cash flows variations	**1 061 504**	**33 536**

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 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 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.

The Bank's policy, similar to that of other multilateral financial institutions, is not to reschedule interest or capital payments on its loans and not to participate in debt rescheduling agreements.

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 contents of this publication are in compliance with IAS 34 concerning intermediary financial information, which allows the publication of condensed half yearly financial statements.

The obligatory application on 1 January 2007 of new standards, amendments and interpretations approved by the European Union, had no effect on condensed half-year report at 30 June 2007. To this end, a more detailed summary of applied accounting policies is available in the 2006 Report of the Governor.

The profits for interim periods are not indicative of results for the concerned financial years.

The half-year report at 30 June 2007 has not been audited so far.

Notes to the financial statements

• Note A – Loans and advances to credit institutions and to customers

On the one hand, this heading covers loans to credit institutions and to customers, and on the other hand deposits to credit institutions.

In thousand euros

Breakdown by category of borrower	30/06/2007	31/12/2006
Loans to credit institutions		
Loans	7 800 861	8 103 649
Interest receivable	46 828	46 900
Sub-total	**7 847 689**	**8 150 549**
Loans to customers		
Loans	3 873 920	3 861 600
Interest receivable	38 337	32 944
Sub-total	**3 912 257**	**3 894 544**
Value adjustment of loans hedged by hedging derivatives	925	56 469
Total loans	**11 760 871**	**12 101 562**
Other loans and advances		
Advances repayable on demand	17 327	39 835
Advances with agreed maturity dates or periods of notice	2 192 323	1 108 318
Sub-total	**2 209 650**	**1 148 153**
Interest receivable	6 894	3 419
Total other advances	**2 216 544**	**1 151 572**

Loan movements during the financial periods ended 30 June 2007 and 2006 are indicated below:

In thousand euros

	30/06/2007	30/06/2006
At 1 January	11 965 249	11 482 755
Disbursements	285 452	659 118
Reimbursements	(555 364)	(488 025)
Foreign exchange movements	(20 556)	(83 168)
At 30 June	**11 674 781**	**11 570 680**
Interest receivable	85 165	78 201
Value adjustment of loans hedged by hedging derivatives	925	65 621
Total	**11 760 871**	**11 714 502**

Breakdown of outstanding loans by borrower country as at 30 June 2007 and 31 December 2006:

In thousand euros

Breakdown by borrower country	30/06/2007	%	31/12/2006	%
Spain	2 219 932	19,01	2 268 302	18,96
Italy	1 388 472	11,89	1 436 849	12,01
France	1 083 635	9,28	1 089 940	9,11
Germany	876 804	7,51	1 084 137	9,06
Poland	698 582	5,98	705 872	5,90
Turkey	697 235	5,97	689 506	5,76
Finland	691 253	5,92	690 941	5,77
Hungary	625 174	5,35	667 810	5,58
Greece	515 982	4,42	500 346	4,18
Portugal	510 121	4,37	510 221	4,26
Cyprus	472 816	4,05	457 643	3,82
Romania	274 424	2,35	271 146	2,27
Denmark	268 333	2,30	273 333	2,28
Belgium	216 129	1,85	220 155	1,84
Norway	190 288	1,63	190 288	1,59
Croatia	188 324	1,61	184 831	1,54
Sweden	163 058	1,40	163 058	1,36
Malta	101 948	0,87	101 972	0,85
Bulgaria	84 164	0,72	85 591	0,72
Latvia	75 122	0,64	53 802	0,45
Iceland	64 611	0,55	48 415	0,40
Slovenia	58 511	0,50	64 088	0,54
Ireland	45 474	0,39	45 474	0,38
Slovak Republic	37 585	0,32	37 871	0,32
Lithuania	26 039	0,22	22 163	0,19
Serbia	25 413	0,22	27 170	0,23
"The former Yugoslav Republic of Macedonia"	22 949	0,20	22 949	0,19
Czech Republic	20 844	0,18	23 548	0,20
Albania	13 536	0,12	9 643	0,08
Estonia	7 365	0,06	7 947	0,07
Bosnia and Herzegovina	5 683	0,05	6 146	0,05
Moldova	3 000	0,03	2 000	0,02
San Marino	1 975	0,02	2 092	0,02
Total	**11 674 781**	**100**	**11 965 249**	**100**

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

In thousand euros

	30/06/2007	31/12/2006
Amounts owed to customers		
Interest-bearing accounts	57 541	37 521
of which, European Community	*56 265*	*36 664*
Issues	30 007	31 861
Interest payable	909	471
Value adjustment of amounts owed to customers hedged by derivatives	-	451
Total amounts owed to customers	**88 457**	**70 304**
Debt securities		
Bonds	14 318 283	13 134 128
Interest payable	405 370	475 666
Value adjustment of debt securities hedged by derivatives	(229 962)	10 674
Total debt securities	**14 493 691**	**13 620 468**

Debt securities

Debt transactions carried out during the financial periods ended 30 June 2007 and 2006 are indicated below:

In thousand euros

	30/06/2007	30/06/2006
At 1 January	13 134 128	13 166 811
New issues	2 410 257	909 679
Maturities	(1 024 786)	(621 152)
Repurchases	-	(6 268)
Foreign exchange movements	(201 316)	(813 190)
At 30 June	**14 318 283**	**12 635 880**
Interest payable	405 370	351 335
Value adjustment of issues hedged by derivatives	(229 962)	(233 872)
Total	**14 493 691**	**12 753 343**

• 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
Finland	41 889	37 264	4 625
Norway	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
Moldova	3 294	2 930	364
Liechtenstein	2 921	2 374	547
San Marino	2 921	2 478	443
Holy See	82	58	24
Total at 30 June 2007	**3 299 498**	**2 930 196**	**369 302**
Total at 31 December 2006	**3 293 570**	**2 924 922**	**368 648**

Georgia, whose subscribed share capital amounts to 5 928 thousand euros has been a member since 10 January 2007.