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 2016

(Unaudited)

www.coebank.org

TABLE OF CONTENTS

Comments on financial results as at 30 June 2016 (unaudited) **2**

FINANCIAL STATEMENTS **3**

The Bank's objectives **3**
Sectors of action **3**
Balance sheet **4**
Income statement **5**
Statement of comprehensive income **6**
Statement of changes in equity **6**
Statement of cash flows **7**

NOTES TO THE FINANCIAL STATEMENTS **8**

Note A - Summary of principal accounting methods applied by the Bank (CEB) **8**
Note B - Ratios **9**
Note C - Financial assets and liabilities **11**
Note D - Loans and advances to credit institutions and to customers **12**
Note E - Amounts owed to credit institutions and to customers and debt securities in issue **14**
Note F - Capital **15**
Note G - Interest margin **16**

Comments on financial results as at 30 June 2016 (unaudited)

In a difficult economic context, marked by historically low interest rates and market instability, the CEB achieved its business goals and realized satisfactory financial performance at the end of June 2016, effectively fulfilling its social mandate in Europe.

For the first half of 2016, the amounts of projects approved (€ 2.9 billion) and loans disbursed (€ 799.2 million) were in line with the objectives defined in the Development Plan for 2014-2016. The stock of projects approved awaiting financing reached € 6.6 billion at 30 June 2016 (31 December 2015: € 4.7 billion), of which 54.1% were in favour of target countries from Central, Eastern and South Eastern Europe. Loans outstanding increased slightly to € 13.2 billion at 30 June 2016 compared to € 13.1 billion at year-end 2015.

Adjusted within the context of the new financial and risk policy approved by the Administrative Council in June 2016, the prudential ratios of the Bank remained within their respective limits.

During the first half of 2016, the Bank issued bonds with a principal amount of € 2.6 billion. The bonds, which support the Bank's operations, increased from € 18.6 billion at 31 December 2015 to € 19.6 billion at 30 June 2016, mainly due to new issues during this period.

Net profit (unaudited) at 30 June 2016 amounted to € 46.9 million, i.e. a decrease of € 14.0 million (23.0%) compared to the same period in 2015. This evolution is mainly due to the negative impact of financial instruments at fair value through profit and loss (€ 9.9 million), to the decrease in interest margin (€ 4.5 million) and to the decrease in general operating expenses (€ 0.4 million).

At 30 June 2016, equity stood at € 2.8 billion, an increase of € 0.1 billion compared to year-end 2015 (€ 2.7 billion). Own funds (equity plus uncalled capital) amounted to € 7 621.7 million compared to € 7 571.3 million at 31 December 2015.

In million euros

	30/06/2016 (*)	30/06/2015 (*)	31/12/2015
Projects approved	2 869	1 668	2 301
Stock of projects	6 599	5 465	4 720
Loans disbursed	799	686	1 842
Loans outstanding	13 243	12 736	13 072
Bonds issued	2 635	2 245	3 077
Debt securities in issue	20 167	20 326	18 641
Net profit	47	61	127
Equity	2 762	2 653	2 711
Own funds	7 622	7 513	7 571
Total assets	26 851	26 825	25 116

(*) Unaudited

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 in Europe through four major sectoral lines of action, namely the strengthening of social integration, management of the environment, supporting public infrastructure with a social vocation and supporting micro-, small and medium sized enterprises.

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 Administrative Council Resolution 1562 (2013), each of these four 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 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

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 economic and social growth, promoting individual fulfilment and collective well-being.

- Supporting Micro-, Small and Medium Sized Enterprises (MSMEs)

The CEB finances micro, small and medium-sized enterprises for the prime purpose of promoting the creation and preservation of viable jobs by facilitating access to credit. Such loans are also aimed at entities exercising craft activities or family enterprises engaged in regular economic activity.

Balance sheet

As at 30 June 2016 (unaudited) and 31 December 2015 (audited)

In thousand euros

	Notes	30/06/2016	31/12/2015
Assets			
Cash in hand, balances with central banks		438 458	476 467
Financial assets at fair value through profit or loss		1 222 443	1 743 238
Hedging derivative instruments		1 154 683	893 898
Available-for-sale financial assets		3 317 367	3 571 468
Loans and advances to credit institutions and to customers			
Loans	D	13 732 156	13 415 871
Advances	D	4 276 709	2 293 859
Financial assets held to maturity		2 656 695	2 669 603
Tangible and intangible assets		46 743	46 498
Other assets		6 060	5 523
Total assets		**26 851 314**	**25 116 425**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		217 598	123 236
Hedging derivative instruments		662 563	546 063
Amounts owed to credit institutions and to customers	E	197 751	229 831
Debt securities in issue	E	21 354 689	19 530 246
Other liabilities		1 365 874	1 688 395
Social Dividend Account		65 054	60 610
Provisions		225 840	226 548
Total liabilities		**24 089 369**	**22 404 929**
Equity			
Capital	F		
Subscribed		5 472 219	5 472 219
Uncalled		(4 859 802)	(4 859 802)
Called		612 417	612 417
General reserve		2 149 595	2 029 558
Net profit		46 857	127 037
Total capital, general reserve and net profit		**2 808 869**	**2 769 012**
Gains or losses recognised directly in equity		(46 924)	(57 516)
Total equity		**2 761 945**	**2 711 496**
Total liabilities and equity		**26 851 314**	**25 116 425**

Income statement

For the first half of 2016 (unaudited) and the first half of 2015 (unaudited)

In thousand euros

	Notes	2016	2015
Interest and similar income			
Available-for-sale financial assets		1 675	6 628
Loans and advances to credit institutions and to customers		23 035	38 950
Financial assets held to maturity		43 325	46 661
Interest expenses and similar charges			
Amounts owed to credit institutions and to customers		2 236	(67)
Debt securities in issue		11 936	(5 886)
Other interest expenses and similar charges		(2 247)	(1 782)
Interest margin	G	**79 960**	**84 504**
Net gains or losses from financial instruments at fair value through profit or loss		(9 392)	553
Net gains or losses from available-for-sale financial assets		25	24
Commissions (income)		532	577
Commissions (expenses)		(782)	(891)
Net banking income		**70 343**	**84 767**
General operating expenses		(22 191)	(22 510)
Depreciation and amortisation charges of fixed assets		(1 295)	(1 397)
Gross operating income		**46 857**	**60 860**
Cost of risk			
Net profit		**46 857**	**60 860**

Statement of comprehensive income

For the first half of 2016 (unaudited) and the first half of 2015 (unaudited)

In thousand euros

	2016	2015
Net profit	**46 857**	**60 860**
Items that may be reclassified to income statement	**2 066**	**17 556**
Changes in value of available-for-sale financial assets	2 066	17 556
Items that will not be reclassified to income statement	**8 526**	**29 183**
Changes in actuarial differences related to the pension scheme	(2 681)	23 953
Changes in actuarial differences related to the other post-employment benefits	11 207	5 230
Total other elements of comprehensive income	**10 592**	**46 739**
Comprehensive income	**57 449**	**107 599**

Statement of changes in equity

For the first half of 2016 (unaudited) and the first half of 2015 (unaudited)

In thousand euros

	Capital and reserves			Gains or losses recognised directly in equity			
	Called capital	Reserves and result	Total	Available for sale financial assets	Actuarial differences	Total	Total equity
Equity as at 31 December 2014	**612 417**	**2 029 558**	**2 641 975**	**18 145**	**(114 646)**	**(96 501)**	**2 545 474**
Net profit		60 860	60 860				60 860
Changes in value of assets and liabilities recognised directly in equity				17 556	29 183	46 739	46 739
Equity as at 30 June 2015	**612 417**	**2 090 418**	**2 702 835**	**35 701**	**(85 463)**	**(49 762)**	**2 653 073**
Net profit		66 177	66 177				66 177
Changes in value of assets and liabilities recognised directly in equity				(7 193)	(561)	(7 754)	(7 754)
Equity as at 31 December 2015	**612 417**	**2 156 595**	**2 769 012**	**28 508**	**(86 024)**	**(57 516)**	**2 711 496**
Appropriation of profit for the 2015 financial year		(7 000)	(7 000)				(7 000)
Net profit		46 857	46 857				46 857
Changes in value of assets and liabilities recognised directly in equity				2 066	8 526	10 592	10 592
Equity as at 30 June 2016	**612 417**	**2 196 452**	**2 808 869**	**30 574**	**(77 498)**	**(46 924)**	**2 761 945**

Statement of cash flows

For the first half of 2016 (unaudited) and the first half of 2015 (unaudited)

In thousand euros

		2016	2015
	Net profit	**46 857**	**60 860**
+/-	Depreciation charges of tangible and intangible assets	1 295	1 397
+/-	Net loss/net profit from investing operations	8 541	9 603
+/-	Change in interest receivable	(3 657)	26 049
+/-	Change in interest payable	3 314	(25 934)
+/-	Other non-monetary movements	15 744	5 907
	Total of non-monetary items included in the result	**25 238**	**17 022**
+	Reimbursements related to operations with credit institutions and customers	591 209	576 973
-	Disbursements related to operations with credit institutions and customers	(2 421 423)	(2 458 455)
+	Reimbursements related to other operations affecting financial assets or liabilities	2 577 163	3 180 154
-	Disbursements related to other operations affecting financial assets or liabilities	(2 348 835)	(1 249 608)
+/-	Cash flows related to operations affecting non-financial assets or liabilities	(5 116)	(476)
	Net cash flows from assets and liabilities resulting from operating activities	**(1 607 000)**	**48 588**
	Total net cash flows from operating activities (a)	**(1 534 906)**	**126 470**
+	Reimbursements related to financial assets held to maturity	9 067	100 000
-	Disbursements related to financial assets held to maturity		(59 119)
+/-	Cash flows related to tangible and intangible assets	(1 540)	(1 810)
	Total net cash flows from investing operations (b)	**7 527**	**39 071**
+/-	Cash flows from or to member states	5 337	(1 205)
+	Reimbursements related to debt securities in issue	4 421 155	3 653 293
-	Disbursements related to debt securities in issue	(2 544 170)	(3 818 486)
	Total net cash flows from financing operations (c)	**1 882 322**	**(166 399)**
	Effect of changes in foreign exchange rates on cash and cash equivalents (d)	**15**	**1 207**
	Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)	**354 958**	**349**
	Cash and cash equivalents at the beginning of the financial year	**2 770 643**	**2 503 066**
	Cash in hand, balances with central banks	476 467	203 897
	Advances repayable on demand and term deposits with credit institutions	2 294 177	2 299 169
	Cash and cash equivalents at the end of the financial year	**3 125 601**	**2 503 415**
	Cash in hand, balances with central banks	438 458	373 763
	Advances repayable on demand and term deposits with credit institutions	2 687 143	2 129 652
	Changes in cash and cash equivalents	**354 958**	**349**

NOTES TO THE FINANCIAL STATEMENTS

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

1. Applicable accounting standards

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

The entry into force of the other standards with mandatory application after 1 January 2016 had no impact on the condensed financial statements for the six months ended 30 June 2016.

The CEB did not apply in advance new standards, amendments or interpretations adopted by the European Union since their application was still optional in 2016.

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 2015 (available on the Bank's website www.coebank.org).

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

Note B - Ratios

While the CEB, as a multilateral development bank (MDB), is not subject to its member states' regulations, it considers European Union directives on banking regulation and recommendations from the Basel Committee on Banking Supervision (BCBS) as a reference for its Risk Management Framework.

In the wake of the recent review of the Financial & Risk Policy approved by the Administrative Council on 17 June 2016 (AC resolution 1581 (2016)), the ratios of the prudential framework have been adjusted. The key changes concern interest rate risk through a balance sheet approach, liquidity risk with a liquidity curve approach and credit risk with the internal rating becoming the reference for treasury activity.

The Bank's prudential framework ratios are as follows:

Prudential framework	30/06/2016	30/06/2015	31/12/2015	Limit
Capital				
Capital Adequacy	26.4%	24.5%	26.3%	> 10.5%
Gearing	1.73	1.69	1.71	< 2.5
Leverage				
Indebtedness	6.86	6.97	6.17	< 10[(1)]
Treasury Assets	3.28	3.42	2.61	< 4[(2)]
Liquidity				
Short-term liquidity (1 year)	141.7%	141.3%	137.7%	> 100%
Self-sufficiency period	20	-	8[(3)]	> 6 months
Market Credit Risk				
Minimum Internal Rating	> 7.0	> 7.0[(3)]	> 7.0[(3)]	> 7.0
Interest Rate Risk				
Economic Value Sensitivity	- € 9.7 M	- € 5.2 M[(3)]	- € 3.3 M[(3)]	+/- € 15.0 M
Foreign exchange Risk				
Spot Net Open position	< € 1.0 M	< € 1.0 M[(3)]	< € 1.0 M[(3)]	< € 1.0 M
Other				
Cost to income ratio (adjusted) [(4)]	29.1%	28.0%	28.5%	

(1) *< 12 for 2015 figures (prior to entry into force of the new financial and risk policy)*

(2) *< 6 for 2015 figures (prior to entry into force of the new financial and risk policy)*

(3) *Estimated figures for comparison purposes*

(4) *The adjusted cost-to-income ratio equals general operating expenses (including net depreciation and amortization charges on fixed assets) divided by net banking income. It is calculated by eliminating unrealised gains/losses without economic substance, by netting of cost-recovery income from fiduciary activities against general operating expenses, and by eliminating other technical and/or one-off effects in the CEB's accounts.*

Capital adequacy ratio (CAR), under the Standardised Approach, is a measure of the CEB's prudential equity (E_P)[1] expressed as a percentage of its total risk-weighted assets (RWA)[2]. The capital adequacy ratio reached 26.4% at 30 June 2016, a slight increase compared to 26.3% at 31 December 2015, due to an increase in the CEB's prudential equity that outpaced the increase in risk-weighted assets.

Gearing ratio compares loans outstanding (after swap and credit enhancement) to own funds[3] and establishes a volume ceiling (as opposed to a credit risk ceiling) for the CEB's loan activity. This ratio allows for comparability with other International Financial Institutions. The limit is set at 2.5 (two and a half times own funds), i.e. € 19.2 billion. The ratio stood at 1.73 at 30 June 2016, slightly increased compared to 1.71 at end of December 2015 owing to the increase in loans outstanding higher than the CEB's own funds.

The **prudential ratios for indebtedness, treasury assets and short-term liquidity** remained within their respective limits. The changes (increase or decrease) solely reflect developments in the Bank's activity (treasury, lending and debt). The limits for the indebtedness and treasury asset ratios have been adjusted according to the new Financial and Risk Policy from <12 to <10 and from <6 to <4, respectively.

The new Financial & Risk Policy incorporated additional ratios and indicators, which were also within their respective limits at 30 June 2016. The **Self-sufficiency period** measures the time period during which the Bank is able to fulfil its expected net cash outflows without access to the market for new funding and without the sale/repo-ing of assets. The ratio reached 20 months at 30 June 2016, well above the minimum level of 6 months.

The **Minimum Internal Rating** defines the minimum rating at purchase date under which the Bank may enter into transactions with issuers, obligors and counterparties. The Bank's Minimum Internal rating for short-term investments is fixed at ≥ 7.0 (A-)[4] and for long-term investments at ≥ 8.0 (A+).

As of the end of the first half of 2016, there were no counterparties/transactions with minimum ratings below the respective threshold defined at purchase date.

The **Economic Value Sensitivity** measures the change in the economic value of the Bank, including own funds (market risk (MR))[5], due to an interest rate shock of +10 basis points. Its absolute value is fixed at < 0.5% of own funds (MR), i.e. € 15 million.

As of the end of the first half of 2016, Economic Value Sensitivity was minus € 9.7 million, well within the defined limit.

The **Spot Net Open Position**[6] measures the total asset amount minus total liability amount in a particular foreign currency, including both on- and off-balance sheet positions. Its absolute value is fixed at < € 1 million per currency.

As of end of the first half of 2016, the Spot Net Open Position in each currency was below € 1 million, well within the defined limit.

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1 Prudential equity (E_p): paid-in capital, reserves and net profit

2 Risk-weighted assets are bank assets or off-balance-sheet exposures, weighted according to risk. Assets are weighted according to the external credit rating or the bank's own risk models.

3 CEB's own funds: subscribed capital, reserves and net profit

4 For maturities below three months, the minimum internal rating may be 6.0 (BBB) for sovereign bonds and 6.5 (BBB+) for short-term deposits.

5 Own funds (MR – market risk) : paid-in capital, reserves, net profit, amount on the Social Dividend Account and provisions for post-employment benefits

6 At the end of the month

Note C - Financial assets and liabilities

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

Conditions for loans disbursements are equivalent to those implemented by other financial institutions that operate on the supranational banks market. Reflecting its preferred creditor status, the Bank does not sell this type of receivables.

In thousand euros

30 June 2016	At fair value through profit or loss	At fair value through equity	At amortised cost	Carrying value
Assets				
Cash in hand, balances with central banks			438 458	438 458
Financial assets at fair value through profit or loss	1 222 443			1 222 443
Hedging derivative instruments	1 154 683			1 154 683
Available-for-sale financial assets		3 317 367		3 317 367
Loans and advances to credit institutions and to customers			18 008 865	18 008 865
Financial assets held to maturity			2 656 695	2 656 695
Total financial assets	**2 377 126**	**3 317 367**	**21 104 018**	**26 798 511**
Liabilites				
Financial liabilities at fair value through profit or loss	217 598			217 598
Hedging derivative instruments	662 563			662 563
Amounts owed to credit institutions and to customers			197 751	197 751
Debt securities in issue			21 354 689	21 354 689
Social Dividend Account			65 054	65 054
Total financial liabilities	**880 161**		**21 617 494**	**22 497 655**

In thousand euros

31 December 2015	At fair value through profit or loss	At fair value through equity	At amortised cost	Carrying value
Assets				
Cash in hand, balances with central banks			476 467	476 467
Financial assets at fair value through profit or loss	1 743 238			1 743 238
Hedging derivative instruments	893 898			893 898
Available-for-sale financial assets		3 571 468		3 571 468
Loans and advances to credit institutions and to customers			15 709 730	15 709 730
Financial assets held to maturity			2 669 603	2 669 603
Total financial assets	**2 637 136**	**3 571 468**	**18 855 800**	**25 064 404**
Liabilites				
Financial liabilities at fair value through profit or loss	123 236			123 236
Hedging derivative instruments	546 063			546 063
Amounts owed to credit institutions and to customers			229 831	229 831
Debt securities in issue			19 530 246	19 530 246
Social Dividend Account			60 610	60 610
Total financial liabilities	**669 299**		**19 820 687**	**20 489 986**

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

Breakdown of loans by category of borrower	30/06/2016	31/12/2015
Loans to credit institutions		
Loans	7 685 579	7 701 898
Interest receivable	16 379	17 606
Unpaid receivables	1 480	1 479
Depreciation of loans to credit institutions (*)	(1 880)	(1 879)
Sub-total	**7 701 558**	**7 719 104**
Loans to customers		
Loans	5 557 443	5 369 818
Interest receivable	23 550	20 847
Sub-total	**5 580 993**	**5 390 665**
Value adjustment of loans hedged by derivative instruments	449 605	306 102
Total loans	**13 732 156**	**13 415 871**
Other advances		
Advances repayable on demand	220 597	222 502
Advances with agreed maturity dates or periods of notice	4 056 693	2 071 674
Sub-total	**4 277 290**	**2 294 176**
Interest receivable	(581)	(317)
Total other advances	**4 276 709**	**2 293 859**

(*) 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	30/06/2016	%	31/12/2015	%
Poland	1 800 996	13.60	1 893 940	14.49
Spain	1 723 299	13.01	1 635 056	12.51
Turkey	1 388 323	10.48	1 298 483	9.93
France	1 259 627	9.51	1 269 594	9.71
Hungary	887 931	6.70	916 760	7.01
Romania	868 482	6.56	860 410	6.58
Belgium	867 379	6.55	883 266	6.76
Slovak Republic	592 576	4.47	315 517	2.41
Cyprus	569 452	4.30	577 328	4.42
Germany	547 264	4.13	601 700	4.60
Czech Republic	302 222	2.28	285 134	2.18
Croatia	293 731	2.22	287 436	2.20
Finland	292 167	2.21	308 292	2.36
Italy	278 996	2.11	311 727	2.38
Portugal	214 250	1.62	213 250	1.63
Denmark	173 333	1.31	173 333	1.33
Iceland	166 654	1.26	176 266	1.35
Lithuania	163 774	1.24	164 488	1.26
Ireland	124 337	0.94	124 996	0.96
Serbia	114 666	0.87	101 480	0.78
Albania	101 756	0.77	103 492	0.79
Slovenia	90 733	0.69	93 949	0.72
"the former Yugoslav Republic of Macedonia"	84 749	0.64	76 280	0.58
Bulgaria	71 278	0.54	106 850	0.82
Bosnia and Herzegovina	65 682	0.50	67 643	0.52
Sweden	56 200	0.42	56 200	0.43
Latvia	44 747	0.34	59 340	0.45
Moldova (Republic of)	24 268	0.18	24 709	0.19
Georgia	21 553	0.16	21 979	0.17
Malta	20 200	0.15	27 750	0.21
Estonia	17 417	0.13	20 239	0.15
Montenegro	14 979	0.11	14 829	0.11
Total	**13 243 022**	**100.00**	**13 071 716**	**100.00**

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

In thousand euros

	30/06/2016	31/12/2015
Amounts owed to credit institutions and to customers		
Interest-bearing accounts	97 751	129 812
Borrowings and term deposits	100 000	100 000
Interest payable		19
Total	**197 751**	**229 831**
Debt securities in issue		
Bonds	19 574 108	18 641 206
Euro Commercial Paper	593 383	
Interest payable	250 019	241 448
Value adjustment of debt securities in issue hedged by derivative instruments	937 179	647 592
Total	**21 354 689**	**19 530 246**

Note F - Capital

Capital breakdown by member state at 30 June 2016 and 31 December 2015 is presented below.

In thousand euros

Members	Subscribed capital	Uncalled capital	Called capital	Percentage of subscribed capital
France	915 770	814 114	101 656	16.735%
Germany	915 770	814 114	101 656	16.735%
Italy	915 770	814 114	101 656	16.735%
Spain	597 257	530 958	66 299	10.914%
Turkey	388 299	345 197	43 102	7.096%
Netherlands	198 813	176 743	22 070	3.633%
Belgium	164 321	146 083	18 238	3.003%
Greece	164 321	146 083	18 238	3.003%
Portugal	139 172	123 724	15 448	2.543%
Sweden	139 172	123 724	15 448	2.543%
Poland	128 260	114 023	14 237	2.344%
Denmark	89 667	79 712	9 955	1.639%
Finland	69 786	62 039	7 747	1.275%
Norway	69 786	62 039	7 747	1.275%
Bulgaria	62 459	55 526	6 933	1.141%
Romania	59 914	53 264	6 650	1.095%
Switzerland	53 824	43 229	10 595	0.984%
Ireland	48 310	42 948	5 362	0.883%
Hungary	44 788	39 816	4 972	0.818%
Czech Republic	43 037	38 260	4 777	0.786%
Luxembourg	34 734	30 878	3 856	0.635%
Serbia	25 841	22 973	2 868	0.472%
Croatia	21 376	19 003	2 373	0.391%
Cyprus	19 882	17 676	2 206	0.363%
Slovak Republic	18 959	16 854	2 105	0.346%
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	0.185%
Malta	10 144	9 018	1 126	0.185%
Georgia	9 876	8 780	1 096	0.180%
Bosnia and Herzegovina	9 689	8 614	1 075	0.177%
Montenegro	6 584	5 853	731	0.120%
Kosovo	6 559	5 831	728	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%
Total	**5 472 219**	**4 859 802**	**612 417**	**100.000%**

In 2013, further to Kosovo's accession to the Bank, the subscribed capital increased by € 6 559 thousand. Kosovo's called capital (€ 728 thousand) and its contribution to reserves (€ 2 138 thousand) are scheduled in four equal annual instalments. The last instalment of € 716.5 thousand (€ 182.0 thousand of capital and € 534.5 thousand of reserves) is to be paid in December 2016.

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 of financial instruments, calculated excluding accrued interest, are accounted for under "Net gains or losses from financial instruments at fair value through profit or loss".

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

In thousand euros

	2016			2015		
First half year	**Income**	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Available-for-sale financial assets						
Securities transactions	18 333	(511)	17 822	22 070		22 070
Hedging derivatives	5 681	(21 828)	(16 147)	8 214	(23 656)	(15 442)
Sub-total	**24 014**	**(22 339)**	**1 675**	**30 284**	**(23 656)**	**6 628**
Loans and advances to credit institutions and to customers						
Loans (exclusive of interbanking)	77 825		77 825	87 080		87 080
Hedging derivatives	11 147	(62 762)	(51 615)	16 074	(63 622)	(47 548)
Advances	2 078	(5 253)	(3 175)	622	(1 822)	(1 200)
Sub-total	**91 050**	**(68 015)**	**23 035**	**103 776**	**(65 444)**	**38 332**
Financial assets held to maturity						
Securities transactions	43 325		43 325	46 661		46 661
Sub-total	**43 325**		**43 325**	**46 661**		**46 661**
Amounts owed to credit institutions and to customers						
Deposits		(13)	(13)		(89)	(89)
Interest-bearing accounts	2 376	(127)	2 249	762	(122)	640
Sub-total	**2 376**	**(140)**	**2 236**	**762**	**(211)**	**551**
Debt securities in issue						
Bonds		(184 355)	(184 355)		(237 123)	(237 123)
Hedging derivatives	204 271	(7 980)	196 291	248 682	(17 445)	231 237
Sub-total	**204 271**	**(192 335)**	**11 936**	**248 682**	**(254 568)**	**(5 886)**
Other interest expenses and similar charges		(2 247)	(2 247)		(1 782)	(1 782)
Interest margin	**365 036**	**(285 076)**	**79 960**	**430 165**	**(345 661)**	**84 504**