

# Half-Year Report

Condensed Interim Financial Statements

as at 30 June 2020

(Unaudited)

<https://coebank.org/>

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## Overview of financial results as at 30 June 2020 (\*)

The first half-year of 2020 was marked by the COVID-19 pandemic and its economic and financial repercussions for the CEB. In order to help its borrowers to mitigate the health, economic and social consequences of the pandemic, the Bank has provided considerable additional financing in the health, education, community services and civil protection sectors across its member states.

The level of activity in the first half-year of 2020 was higher than that of the previous year and has considerably exceeded the objectives set out in the current Development Plan. Even though financial results are affected by provisioning requirements related to IFRS 9 on the loan portfolio, the CEB recorded no cost of risk related to a default of its counterparties as at 30 June 2020.

As at 30 June 2020, projects approved and loans disbursed amounted to € 4.8 billion and € 2.4 billion respectively. On the same date, the stock of projects approved awaiting financing amounted to € 10.4 billion (31 December 2019: € 8.5 billion), of which 48.5% were in favour of target countries in Central, Eastern and South-Eastern Europe. Loans outstanding (excluding accrued interest and value adjustments) increased to € 16.9 billion as at 30 June 2020 compared to € 15.4 billion at 31 December 2019.

Debt securities in issue, including bonds and short-term borrowings (Euro Commercial Paper), amounted to € 25.6 billion as at 30 June 2020. During the first half of 2020, the Bank issued bonds with a principal amount of € 4.2 billion. The amount of outstanding bonds (excluding accrued interest and value adjustments), which support the Bank's operations, increased from € 20.4 billion as at 31 December 2019 to € 22.7 billion as at 30 June 2020, mainly due to new issues during this period.

Net profit for the first half of 2020 amounted to € 30.9 million, i.e. a decrease of € 21.7 million (41.3%) compared to the same period in 2019. This development is mainly due to the negative variation in the cost of risk (€ 10.5 million), a decrease in the net interest margin (€ 5.2 million) and to the negative impact in the IFRS valuation of financial instruments (€ 3.9 million).

At 30 June 2020, equity stood at € 3 073.3 million, a decrease of € 15.5 million compared to 31 December 2019 (€ 3 088.8 million). Own funds (equity plus uncalled capital) amounted to € 7 937.5 million compared to € 7 948.6 million as at 31 December 2019.

In 2020, following the accession of Andorra, the subscribed capital increased by € 4.9 million (detailed in Note F).

The prudential ratios of the Bank remained within their respective limits throughout the period.

	<i>In million euros</i>		
	30/06/2020 (*)	30/06/2019 (*)	31/12/2019
Projects approved	4 757	1 817	3 983
Stock of projects	10 437	7 423	8 521
Loans disbursed	2 448	1 879	2 848
Loans outstanding	16 872	15 694	15 428
Bonds issued	4 248	3 486	4 540
Debt securities in issue	25 552	23 467	20 453
Net profit	31	53	105
Equity	3 073	3 029	3 089
Own funds	7 938	7 889	7 949
Total assets	31 754	29 406	26 142

(\*) *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 Council of Europe Development Bank (CEB or the Bank) contributes to the implementation of socially-orientated investment projects in favour of social cohesion. In accordance with Administrative Council Resolution 1611 (2019), it does so through three major sectorial lines of action, namely:

- **Inclusive growth:** working to guarantee access to economic opportunities to ensure a prosperous future for all.
- **Support for vulnerable groups:** helping to integrate the most vulnerable citizens to nurture a more diverse society.
- **Environmental sustainability:** supporting a livable society that promotes environmental sustainability, mitigates and adapts to climate change.

Projects can fall into one, two or three of the sectorial lines of action cited above. These sectorial lines of action reflect both the CEB's specific social vocation and the development logic underpinning all its activity in the following sectors of action: aid to refugees, migrants, displaced persons and other vulnerable groups; housing for low-income persons, improving living conditions in urban and rural areas, natural or ecological disasters, protection of the environment, protection and rehabilitation of the historic and cultural heritage, health, education and vocational training, administrative and judicial infrastructures, supporting micro, small and medium-sized enterprises (MSMEs) for the creation and preservation of viable jobs.

## Balance sheet

As at 30 June 2020 (unaudited) and as at 31 December 2019 (audited)

	Notes	<i>In thousand euros</i>	
		<b>30/06/2020</b>	<b>31/12/2019</b>
<b>Assets</b>			
Cash in hand, balances with central banks		1 010 164	677 861
Financial instruments at fair value through profit or loss		258 708	313 302
Hedging derivative financial instruments		1 107 315	838 246
Financial assets at fair value through equity	D	4 616 589	4 117 841
Financial assets at amortised cost	D		
Loans		17 386 608	15 807 267
Advances		5 237 541	2 169 183
Debt securities		1 884 051	1 977 538
Tangible and intangible assets		58 865	57 824
Other assets		194 255	182 729
<b>Total assets</b>		<b>31 754 096</b>	<b>26 141 791</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Financial instruments at fair value through profit or loss		227 285	187 340
Hedging derivative financial instruments		683 627	531 460
Financial liabilities at amortised cost	E		
Amounts owed to credit institutions and to customers		151 308	153 940
Debt securities in issue		26 633 472	21 228 068
Other liabilities		599 656	583 134
Social Dividend Account		51 622	48 544
Provisions		333 792	320 501
<b>Total liabilities</b>		<b>28 680 762</b>	<b>23 052 987</b>
<b>Equity</b>			
Capital	F		
Subscribed		5 477 144	5 472 219
Uncalled		(4 864 180)	(4 859 802)
Called		612 964	612 417
General reserve		2 553 081	2 456 101
Net profit		30 911	104 685
<b>Total capital, general reserve and net profit</b>		<b>3 196 956</b>	<b>3 173 203</b>
Gains or losses recognised directly in equity		(123 622)	(84 399)
<b>Total equity</b>		<b>3 073 334</b>	<b>3 088 804</b>
<b>Total liabilities and equity</b>		<b>31 754 096</b>	<b>26 141 791</b>

## Income statement

For the first half of 2020 (unaudited) and for the first half of 2019 (unaudited)

		<i>In thousand euros</i>	
	Notes	<b>2020</b>	<b>2019</b>
<b>Interest and similar income</b>			
Financial assets at fair value through equity		(1 770)	(173)
Loans and advances at amortised cost		25 893	44 566
Debt securities at amortised cost		28 489	31 589
<b>Interest expenses and similar charges</b>			
Amounts owed to credit institutions and to customers at amortised cost		1 638	927
Debt securities in issue at amortised cost		21 208	4 233
Other interest expenses and similar charges		(2 365)	(2 837)
<b>Interest margin</b>	G	<b>73 093</b>	<b>78 305</b>
Net gains or losses from financial instruments at fair value through profit or loss		(4 407)	(557)
Net gains from financial assets at fair value through equity		23	50
Commissions (income)		322	288
Commissions (expenses)		(1 021)	(1 060)
<b>Net banking income</b>		<b>68 010</b>	<b>77 026</b>
General operating expenses		(24 590)	(22 719)
Depreciation and amortisation charges of tangible and intangible assets		(2 338)	(2 022)
<b>Gross operating income</b>		<b>41 082</b>	<b>52 285</b>
Cost of risk		(10 171)	334
<b>Net profit</b>		<b>30 911</b>	<b>52 619</b>

## Statement of comprehensive income

For the first half of 2020 (unaudited) and for the first half of 2019 (unaudited)

In thousand euros

	2020	2019
<b>Net profit</b>	<b>30 911</b>	<b>52 619</b>
<b>Items that may be reclassified to income statement</b>	<b>(34 431)</b>	<b>(19 035)</b>
Changes in value of debt securities at fair value through equity	(18 669)	(1 749)
Changes in value of hedging derivative financial instruments	(15 762)	(17 286)
<b>Items that will not be reclassified to income statement</b>	<b>(4 792)</b>	<b>(50 770)</b>
Changes in actuarial differences related to the pension scheme	(4 736)	(43 089)
Changes in actuarial differences related to the other post-employment benefits	(130)	(7 758)
Changes in value of equity instruments	74	77
<b>Total other elements of comprehensive income</b>	<b>(39 223)</b>	<b>(69 805)</b>
<b>Comprehensive income</b>	<b>(8 312)</b>	<b>(17 186)</b>

## Statement of changes in equity

For the first half of 2020 (unaudited) and the first half of 2019 (unaudited)

In thousand euros

	Capital and reserves			Gains or losses recognised directly in equity						Total equity	
	Called capital	Reserves and result	Total	Debt securities at fair value through equity	Hedging derivative financial instruments	Recyclable equity	Actuarial differences	Equity instruments	Non recyclable equity		Total
<b>Equity as at 31 December 2018</b>	<b>612 417</b>	<b>2 449 968</b>	<b>3 062 385</b>	<b>30 330</b>	<b>(701)</b>	<b>29 629</b>	<b>(68 853)</b>		<b>(68 853)</b>	<b>(39 224)</b>	<b>3 023 161</b>
Reserves (impact of IFRS 9 application, phase 3)		6 132	6 132								6 132
Changes in value of assets and liabilities recognised directly in equity				(3 081)	19 523	16 442		429	429	16 442	16 442
<b>Equity as at 1 January 2019</b>	<b>612 417</b>	<b>2 456 100</b>	<b>3 068 517</b>	<b>27 249</b>	<b>18 822</b>	<b>46 071</b>	<b>(68 853)</b>	<b>429</b>	<b>(68 424)</b>	<b>(22 353)</b>	<b>3 046 164</b>
Net profit		52 619	52 619								52 619
Changes in value of assets and liabilities recognised directly in equity				(1 749)	(17 286)	(19 035)	(50 846)	77	(50 770)	(69 805)	(69 805)
<b>Equity as at 30 June 2019</b>	<b>612 417</b>	<b>2 508 720</b>	<b>3 121 137</b>	<b>25 500</b>	<b>1 536</b>	<b>27 036</b>	<b>(119 699)</b>	<b>506</b>	<b>(119 194)</b>	<b>(92 158)</b>	<b>3 028 979</b>
Net profit		52 066	52 066								52 066
Changes in value of assets and liabilities recognised directly in equity				601	6 493	7 094	550	115	665	7 759	7 759
<b>Equity as at 31 December 2019</b>	<b>612 417</b>	<b>2 560 786</b>	<b>3 173 203</b>	<b>26 101</b>	<b>8 029</b>	<b>34 130</b>	<b>(119 149)</b>	<b>621</b>	<b>(118 529)</b>	<b>(84 399)</b>	<b>3 088 804</b>
Capital increase	547	2 296	2 843								2 843
Allocation of 2019 profit		(10 000)	(10 000)								(10 000)
Net profit		30 911	30 911								30 911
Changes in value of assets and liabilities recognised directly in equity				(18 669)	(15 762)	(34 431)	(4 866)	74	(4 792)	(39 223)	(39 223)
<b>Equity as at 30 June 2020</b>	<b>612 964</b>	<b>2 583 992</b>	<b>3 196 956</b>	<b>7 432</b>	<b>(7 733)</b>	<b>(301)</b>	<b>(124 015)</b>	<b>695</b>	<b>(123 321)</b>	<b>(123 622)</b>	<b>3 073 334</b>

## Statement of cash flows

For the first half of 2020 (unaudited) and for the first half of 2019 (unaudited)

In thousand euros

	2020	2019
<b>Net profit</b>	30 911	52 619
+/- Depreciation charges of tangible and intangible assets	2 338	2 022
+/- Provisions	10 217	(334)
+/- Net loss/net profit from investing operations	10 339	9 388
+/- Change in interest receivable	(46 357)	(37 503)
+/- Change in interest payable	24 042	(23 532)
+/- Other non-monetary movements	11 868	6 619
<b>Total of non-monetary items included in the result</b>	<b>12 446</b>	<b>(43 340)</b>
+ Reimbursements related to operations with credit institutions and customers	1 249 544	1 222 952
- Disbursements related to operations with credit institutions and customers	(4 325 754)	(4 358 184)
+ Reimbursements related to other operations affecting financial assets or liabilities	2 573 421	2 860 880
- Disbursements related to other operations affecting financial assets or liabilities	(3 053 504)	(3 229 100)
+/- Cash flows related to operations affecting non-financial assets or liabilities	(14 797)	(10 059)
<b>Net cash flows from assets and liabilities resulting from operating activities</b>	<b>(3 571 091)</b>	<b>(3 513 511)</b>
<b>Total net cash flows from operating activities (a)</b>	<b>(3 527 733)</b>	<b>(3 504 232)</b>
+ Reimbursements related to securities at amortised cost	90 000	64 597
+/- Cash flows related to tangible and intangible assets	(3 631)	(2 428)
<b>Total net cash flows from investing operations (b)</b>	<b>86 369</b>	<b>62 169</b>
+/- Cash flows from or to member states	8 760	(1 889)
+ Reimbursements related to debt securities in issue	7 389 991	7 758 301
- Disbursements related to debt securities in issue	(2 155 802)	(3 215 992)
<b>Total net cash flows from financing operations (c)</b>	<b>5 242 949</b>	<b>4 540 420</b>
<b>Effect of changes in foreign exchange rates on cash and cash equivalents (d)</b>	<b>2 321</b>	<b>5 782</b>
<b>Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)</b>	<b>1 803 906</b>	<b>1 104 139</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2 550 085</b>	<b>1 425 892</b>
Cash in hand, balances with central banks	677 948	450 181
Advances repayable on demand and term deposits with credit institutions	1 872 137	975 711
<b>Cash and cash equivalents at 30 June</b>	<b>4 353 991</b>	<b>2 530 031</b>
Cash in hand, balances with central banks	1 010 255	392 649
Advances repayable on demand and term deposits with credit institutions	3 343 736	2 137 382
<b>Changes in cash and cash equivalents</b>	<b>1 803 906</b>	<b>1 104 139</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE A - Summary of accounting methods applied by the Bank

#### Accounting reference

The Bank's separate accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Bank's separate condensed interim financial statements as at 30 June 2020 were prepared in compliance with IAS 34 "Interim financial reporting" and are to be read together with the audited financial statements for the year ended 31 December 2019 (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.

The half-year financial statements are unaudited.

#### Applicable accounting standards

The Bank did not implement new standards, amendments or interpretations adopted by the European Union for which implementation was optional as at 30 June 2020.

## NOTE B - Prudential framework

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.

The Bank's prudential framework ratios and indicators are categorized in six main areas: capital, leverage, liquidity, market credit risk, interest rate risk and foreign exchange risk.

Prudential framework	30/06/2020	30/06/2019	31/12/2019	Limit
<b>Capital</b>				
Capital Adequacy	26.3%	26.5%	30.3%	> 10.5 %
Gearing	2.1	1.97	1.92	< 2.5
<b>Leverage</b>				
Indebtedness	8.02	7.56	6.42	< 10
Treasury Assets	3.84	3.65	2.68	< 4
<b>Liquidity</b>				
Short-term liquidity (1 year)	139%	134%	139%	> 100%
Self-sufficiency period	13	12	9	> 6 months
<b>Market Credit Risk</b>				
Minimum Internal Rating	≥ 7.0	≥ 7.0	≥ 7.0	≥ 7.0
<b>Interest Rate Risk</b>				
Economic Value Sensitivity <sup>(1)</sup>	-€ 0.1 M	-€ 2.5 M	-€ 0.3 M	< 0.5 % of own funds (market risk)
<b>Foreign Exchange Risk</b>				
Spot Net Open position	< € 1.0 M			
<b>Other</b>				
Cost to income ratio (adjusted) <sup>(2)</sup>	36.9%	31.6%	34.3%	

<sup>(1)</sup> The Economic Value Sensitivity is calculated with structural elements only (e.g. without embedded floors) since October 2019. Thus, the value as at 30 June 2019 is - € 2.5 million instead of - € 8.7 million as in previous reports.

<sup>(2)</sup> 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 and by netting cost-recovery income from fiduciary activities against general operating expenses.

**Capital adequacy ratio (CAR)**, under the Standardised Approach, is a measure of the CEB's prudential equity ( $E_p$ )<sup>1</sup> expressed as a percentage of its total risk-weighted assets (RWA)<sup>2</sup>. The capital adequacy ratio reached 26.3% at 30 June 2020, down from 30.3% at 31 December 2019, due to an increase in RWA from financial and loan operations.

**Gearing ratio** compares loans outstanding (after swap and credit enhancement) to own funds<sup>3</sup> 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. € 20.2 billion at 30 June 2020. The ratio stood at 2.10 at 30 June 2020, a slight increase compared to 1.92 at the end of December 2019 due to an increase in the loan portfolio which outpaced the equivalent development in own funds.

The **prudential ratios for indebtedness, treasury assets and liquidity** remained within their respective limits. The changes (increase or decrease) solely reflect developments in the Bank's ordinary activity (treasury, lending and debt).

The **Minimum Internal Rating** defines the minimum credit rating at the relevant purchase date at which the Bank may enter into transactions with issuers, obligors and counterparties. The Bank's Minimum Internal Rating is fixed at  $\geq 7.0$  (A-)<sup>4</sup> for short-term investments and at  $\geq 8.0$  (A+)<sup>5</sup> for long-term investments.

As of the end of the first half of 2020, as at the end of 2019 also, there were no counterparties or transactions with minimum ratings below the respective threshold at the relevant purchase date.

The **Economic Value Sensitivity** measures the change in the economic value of the Bank, including own funds (market risk (MR))<sup>6</sup>, due to an interest rate shock of +/-10 basis points. Its limit is fixed at < 0.5% of own funds (MR), i.e. +/- € 17.6 million at 30 June 2020.

As of the end of the first half of 2020, the Economic Value Sensitivity was -€ 0.1 million, compared to -€ 0.3 million at the end of 2019, and therefore well within the defined limit.

The **Spot Net Open Position**<sup>7</sup> measures the total assets minus total liabilities in a particular foreign currency, including both on- and off-balance sheet positions. Its limit is fixed at < € 1 million per currency.

As of the end of the first half of 2020, as at the end of 2019, the Spot Net Open Position in each currency was below € 1 million, well within the defined limit.

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<sup>1</sup> Prudential equity ( $E_p$ ): paid-in capital, reserves and net profit.

<sup>2</sup> 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.

<sup>3</sup> CEB's own funds: subscribed capital, reserves and net profit.

<sup>4</sup> For maturities below three months, the minimum internal rating is 6.0 (BBB) for sovereign bonds and 6.5 (BBB+) for short-term deposits.

<sup>5</sup> For maturities up to two years the minimum internal rating is 7.0 (A-) for bonds issued by sovereigns, sub-sovereigns, agencies, supranationals and financial institutions.

<sup>6</sup> Own funds (MR – market risk): paid-in capital, reserves, net profit, amount on the Social Dividend Account and provisions for post-employment benefits.

<sup>7</sup> 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 applied 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*

	At fair value through profit or loss	At fair value through recyclable equity	At fair value through non-recyclable equity	At amortised cost	Net book value
<b>30 June 2020</b>					
<b>Assets</b>					
Cash in hand, balances with central banks				1 010 164	1 010 164
Financial instruments at fair value through profit or loss	258 708				258 708
Hedging derivative financial instruments	1 107 315				1 107 315
Financial assets at fair value through equity		4 615 371	1 218		4 616 589
Financial assets at amortised cost					
Loans and advances				22 624 149	22 624 149
Debt securities				1 884 051	1 884 051
<b>Total financial assets</b>	<b>1 366 023</b>	<b>4 615 371</b>	<b>1 218</b>	<b>25 518 364</b>	<b>31 500 976</b>
<b>Liabilities</b>					
Financial instruments at fair value through profit or loss	227 285				227 285
Hedging derivative financial instruments	683 627				683 627
Financial liabilities at amortised cost					
Amounts owed to credit institutions and to customers				151 308	151 308
Debt securities in issue				26 633 472	26 633 472
Social Dividend Account				51 622	51 622
<b>Total financial liabilities</b>	<b>910 912</b>			<b>26 836 402</b>	<b>27 747 314</b>
<b>31 December 2019</b>					
<b>Assets</b>					
Cash in hand, balances with central banks				677 861	677 861
Financial instruments at fair value through profit or loss	313 302				313 302
Hedging derivative financial instruments	838 246				838 246
Financial assets at fair value through equity		4 116 697	1 144		4 117 841
Financial assets at amortised cost					
Loans and advances				17 976 450	17 976 450
Debt securities				1 977 538	1 977 538
<b>Total financial assets</b>	<b>1 151 548</b>	<b>4 116 697</b>	<b>1 144</b>	<b>20 631 850</b>	<b>25 901 239</b>
<b>Liabilities</b>					
Financial instruments at fair value through profit or loss	187 340				187 340
Hedging derivative financial instruments	531 460				531 460
Financial liabilities at amortised cost					
Amounts owed to credit institutions and to customers				153 940	153 940
Debt securities in issue				21 228 068	21 228 068
Social Dividend Account				48 544	48 544
<b>Total financial liabilities</b>	<b>718 800</b>			<b>21 430 551</b>	<b>22 149 352</b>

## NOTE D - Financial assets at fair value through equity and at amortised cost

### Financial assets at fair value through equity

Financial assets at fair value through equity consist mainly of debt securities.

*In thousand euros*

	30/06/2020	31/12/2019
<b>Financial assets at fair value through equity</b>		
Gross book value	4 497 267	4 006 942
Unrealised gains or losses	119 750	111 304
Impairment	(428)	(405)
<b>Total</b>	<b>4 616 589</b>	<b>4 117 841</b>

### Financial assets at amortised cost

*In thousand euros*

	30/06/2020	31/12/2019
<b>Loans to credit institutions</b>		
Gross book value	9 150 266	8 842 083
Impairment	(8 964)	(5 467)
<b>Net book value</b>	<b>9 141 302</b>	<b>8 836 616</b>
<b>Loans to customers</b>		
Gross book value	7 760 421	6 623 776
Impairment	(12 723)	(6 957)
<b>Net book value</b>	<b>7 747 698</b>	<b>6 616 819</b>
Value adjustment to loans hedged by derivative instruments	497 608	353 832
<b>Total loans</b>	<b>17 386 608</b>	<b>15 807 267</b>
<b>Advances</b>		
Advances repayable on demand - gross book value	7 556	9 013
Impairment	(2)	(3)
<b>Net book value</b>	<b>7 554</b>	<b>9 010</b>
Advances with agreed maturity dates or periods of notice - gross book value	5 230 317	2 160 289
Impairment	(330)	(116)
<b>Net book value</b>	<b>5 229 987</b>	<b>2 160 173</b>
<b>Total advances</b>	<b>5 237 541</b>	<b>2 169 183</b>
<b>Debt securities</b>		
Gross book value	1 884 129	1 977 664
Impairment	(78)	(126)
<b>Net book value</b>	<b>1 884 051</b>	<b>1 977 538</b>
<b>Total debt securities</b>	<b>1 884 051</b>	<b>1 977 538</b>

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

*In thousand euros*

<b>Breakdown by borrowers' country location</b>	<b>30/06/2020</b>	<b>%</b>	<b>31/12/2019</b>	<b>%</b>
Spain	2 126 023	12.60	1 865 321	12.09
Poland	1 886 197	11.18	1 945 432	12.61
Turkey	1 350 597	8.00	1 435 500	9.30
France	1 255 700	7.44	1 201 098	7.79
Slovak Republic	1 161 207	6.88	721 592	4.68
Germany <sup>(1)</sup>	1 066 653	6.32	850 793	5.51
Belgium	984 473	5.83	1 001 900	6.49
Netherlands	891 644	5.28	719 492	4.66
Czech Republic	622 504	3.69	561 343	3.64
Romania	601 335	3.56	587 976	3.81
Hungary	535 611	3.17	515 196	3.34
Finland	527 914	3.13	498 915	3.23
Italy <sup>(2)</sup>	476 652	2.83	551 529	3.57
Cyprus	453 089	2.69	443 123	2.87
Croatia	424 269	2.51	335 211	2.17
Lithuania	386 471	2.29	199 809	1.30
Ireland	351 277	2.08	352 911	2.29
Bulgaria	313 198	1.86	235 515	1.53
Portugal	280 214	1.66	272 376	1.77
Sweden	274 549	1.63	280 578	1.82
Serbia	239 353	1.42	244 277	1.58
Slovenia	110 116	0.65	100 144	0.65
North Macedonia	109 618	0.65	104 293	0.68
Albania	96 320	0.57	101 379	0.66
Iceland	95 276	0.56	100 131	0.65
Bosnia and Herzegovina	84 936	0.50	73 798	0.48
Montenegro	60 489	0.36	39 652	0.26
Moldova (Republic of)	39 156	0.23	36 005	0.23
Latvia	22 600	0.13	16 100	0.10
Georgia	20 560	0.12	8 750	0.06
Denmark	20 000	0.12	20 000	0.13
Estonia	4 140	0.02	7 313	0.05
<b>Total</b>	<b>16 872 141</b>	<b>100.00</b>	<b>15 427 452</b>	<b>100.00</b>

<sup>(1)</sup> of which € 5 million outstanding in favour of target countries as at 30 June 2020 (31 December 2019: € 5 million)

<sup>(2)</sup> of which € 32 million outstanding in favour of target countries as at 30 June 2020 (31 December 2019: € 36 million)

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

*In thousand euros*

	30/06/2020	31/12/2019
<b>Amounts owed to credit institutions and to customers</b>		
Interest-bearing accounts	104 641	100 607
Borrowings and term deposits	46 667	53 333
<b>Total</b>	<b>151 308</b>	<b>153 940</b>
<b>Debt securities in issue at amortised cost</b>		
Bonds	22 725 639	20 399 511
Euro Commercial Paper	2 826 463	53 322
Interest payable	203 613	174 450
Value adjustment to debt securities in issue hedged by derivative instruments	877 757	600 785
<b>Total</b>	<b>26 633 472</b>	<b>21 228 068</b>

## NOTE F - Capital

Capital breakdown by member state at 30 June 2020 is presented below.

*In thousand euros*

Members	Subscribed capital	Uncalled capital	Called capital	Percentage of subscribed capital
France	915 770	814 114	101 656	16.720%
Germany	915 770	814 114	101 656	16.720%
Italy	915 770	814 114	101 656	16.720%
Spain	597 257	530 958	66 299	10.905%
Turkey	388 299	345 197	43 102	7.089%
Netherlands	198 813	176 743	22 070	3.630%
Belgium	164 321	146 083	18 238	3.000%
Greece	164 321	146 083	18 238	3.000%
Portugal	139 172	123 724	15 448	2.541%
Sweden	139 172	123 724	15 448	2.541%
Poland	128 260	114 023	14 237	2.342%
Denmark	89 667	79 712	9 955	1.637%
Finland	69 786	62 039	7 747	1.274%
Norway	69 786	62 039	7 747	1.274%
Bulgaria	62 459	55 526	6 933	1.140%
Romania	59 914	53 264	6 650	1.094%
Switzerland	53 824	43 229	10 595	0.983%
Ireland	48 310	42 948	5 362	0.882%
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	0.634%
Serbia	25 841	22 973	2 868	0.472%
Croatia	21 376	19 003	2 373	0.390%
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	0.244%
Latvia	12 808	11 387	1 421	0.234%
Estonia	12 723	11 311	1 412	0.232%
North Macedonia	12 723	11 311	1 412	0.232%
Lithuania	12 588	11 191	1 397	0.230%
Slovenia	12 295	10 930	1 365	0.224%
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%
Andorra	4 925	4 378	547	0.090%
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 at 30 June 2020</b>	<b>5 477 144</b>	<b>4 864 180</b>	<b>612 964</b>	<b>100.000%</b>
<b>Total at 31 December 2019</b>	<b>5 472 219</b>	<b>4 859 802</b>	<b>612 417</b>	<b>100.000%</b>

In 2020, further to Andorra's accession, the subscribed capital increased by € 4.9 million. The called capital (€ 0.5 million) and the contribution to the reserves (€ 2.3 million) are scheduled to be paid in four equal annual instalments. The first instalment of € 0.7 million was paid on 22 July 2020 (€ 0.1 million for the capital and € 0.6 million for the reserves).

## 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.

The interest margin for the first half of 2020 (unaudited) and the first half of 2019 (unaudited) is presented in the table below:

	2020			2019		
	Income	Expenses	Net	Income	Expenses	Net
<i>In thousand euros</i>						
<b>Loans and advances to credit institutions and to customers</b>						
Loans	70 326	(47)	70 279	75 679		75 679
Hedging derivatives	5 277	(63 324)	(58 047)	6 759	(64 907)	(58 148)
Advances	24 562	(10 901)	13 661	33 359	(6 324)	27 035
<b>Sub-total</b>	<b>100 165</b>	<b>(74 272)</b>	<b>25 893</b>	<b>115 796</b>	<b>(71 231)</b>	<b>44 566</b>
<b>Securities at amortised cost</b>						
Securities transactions	32 736	(4 246)	28 489	36 142	(4 554)	31 589
<b>Sub-total</b>	<b>32 736</b>	<b>(4 246)</b>	<b>28 489</b>	<b>36 142</b>	<b>(4 554)</b>	<b>31 589</b>
<b>Securities at fair value through equity</b>						
Securities transactions	17 829	(8 649)	9 180	18 957	(7 016)	11 940
Hedging derivatives	3 713	(14 663)	(10 950)	4 765	(16 877)	(12 113)
<b>Sub-total</b>	<b>21 542</b>	<b>(23 312)</b>	<b>(1 770)</b>	<b>23 721</b>	<b>(23 894)</b>	<b>(173)</b>
<b>Amounts owed to credit institutions and to customers</b>						
Interest-bearing accounts	1 638		1 638	997	(70)	927
<b>Sub-total</b>	<b>1 638</b>		<b>1 638</b>	<b>997</b>	<b>(70)</b>	<b>927</b>
<b>Debt securities in issue</b>						
Bonds	15 409	(172 220)	(156 811)	14 378	(193 513)	(179 135)
Hedging derivatives	192 842	(14 822)	178 020	197 419	(14 051)	183 368
<b>Sub-total</b>	<b>208 251</b>	<b>(187 043)</b>	<b>21 208</b>	<b>211 797</b>	<b>(207 564)</b>	<b>4 233</b>
<b>Other interest expenses</b>		<b>(2 365)</b>	<b>(2 365)</b>		<b>(2 837)</b>	<b>(2 837)</b>
<b>Interest margin</b>	<b>364 331</b>	<b>(291 239)</b>	<b>73 093</b>	<b>388 454</b>	<b>(310 149)</b>	<b>78 305</b>