

# Council of Europe Development Bank

## Rating annex

The AAA/Stable rating of the Council of Europe Development Bank (CEB) reflects: i) its 'Excellent' institutional and financial profiles, which drive our 'aaa' assessment of the bank's intrinsic credit profile, and ii) 'Very High' shareholder support. In detail:

- **Institutional profile:** The CEB benefits from the increasingly strategic role it plays for its shareholder governments and from excellent governance. The bank's social mandate – unique among European supranational institutions – has served shareholders well in helping finance their responses to the Covid-19 pandemic, the Ukraine crisis, and earthquakes in Türkiye. The bank's new Strategic Framework for 2023-27 enables direct lending to Ukraine.
- **Financial profile:** The CEB benefits from excellent asset quality with no non-performing loans and high average borrower quality. It also benefits from preferred creditor status for its sovereign exposure and good geographical diversification. Climate related exposure is carefully managed with all activities aligned with the Paris Agreement since January 2024. The CEB's liquidity profile is exceptionally strong, and its funding profile benefits from strong market access with benchmark issuances and expansion into new currencies. Continuously comfortable net profit levels allow the bank to strengthen its capital base with retained earnings. The main rating challenge is the CEB's high leverage, although the ongoing capital increase will improve room to manoeuvre.
- **Shareholder support:** The CEB benefits from highly rated key shareholders (with a weighted average of A) and a record of timely shareholder support, as reflected in the large increase of paid in and callable capital approved in December 2022. The subscription period to complete the capital increase has been extended from 30 June to 31 December 2024, enabling the bank to reach the highest possible level of participation among shareholders.
- **Outlook and triggers:** The Stable Outlook reflects a balanced set of risks over the next 12 to 18 months. The ratings/Outlooks could be downgraded if, individually or collectively: i) the CEB recorded sustained losses, leading to a marked deterioration in its capital base; and/or ii) its liquidity buffers were significantly reduced.

### Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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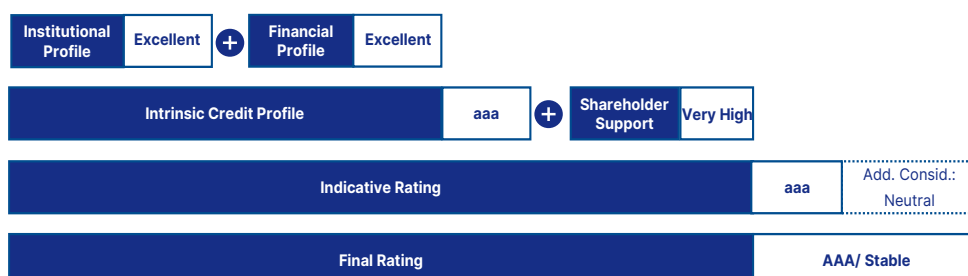
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Figure 1: Scope's assessment of the CEB's rating drivers



## Credit strengths and challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Excellent asset quality</li> <li>Very high liquidity buffers</li> <li>Strong shareholders</li> <li>Increasing strategic importance</li> </ul>	<ul style="list-style-type: none"> <li>High leverage compared to peers</li> </ul>

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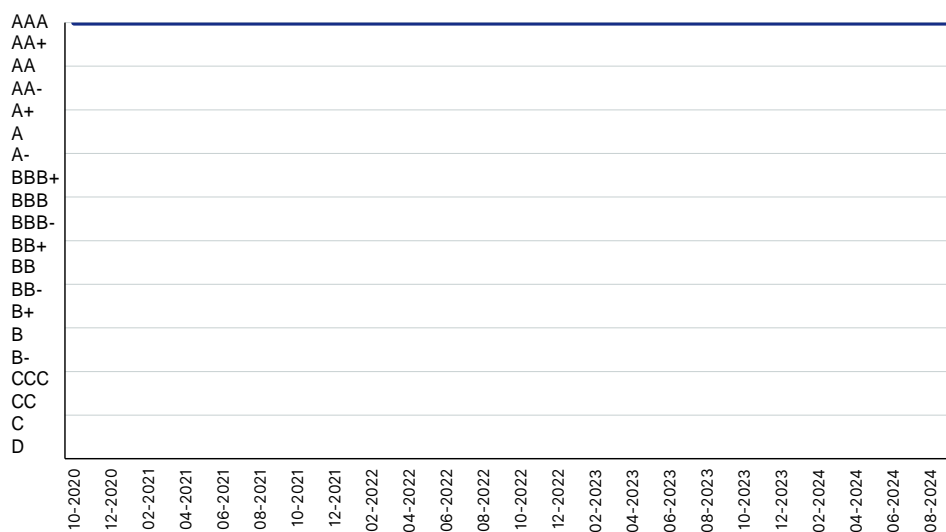
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## Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Losses that reduce the capital base</li> <li>Significant reduction in liquidity buffers</li> </ul>

Figure 2: Rating history<sup>1</sup>



Source: Scope Ratings

<sup>1</sup> Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

**Indicative rating: 'aaa'**

We first map the assessments for the institutional and financial profiles to determine the supranational's intrinsic credit profile. In a second step, we complement this assessment with our assessment of the strength of shareholder support to determine the indicative rating.

**Intrinsic credit profile for the CEB**

Intrinsic Credit Profile		Institutional Profile				
		Excellent	Strong	Adequate	Moderate	Weak
Financial Profile	Excellent	aaa	aaa	aaa	aa+	aa
	Very Strong (+)	aaa	aaa	aa+	aa	aa-
	Very Strong	aaa	aa+	aa	aa-	a+
	Very Strong (-)	aa+	aa	aa-	a+	a
	Strong (+)	aa	aa-	a+	a	a-
	Strong	aa-	a+	a	a-	bbb+
	Strong (-)	a+	a	a-	bbb+	bbb
	Adequate (+)	a	a-	bbb+	bbb	bbb-
	Adequate	a-	bbb+	bbb	bbb-	bb+
	Adequate (-)	bbb+	bbb	bbb-	bb+	bb
	Moderate (+)	bbb	bbb-	bb+	bb	bb-
	Moderate	bbb-	bb+	bb	bb-	b+
	Moderate (-)	bb+	bb	bb-	b+	b
	Weak (+)	bb	bb-	b+	b	b-
	Weak	bb-	b+	b	b-	ccc
	Weak (-)	b+	b	b-	ccc	ccc
	Very Weak (+)	b	b-	ccc	ccc	ccc
Very Weak	b-	ccc	ccc	ccc	ccc	
Very Weak (-)	ccc	ccc	ccc	ccc	ccc	

Source: Scope Ratings

### Mapping of intrinsic credit profile and shareholder support for the CEB

Indicative Rating		Shareholder Support			
		Excellent	Very High	High	Moderate
Intrinsic Credit Profile	aaa	aaa	aaa	aaa	aaa
	aa+	aaa	aaa	aaa	aaa / aa
	aa	aaa	aaa	aaa / aa	aa+ / aa-
	aa-	aaa	aaa / aa	aa+ / aa-	aa / a+
	a+	aaa / aa	aa+ / aa-	aa / a+	aa- / a
	a	aa+ / aa-	aa / a+	aa- / a	a+ / a-
	a-	aa / a+	aa- / a	a+ / a-	a / bbb+
	bbb+	aa- / a	a+ / a-	a / bbb+	a- / bbb
	bbb	a+ / a-	a / bbb+	a- / bbb	bbb+ / bbb-
	bbb-	a / bbb+	a- / bbb	bbb+ / bbb-	bbb / bb+
	bb+	a- / bbb	bbb+ / bbb-	bbb / bb+	bbb- / bb
	bb	bbb+ / bbb-	bbb / bb+	bbb- / bb	bb+ / bb-
	bb-	bbb / bb+	bbb- / bb	bb+ / bb-	bb / b+
	b+	bbb- / bb	bb+ / bb-	bb / b+	bb- / b
	b	bb+ / bb-	bb / b+	bb- / b	b+ / b-
	b-	bb / b+	bb- / b	b+ / b-	b / ccc
ccc	bb- / b	b+ / b-	b / ccc	b- / ccc	

Source: Scope Ratings

### Additional considerations: Neutral

*We acknowledge the heterogeneity of supranationals and include in our assessment idiosyncratic factors that may affect the creditworthiness of the supranational.*

For the CEB, no additional considerations apply.

## Annex I: Shareholders

EUR m unless stated otherwise

Shareholder	Paid-in capital	Callable capital	Subscribed capital	Share (%)	Rating	Callable capital rated $\geq$ AA-	Callable capital rated $\geq$ AA-, authorised and appropriated
France	101.7	814.1	915.8	16.4	AA/Negative	814.1	
Germany	101.7	814.1	915.8	16.4	AAA/Stable	814.1	
Italy	101.7	814.1	915.8	16.4	BBB+/Stable		
Spain	66.3	531.0	597.3	10.7	A/Stable		
Türkiye	43.1	345.2	388.3	7.0	B/Positive		
Netherlands	22.1	176.7	198.8	3.6	AAA/Stable	176.7	
Belgium	18.2	146.1	164.3	2.9	AA-/Negative	146.1	
Greece	18.2	146.1	164.3	2.9	BBB-/Positive		
<b>Key shareholders</b>	<b>472.9</b>	<b>3787.4</b>	<b>4260.3</b>	<b>76.4</b>	<b>A</b>	<b>1,951.1</b>	<b>0.0</b>
Other shareholders	151.4	1,167.4	1,318.7	23.6		494.2	79.7
<b>Total</b>	<b>624.3</b>	<b>4,954.8</b>	<b>5,579.0</b>	<b>100</b>		<b>2,445.3</b>	<b>79.7</b>

Note: Figures may not add up due to rounding.  
Financial report, as of end-December 2023. Source: CEB, Scope Ratings

## Annex II: Supranational scorecard

Analytical Pillar	Variables	Unit											CEB		
			+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches			
Institutional Profile (10%)	Mandate & ESG	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High			
		Mandate (50%)	Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	Strong	1	Strong	
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	Medium/ N/A				
	Governance (50%)	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1000	Strong			
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	16	Strong	1	Strong	
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	Strong				
<b>Institutional Profile (10%)</b>											<b>Excellent</b>				
Intrinsic Credit Profile (90%*)	Capitalisation (30%)	Capital/ Potential assets	%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	17	High	2		
		(Capital/ Actual assets) - (Capital/ Potential assets)	pps	--	--	--	≥ 7.5	< 7.5	--	--	2	Adequate/ No uplift	0		
		Profitability (Adjusted return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	3	Adequate	1	Very Strong	
		Trend (-1; +1)											1		
	Asset quality (30%)	Portfolio quality	Incl. risk mitigants	Qualitative	--	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Excellent	Excellent	3	
		Asset performance	NPLs	% total loans	--	≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5; ≤ 7	> 7; ≤ 10	> 10	0.0	Excellent	3	Excellent
		Trend (-1; +1)											0		
	Liquidity & funding (40%)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	115	Excellent	4	
		Funding access, flexibility and profile		Qualitative	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak	Very Strong	Very Strong	3	Excellent
		Trend (-1; +1)											0		
<b>Financial Profile (90%)</b>											<b>Excellent</b>				
<b>Intrinsic Credit Profile (90%*)</b>											<b>aaa</b>				
Shareholder Support (10%)	Shareholder Strength	Weighted average rating of key shareholders**	Avg. rating	--	≥ AA-	≥ BBB-	< BBB-	--	--	--	--	A			
		Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	26	Low / No adjustment			
		Adjusted key shareholder rating	Avg. rating	--	--	--	--	--	--	--	--	A	2	Very High	
	Willingness to support	Willingness to support	Qualitative	--	--	High	Medium	Low	--	--	High	High			
<b>Shareholder Support (10%)</b>											<b>Very High</b>				
<b>Indicative Rating</b>											<b>aaa</b>				
<b>Additional considerations (-1; +1)</b>											<b>Neutral</b>				
<b>Final Rating</b>											<b>AAA</b>				

\* Weights are approximated and for illustrative purposes.

\*\* Notches shown here correspond to shareholder support uplift given 'Willingness to support' is assessed as 'High'.

Note: Figures in the financial profile relate to a weighted three-year average for 2021-23 based on financial reports, as of end-December. The positive trend adjustment under capitalisation reflects the benefits of the ongoing capital increase.

Source: CEB, Scope Ratings

### Annex III: Climate credit risks

Methodology input / assumptions	CEB – Financial Report 2023	Output / calculations		
<b>Initial portfolio quality</b>		<b>% of lending portfolio</b>		<b>Weighted average borrower quality</b>
Sovereigns		52%		a
Public Sector		30%		bbb+
Financial Institutions		15%		bbb
Non-financial corporates		3%		bb
<b>Total</b>		<b>100%</b>		<b>A-</b>
<b>1. Transition risks: NFC</b>				
<b>Sectors with high transition risks</b>		<b>% NFC portfolio</b>	<b>o/w aligned with Paris Agreement</b>	<b>High, unmitigated risk</b>
Oil & gas		0.0%	0.0%	0.0%
Power generation (oil, coal)		0.0%	0.0%	0.0%
Metals & mining (coal & steel)		0.0%	0.0%	0.0%
Petrochemicals, cement & concrete manufacture		0.0%	0.0%	0.0%
<b>Total</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>2. Physical risks: NFC</b>				
<u>Countries: ND-GAIN percentile</u>				
		<b>Physical risk assessment</b>	<b>% portfolio in countries</b>	<b>% of NFC with high physical risk**</b>
0.00		Very High	0%	100%
0.10		High	0%	75%
0.25		Medium	0%	50%
0.50		Moderate	15%	25%
0.75		Low	52%	5%
0.90		Very Low	25%	0%
		<b>Portfolio coverage</b>	<b>92%</b>	<b>6.4%</b>
** This share is assumed and fixed.				
<b>3. 'High' climate risks (NFC portfolio)</b>				
		<b>% NFC portfolio</b>		
Transition risks		0.0%		
Physical risks		6.4%		
		<b>6.4%</b>		
<b>4. Adjustment for maturity</b>				
Avg. maturity of portfolio		<b>Adjustment (risk reduction)</b>		
< 1Y		100%		
> 1Y; < 7Y		50%		
> 7Y		0%		
<b>Average maturity of NFC loan portfolio***</b>		<b>~6 years</b>		
*** based on maturity for non-sovereign exposure.				
<b>Adj. high climate risk exposure, % of NFC portfolio</b>		<b>3.2%</b>		
<b>6. Final portfolio quality (climate risk adjusted)</b>				
		<b>% of total exposure</b>	<b>Before climate credit risk</b>	<b>Adjusted for climate risk</b>
Sovereign		52%	a	a
Public sector		30%	bbb+	bbb+
Financial Institutions		15%	bbb	bbb
Non-financial corporates		3%	bb	<b>bb</b>
<b>Total</b>		<b>100%</b>	<b>A-</b>	<b>A-</b>
Note: Figures may not add up due to rounding. Financial report, as of end-December 2023. Source: CEB, Scope Ratings				
<b>5. Notches adjustment to avg. NFC borrower quality</b>				
		<b>Notches</b>		<b>% NFC portfolio with high climate risks</b>
		0		≤ 25%
		-1		> 25%; ≤ 50%
		-2		> 50%
		<b>Adjustment (notches)</b>		<b>0</b>

## Annex IV: Portfolio quality assessment

Portfolio quality (initial assessment)			Excellent	Very Strong	Strong	Adequate	Moderate	Weak			
Indicative borrower quality			aaa	aa	a	bbb	bb	b			
Adjustments	Indicator	Assessment/ Thresholds									
Points			+5	+4	+3	+2	+1	0	-1	-2	-3
<b>Credit Protection</b>	Sovereign PCS										
	Private sector secured	% of gross loans	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20			
<b>Diversification</b>	Geography	HHI				≤ 1000	≤ 2000	> 2000			
	Sector	HHI					≤ 2000	> 2000			
	Top 10 exposures	% of gross loans				≤ 25	≤ 75	> 75			
<b>Equity Exposure</b>		% of equity						≤ 25	> 25	> 50	> 75
<b>Total points Adjustments</b>			+7 +2 categories								
Portfolio quality (final assessment)			Excellent	Very Strong	Strong	Adequate	Moderate	Weak			
<b>Notches</b>			3	2	1	0	-1	-2			

Note: Three points usually correspond to one assessment category. In the case of the CEB, this implies up to two higher categories from the initial portfolio quality assessment based on the estimated average borrower quality. Financial report, as of end-December 2023. Source: CEB, Scope Ratings



## Annex V. Statistical table

In EUR m unless stated otherwise

	2017	2018	2019	2020	2021	2022	2023
<b>Capitalisation</b>							
Scope mandated potential assets	19,600.0	19,800.0	20,100.0	20,300.0	20,500.0	20,700.0	22,033.3
Scope mandated assets (disbursed)	14,056.6	14,882.7	15,807.3	17,919.7	19,019.8	18,222.4	20,577.0
Scope total capital	3,243.3	3,314.8	3,425.6	3,498.5	3,593.3	3,680.9	3,784.0
Capitalisation ratio, potential (%)	16.5%	16.7%	17.0%	17.2%	17.5%	17.8%	17.2%
Capitalisation ratio, actual (%)	23.1%	22.3%	21.7%	19.5%	18.9%	20.2%	18.4%
<b>Profitability</b>							
Reported net income	112.0	97.5	104.7	74.8	94.8	79.7	109.2
Scope adjusted net income	109.6	100.5	102.1	85.7	87.0	83.5	115.9
Scope adjusted return on equity (%)	3.4%	3.0%	3.0%	2.4%	2.4%	2.3%	3.1%
<b>Asset quality</b>							
Total gross loans	13,792.0	14,625.0	15,427.0	17,426.8	18,916.4	19,887.1	21,529.6
Non-performing loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-performing loans / gross loans (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>							
<b>Liquid assets</b>	<b>7,975.5</b>	<b>7,693.2</b>	<b>8,565.9</b>	<b>8,098.3</b>	<b>9,172.8</b>	<b>9,799.7</b>	<b>11,038.1</b>
Cash & cash equivalents, short-term money market instruments	4,451.5	4,167.2	5,261.9	4,950.3	6,002.7	6,780.6	7,946.1
Debt securities rated ≥ AA-	3,524.0	3,526.0	3,304.0	3,148.0	3,170.0	3,019.0	3,092.0
<b>Liabilities due within 12 months and disbursements</b>	<b>8,111.2</b>	<b>6,947.2</b>	<b>8,691.5</b>	<b>7,759.0</b>	<b>8,716.8</b>	<b>9,012.2</b>	<b>9,074.6</b>
Financial liabilities due within 12 months	5,338.2	4,100.2	4,236.5	3,759.0	5,190.8	5,297.2	5,174.6
Disbursements over the next 12 months	2,773.0	2,847.0	4,455.0	4,000.0	3,526.0	3,715.0	3,900.0
Scope liquid assets ratio (%)	98.3	110.7	98.6	104.4	105.2	108.7	121.6
<b>Funding</b>							
Annual funding volume	2,993.0	4,912.0	4,520.0	4,499.0	5,500.0	5,988.0	6,981.0
o/w in environmental bonds	500.0	500.0	500.0	1,500.0	941.5	2,035.9	2,300.0
Debt outstanding, top-3 currencies (% of total)							
USD	16.7%	73.3%	38.9%	48.9%	38.5%	64.7%	45.8%
EUR	62.2%	16.4%	39.8%	36.6%	38.3%	15.6%	26.4%
GBP	21.1%	9.4%	17.2%	7.9%	14.3%	13.9%	15.6%
<b>Equity</b>							
<b>Total equity</b>	<b>2,990.8</b>	<b>3,062.4</b>	<b>3,173.2</b>	<b>3,240.8</b>	<b>3,335.6</b>	<b>3,415.3</b>	<b>3,519.6</b>
Paid-in capital	624.3	612.4	612.4	613.0	613.0	613.0	624.3
Reserves, risk funds and profit for the year	2,366.6	2,450.0	2,560.8	2,627.9	2,722.7	2,802.4	2,895.3
<b>Callable capital counted towards capital</b>	<b>252.4</b>	<b>252.4</b>	<b>252.4</b>	<b>257.6</b>	<b>257.6</b>	<b>265.6</b>	<b>264.5</b>
10% of callable capital rated ≥ AA-	232.5	232.5	232.5	237.7	237.7	245.7	244.5
25% of callable capital rated ≥ AA-, authorised & appropriated	19.9	19.9	19.9	19.9	19.9	19.9	19.9
Callable capital cap (set at 30% of total capital)	1,281.8	1,312.5	1,359.9	1,388.9	1,429.6	1,463.7	1,508.4
<b>Total capital</b>	<b>3,243.3</b>	<b>3,314.8</b>	<b>3,425.6</b>	<b>3,498.5</b>	<b>3,593.3</b>	<b>3,680.9</b>	<b>3,784.0</b>
<b>Shareholder support</b>							
Key shareholder rating	A+	A+	A+	A	A	A	A
Shareholders rated AAA (% of subscribed capital)	27.5%	27.5%	27.5%	27.5%	27.5%	27.0%	27.0%
Shareholders rated AA- or higher (% of subscribed capital)	49.5%	49.5%	49.5%	50.6%	50.6%	49.6%	49.4%
Shareholders rated BBB- or higher (% of subscribed capital)	86.8%	86.8%	86.8%	86.3%	86.3%	85.5%	85.5%

Note: Figures may not add up due to rounding.  
Financial reports, as of end-December. Source: CEB, Scope Ratings

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## Applied methodology

[Supranational Rating Methodology](#), 21 June 2024

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