

Council of Europe Development Bank



AAA
STABLE
OUTLOOK

Credit strengths

- Excellent asset quality
- Very high liquidity buffers
- Strong shareholders
- Increasing strategic importance

Credit challenges

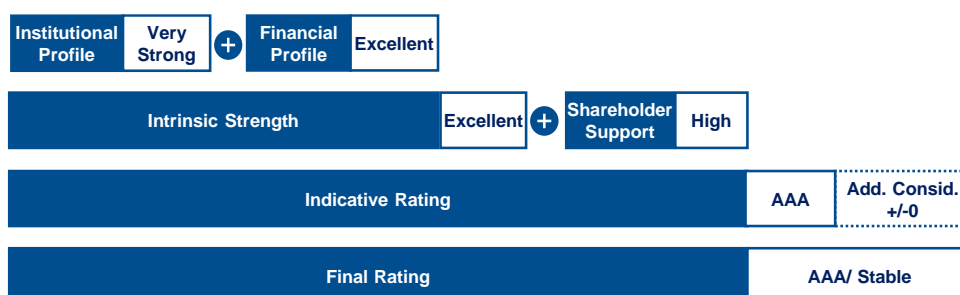
- High leverage compared to peers

Rating rationale and Outlook:

The Council of Europe Development Bank's (CEB) AAA rating reflects its 'excellent' intrinsic strength and 'high' shareholder support. In detail:

- **Institutional profile:** The CEB benefits from a greater strategic role for its shareholder governments and excellent governance. Its social mandate, along with shareholders' strong responses and financing demand during the 2015 refugee crisis and the Covid-19 health crisis, supports its unique role among peers.
- **Financial profile:** The CEB's financial profile 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 exposures and strong geographical diversification. The CEB's liquidity profile is exceptionally strong, and its funding profile benefits from strong market access. Stable net profits continue to strengthen its capital base. The key rating challenge is the CEB's high leverage.
- **Shareholder support:** The CEB benefits from highly rated key shareholders (A) and a track record of timely shareholder support. The CEB's coverage of assets by callable capital of highly rated shareholders is moderate.
- **Outlook and triggers:** The Stable Outlook reflects Scope's assessment of the CEB's financial buffers against external and balance sheet-driven shocks. The rating could be downgraded if: i) the CEB records sustained losses leading to a marked deterioration of the capital base; ii) its liquidity buffers are significantly reduced; and/or iii) key shareholders are downgraded.

Scope's assessment of the CEB's rating drivers



Positive rating-change drivers

- N/A

Negative rating-change drivers

- Losses that reduce the capital base
- Significant reduction in liquidity buffers
- Downgrades of key shareholders

Ratings and Outlook

Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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Bloomberg: RESP SCOP

I Indicative Rating: Council of Europe Development Bank

Indicative rating: AAA

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

Intrinsic Strength: Mapping institutional and financial profiles for the CEB

	Intrinsic Strength		Institutional Profile			
	Excellent	Very Strong	Strong	Moderate	Weak	Very Weak
Financial Profile	Excellent	Excellent	Excellent	Excellent	Very strong (+)	Very strong
	Very Strong (+)	Excellent	Excellent	Very strong (+)	Very strong	Very strong (-)
	Very Strong	Excellent	Very strong (+)	Very strong	Very strong (-)	Strong (+)
	Very Strong (-)	Very strong (+)	Very strong	Very strong (-)	Strong (+)	Strong
	Strong (+)	Very strong	Very strong (-)	Strong (+)	Strong	Strong (-)
	Strong	Very strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)
	Strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)	Adequate
	Adequate (+)	Strong	Strong (-)	Adequate (+)	Adequate	Adequate (-)
	Adequate	Strong (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)
	Adequate (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate
	Moderate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)
	Moderate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)
	Moderate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)	Weak
	Weak (+)	Moderate	Moderate (-)	Weak (+)	Weak	Weak (-)
	Weak	Moderate (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)
	Weak (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak
	Very Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)
Very Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	
Very Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	Very Weak (-)	

Source: Scope Ratings GmbH

Indicative Rating: Mapping intrinsic strength and shareholder support for the CEB

	Indicative Rating	Shareholder Support			
		Very High	High	Moderate	Weak
Intrinsic Strength	Excellent	AAA	AAA	AAA / AA	AA+ / AA-
	Very strong +	AAA	AAA / AA	AA+ / AA-	AA / A+
	Very strong -	AAA / AA	AA+ / AA-	AA / A+	AA- / A
	Strong +	AA+ / AA-	AA / A+	AA- / A	A+ / A-
	Strong -	AA / A+	AA- / A	A+ / A-	A / BBB+
	Adequate +	AA- / A	A+ / A-	A / BBB+	A- / BBB
	Adequate -	A+ / A-	A / BBB+	A- / BBB	BBB+ / BBB-
	Moderate +	A / BBB+	A- / BBB	BBB+ / BBB-	BBB / BB+
	Moderate -	A- / BBB	BBB+ / BBB-	BBB / BB+	BBB- / BB
	Weak +	BBB+ / BBB-	BBB / BB+	BBB- / BB	BB+ / BB-
	Weak -	BBB / BB+	BBB- / BB	BB+ / BB-	BB / B+
	Very Weak +	BBB- / BB	BB+ / BB-	BB / B+	BB- / B
	Very Weak -	BB+ / BB-	BB / B+	BB- / B	B+ / B-
		BB / B+	BB- / B	B+ / B-	B / CCC
	BB- / B	B+ / B-	B / CCC	B- / CCC	
	B+ / B-	B / CCC	B- / CCC	CCC	
	B / CCC	B- / CCC	CCC	CCC	
	B- / CCC	CCC	CCC	CCC	
	CCC	CCC	CCC	CCC	

Source: Scope Ratings GmbH



II Key Shareholders: Council of Europe Development Bank

EUR '000s

Key Shareholders	Paid-in capital	Callable capital	Subscribed capital	Key (%)	Rating	Callable capital ≥ AA-
France	101,656.0	814,114.0	915,770.0	16.7	AA/ Stable	814,114.0
Germany	101,656.0	814,114.0	915,770.0	16.7	AAA/ Stable	814,114.0
Italy	101,656.0	814,114.0	915,770.0	16.7	BBB+/ Stable	
Spain	66,299.0	530,958.0	597,257.0	10.9	A-/ Stable	
Turkey	43,102.0	345,197.0	388,299.0	7.1	B/ Negative	
Netherlands	22,070.0	176,743.0	198,813.0	3.6	AAA/ Stable	176,743.0
Belgium	18,238.0	146,083.0	164,321.0	3.0	AA-/ Stable	146,083.0
Greece	18,238.0	146,083.0	164,321.0	3.0	BB+/ Stable	
Total key shareholders	472,915.0	3,787,406.0	4,260,321.0	77.8		1,951,054.0
Other shareholders	140,049.0	1,076,774.0	1,216,823.0	22.2		462,584.0
Total	612,964.0	4,864,180.0	5,477,144.0	100.0		2,413,638.0
Key Shareholder Rating						A

Source: CEB, Scope Ratings GmbH

III Scope's supranational scorecard: Council of Europe Development Bank

Risk factors	Variables	Unit									CEB				
			+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches			
Institutional Profile	Mandate & ESG (-2; +2)	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High			
		Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1		
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Medium/ N/A			
	Governance	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1100.0	Strong			
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	17.0	Strong	1		
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong			
Institutional Profile											Very Strong				
Intrinsic Strength	Capitalisation (-3; +6)	Capital/ Potential assets	%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	16.0	High	2		
		Capital/ Actual assets*	%	--	--	--	≥ 40	< 40	--	--	18.0	Adequate/ No uplift	0		
		Profitability (Return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	3.0	Strong	1		
	Asset quality (-3; +5)	Portfolio quality	Incl. risk mitigants	Qualitative	--	--	Very Strong	Strong	Adequate	Moderate	Weak	Very Strong	Very Strong	2	
		Asset performance	NPLs	% total loans	--	≤ 0.5	> 0.5; ≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5	--	0.0	Excellent	3	
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	110.0	Excellent	4	
		Maturity gap		Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.50	< 0.50	--	0.8	Strong	1	
			Funding	Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	5.0	Strong	1
			Currency diversification	Top 1 share		--	--	--	≤ 70	> 70	--	--	47.0	Strong	1
Financial Profile											Excellent				
Intrinsic Strength											Excellent				
Shareholder Support	Shareholder strength (0; +3)	Weighted average rating of key shareholders	Avg. rating	--	≥ AA-	≥ A-	≥ BBB-	< BBB-	--	--	--	A			
		Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	25.0	Low / No adjustment	2		
		Adjusted key shareholder rating	Avg. rating	--	--	--	--	--	--	--	--	A			
	Extraordinary Support (0; +2)	Callable capital [rated ≥ AA-]/ Actual assets	%	--	--	≥ 100	< 100; ≥ 20	< 20	--	--	14.0	Adequate	0		
		Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	N/A				
Shareholder Support											High				
Indicative Rating											AAA				
Additional considerations (-1; +1)											Neutral				
Final Rating											AAA				

Source: CEB, Scope Ratings GmbH

IV Asset quality assessment

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

N.B. * Based on Scope's estimate of the geographical and sectoral distribution (sovereigns, sub-sovereigns, state-owned banks and commercial banks) of the CEB's loan portfolio before any credit enhancements via collateral or guarantees, and Scope's sovereign ratings. ** Taking into account the exposure to Turkey and the largest non-sovereign loan exposures.

Source: Scope Ratings GmbH. 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.

V Statistical tables

	2015	2016	2017	2018	2019	2020
Capitalisation (EUR bn)						
Mandated potential assets	18.9	19.2	19.6	19.7	19.9	20.0
Mandated (disbursed) assets	13.4	14.1	14.1	14.9	15.8	17.9
Capitalisation ratio, potential (%)	14.3	14.7	15.2	15.3	15.5	15.7
Capitalisation ratio, disbursed (%)	20.2	20.0	21.1	20.3	19.5	17.5
Profitability (EUR m)						
Net income	127.0	104.9	112.0	97.5	104.7	74.8
Return on equity (%)	4.7	3.7	3.8	3.2	3.4	2.4
Asset quality (EUR bn)						
Total loans (net)	13.1	13.7	13.8	14.6	15.4	17.4
Non-performing loans (EUR m)	-	-	-	-	-	-
Non-performing loans ratio, %	-	-	-	-	-	-
Liquidity (EUR bn)						
Assets ≤ 12 months	5.1	5.4	4.5	4.4	5.3	5.0
Treasury assets > 12 months (rated at least AA-)	3.9	3.2	3.5	3.5	3.3	3.1
Liabilities ≤ 12 months	4.9	4.9	5.3	4.1	4.2	3.8
Disbursements over the next 12 months	2.0	2.3	2.8	2.8	4.5	3.5
Liquid assets ratio (%)	129.4	120.9	98.5	113.7	98.2	111.7
Funding (EUR bn)						
Volume	3.0	3.1	3.0	4.9	4.5	5.4
Share of total (%)						
EUR	57.4	39.9	16.7	73.3	38.9	41.1
USD	29.3	43.2	62.2	16.4	39.8	46.7
GBP	13.3	16.9	21.1	9.4	17.2	6.6
ESG issuance	-	-	0.5	0.5	0.5	1.5
% total	-	-	16.7	10.2	11.1	28.0
Equity (EUR bn)						
Paid-in capital	0.6	0.6	0.6	0.6	0.6	0.6
Reserves	2.0	2.1	2.3	2.4	2.5	2.6
Total equity	2.7	2.8	3.0	3.0	3.1	3.1
Shareholders						
Average capital-key weighted rating of key shareholders	A+	A+	A+	A+	A+	A
Shareholders rated at least AA- (%)	49.4	49.4	49.4	49.4	49.4	50.6
Callable capital [rated ≥ AA-] / Mandated assets	17.9	17.0	17.1	16.1	15.2	13.7

Source: CEB, Scope Ratings GmbH



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