

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

Ratings and Outlook

Foreign currency

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

Rating rationale and Outlook:

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

- **Institutional profile:** The CEB benefits from the increasingly strategic role it plays for its shareholder governments and excellent governance. The bank's social mandate – unique among European supranational institutions – has served shareholders well in helping finance their responses to the 2015 refugee crisis, the Covid-19 pandemic, and Russia's war in 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. The CEB's liquidity profile is exceptionally strong, and its funding profile benefits from strong market access. The bank reports broadly stable annual net profit, allowing it to strengthen its capital base with retained earnings. The main rating challenge is the CEB's high leverage. In July 2022, the CEB governing bodies agreed on Ukraine's accession as the 43rd member state. The upcoming Strategic Plan 2023-2027 will clarify future activities of the bank, including in Ukraine.
- **Shareholder support:** The CEB benefits from highly rated key shareholders (A) and a record of timely shareholder support. The CEB's coverage of assets by callable capital of highly rated shareholders is moderate compared with similar institutions.
- **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 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

Institutional Profile	Very Strong	+	Financial Profile	Excellent	
Intrinsic Strength		+	Shareholder Support	Very High	
Indicative Rating				AAA	Add. Consid.: Neutral
Final Rating				AAA/ Stable	

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

Lead Analyst

Thomas Gillet
+33 186 261 874
t.gillet@scoperatings.com

Team Leader

Dr Giacomo Barisone
+49 69 6677389-22
g.barisone@scoperatings.com

Scope Ratings GmbH

Neue Mainzer Straße 66-68
60311 Frankfurt am Main

Phone +49 69 6677389-0

Headquarters

Lennéstraße 5
10785 Berlin

Phone +49 30 27891-0
Fax +49 30 27891-100

info@scoperatings.com
www.scoperatings.com

Bloomberg: 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 shareholder support to determine the indicative rating.

Intrinsic Strength: Mapping institutional and financial profiles for the CEB

	Intrinsic Strength	Institutional Profile				
		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 (-)	

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

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

Source: Scope Ratings



II Shareholders: Council of Europe Development Bank

EUR m

CEB shareholders	Paid-in capital	Callable capital	Subscribed capital	Key (%)	Rating	Callable capital ≥ AA-
France	101.7	814.1	915.8	16.7	AA/Stable	814,114.0
Germany	101.7	814.1	915.8	16.7	AAA/Stable	814,114.0
Italy	101.7	814.1	915.8	16.7	BBB+/Stable	
Spain	66.3	531.0	597.3	10.9	A-/Stable	
Turkey	43.1	345.2	388.3	7.1	B-/Negative	
Netherlands	22.1	176.7	198.8	3.6	AAA/Stable	176,743.0
Belgium	18.2	146.1	164.3	3.0	AA-/Stable	146,083.0
Greece	18.2	146.1	164.3	3.0	BB+/Stable	
Key shareholders*	472.9	3,787.4	4,260.3	77.8	A	1,951.1
Other 34 shareholders	140.5	1,076.8	1,216.8	22.2		505.5
Total	613.0	4,864.2	5,477.1	100.0		2,456.6

* We include shareholders whose cumulative capital share, starting from the largest shareholder, comprises at least 75% of the supranational's capital. We add all marginal shareholders with identical capital subscription to calculate the key shareholder rating.

Source: CEB, Scope Ratings. Figures may not add up due to rounding.



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*	%	--	--	--	≥ 30	< 30	--	--	17.0	Adequate/ No uplift	0	
		Profitability (Return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	3.0	Adequate	1	
	Trend (-1; +1)												0	
	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
		Trend (-1; +1)												0
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	105.0	Excellent	4
		Maturity gap		Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.5	< 0.5	--	0.7	Adequate	0
		Funding	Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	5.0	Strong	1
Currency diversification		Top 1 share		%	--	--	--	≤ 70	> 70	--	42.0	Strong	1	
Trend (-1; +1)												0		
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	--	24.0	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	--	--	13.0	Adequate	0	
Additional support mechanisms		Qualitative	--	--	Very Strong	Strong	N/A	--	--	N/A				
Shareholder Support											Very High			
Indicative Rating											AAA			
Additional considerations (-1; +1)											Neutral			
Final Rating											AAA			

Figures in the financial profile relate to a weighted three-year average for 2019-21.

Source: Scope Ratings

IV Asset quality assessment

Portfolio quality (initial assessment)*	Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality	aaa/aa	a	bbb	bb	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	+7
Adjustments	+2 categories

Portfolio quality (final assessment)	Very Strong	Strong	Adequate	Moderate	Weak
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 exposure.

Source: Scope Ratings. 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

	2016	2017	2018	2019	2020	2021	H1-2022
Capitalisation (EUR bn)							
Mandated potential assets	19.3	19.6	19.8	20.1	20.3	20.5	20.6
Mandated (disbursed) assets	14.1	14.1	14.9	15.8	17.9	19.0	18.2
Capitalisation ratio, potential (%)	14.6	15.1	15.3	15.4	15.4	15.8	16.3
Capitalisation ratio, disbursed (%)	20.0	21.1	20.3	19.5	17.5	17.0	18.4
Profitability (EUR m)							
Net income	104.9	112.0	97.5	104.7	74.8	94.8	48.2
Return on equity (%)	3.7	3.8	3.2	3.4	2.4	2.9	-
Asset quality (EUR bn)							
Total loans (net)	13.7	13.8	14.6	15.4	17.4	18.9	19.4
Non-performing loans (EUR m)	-	-	-	-	-	-	-
Non-performing loans ratio, %	-	-	-	-	-	-	-
Liquidity (EUR bn)							
Assets ≤ 12 months	5.4	4.5	4.2	5.3	5.0	6.0	-
Treasury assets > 12 months (rated at least AA-)	3.2	3.5	3.5	3.3	3.1	3.2	-
Liabilities ≤ 12 months	4.9	5.3	4.1	4.2	3.8	5.2	-
Disbursements over the next 12 months	2.3	2.8	2.8	4.5	4.0	3.6	-
Liquid assets ratio (%)	120.8	98.3	110.7	98.6	104.4	104.3	-
Funding (EUR bn)							
Volume	3.1	3.0	4.9	4.5	5.4	4.6	5.3
<i>Share of total (%)</i>							
EUR	39.9	16.7	73.3	38.9	48.9	45.5	-
USD	43.2	62.2	16.4	39.8	36.6	27.0	-
GBP	16.9	21.1	9.4	17.2	7.9	16.9	-
ESG issuance	-	0.5	0.5	0.5	1.5	0.9	-
% total	-	16.7	10.2	11.1	28.0	20.3	-
Equity (EUR bn)							
Paid-in capital	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Reserves	2.1	2.3	2.4	2.5	2.6	2.6	2.7
Total equity	2.8	3.0	3.0	3.3	3.3	3.4	3.4
Shareholders							
Average capital-key weighted rating of key shareholders	A+	A+	A+	A+	A	A	A
Shareholders rated at least AA- (%)	49.4	49.4	49.4	49.4	50.6	50.6	50.6
Callable capital [rated ≥ AA-] / Mandated assets	17.0	17.1	16.1	15.2	13.7	12.9	13.5

* Figures for H1-2022 are taken from the CEB's half-year report, showing interim, unaudited financial statements as of 30 June 2022.
Source: CEB, Scope Ratings



Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Paris

10 Avenue de Messine
F-75008 Paris

Phone +33 6 62 89 35 12

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Disclaimer

© 2022 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH, Scope ESG Analysis GmbH and Scope Hamburg GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.