



Rating Action: Moody's Ratings affirms CEB's Aaa ratings, maintains stable outlook

19 Sep 2025

Paris, September 19, 2025 -- Moody's Ratings (Moody's) has affirmed the Council of Europe Development Bank's (CEB) long-term issuer rating and senior unsecured foreign-currency ratings at Aaa. At the same time, we have affirmed the foreign-currency senior unsecured shelf and medium-term note (MTN) program ratings at (P)Aaa. We have also affirmed the foreign-currency commercial paper (CP) rating at Prime-1 (P-1). The outlook remains stable.

Today's decision to affirm the ratings and maintain the stable outlook reflects CEB's strong capital adequacy, very strong liquidity and funding profile, prudent and robust risk management practices, as well as strong shareholder support. CEB has an instrumental role in addressing social demands across Europe, including a prominent role in supporting Ukraine (Government of Ukraine, Ca stable), for which shareholders have provided significant additional paid-in capital, the first since inception of CEB in 1956.

RATINGS RATIONALE

RATIONALE FOR THE AFFIRMATION OF THE RATINGS

CEB's key credit strengths include strong asset quality and an outstanding asset performance with zero non-performing loans over decades. Its asset quality benefits from strong underlying borrower credit quality and good diversification of the loan book. Asset quality is also enhanced by the bank's preferred creditor status (PCS) and the effective use of credit protections, mainly guarantee schemes, including from the European Union (EU, Aaa stable), under the European Commission InvestEU program.

While asset performance may weaken somewhat over the coming years, on account of the growing exposure to Ukraine – CEB targets to disburse up to €1.2-1.3 billion by the end of 2027, with the first loans disbursed in 2024 – the bank's very strong track record and its prudent risk management practices support our expectation that CEB's asset performance will remain robust in the next two to three years.

These strengths mitigate CEB's high leverage ratio, which at 4.8x in 2024 is one of the highest among rated multilateral development banks (MDBs). That said, leverage has been declining fast last year from 5.9x in 2023, thanks to the above mentioned capital increase, which has nearly tripled paid-in capital to €1.766 billion at the end of 2024, compared to €624 million in 2023. Total useable equity rose by 43% year-on-year to €4.7 billion, also supported by strong profits.

The affirmation of the ratings also reflects CEB's very strong liquidity and funding profile. CEB has an established market presence, with funding consistently raised at low cost from an investor base that is diversified by both geography and type. The bank's access to funding is supported by the zero-risk weight of its bonds and eligibility as collateral for central bank purposes, but also by its status as a flagship issuer in the social inclusion bond (SIB) market. In 2024, CEB issued seven SIBs, in four different currencies, including four new benchmark bonds, and representing 45% of its €6.2 billion annual funding needs.

CEB's liquidity buffer are substantial and provide ample protection against stressed scenarios, amounting to €12.8 billion at the end of 2024, up from €10.5 billion in 2023. Treasury assets are highly liquid and their credit quality is high, with 85% rated A1 or higher and all assets rated investment grade.

Extraordinary support from shareholders is a further credit strength, despite CEB's low level of callable capital. While four shareholders have chosen not to participate in the 2024 capital increase for various reasons – leaving

the subscription rate at just over 95% – we do not consider this as a sign of weakening support. Rather, the magnitude of the 2024 capital increase is testament to shareholding member states' very strong support for CEB, as well as the bank's enhanced relevance in tackling key social challenges stemming from the conflict in Ukraine as well as in Europe more broadly.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects our view that CEB's ongoing credit strengths, including its very strong liquidity and funding profile, strong asset quality and performance, as well as prudent risk management, will offset the increasing risks to its asset portfolio because of the ongoing increase in operations in Ukraine. It also reflects our view that the level of shareholder support will remain strong, as exemplified by the recent capital increase that concluded successfully at the end of 2024. Moreover, the stable outlook reflects that high leverage is not unusual among highly rated MDBs, which are able to carry much higher leverage thanks to the strength of their other key credit considerations.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

CEB's positive credit impact score (CIS-1) indicates that the credit rating is higher than it would have been in the absence of environmental, social and governance (ESG) considerations. This reflects primarily the bank's very strong governance profile, a feature shared with most other Aaa-rated MDBs. More uniquely, CEB's mandate as a dedicated development bank for social policy objectives enhances its role and relevance in addressing common social challenges for instance related to demographic change. Furthermore, CEB's exposure to environmental risks is generally low.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of CEB's ratings is not possible as its Aaa ratings are at the highest level of our rating scale.

Downward pressure on the ratings would build if CEB's asset quality deteriorates materially beyond our current expectations, or if there is a material deterioration of its asset performance, most likely as a result of its increasing exposure to Ukraine. While unlikely, downward pressure could also build if the growth of CEB's loan portfolio significantly exceeds the plans laid out in its strategic framework, leading to a material increase in the bank's leverage ratio in the coming years. Material rating downgrades of key shareholders, or evidence of materially lower shareholder willingness to support the bank, would also likely have negative implications for the ratings.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/414557>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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