Council of Europe Development Bank

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This report does not constitute a rating action.

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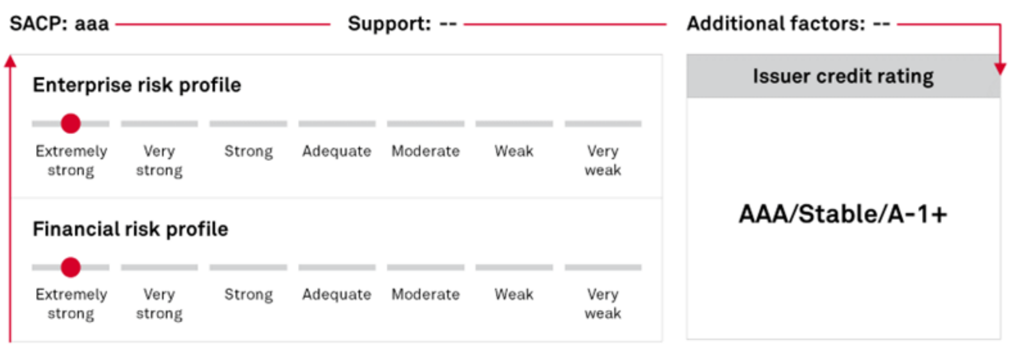
Ratings Score Snapshot



SACP--Stand-alone credit profile.

Overview

Enterprise risk profile	Financial risk profile
Very important social mandate and shareholders' support	Extremely strong financial position
-- Timely and solid response to the Russia-Ukraine conflict coupled with structurally improving disbursement levels, which underline the Council of Europe Development Bank's relevance as a funding agency.	-- Extremely well capitalized bank, with strongest ratios among peers.
-- Impeccable track record of preferred creditor treatment (PCT).	-- Possibly heightened credit and reputational risks from Ukraine operations despite an excellent loan-loss track record.
-- Experienced, prudent, and conservative management.	--Well-diversified funding, boosted by modernized derivatives management that broadens investor and counterparty depth and limiting funding risks.

The Council of Europe Development Bank (CEB) focuses its effort on providing support to Ukraine through loans and grants without materially altering its risk profile. We expect the CEB to expand financing for housing reconstruction, social infrastructure, and economic recovery initiatives, and forecast these exposures to remain modest relative to its balance sheet and capital base. Consequently, we do not expect the bank's continued support for Ukraine to materially affect its credit quality.

We expect the CEB to maintain robust asset quality despite the global energy shock. While rising energy costs can put pressure on the fiscal capacity of many sovereigns, the bank benefits from a well-anchored preferred creditor status with its borrowers, which underpins its pristine track record, with no arrears in recent years. It has experienced only one sovereign default, for which the principal amount (including arrears) was fully recovered.

The CEB capital increase, completed in December 2024, was well received by shareholders, with a 95.15% subscription rate. This increase benefits the bank's financial profile and confirms the bank's policy relevance, particularly in helping member countries address the recent Ukrainian refugee crisis. Additionally, we expect the CEB's excellent asset quality track record and low cost of risk to continue supporting its capitalization. We think this will provide the bank with sufficient buffers to support lending growth related to the impact of the Ukraine war.

Capital and liquidity remain robust and will continue underpinning the CEB's credit strengths. We expect the risk-adjusted capital (RAC) ratio to stay comfortably above the 23% downgrade threshold, at 37.7%, and liquidity to cover 12-month outflows in our most stressed scenarios.

Outlook

The stable outlook reflects our expectation that, over the next two years, the CEB will maintain an extremely strong financial profile despite larger disbursements prompted by the conflict in Ukraine and a strong lending dynamic. We do not expect the bank's policy relevance and funding importance will diminish, given ongoing solid shareholder engagement with its activities. We also assume the CEB will continue to enjoy excellent PCT.

Downside scenario

We could lower the rating on CEB if new operations in Ukraine result in a material deterioration of the bank's asset quality, for instance because of weaker underwriting or risk management in Ukraine's high-risk environment. If the bank's very strong track record of PCT eroded, rating pressure could also build.

Additionally, a pronounced deterioration in the CEB's funding and liquidity profile could constrain the rating.

Enterprise Risk Profile

Policy importance: The COVID-19 pandemic and its financial support for Ukraine have bolstered policy relevance

We think the CEB holds a key position because of its established history, role, and mandate. The bank was founded in 1956 as the Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe, with a mandate to help refugees and other displaced people after World War II. Its current role of supporting social infrastructure investment in Europe involves loans to support job creation in micro, small, and midsize enterprises; vocational training; social housing; healthcare; environmental projects; prisons; natural catastrophe relief; and educational reform.

In our view, the CEB's role as a socially focused bank within Europe has solidified over the past few years. We base our opinion on the emergency loans the bank provided in 2020 to sustain health systems amid COVID-19-related fallout and the support it has granted Ukrainian refugees since 2022 through projects related to temporary and long-term accommodation in its member countries. This lifted the CEB's disbursements and project approvals 50% above its activity levels in 2015-2019, and its strategic framework for 2023-2027 incorporates this uptick. Additionally, Ukraine becoming the bank's 43rd member state in June 2023 has opened the door for direct project financing in the country. As a result, loan disbursements totaled €3.4 billion in 2025, while the loan portfolio grew to €23.6 billion as of year-end 2025 from €21.5 billion at year-end 2023.

Operations have been supported by the CEB's seventh and largest capital increase, which was completed in December 2024. The €4.25 billion increase, of which €1.2 billion was paid-in capital, has enabled stronger support to Ukraine and countries hosting refugees from the war. It will also support the bank's core activities enshrined in the 2023-2027 strategic framework. The subscription period ended in December 2024; it was well received, with a final subscription rate of 95.15%. Capital will continue to increase via paid-in capital installments until July 2026 and internal capital generation. We think the capital increase confirms the CEB's very strong policy importance, including the strength and stability of its relationship with shareholders, and reflects members' satisfaction over the bank's performance during the 2015 refugee crisis and the COVID-19 pandemic.

As part of the Strategic Framework 2023-2027, the average annual loan approvals has been set at €4.3 billion. This includes a cautious, gradual pace of activity in Ukraine, to €390 million in 2027 from €200 million in 2023. The CEB was the first multilateral institution to disburse grants to support Ukrainian refugees hosted by member states, reflecting the bank's high reactivity and nimble operating structure. On top of direct financing to Ukraine, the CEB provided €1.3 billion fast-track emergency loans to directly affected members. The conclusion of the bank's midterm review in June 2025 confirms the framework's successful execution. The milestone indicates that the CEB is meeting its key performance benchmarks, providing a stable foundation for its continuing long-term development mandates.

The 2023-2027 plan also reflects the bank's more dynamic approach leveraging on increased demand for social investments throughout Europe and new partnerships forged through the pandemic. In particular, the CEB manages a portfolio of loans partially covered by the European Commission InvestEU guarantee. At the end of 2025, its InvestEU portfolio amounted to €417.4 million, and the guarantee covered by the European Commission to €132.8 million. The InvestEU portfolio is set to grow to €1.0 billion loans, with a guarantee of €318.25 million. The bank also joined the InvestEU Advisory Hub, providing technical assistance and capacity building to counterparties under a contribution agreement for about €10 million.

The CEB's uniqueness is rooted in the role it performs for small member countries. In 2025, the stock of projects in target countries reached 51.5%, down by 7.9% from 2024. The bank's lending focused on projects in target countries where the associated project costs, loan sizes, and business expertise deter many other institutions (both commercially and government-owned). Moreover, the CEB offers expertise in social domains (such as housing and education), technical design support, and technical assistance through the project cycle. Therefore, even if exposure to Spain, Italy, France, or Germany represents 33.9% of the loan book, it serves missions aligned with its mandate, with a particular focus on migrant and refugee funds.

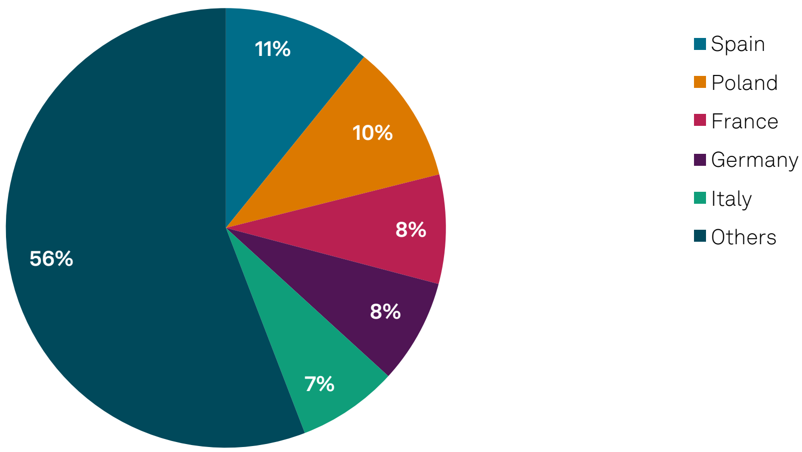
The CEB's relevance as a multilateral lender lies in the continued expansion of its fiduciary activity. Fiduciary activity comes from funds entrusted by donors--members and nonmembers like the EU--that enable the institution to support more highly social projects and solidify its institutional position as the social development bank in Europe. Notably, the Ukraine Solidarity Fund launched in 2022 aims to provide assistance to Ukrainian refugees and supporting reconstruction, while the Disaster Prevention and Recovery Fund was set up in 2023 to ease the social impact of earthquakes in Turkiye and potentially elsewhere. Throughout 2025, the CEB enhanced the implementation of the Ukraine Solidarity Fund and other donor-led initiatives, while intensifying its focus on reconstruction, disaster resilience, and social cohesion across its member countries.

Finally, the CEB's history of demonstrated PCT underlines its overall enterprise risk profile. Since its creation, the bank has benefited from an excellent track record of PCT, and we expect this will continue. The bank has experienced only one sovereign default, that of a debt owed by former Yugoslavia. The principal amount was fully recovered (including arrears) as of July 2004, representing no net present value loss to the CEB. We consider this confirmation of the PCT afforded to the bank.

Chart 1

CEB--Five largest countries' purpose-related exposures

Share of gross purpose-related assets plus guarantees



Data as of December 2025.
Source: S&P Global Ratings.

Governance and management expertise: An experienced management team

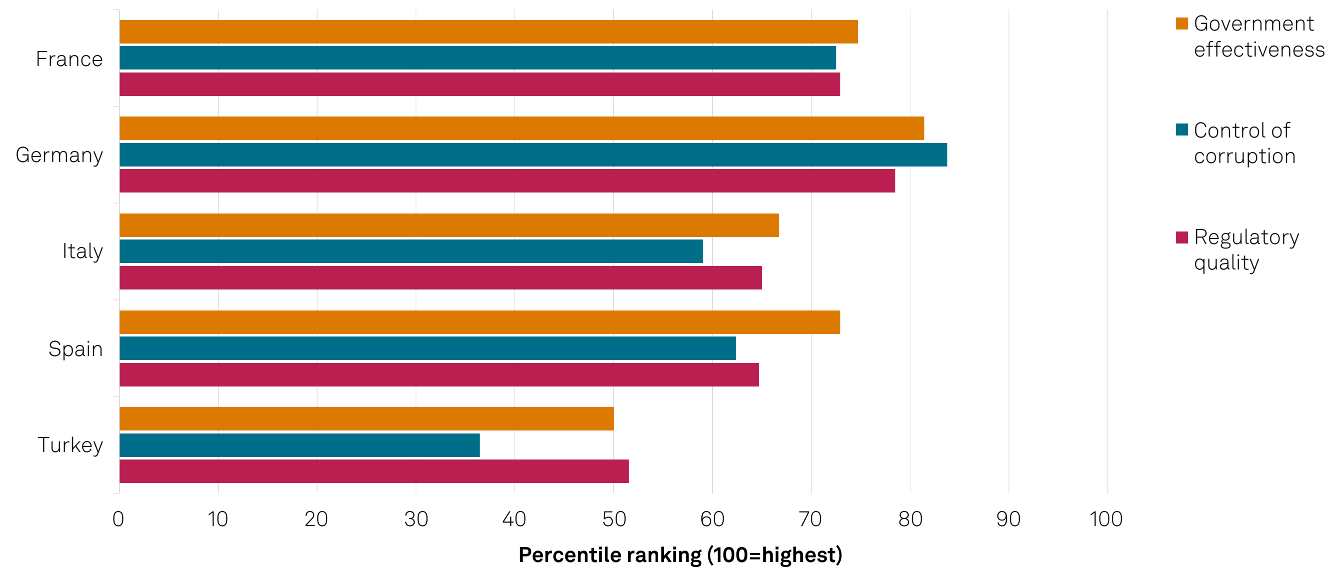
In our opinion, the CEB benefits from strong governance and risk management standards. Shareholders remain supportive and acknowledge the bank's importance as a key contributor in its niche financing segment. Member countries are directly involved in defining the CEB's policy. While all shareholders are eligible to borrow from the bank, we think the high standards on transparency, rule of law, and governance that are observable in many of its shareholders, including the largest ones, mitigate agency risk.

Operationally, we think the CEB has conservative risk and liquidity management policies. The bank maintains up-to-date financial policies, introducing more advanced, dynamic liquidity management and stress tests. This has proven valuable as the bank transitioned to two-way credit support annexes on most of its derivatives counterparty portfolio in 2018 and 2019.

Chart 2

CEB--Five largest shareholders

Selected World Bank Governance indicators



WGI data as of December 2024. Source: S&P Global Ratings.

Financial Risk Profile

Capital adequacy: Upcoming war-related lending could pressure resilient capital adequacy, which is still processing pandemic-related lending

The CEB entered 2026 from a position of financial strength, with an extremely strong stand-alone capital position. We compute its risk-adjusted capital (RAC) ratio at 37.7% as of end-2025 after adjustments for concentration risk and PCT, compared with 32.1% as of end-2024. The RAC ratio increased mainly due to changes introduced under our revised criteria "Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology", Oct. 13, 2025. In particular, the recalibration of preferred creditor treatment risk weights and adjustments to single-name concentration on sovereign exposure supported the improved ratio, alongside the capital increase and the Exposure Exchange Agreement with the Inter-American Development Bank (IADB). We expect the bank's asset quality to remain high with limited credit events and very strong PCT recognition. Also, frequent use of credit enhancements limits risks to asset quality through collaterals and guarantees. As of year-end 2025, 27.1% of the CEB's outstanding loans benefitted from a credit enhancement. This underpins our assessment of a resilient and very strong RAC position.

The bank has undertaken balance sheet optimization initiatives since 2025. On June 28, 2025, the CEB and IADB signed exposure exchange agreements (EEAs) for €500 million to strengthen financial resilience, diversify sovereign risk, and increase lending capacity. This is the first EEA executed in a currency other than U.S. dollars.

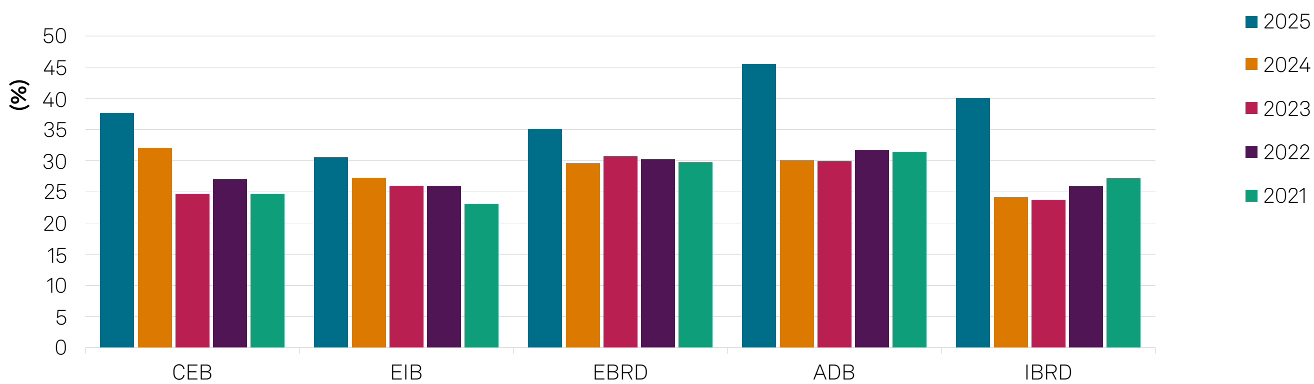
We see governance risk as higher in Ukraine than in other CEB member countries, and therefore think operations in Ukraine could heighten credit and reputational risks for the bank. The CEB benefited from a significant capital increase, so we think its performance and funds' usage will come under increased scrutiny from shareholders. In addition, economic risk in Ukraine is extremely high, and the bank has limited experience operating in the country. Nevertheless, we see the CEB's operations continuing to benefit from strong governance, conservative risk management standards, and up-to-date financial policies that limit risks associated with the lending portfolio's volatile environment. Overall, we think the bank will uphold its extremely strong financial risk profile and mitigate financial risks coming from Ukraine, adopting a cautious stance.

In first-quarter 2026, net profit improved to €37.7 million, mainly on the positive impact of volatile factors related to financial instruments at fair value. We expect sustained lending to support core earnings and in turn, the CEB's capitalization, together with the paid-in capital increase, leading to additional equity.

We do not see any currency mismatch, because CEB is hedging its foreign currency balance sheet exposure, or interest rate risk.

Chart 3

CEB--Risk-adjusted capital ratio peer comparison



Data as of year-end 2025. IBRD year-end is June. CEB--Council of Europe Development Bank. EIB--European Investment Bank. EBRD--European Bank for Reconstruction and Development. ADB--Asian Development Bank. IBRD--International Bank for Reconstruction and Development. Source: S&P Global Ratings.

Table 1

Council of Europe Development Bank--Risk-Adjusted Capital Framework Data: December 2025

Mil. €	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	27,282.0	7,794.8	28.6
Institutions	11,811.8	2,727.1	23.1
Corporate	1,862.6	1,547.9	83.1
Retail	--	--	--
Securitization	--	--	--
Other assets	--	--	--

Council of Europe Development Bank--Risk-Adjusted Capital Framework Data: December 2025

Mil. €	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Total credit risk	40,956.3	12,069.8	29.5
Market risk			
Equity in the banking book	--	--	--
Trading book market risk	--	--	--
Total market risk	--	--	--
Operational risk	--	--	--
Total operational risk		372.7	
Risk transfer mechanisms	--	--	--
Risk transfer mechanisms RWA	--	--	--
RWA before MLI adjustments		12,442.5	100.0
MLI adjustments	--	--	--
Single name (on corporate exposures)	--	2,208.0	142.6
Sector (on corporate portfolio)	--	(198.9)	(5.3)
Geographic	--	(1,180.7)	(8.4)
Preferred creditor treatment (on sovereign exposures)	--	(5,461.4)	(70.1)
Preferential treatment (on FI and corporate exposures)	--	(43.7)	(1.0)
Single name (on sovereign exposures)	--	4,305.8	55.2
Total MLI adjustments	--	(371.0)	(3.0)
RWA after MLI adjustments	--	12,071.6	97.0
		Total adjusted capital	**S&P Global Ratings RAC ratio (%)**
Capital ratio before adjustments		4,556.5	36.6
Capital ratio after adjustments		4,556.5	37.7

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

Funding and liquidity: Funding depth has improved from active funding strategy

The CEB's annual borrowing authorization of €7.5 billion was 78% used in 2025. Although increasing liquidity needs to cover for collateral requirements, the more modernized and conservative derivatives management entailed by the switch to two-way credit support annexes on its derivatives portfolio in 2018, has opened additional funding markets for the bank. This has led to an improved investors' pool diversification and funding conditions. In 2025, the CEB continued to pursue its efforts to be more active in several currencies outside the traditional U.S. dollar and euro, such as British pound sterling, Hong Kong dollar, Canadian dollar, Australian dollar, and Swedish krona. In 2023, it also issued in Swiss franc for the first time since 2014.

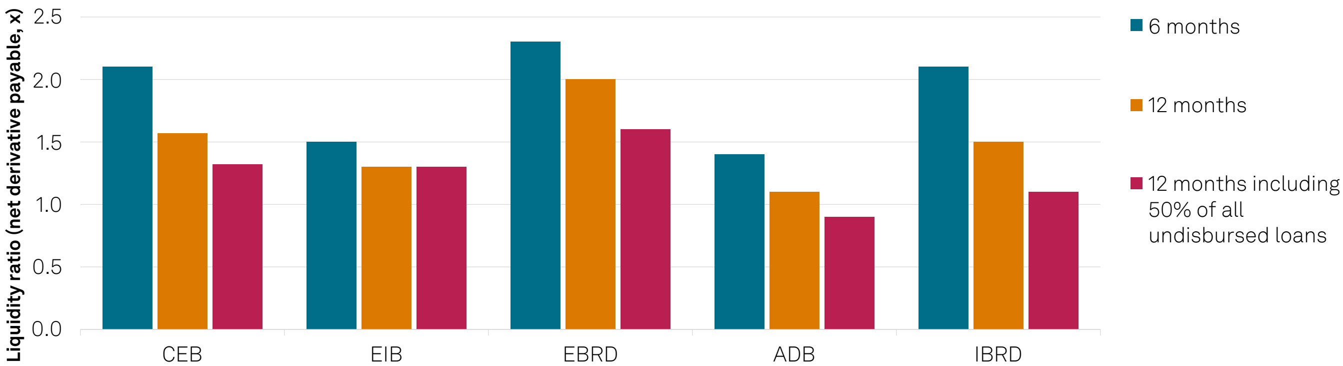
In line with its social mandate, the bank has established a strong track record and expertise as a social bond issuer. In 2025, the CEB confirmed its position as the largest supranational social bond issuer with five issuances of social inclusion bonds issued across four currencies for €2.6 billion, the most issued in a financial year. Overall, one-third of the total funding program was issued under the social inclusion bonds label. As of end-May 2026, the bank had completed 68% of its required full-year funding, for which the annual borrowing authorization is set at €7.0 billion, including the social inclusion bonds issued since the start of the year.

Under our liquidity stress scenario, at all horizons up to one year, the CEB would fully cover its balance-sheet liabilities without market access. This includes the additional need for liquidity to cover needs of posting collateral under its two-way credit support annexes arrangements. Using year-end 2025 data, our 12-month liquidity ratio was 1.57x, including scheduled loan disbursements, while the six-month ratio was 2.10x. We think the CEB will maintain its very strong liquidity position thanks to its proactive funding activity.

Chart 4

CEB--Liquidity stress test ratios

Peer comparison



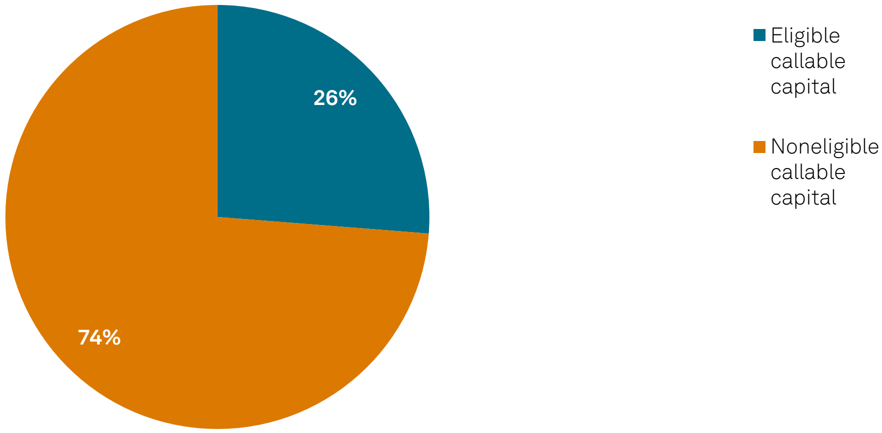
Data as of year-end 2025. IBRD year-end is June. CEB--Council of Europe Development Bank. EIB--European Investment Bank. EBRD--European Bank for Reconstruction and Development. ADB--Asian Development Bank. IBRD--International Bank for Reconstruction and Development. Source: S&P Global Ratings.

Extraordinary Shareholder Support

We assess CEB's stand-alone credit profile (SACP) as 'aaa' based on the bank's stand-alone merits. Because the SACP fully supports the 'AAA' long-term issuer credit rating, the rating does not rely on the expectation of extraordinary support in the form of callable capital. Notwithstanding this, callable capital from the bank's highly rated shareholders would enhance our RAC ratio and mitigate the impact on the CEB's financial profile in the event that its capital adequacy were to deteriorate. Currently, the bank has eight 'AAA' rated shareholders.

Chart 5

CEB--Callable capital



Data as of December 2025.
Source: S&P Global Ratings.

Table 2

Council of Europe Development Bank--Selected Indicators

	2025	2024	2023	2022	2021
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (mil. €)*	23,669	23,016	21,627	19,951	18,952
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	82.2	81.8	81.6	83.0	81.3
Private-sector loans/purpose-related exposures (%)	17.2	17.8	18.0	16.8	18.6
Gross loan growth (%)	2.8	6.4	8.4	5.3	8.7
Preferred creditor treatment ratio (%)	0.0	0.0	0.0	0.0	0.0
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	100.0	100.0	100.0	100.0	100.0
Concentration of top two shareholders (%)	33.8	33.8	33.4	33.4	33.4
Eligible callable capital (mil. €)	2,062	2,062	1,333	1,333	1,333
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	37.7	32.1	24.7	27.0	24.7
Net interest income/average net loans (%)	0.9	0.9	0.9	0.7	0.8
Net income/average shareholders' equity (%)	2.6	3.0	3.1	2.4	3.0
Impaired loans and advances/total loans (%)	0.0	0.0	0.0	0.0	0.0
Liquidity ratios					
Liquid assets/adjusted total assets (%)	34.6	34.0	32.3	30.9	31.7
Liquid assets/gross debt (%)	42.3	41.4	38.1	36.9	38.3
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivative payables) (x)	2.1	1.9	1.8	1.9	2.4
12 months (net derivative payables) (x)	1.6	1.5	1.4	1.3	1.2

Council of Europe Development Bank--Selected Indicators

12 months (net derivative payables) including 50% of all undisbursed loans (x)	1.3	1.0	1.0	0.8	1.6
Funding ratios					
Gross debt/adjusted total assets (%)	81.9	82.1	84.7	83.8	82.8
Short-term debt (by remaining maturity)/gross debt (%)	19.4	16.2	16.1	16.4	18.6
Static funding gap (without planned disbursements)					
12 months (net derivative payables) (x)	2.1	2.4	2.3	2.2	1.4
Summary balance sheet					
Total assets (mil. €)	39,038	38,613	34,418	31,528	29,715
Total liabilities (mil. €)	34,164	33,894	30,899	28,086	26,481
Shareholders' equity (mil. €)	4,874	4,719	3,519	3,442	3,234

*Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

Table 3

Council of Europe Development Bank--Peer Comparison

	Council of Europe Development Bank	European Investment Bank	European Bank for Reconstruction and Development Bank	Asian Development Bank	International Bank for Reconstruction and Development
Issuer credit ratings	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+
Total purpose-related exposure (mil. €)	23,669	478,456	42,218	139,862	244,554
Preferred creditor treatment ratio (%)	0.0	0.0	N/A	0.3	0.6
Risk adjusted capital ratio (%)	37.7	30.5	35.1	45.5	40.1
Liquidity ratio 12 months (net derivative payables; %)	1.6	1.3	2.0	1.1	1.5
Funding gap 12 months (net derivative payables; %)	2.1	1.2	2.7	1.1	1.6

For CEB, EIB, and ADB data as of December 2025. For EBRD, PRE data as of June 2025, rest all data as of December 2025. For IBRD, data as of June 2025. Year-end for IBRD is June. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available. N/A--Not applicable. Source: S&P Global Ratings.

Rating Component Scores

Council of Europe Development Bank

Issuer credit rating	
Stand-alone credit profile	aaa
Enterprise risk profile:	Extremely strong
Policy importance	Very strong
Governance and management expertise	Strong
Financial risk profile:	Extremely strong
Capital adequacy	Extremely strong
Funding and liquidity	Very strong

Council of Europe Development Bank

Extraordinary support	0
Callable capital:	0
Group support:	0
Holistic approach	0

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026
- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Oct. 13, 2025
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Abridged Supranationals Interim Edition 2026: Multilateral Lending Institutions Sector Updates, May 28, 2026
- Abridged Supranationals Interim Edition 2026: Comparative Data For Multilateral Lending Institutions, May 28, 2026,

Ratings Detail (as of July 17, 2026)*		
Council of Europe Development Bank		
Issuer Credit Rating		
Foreign Currency		AAA/Stable/A-1+
Commercial Paper		
Foreign Currency		A-1+
Senior Unsecured		AAA
Issuer Credit Ratings History		
15-Feb-2019	*Foreign Currency*	AAA/Stable/A-1+
30-Jun-2017		AA+/Positive/A-1+
27-Dec-2012		AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.