

# Council of Europe Development Bank

## Full Rating Report

### Ratings

Long-Term IDR	AA+
Short-Term IDR	F1+

### Outlook

Long-Term IDR	Stable
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### Financial Data

#### Council of Europe Development Bank

	31 Dec 17	31 Dec 16
Total assets (EURm)	23,798.3	25,602.8
Equity/adj. assets (%)	13.1	11.4
Average rating of loans & guarantees	BBB+	BBB+
Impaired loans ratio	0.0	0.0
5 largest exposures/total exposure (%)	30.4	32.6
Share of non-sovereign exposure (%)	49.5	47.1
Net income/equity (%)	3.9	3.8
Average rating of key shareholders	AA-	AA-

### Key Rating Drivers

**Intrinsic Features-Based Rating:** Council of Europe Development Bank's (CEB) 'AA+' rating is driven by its intrinsic features, including its "very low" exposures to risk, "excellent" liquidity and "low-risk" business environment.

**Very Low Solvency Risks:** The "very low" risk profile reflects the excellent performance of CEB's loan book (no loan impairments), the high credit quality of its borrowers (average rating of loans: 'BBB+') and its "strong" risk management policies.

**Low-Risk Business Environment:** Fitch Ratings views CEB's business environment as "low-risk", which translates into an uplift of two notches over the lower of its solvency ('aa-') and liquidity ('aaa') assessments. This assessment is bolstered by CEB's geographical focus on Europe and its inherently low-risk operating environment, as evidenced by high income per capita levels, high average credit quality, and strong operational support from member states.

**Improved Capitalisation:** CEB's equity/adjusted assets ratio improved to 13.1% at end-2017 (end-2016: 11.4%) but remains weak compared to other Fitch-rated multilateral development banks (MDBs). Fitch expects this ratio to remain broadly stable over the forecast horizon. Growth in equity will continue to be driven by internal capital generation. Leverage, as measured by debt to equity, has materially decreased from its peak of 10x at end-2011 to 6.4x at end-2017.

**Excellent Liquidity:** CEB's rating is also driven by its "excellent" liquidity profile. Treasury assets accounted for 34.4% of the bank's total assets, and short-term liabilities are well covered by liquid assets (1.64x), with this expected to continue over the medium term. Of treasury assets, 57.4% are rated 'AA-' or above, and the bank has strong access to financial markets with a diversified investor base.

**Overall Stable Asset Quality:** CEB's asset quality remained stable in 2017, as in recent years, with the average rating of loans at 'BBB+' at year-end. Turkey, CEB's single largest exposure (9.8% of the banking book at end-2017), was downgraded in July 2018 to 'BB'/Negative from 'BB+'. This has largely offset improvements elsewhere in the portfolio since the last review (Spain upgraded to 'A-' from 'BBB+'; Cyprus upgraded to 'BB+' from 'BB-').

**Strong Preferred-Creditor Status:** Fitch has revised the assessment of the bank's preferred-creditor status (PCS) to "strong" from "moderate", in part reflecting the strong asset quality track record. The bank's overall loan performance is excellent with no impairments. PCS was most recently successfully tested during the Greek crisis in 2011.

### Rating Sensitivities

**Capitalisation, Asset Quality:** An increase in the capitalisation ratio towards the 15% threshold that is consistent with a "strong" capitalisation assessment, either from internal capital generation or a capital injection from shareholders, could lead to positive rating action. Similarly, an improvement in the bank's risk profile as a result of a continued increase in exposure to highly rated counterparties could result in positive rating action.

**Solvency:** A weakening of the solvency assessment, as a result of either lower capitalisation metrics or an increase in the overall assessment of risk, would put pressure on the ratings.

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## Intrinsic Rating Assessment

Indicative value	Assessment
Solvency	aa-
Liquidity	aaa
Business environment	Low risk
Intrinsic credit quality	aa+

Source: Fitch

## Target Countries

Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Malta, Montenegro, Poland, Slovakia, Romania, Serbia, Moldova, Slovenia, Macedonia, Turkey

Source: Fitch

## “Other” Countries

Belgium, Denmark, Finland, France, Germany, Greece, Holy See, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland

Source: Fitch

## Business Environment

CEB is an MDB that dates back to 1956 when the Council of Europe (COE) established the Resettlement Fund for National Refugees and Over-Population in Europe. The institution’s original mandate was to aid in the resettlement of refugees in Europe in the aftermath of the Second World War by financing absorption and resettlement programmes. The fund was endowed with an international legal personality and became the first intergovernmental European financial organisation.

In its first decades of operation, the fund was focused on providing financing to the countries with the highest number of refugees (Germany, Italy, Greece and Turkey). Subsequently, the fund extended its humanitarian aid efforts to financing social housing, vocational training and higher education. During the 1980s, the fund refocused its priorities on bridging the economic gap between the North-South divide in Western Europe, which led to Portugal and Spain being major recipients of its resources. After the fall of the Berlin Wall in 1989, the fund refocused again with efforts to increase financial operations in Central and Eastern Europe, now referred to by CEB as ‘Target Countries’. Renamed to Council of Europe Social Development Fund in 1994 and to its present name in 1999, CEB’s operations have since expanded to encompass the financing of social, environmental and infrastructure projects.

CEB membership comprises 39 member states of the COE and two other European countries. It is open to all COE members and, under certain conditions, to other European states. CEB is legally and financially independent of the Council, being based on a partial agreement as not all members of the COE (47) are CEB members. CEB’s headquarters are in Paris. The only CEB members that are not members of the COE are Kosovo (joined in 2013) and the Holy See (1973). The founding members of CEB are: Belgium, France, Germany, Greece, Italy, Luxembourg and Turkey. France (AA/Stable), Germany (AAA/Stable) and Italy (BBB/Negative) are the single largest shareholders, each with ownership stakes of 16.735%.

Given the ongoing refugee crisis in Europe, the bank has refocused its attention on support for displaced persons, both through the establishment of the Migrant and Refugee Fund (MRF), which provides immediate grants to member countries, and through increasing its loan approvals and disbursements to non-target countries to help with the long-term integration of such refugees. The MRF is a trust fund set up by CEB to help its member states deal with migrants and refugees. The MRF is funded by CEB member states, the European Investment Bank (EIB; AAA/Stable) and CEB itself.

The bank’s main instruments are loans to state or state-guaranteed projects, public institutions and banks – but its by-laws prohibit investment in equity stakes. As a supranational entity, CEB is not subject to any banking regulation and is exempt from all direct and indirect taxation. Its claims on sovereign states also benefit from the bank’s PCS.

## Business Profile

In Fitch’s view, CEB has a “medium-risk” governance and business profile, due to the following key factors:

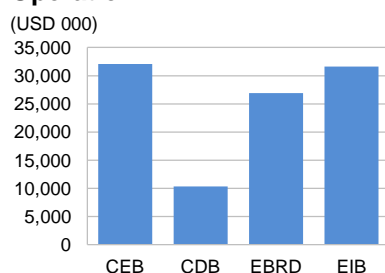
- The size of its banking portfolio, at USD16.9 billion, is at the low end of the range for European and regional MDBs, such as EIB (USD565.7 billion) Inter-American Development Bank (AAA/Stable; USD82.2 billion), Islamic Development Bank (AAA/Stable; USD20.7 billion) and African Development Bank (AAA/Stable; USD27.0 billion).
- The bank has high-risk exposure to the non-sovereign sector at 49.5% of its total portfolio at end-2017 (47.1% at end-2016). The focus of CEB’s non-sovereign lending is to financial institutions and local governments – with a small number of loans extended to corporates.

## Related Criteria

[Supranationals Rating Criteria \(May 2018\)](#)

- CEB's strategy is deemed medium-risk, reflecting the moderate growth in lending relative to the bank's resources. Loan approvals increased to EUR3.9 billion in 2017 from EUR2.3 billion in 2015 with disbursements increasing commensurately.
- CEB's low risk governance reflects the bank's experienced senior staff and prudential risk framework. There is a very transparent organisational structure and a comprehensive set of internal policies, which are firmly enforced. Fitch expects the bank to maintain high-quality risk and underwriting standards in the coming years.

## Average GDP Per Capita Across Countries of Operation



Source: World Bank - World Development Indicators, Fitch

## Operating Environment

Fitch assesses CEB's operating environment as "low risk", due to the following key factors:

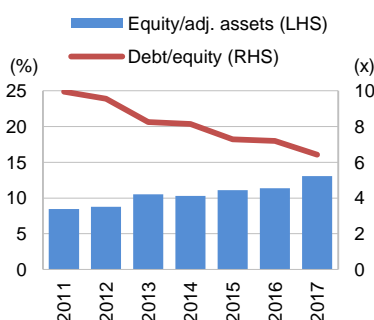
- The average credit quality of the bank's countries of operations is assessed as high. CEB only extends its financing operations to its 41 member countries. Of the loan portfolio, 79.9% is to investment-grade counterparties.
- The average income per capita in CEB's countries of operations is high, owing largely to the bank's strategy to focus its operations solely on its member countries. Despite having operations in certain less advantaged European states, CEB continues to operate significantly with Western and Northern European counterparties.
- CEB is headquartered in Paris. It therefore enjoys very limited political risk, and the business climate in its country of head office (France) is sound.
- The business climate in CEB's countries of operations is also assessed as low risk overall, as the bank operates solely within Europe, the countries of which are broadly assessed as having a low-risk environment, especially compared to peers.
- The operational support provided by CEB's member states is significant, as illustrated by the immunities and privileges granted to the bank, such as PCS.

## Solvency

CEB's solvency is assessed at 'AA+' by Fitch, driven by the bank's "very low" risks and "moderate" capitalisation.

## Capitalisation

2011-2017 (%)



Source: Fitch

## Capitalisation

### Peer Comparison: Capital Ratios and Profitability

	CEB (AA+)		CDB (AA+)	EBRD (AAA)	EIB (AAA)
	End-2017	Projection <sup>a</sup>	End-2017	End-2017	End-2017
Equity/adjusted assets (%)	13.1	13.0	54.2	27.5	12.6
Internal capital generation <sup>b</sup> (%)	4.9	2.5	-0.9	4.0	4.2

<sup>a</sup> Medium-term projections

<sup>b</sup> Internal Capital Generation = (Comprehensive Income – Distributions)/Average Equity

CDB: Caribbean Development Bank (AA+/Stable); EBRD: European Bank for Reconstruction and Development (AAA/Stable); EIB: European Investment Bank (AAA/Stable)

Source: MDBs, Fitch calculations, estimates and methodology

CEB's capitalisation is a relative weakness for the rating. The equity/adjusted assets ratio of 13.1% at end-2017 (11.4% at end-2016) is assessed as "moderate", according to Fitch's *Supranationals Rating Criteria*. The improvement in the capitalisation metric in 2017 was driven by internal capital generation and a slight reduction in the bank's balance sheet. Fitch projects this figure to remain broadly at this level over the near term. This projection is based on total assets increasing in line with planned loan disbursements and the slightly increasing level of equity through internal capital generation. CEB's leverage ratio (debt/equity) remains high compared to MDB peers at 6.4x (end-2017) but is down from 7.2x at end-2016, and from its peak of 10x (end-2011).

In 2017, CEB recorded net income of EUR112.0 million (2016: EUR104.9 million). The positive fair-value effect on financial instruments (EUR8.5 million) impacted the results. Administrative expenses remained fairly stable year on year.

The bank's profitability metrics improved marginally year on year with ROE increasing from 3.8% to 3.9%. Return on assets, which neutralises the effects of leverage, has been fairly stable over the past decade, ranging between 40bp and 55bp (2017: 47bp). The growing share of higher-rated borrowers, including German and Finnish sub-sovereign entities, should weigh on the bank's net interest margin despite the rising interest rate environment.

Risks

Peer Comparison: Risks

	CEB		CDB	EBRD	EIB
	End-2017	Projection <sup>a</sup>	End-2017	End-2017	End-2017
Estimated average rating of loans & guarantees	BBB+	BBB+	B-	B+	BBB+
Impaired loans/gross loans (%)	0.0	0.0	0.5	3.7	0.3
Five largest exposures/total banking exposures (%)	29.8	30.9	57.2 <sup>b</sup>	18.7 <sup>b</sup>	16.4
Equity stakes/(loans + equity stakes) (%)	0.0	0.0	0.0	17.6	1.2

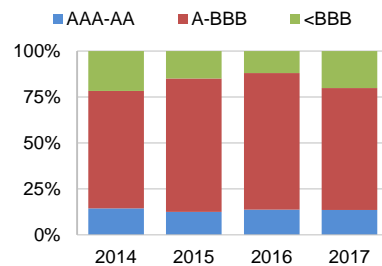
<sup>a</sup> Medium-term projections  
<sup>b</sup> Five largest exposures data for CDB as of 31 Dec 16, EBRD: 30 Jun 17  
 Source: MDBs, Fitch calculations, estimates and methodology

Fitch assesses CEB's overall risks as "very low".

- The bank's overall loan performance is excellent with no impairments. There have been only two impairments in its history: the default of an Icelandic private bank in 2009, which was fully provisioned; and a default on loans to the former Yugoslavia, following the break-up of the country, which has been fully recovered since.
- CEB's concentration risk is deemed "low", with the five largest exposures accounting for 29.8% of total exposures at end-2017 (31.8% at end-2016). This falls comfortably within the "low" threshold range of 20%-40%, as set out in Fitch's *Supranationals Rating Criteria*. However, concentration risk as measured by public-sector aggregates (irrespective of sovereign guarantees) is much higher.
- CEB's asset quality remained stable in 2017, as in recent years, with the average rating of loans at 'BBB+' at the year-end. The size of the loan book remained broadly unchanged during 2017 but is expected to grow by around 5% pa over the medium term. Turkey, CEB's single largest exposure (9.8% of the banking book at end-2017), was downgraded in July 2018 to 'BB'/Negative from 'BB+'. This has largely offset improvements elsewhere in the portfolio since the previous review (Spain upgraded to 'A-' from 'BBB+'; Cyprus upgraded to 'BB+' from 'BB-').
- Fitch has revised the assessment of the bank's PCS to "strong" from "moderate", in part reflecting the strong asset quality track record. PCS was most recently tested in the Greek crisis in 2011, when the sovereign agreed to honour the repayment of loans from CEB as well as government bonds it held, while at the same time negotiating a substantial cancellation of its debt owed to private creditors.
- CEB's exposure to market risk is limited and is assessed as "very low". The bank raises funds in EUR, GBP and USD but swaps back to EUR to match its assets. The net open position per currency is limited to the equivalent of EUR1 million. As such, CEB is minimally exposed to currency risk and closely manages its interest rate risks through a flexible balance sheet approach.

Breakdown of Loans by Rating

2014 - 2017



Source: CEB, Fitch

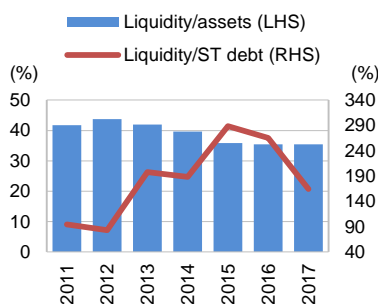
## Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Excellent
Quality of treasury assets	Strong
Access to cap markets & alt. sources of liquidity	Strong

Source: Fitch

## Trend in Liquidity Ratios

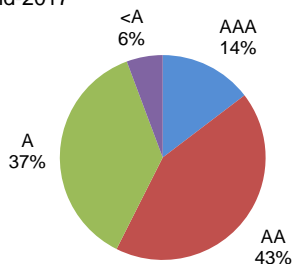
2011-2017 (%)



Source: CEB, Fitch

## Credit Quality of Treasury Assets

End-2017



Source: CEB, Fitch

- Like other MDBs, CEB is not subject to any bank regulation or supervisory regime. Instead, CEB has its own prudential risk framework. The effectiveness of the self-imposed risk management framework is contingent on CEB's willingness to adhere to its own limits.

## Liquidity

Fitch assesses CEB's liquidity at 'aaa'.

## Peer Comparison: Liquidity

	CEB		CDB	EBRD	EIB
	End-2017	Projection <sup>a</sup>	End-2016	June 2017	End-2017
Liquid asset/short-term debt (%)	164	285	4,520	196	96
Share of treasury assets rated 'AA-' and above (%)	57	54	96	54	59

<sup>a</sup> Medium-term projections

Source: MDBs, Fitch calculations, estimates and methodology

## Liquidity Buffer

- Liquidity buffers are "excellent" and in line with those of 'AAA' rated peers. Treasury assets accounted for 34.4% of total assets at end-2017 (35.5% at end-2016), with the coverage of short-term liabilities by liquid assets at 1.64x (2.65x at end-2016) and projected to remain above 1.5x over the medium term. Fitch expects CEB's strong liquidity profile to remain a key rating strength over the medium term.
- CEB also focuses on other liquidity risk metrics, including the self-sufficiency period, which represents the time it is able to fulfil its expected net cash outflows stemming from ongoing business operations without access to the market for new funding or the sale of assets. As of end-2017, this metric was calculated by CEB at nine months (2016: 14 months), above its minimum limit of six months.

## Quality of Treasury Assets

- Fitch assesses the quality of CEB's treasury assets as "strong". At end-2017, 57.4% of treasury assets were rated 'AA-' or above (end-2016: 57.3%). Fitch expects the 'AAA'-'AA' share to fall slightly in the coming years but to remain above 50%. Over 94% of the securities and placements in the portfolio are rated 'A-' or above.
- Treasury assets comprise bonds, mostly from sovereign and supranational issuers, and placements at European financial institutions.

## Access to Capital Markets and Alternative Sources of Liquidity

- Fitch has revised CEB's access to capital markets to "strong" from "excellent". The revision does not indicate a deterioration in Fitch's assessment of CEB's ability to tap capital markets, but rather a realignment based on a comparison with benchmark issuer peers such as IBRD and EIB. The bank regularly issues on the international capital markets and has a well-diversified investor base but focuses its debt issuance primarily in three currencies: EUR (47%), USD (36%) and GBP (12%). After swaps, the debt is exclusively denominated in euros.
- In 2017, the bank launched five funding operations with maturities of one year or more, for a total volume of EUR3 billion, including its first social inclusion bond (fixed-rate at EUR500 million), the proceeds of which are reserved for the financing of projects in accordance with the bank's social mandate. Another social inclusion bond (EUR500 million due 2025 at 0.375% fixed) was issued in 2018 along with four additional issuances in EUR, USD and GBP. The average funding maturity was at 3.7 years (versus 6.1 years in 2016).

## Shareholders' Support

## Peer Comparison: Shareholder Support

	CEB		CDB End-2016	EBRD June 2017	EIB End-2017
	End-2017	Projection <sup>a</sup>			
Coverage of net debt by callable capital	N.C.	N.C.	A+	NC	AAA
Average rating of key shareholders	AA-	AA-	AA	AA-	A+
Propensity to support	-2	-2	0	0	0

<sup>a</sup> Medium-term projections

Source: MDBs, Fitch calculations, estimates and methodology

CEB's IDRs do not benefit from credit uplift for shareholders' support.

## Capacity and Propensity to Provide Extraordinary Support

At end-2017, the average rating of key shareholders remained unchanged at 'AA-'. Fitch defines key shareholders as the countries or institutions that own the largest shares of callable capital and whose cumulative share ownership accounts for at least 50% of total capital. CEB's key shareholders are France, Germany and Italy. They each account for 16.8% of total callable capital, or a combined total of 50.3%.

However, CEB's callable capital subscribed by shareholders does not cover the bank's net debt. In addition, member states' willingness to provide support is weak, in Fitch's view. There have been no capital increases in recent years, and, given its size, CEB plays a limited role in the financing of member states. To reflect this, Fitch applies a two-notch downward adjustment to the average rating of key shareholders to arrive at a support rating of 'a'.

## Council of Europe Development Bank Balance Sheet

	31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014		As % of Assets
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	
	Original	Original	Original	Original	Original	Original	Original	Original	
<b>A. LOANS</b>									
1. To / Guaranteed by Sovereigns	8,348.3	6,961.0	29.25	7,255.0	28.34	6,558.0	26.11	6,502.0	25.45
2. To / Guaranteed by public institutions	4,040.4	3,369.0	14.16	3,040.0	11.87	2,993.0	11.92	2,935.0	11.49
3. To / Guaranteed by Private Sector	3,906.1	3,257.0	13.69	3,221.0	12.58	3,286.0	13.08	2,896.0	11.34
4. Trade Financing Loans (memo)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	245.9	205.0	0.86	199.0	0.78	234.0	0.93	239.0	0.94
6. Loan Loss Reserves (deducted)	n.a.	n.a.	-	n.a.	-	1.9	0.01	1.9	0.01
<b>TOTAL A</b>	<b>16,540.7</b>	<b>13,792.0</b>	<b>57.95</b>	<b>13,715.0</b>	<b>53.57</b>	<b>13,069.1</b>	<b>52.03</b>	<b>12,570.1</b>	<b>49.21</b>
<b>B. OTHER EARNING ASSETS</b>									
1. Deposits with Banks	2,459.5	2,050.8	8.62	2,428.1	9.48	2,293.9	9.13	2,299.2	9.00
2. Securities held for Sale & Trading	4,196.9	3,499.5	14.70	3,554.5	13.88	3,571.5	14.22	4,806.7	18.82
3. Investment Debt Securities (incl. other invest.)	2,498.4	2,083.2	8.75	2,447.8	9.56	2,669.6	10.63	2,812.0	11.01
4. Equity Investments	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Derivatives (incl. Fair-value of guarantees)	1,204.7	1,004.5	4.22	2,375.5	9.28	2,637.1	10.50	2,379.5	9.31
<b>TOTAL B</b>	<b>10,359.6</b>	<b>8,638.0</b>	<b>36.30</b>	<b>10,805.9</b>	<b>42.21</b>	<b>11,172.1</b>	<b>44.48</b>	<b>12,297.4</b>	<b>48.14</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>26,900.3</b>	<b>22,430.0</b>	<b>94.25</b>	<b>24,520.9</b>	<b>95.77</b>	<b>24,241.2</b>	<b>96.52</b>	<b>24,867.5</b>	<b>97.35</b>
<b>D. FIXED ASSETS</b>	<b>63.4</b>	<b>52.9</b>	<b>0.22</b>	<b>48.7</b>	<b>0.19</b>	<b>46.5</b>	<b>0.19</b>	<b>46.2</b>	<b>0.18</b>
<b>E. NON-EARNING ASSETS</b>									
1. Cash and Due from Banks	663.8	553.5	2.33	649.0	2.53	476.5	1.90	203.9	0.80
2. Other	913.7	761.9	3.20	384.2	1.50	352.2	1.40	427.8	1.67
<b>F. TOTAL ASSETS</b>	<b>28,541.3</b>	<b>23,798.3</b>	<b>100.00</b>	<b>25,602.8</b>	<b>100.00</b>	<b>25,116.4</b>	<b>100.00</b>	<b>25,545.4</b>	<b>100.00</b>
<b>G. SHORT-TERM FUNDING</b>									
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities Issues (< 1 Year)	5,736.3	4,783.0	20.10	3,323.0	12.98	2,989.5	11.90	5,214.2	20.41
3. Other (incl. Deposits)	252.5	210.5	0.88	98.5	0.38	136.6	0.54	158.0	0.62
<b>TOTAL G</b>	<b>5,988.7</b>	<b>4,993.5</b>	<b>20.98</b>	<b>3,421.5</b>	<b>13.36</b>	<b>3,126.1</b>	<b>12.45</b>	<b>5,372.2</b>	<b>21.03</b>
<b>H. OTHER FUNDING</b>									
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	16,853.0	14,052.4	59.0	16,820.7	65.7	16,634.0	66.2	15,358.0	60.1
3. Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>TOTAL H</b>	<b>16,853.0</b>	<b>14,052.4</b>	<b>59.05</b>	<b>16,820.7</b>	<b>65.70</b>	<b>16,634.0</b>	<b>66.23</b>	<b>15,358.0</b>	<b>60.12</b>
<b>I. OTHER (Non-Int Bearing)</b>									
1. Derivatives (incl. Fair value of guarantees)	1,353.6	1,128.7	4.74	873.8	3.41	669.3	2.66	831.7	3.26
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	506.9	422.7	1.78	1,442.1	5.63	1,749.0	6.96	1,198.7	4.69
<b>TOTAL I</b>	<b>1,860.6</b>	<b>1,551.4</b>	<b>6.52</b>	<b>2,315.9</b>	<b>9.05</b>	<b>2,418.3</b>	<b>9.63</b>	<b>2,030.4</b>	<b>7.95</b>
<b>J. GENERAL PROVISIONS &amp; RESERVES</b>	<b>280.9</b>	<b>234.2</b>	<b>0.98</b>	<b>232.8</b>	<b>0.91</b>	<b>226.5</b>	<b>0.90</b>	<b>239.4</b>	<b>0.94</b>
<b>L. EQUITY</b>									
1. Preference Shares	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	6,562.8	5,472.2	22.99	5,472.2	21.37	5,472.2	21.79	5,472.2	21.42
3. Callable Capital	(5,828.4)	(4,859.8)	(20.42)	(4,859.8)	(18.98)	(4,859.8)	(19.35)	(4,859.8)	(19.02)
4. Arrears/Advances on Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Paid in Capital (memo)	734.5	612.4	2.57	612.4	2.39	612.4	2.44	612.4	2.40
6. Reserves (incl. Net Income for the year)	2,838.3	2,366.6	9.94	2,254.5	8.81	2,156.6	8.59	2,029.5	7.94
7. Fair-value revaluation reserve	(14.6)	(12.2)	(0.05)	(55.0)	(0.21)	(57.5)	(0.23)	(96.5)	(0.38)
<b>TOTAL L</b>	<b>3,558.1</b>	<b>2,966.8</b>	<b>12.47</b>	<b>2,811.9</b>	<b>10.98</b>	<b>2,711.5</b>	<b>10.80</b>	<b>2,545.4</b>	<b>9.96</b>
<b>M. TOTAL LIABILITIES &amp; EQUITY</b>	<b>28,541.3</b>	<b>23,798.3</b>	<b>100.00</b>	<b>25,602.8</b>	<b>100.00</b>	<b>25,116.4</b>	<b>100.00</b>	<b>25,545.4</b>	<b>100.00</b>

Exchange rate

USD1 = EUR0.83382

USD1 = EUR0.9487

USD1 = EUR0.9185

USD1 = EUR0.8237

**Council of Europe Development Bank  
Income Statement**

	31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014		
	Year End USDm	Year End EURm	As % of Earning Assets	Year End EURm	As % of Earning Assets	Year End EURm	As % of Earning Assets	Year End EURm	As % of Earning Assets
	Original	Original		Original		Original		Original	
1. Interest Received	137.6	114.7	0.51	128.6	0.52	174.3	0.72	224.5	0.90
2. Interest Paid	(53.2)	(44.4)	(0.20)	(31.5)	(0.13)	7.4	0.03	54.8	0.22
<b>3. NET INTEREST REVENUE</b>	<b>190.8</b>	<b>159.1</b>	<b>0.71</b>	<b>160.1</b>	<b>0.65</b>	<b>166.9</b>	<b>0.69</b>	<b>169.7</b>	<b>0.68</b>
4. Other Operating Income	1.7	1.4	0.01	(6.8)	(0.03)	8.0	0.03	(1.5)	(0.01)
5. Other Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Personnel Expenses	41.5	34.6	0.15	35.6	0.15	35.1	0.14	22.2	0.09
7. Other Non-Interest Expenses	16.7	13.9	0.06	12.9	0.05	12.8	0.05	11.6	0.05
8. Impairment charge	n.a.	n.a.	-	(0.1)	0.0	n.a.	-	n.a.	-
9. Other Provisions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>10. PRE-DERIVATIVE OPERATING PROFIT</b>	<b>134.3</b>	<b>112.0</b>	<b>0.50</b>	<b>104.9</b>	<b>0.43</b>	<b>127.0</b>	<b>0.52</b>	<b>134.4</b>	<b>0.54</b>
11. Net gains / (losses) on non-trading derivative instruments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>12. POST-DERIVATIVE OPERATING PROFIT</b>	<b>134.3</b>	<b>112.0</b>	<b>0.50</b>	<b>104.9</b>	<b>0.43</b>	<b>127.0</b>	<b>0.52</b>	<b>134.4</b>	<b>0.54</b>
13. Other income and expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>14. NET INCOME</b>	<b>134.3</b>	<b>112.0</b>	<b>0.50</b>	<b>104.9</b>	<b>0.43</b>	<b>127.0</b>	<b>0.52</b>	<b>134.4</b>	<b>0.54</b>
15. Fair value revaluations recognised in equity	35.4	29.5	0.1	(7.6)	0.0	10.4	0.0	14.2	0.1
<b>16. FITCH'S COMPREHENSIVE NET INCOME</b>	<b>169.7</b>	<b>141.5</b>	<b>0.63</b>	<b>97.3</b>	<b>0.40</b>	<b>137.4</b>	<b>0.57</b>	<b>148.6</b>	<b>0.60</b>



## Council of Europe Development Bank Ratio Analysis

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
<b>I. PROFITABILITY LEVEL</b>				
1. Net Income/Equity (av.)	3.9	3.8	4.8	5.4
2. Net Income/Total Assets (av.)	0.5	0.4	0.5	0.5
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets	0.7	0.7	0.8	0.7
4. Cost-Income Ratio	30.2	31.6	27.4	20.1
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	n.a.	0.0	n.a.	n.a.
<b>II. CAPITAL ADEQUACY</b>				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	176.0	177.5	171.3	167.6
2. Equity/Adjusted Total Assets	13.1	11.4	11.1	10.3
3. Equity /Adjusted Total Assets + Guarantees	13.1	11.4	11.1	10.3
4. Paid-in capital / Subscribed capital	11.2	11.2	11.2	11.2
5. Internal Capital Generation after Distributions	4.9	3.5	5.2	5.9
<b>III. LIQUIDITY</b>				
1. Liquid Assets / Short-term debt	164.0	265.4	288.3	188.4
2. Treasury Assets / Total Assets	34.4	35.5	35.9	39.6
3. Treasury Assets IG + eligible non IG / Total Assets	34.4	35.5	35.9	39.6
4. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets / Total Assets	34.4	35.5	35.9	39.6
6. Liquid Assets / Undisbursed Loans & Equity	n.a.	n.a.	n.a.	n.a.
<b>IV. ASSET QUALITY</b>				
1. Impaired Loans /Gross Loans	0.0	0.0	0.0	0.0
2. Loan Loss Reserves / Gross Loans	n.a.	n.a.	0.0	0.0
3. Total reserves / Gross Loans, Equity Investment & Guarantees	n.a.	n.a.	0.0	0.0
4. Loan Loss Reserves/Impaired Loans	n.a.	n.a.	n.a.	n.a.
<b>V. LEVERAGE</b>				
1. Debt/Equity	642.0	719.9	728.8	814.4
2. Debt/Subscribed Capital + Reserves	243.4	263.9	261.0	279.9
3. Debt/Callable Capital	391.9	416.5	406.6	426.6
4. Net Income + Interest Paid/Interest Paid	-152.3	-233.0	1,816.2	345.3

## Council of Europe Development Bank Spread Sheet Annex

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	EURm	EURm	EURm	EURm
	Original	Original	Original	Original
<b>1. LENDING OPERATIONS</b>				
1. Loans outstanding	13,792.0	13,715.0	13,071.0	12,572.0
2. Undisbursed Loans	5,011.0	4,172.0	3,119.0	2,868.0
3. Approved Loans	3,908.0	3,451.0	2,301.0	2,065.0
4. Disbursed Loans	2,302.0	2,037.0	1,843.0	1,746.0
5. Loan Repayments	2,217.0	1,374.0	1,526.0	1,791.0
6. Net disbursements	85.0	663.0	317.0	-45.0
Memo: Loans to Sovereigns	6,961.0	7,255.0	6,558.0	6,502.0
Memo: Loans to Non-Sovereigns	6,831.0	6,460.0	6,513.0	6,070.0
<b>2. OTHER BANKING OPERATIONS</b>				
1. Equity participations	0.0	0.0	0.0	0.0
2. Guarantees (off BS)	n.a.	n.a.	n.a.	n.a.
Memo: Guarantees to Sovereigns	n.a.	n.a.	0.0	0.0
Memo: Guarantees to Non-Sovereigns	n.a.	n.a.	0.0	0.0
<b>3. TOTAL BANKING EXPOSURE (BS and off BS)</b>				
1. Total banking exposure (Loans + Equity Participati	13,792.0	13,715.0	13,071.0	12,572.0
2. Growth in total banking exposure	0.6	4.9	4.0	-0.4
Memo: Non Sovereign Exposure	6,831.0	6,460.0	6,513.0	6,070.0
Memo: LCs and other off BS credit commitments (no	n.a.	n.a.	0.0	0.0
<b>4. SUPPORT</b>				
1. Share of AAA / AA shareholders in callable capital	48.4	48.4	48.5	48.4
2. Share of A / BBB shareholders in callable capital	36.5	43.6	42.8	42.8
3. Share of Speculative Grade shareholders in callabl	15.1	8.0	8.8	8.8
4. Rating of callable capital ensuring full coverage of r	NC	NC	NC	n.a.
5. Weighted Average Rating of Key Shareholders	AA-	AA-	AA-	n.a.
<b>5. BREAKDOWN OF BANKING PORTFOLIO</b>				
1. Loans to Sovereigns / Total Banking Exposure	50.5	52.9	50.2	51.7
2. Loans to Non Sovereigns / Total Banking Exposure	49.5	47.1	49.8	48.3
3. Equity participation / Total Banking Exposure	0.0	0.0	0.0	0.0
4. Guarantees covering Sovereign risks / Total Bankir	n.a.	n.a.	0.0	0.0
5. Guarantees covering Non-Sovereign risks / Total B.	n.a.	n.a.	0.0	0.0
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Ba	49.5	47.1	49.8	48.3
<b>6. CONCENTRATION MEASURES</b>				
1. Largest exposure	1,358.0	1,338.3	1,192.5	1,074.0
2. Five largest exposures	4,198.0	4,474.8	4,132.9	4,181.7
3. Largest exposure / Equity (%)	45.8	47.6	44.0	42.2
4. Five largest exposures / Equity (%)	141.5	159.1	152.4	164.3
5. Largest exposure / Total Banking Exposure (%)	9.9	9.8	9.1	8.5
6. Five largest exposures / Total Banking Exposure (%)	30.4	32.6	31.6	33.3
<b>7. CREDIT RISK</b>				
1. Average Rating of Loans & Guarantees	BBB+	BBB+	BBB+	n.a.
2. Loans to Investment Grade Borrowers / Gross Loan	79.9	87.7	85.1	78.3
3. Loans to Sub-Investment Grade Borrowers / Gross	20.1	11.8	14.9	21.7
4. Share of Treasury Assets rated AAA-AA	57.4	57.3	59.0	48.0
5. Average rating of treasury assets	n.a.	n.a.	n.a.	n.a.
<b>8. LIQUIDITY</b>				
1. Treasury Assets	8,187.0	9,079.4	9,011.5	10,121.8
2. Treasury Assets o/w IG + eligible non-IG	8,187.0	9,079.4	9,011.5	10,121.8
3. Unimpaired Trade Financing Loans	n.a.	n.a.	n.a.	n.a.
4. Unimpaired Trade Financing Loans - discounted 4C	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets [2. + 4.]	8,187.0	9,079.4	9,011.5	10,121.8

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