



# Financial Report 2022





# Financial Report

# 2022



## FINANCIAL SUMMARY

### Highlights

- Solid financial and operational profile in 2022
- Net profit at €79.7 million
- Projects approved €4.2 billion
- New Strategic Framework 2023-2027
- Launch of seventh capital increase of a maximum of €4.25 billion, including up to €1.20 billion in paid-in capital
- AAA rating with a "stable outlook" by Standard & Poor's, Aa1 – rating on "review for upgrade" – by Moody's, and AA+ with a "positive outlook" by Fitch.

### Key figures

| EURO million (IFRS)   | 2021   | 2022   | Variation |
|---|--------|--------|-----------|
| Loans outstanding   | 18 916 | 19 887 | +5.1%     |
| Projects approved during the year                                     | 4 156  | 4 244  | +2.1%     |
| Stock of projects   | 8 925  | 9 093  | +1.9%     |
| Financing commitments signed during the year                          | 2 408  | 4 187  | +73.9%    |
| Loans disbursed during the year <sup>1</sup>                          | 4 023  | 3 526  | -12.4%    |
| Issuances included in the annual borrowing authorisation <sup>1</sup> | 5 500  | 5 988  | +8.9%     |
| Total assets  | 29 715 | 31 528 | +6.1%     |
| Net profit  | 94.8   | 79.7   | -15.9%    |
| Core earnings <sup>2</sup>  | 87.0   | 83.5   | -4.0%     |

1 Value in euros after swap

2 Excluding IFRS valuation effects (cost of risk and net gains or losses from financial instruments at fair value through profit or loss)

## CEB financial performance

During the reporting period ended on 31 December 2022, the CEB recorded a solid financial performance. The audited results for the financial year 2022 show a **net profit** of €79.7 million, compared to €94.8 million in 2021 (-15.9%), reflecting in particular the impact of International Financial Reporting Standard (IFRS) 9 on credit provisioning (cost of risk) for -€18.5 million, partially compensated by the valuation of financial instruments (+€6.9 million).

Excluding IFRS valuation impacts (cost of risk and financial instruments), **core earnings** stood at €83.5 million for the year 2022, compared to €87.0 million in 2021 (-4.0%), mainly driven by lower revenues in the debt securities at amortised cost portfolio. As in previous years, the Bank did not record any defaults or late payments in 2022.

At 31 December 2022, the CEB's **total assets** amounted to €31.5 billion, up €1.8 billion (+6.1%) versus year-end 2021 (€29.7 billion).

**Total liabilities** accounted for €28.1 billion, an increase of 6.1% versus year-end 2021 (€26.5 billion). **Debt securities in issue and borrowings** stood at €24.2 billion by the end of 2022, a decrease of 2.5% compared to year-end 2021. The CEB's **equity** increased by 6.5% from €3 233.7 million at year-end 2021 to €3 442.4 million at the end of 2022, further to net profit 2022 (€79.7 million) and gains or losses recognised directly in equity (+ €129 million).

The loan activity maintained a sustained pace, with €4.2 billion in loans approved in 2022, that is +2.1% compared to 2021. **Loans disbursed** reached €3.5 billion, below the 2021 level (-12.4%). The substantial volume of disbursements over the previous years fed the volume of **outstanding loans** (in nominal terms), reaching €19.9 billion by the end of 2022, that is +5.1% compared to year-end 2021.

The member states' agreement in 2022 to a historic increase in the Bank's capital base was a vote of confidence in the CEB's linchpin role within the international development finance architecture.

### Risk management

The CEB adopts a risk culture based on international best practices, including a stringent risk management framework to ensure the Bank's long-term financial stability. The prudential framework encompasses a set of prudential ratios to assess and monitor its activities and related risks: capital, leverage, liquidity, market risk and credit risk in finance activity. Climate risk considerations are also embedded in CEB's lending project analysis and counterparty assessment methodologies.

In the reporting period ending on 31 December 2022, the CEB maintained a sound risk profile and an adequate capital buffer. All prudential ratios and indicators remained within the authorised limits and thresholds. The Bank also evidenced operational resilience and a strong capacity to face challenging financial environments.

### Strong credit rating profile

The CEB maintained robust credit ratings during the reporting period, as underlined by its AAA rating reaffirmed by Standard & Poor's on 12 September 2022 and Scope Ratings on 24 June 2022 (unsolicited rating) with a stable outlook. Meanwhile, Moody's Aa1 rating was placed on review for upgrade on 16 December 2022, showing a prompt response from the rating agency to the approval of the CEB's seventh capital increase and new [Strategic Framework 2023-2027 of the Bank](#). Fitch maintained CEB's AA+ rating with a positive outlook on 22 July 2022.

For more details on the CEB's activity, see [Activity Report 2022](#)



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## FINANCIAL STATEMENTS

### Prepared in compliance with IFRS adopted by the European Union

#### The Bank's objectives

"The primary purpose of the Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations and as a result of the presence of victims of natural or ecological disasters.

The investment projects to which the Bank contributes may be intended either to help such people in the country in which they find themselves or to enable them to return to their countries of origin when the conditions for return are met or, where applicable, to settle in another host country. These projects must be approved by a member of the Bank.

The Bank may also contribute to the realisation of investment projects approved by a member of the Bank which enable jobs to be created in disadvantaged regions, people in low income groups to be housed or social infrastructure to be created".

(Articles of Agreement, Article II).

#### Sectors of action

The Council of Europe Development Bank (CEB or the Bank) contributes to the implementation of socially-oriented investment projects in favour of social cohesion. In accordance with the Development Plan 2020-2022 and the Administrative Council Resolution 1617 (2020), the CEB's activity was articulated across three lines of action, namely: inclusive growth; support for vulnerable groups; environmental sustainability.

Projects for the 2020-2022 thus fell into one, two or three of the sectorial lines of action cited above. These lines of action reflected both the CEB's specific social vocation and the development logic underpinning all its activities in the following sectors: aid to refugees, migrants, displaced persons and other vulnerable groups; housing for low-income persons, improving living conditions in urban and rural areas, natural or ecological disasters, protection of the environment, protection and rehabilitation of the historic and cultural heritage, health, education and vocational training, administrative and judicial infrastructures, supporting micro, small and medium-sized enterprises (MSMEs) for the creation and preservation of viable jobs.

From 1 January 2023, the Strategic Framework 2023-2027 has succeeded the Development Plan 2020-2022 as the blueprint for the CEB's activity over the next five years. In accordance with Administrative Council Resolution 1646 (2022), the lines of action have been updated to better reflect the CEB's operational context and member states' current and projected needs:

The CEB's commitment to social cohesion is underpinned by an overarching focus on vulnerable people across all lines of action. In this respect, the CEB systematically applies a vulnerability lens to its lending operations to identify the specific sources of vulnerability each project aims to address, in order to design better solutions and further boost social cohesion. Each CEB sector of intervention derives from its stated lines of action and is defined by clear and detailed eligibility criteria.

The new CEB's sectors of operation from 1 January 2023 are: Health and social care (\*); Education and vocational training (\*); Administrative and judicial infrastructure; Protection and rehabilitation of the historic and cultural heritage; Social and affordable housing (\*); Urban, rural and regional development (\*); Natural or ecological disasters; Protection of the environment; MSME financing (\*) and Microfinance (\*).

While maintaining its engagement in all core areas of operation, the CEB has identified several "focus sectors" to enhance the selectivity of projects and deploy its resources where they can contribute the most to the pursuit of the CEB's overarching goals. In addition to the focus sectors, financing of projects in the other sectors will continue to be fully considered.

Although not listed as separate sectors, the CEB identifies three intersecting themes that interact with its core sectors of activity and are instrumental to achieving progress on social cohesion, namely: (i) climate action; (ii) gender equality, and (iii) digitalisation. An explicit and systematic focus on these themes guides the way in which CEB activities in all sectors are designed and implemented to bolster the social cohesion of all CEB-financed projects.

(\*) Denotes a "focus sector"

## Balance sheet

|  | Notes | 31/12/2022        | 31/12/2021        | <i>In thousand euros</i> |
|--|-------|-------------------|-------------------|--------------------------|
| <b>Assets</b>  |       |                   |                   |                          |
| Cash in hand, balances with central banks                  |       | 1 150 258         | 2 044 716         |                          |
| Financial instruments at fair value through profit or loss | C     | 654 045           | 443 250           |                          |
| Hedging derivative financial instruments                   | C     | 2 198 288         | 700 933           |                          |
| Financial assets at fair value through equity              | G     | 2 795 509         | 3 704 677         |                          |
| Financial assets at amortised cost                         | G     |                   |                   |                          |
| Loans  |       | 18 222 361        | 19 019 840        |                          |
| Advances   |       | 4 209 861         | 2 096 670         |                          |
| Debt securities  |       | 1 592 770         | 1 570 816         |                          |
| Tangible and intangible assets                             | H     | 57 545            | 57 290            |                          |
| Other assets   | I     | 647 498           | 76 665            |                          |
| <b>Total assets</b>  |       | <b>31 528 135</b> | <b>29 714 857</b> |                          |
| <b>Liabilities and equity</b>                              |       |                   |                   |                          |
| <b>Liabilities</b>   |       |                   |                   |                          |
| Financial instruments at fair value through profit or loss | C     | 187 498           | 136 778           |                          |
| Hedging derivative financial instruments                   | C     | 2 397 993         | 478 259           |                          |
| Financial liabilities at amortised cost                    | J     |                   |                   |                          |
| Amounts owed to credit institutions and to customers       |       | 70 176            | 70 675            |                          |
| Debt securities in issue                                   |       | 24 223 766        | 24 824 467        |                          |
| Other liabilities  | I     | 917 001           | 555 785           |                          |
| Social Dividend Account                                    | K     | 34 842            | 47 169            |                          |
| Provisions   | L     | 254 484           | 368 052           |                          |
| <b>Total liabilities</b>                                   |       | <b>28 085 760</b> | <b>26 481 185</b> |                          |
| <b>Equity</b>  |       |                   |                   |                          |
| Capital  | M     |                   |                   |                          |
| Subscribed   |       | 5 477 144         | 5 477 144         |                          |
| Uncalled   |       | (4 864 180)       | (4 864 180)       |                          |
| Called   |       | 612 964           | 612 964           |                          |
| General reserve  |       | 2 722 679         | 2 627 884         |                          |
| Net profit   |       | 79 683            | 94 795            |                          |
| <b>Total capital, general reserve and net profit</b>       |       | <b>3 415 326</b>  | <b>3 335 643</b>  |                          |
| Gains or losses recognised directly in equity              |       | 27 049            | (101 971)         |                          |
| <b>Total equity</b>  |       | <b>3 442 375</b>  | <b>3 233 672</b>  |                          |
| <b>Total liabilities and equity</b>                        |       | <b>31 528 135</b> | <b>29 714 857</b> |                          |

## Income statement

|   | Notes | 2022           | 2021           | <i>In thousand euros</i> |
|---|-------|----------------|----------------|--------------------------|
| Interest and similar income   | N     | 186 422        | 175 910        |                          |
| Interest expenses and similar charges   | N     | (43 162)       | (28 475)       |                          |
| <b>Interest margin</b>  |       | <b>143 260</b> | <b>147 435</b> |                          |
| Net gains or losses from financial instruments at fair value through profit or loss | P     | 6 859          | (54)           |                          |
| Net gains from financial assets at fair value through equity                        |       | 49             | 42             |                          |
| Commissions (income)  |       | 1 332          | 2 071          |                          |
| Commissions (expenses)  |       | (556)          | (2 647)        |                          |
| <b>Net banking income</b>   |       | <b>150 944</b> | <b>146 847</b> |                          |
| General operating expenses  | Q     | (53 281)       | (53 223)       |                          |
| Depreciation and amortisation charges of tangible and intangible assets             | H     | (7 274)        | (6 671)        |                          |
| <b>Gross operating income</b>   |       | <b>90 389</b>  | <b>86 953</b>  |                          |
| Cost of risk  | R     | (10 706)       | 7 842          |                          |
| <b>Net profit</b>   |       | <b>79 683</b>  | <b>94 795</b>  |                          |

## Statement of comprehensive income

|  | <i>In thousand euros</i> |                |
|--|--------------------------|----------------|
|  | 2022                     | 2021           |
| <b>Net profit</b>  | <b>79 683</b>            | <b>94 795</b>  |
| <b>Items that may be reclassified to income statement</b>                      | <b>(754)</b>             | <b>3 063</b>   |
| Changes in value of debt securities at fair value through equity               | (20 557)                 | 5 986          |
| Changes in value of hedging derivative financial instruments                   | 19 803                   | (2 923)        |
| <b>Items that will not be reclassified to income statement</b>                 | <b>129 774</b>           | <b>3 637</b>   |
| Changes in actuarial differences related to the pension scheme                 | 107 318                  | 2 388          |
| Changes in actuarial differences related to the other post-employment benefits | 22 018                   | 1 302          |
| Changes in value of equity instruments   | 438                      | (53)           |
| <b>Total other elements of comprehensive income</b>                            | <b>129 020</b>           | <b>6 700</b>   |
| <b>Comprehensive income</b>  | <b>208 703</b>           | <b>101 495</b> |

## Statement of changes in equity

|  | <i>In thousand euros</i> |                     |                  |   |  |                       | Total equity       |                  |                  |
|--|--------------------------|---------------------|------------------|---|--|-----------------------|--------------------|------------------|------------------|
|  | Capital and reserves     |                     |                  | Gains or losses recognised directly in equity |  |                       |                    |                  |                  |
|  | Called capital           | Reserves and result | Total            | Debt securities at fair value through equity  | Hedging derivative financial instruments | Actuarial differences | Equity instruments | Total            |                  |
| <b>Equity as at 1 January 2021</b>                                       | <b>612 964</b>           | <b>2 627 883</b>    | <b>3 240 847</b> | <b>23 806</b>                                 | <b>9 641</b>                             | <b>(142 690)</b>      | <b>572</b>         | <b>(108 670)</b> | <b>3 132 177</b> |
| Net profit 2021  |                          | 94 795              | <b>94 795</b>    |   |  |                       |                    |                  | <b>94 795</b>    |
| Changes in value of assets and liabilities recognised directly in equity |                          |                     |                  | 5 986   | (2 923)                                  | 3 690                 | (53)               | <b>6 700</b>     | <b>6 700</b>     |
| <b>Equity as at 31 December 2021</b>                                     | <b>612 964</b>           | <b>2 722 679</b>    | <b>3 335 643</b> | <b>29 792</b>                                 | <b>6 718</b>                             | <b>(139 000)</b>      | <b>519</b>         | <b>(101 970)</b> | <b>3 233 672</b> |
| Net profit 2022  |                          | 79 683              | <b>79 683</b>    |   |  |                       |                    |                  | <b>79 683</b>    |
| Changes in value of assets and liabilities recognised directly in equity |                          |                     |                  | (20 557)                                      | 19 803                                   | 129 336               | 438                | <b>129 020</b>   | <b>129 020</b>   |
| <b>Equity as at 31 December 2022</b>                                     | <b>612 964</b>           | <b>2 802 362</b>    | <b>3 415 326</b> | <b>9 235</b>                                  | <b>26 521</b>                            | <b>(9 664)</b>        | <b>957</b>         | <b>27 049</b>    | <b>3 442 375</b> |

## Statement of cash flows

*In thousand euros*

| For the year ended 31 December   | 2022             | 2021               |
|--|------------------|--------------------|
| <b>Net profit</b>  | <b>79 683</b>    | <b>94 795</b>      |
| +/- Depreciation charges of tangible and intangible assets                             | 7 274            | 6 670              |
| +/- Impairment allowance   | 10 764           | (7 854)            |
| +/- Net loss/net profit from investing operations                                      | 23 824           | 16 941             |
| +/- Change in interest receivable  | (67 043)         | 8 850              |
| +/- Change in interest payable   | 87 231           | (5 397)            |
| +/- Other movements  | 8 443            | 14 883             |
| <b>Total of non-monetary items included in the result</b>                              | <b>70 494</b>    | <b>34 094</b>      |
| + Reimbursements related to operations with credit institutions and customers          | 3 605 667        | 2 591 448          |
| - Disbursements related to operations with credit institutions and customers           | (4 498 770)      | (5 183 668)        |
| + Reimbursements related to other operations affecting financial assets or liabilities | 4 377 332        | 4 242 537          |
| - Disbursements related to other operations affecting financial assets or liabilities  | (3 780 672)      | (3 407 151)        |
| +/- Cash flows related to operations affecting non-financial assets or liabilities     | (8 093)          | 1 005              |
| <b>Net cash flows from assets and liabilities resulting from operating activities</b>  | <b>(304 536)</b> | <b>(1 755 830)</b> |
| <b>Total net cash flows from operating activities (a)</b>                              | <b>(154 359)</b> | <b>(1 626 940)</b> |
| + Reimbursements related to debt securities at amortised cost                          | 125 000          | 204 200            |
| - Disbursements related to debt securities at amortised cost                           | (156 089)        |                    |
| +/- Cash flows related to tangible and intangible assets                               | (5 442)          | (4 251)            |
| <b>Total net cash flows from investing operations (b)</b>                              | <b>(36 531)</b>  | <b>199 949</b>     |
| +/- Cash flows from or to member states  | (11 692)         | (1 349)            |
| + Reimbursements related to debt securities in issue at amortised cost                 | 14 570 539       | 8 090 636          |
| - Disbursements related to debt securities in issue at amortised cost                  | (13 043 469)     | (6 138 622)        |
| <b>Total net cash flows from financing operations (c)</b>                              | <b>1 515 378</b> | <b>1 950 664</b>   |
| <b>Effect of changes in foreign exchange rates on cash and cash equivalents (d)</b>    | <b>2 341</b>     | <b>139</b>         |
| <b>Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)+(d)</b>            | <b>1 326 829</b> | <b>523 813</b>     |
| <b>Cash and cash equivalents at the beginning of the financial year</b>                | <b>3 052 794</b> | <b>2 528 981</b>   |
| Cash in hand, balances with central banks  | 2 044 894        | 1 060 360          |
| Advances repayable on demand and term deposits with credit institutions                | 1 007 900        | 1 468 620          |
| <b>Cash and cash equivalents at the end of the financial year</b>                      | <b>4 379 623</b> | <b>3 052 794</b>   |
| Cash in hand, balances with central banks  | 1 150 631        | 2 044 894          |
| Advances repayable on demand and term deposits with credit institutions                | 3 228 992        | 1 007 900          |
| <b>Changes in cash and cash equivalents</b>  | <b>1 326 829</b> | <b>523 813</b>     |

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE A – Summary of principal accounting methods applied by the Bank

#### 1. Accounting standards

##### 1.1 Applicable accounting standards

The Bank's separate accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Bank did not implement new standards, amendments or interpretations adopted by the European Union for which implementation was optional in 2022.

##### 1.2 Interest rate benchmark reform

###### • Context of the reform

In 2014, the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) recommended strengthening interbank offered rate (IBOR) indices and eventually replacing them with risk-free rates (RFRs) based on overnight rates and real transactions.

On 15 January 2020, the European Union published Commission Regulation 2020/34 adopting amendments to IAS 39 and IFRS 7 and 9 (phase 1 of the benchmark interest rate reform). The changes introduced by this regulation were a first reaction to potential effects that the IBOR reform could have on financial reporting and addressed pre-replacement issues.

In addition, on 13 January 2021, the European Union published Commission Regulation 2021/25 adopting amendments to IAS 39 and IFRS 4, 7, 9 and 16 (phase 2 of the benchmark interest rate reform). The changes introduced by this second regulation addressed issues that could affect financial reporting after the interest rate benchmark reform, including the replacement of IBORs by other benchmark rates.

###### • The LIBOR replacement process

On 5 March 2021, the UK Financial Conduct Authority (FCA) announced the future cessation and loss of representativeness of the 35 LIBOR benchmark settings published by ICE Benchmark Administration (IBA). The FCA specifically announced that certain LIBOR settings (all euro and Swiss franc LIBOR tenors, overnight, one-week, two-month and 12-month sterling LIBOR, spot next, one-week, two-month and 12-month Japanese yen LIBOR, and one-week and two-month US dollar LIBOR) would permanently cease to be published immediately after 31 December 2021. With effect from 1 January 2022, the IBA has published the one-, three- and six-month sterling LIBOR and yen LIBOR settings for the duration of 2022 on the basis of a "synthetic" methodology. All remaining US dollar LIBOR settings will permanently cease to be published or will become unrepresentative immediately after 30 June 2023.

Despite the extension of the publication of certain US dollar LIBOR rates until 30 June 2023, the FCA's guidance has been that LIBOR should not be used for new contracts beyond 2021 and CEB has followed this guidance.

###### • Organization of the reform implementation project and implications for the Bank

The Bank is implementing the benchmark interest rate reform by migrating from the LIBOR benchmarks to the respective RFRs in line with market practice. A working group assessed the risks and potential impacts of this transition and developed an implementation roadmap, the implementation of which continues. The matters being addressed at the end of 2022 were the USD LIBOR cessation and the cessation of WIBOR, which will also be the key matters in the context of benchmark reform to be addressed in Q1-Q2 2023 (USD LIBOR) and between 2023 and 2025 (WIBOR).

The Bank is mainly exposed to IBORs under certain floating rate loans granted to borrowers. EURIBOR continues to be published given its compatibility with the EU Benchmark Regulation and remains the reference rate in the Euro-area for the foreseeable future. As most of the Bank's lending takes place in euro, referencing EURIBOR, the discontinuation/ unrepresentativeness of most LIBOR settings as of 1 January 2022 did not have a material impact on CEB's lending activity. The Bank has loans outstanding that reference BUBOR and STIBOR, which will continue to be published in the foreseeable future and which are deemed compatible with the EU Benchmark Regulation. In addition, the Bank has loans outstanding that reference WIBOR, the publication of which is planned to cease in 2025; the Bank is monitoring the situation, including any recommendations from the Polish national working group for the reform of benchmarks, and will take the necessary steps for the purposes of replacing WIBOR by the applicable fallback rate in due course.

In 2021, the Bank addressed the replacement of certain LIBORs under one loan agreement which was indexed to, *inter alia*, sterling LIBOR, Swiss franc LIBOR and Japanese yen LIBOR; the relevant tranches under this loan agreement and the related swaps were amended using the same RFR conventions (in order to preserve the hedge accounting approach). The Bank has identified the outstanding loan tranches which are indexed to US dollar LIBOR and is monitoring potential replacement rates. The Bank adopts a fair treatment and equivalence for the replaced reference rates.

In regards to derivatives, the Bank has adhered to the ISDA 2020 IBOR Fallbacks Protocol in 2021, multilaterally amending existing ISDA Master Agreements (including their CSAs) and swaps outstanding under them with all other counterparties that have adhered to the protocol to incorporate IBOR fallback rates. These fallback rates replaced the existing IBORs referred to in these agreements/ swaps where a permanent cessation of the publication of an IBOR has occurred. The same fallback rates apply to new swaps via revised definitions that ISDA has published together with the protocol and that CEB's swaps incorporate by reference.

### 1.3 Presentation currency

The presentation currency of the financial statements is the euro. The amounts presented in the financial statements and in the notes are in thousands of euros, unless otherwise specified.

## 2. Foreign currency transactions

The financial statements are presented in euros.

Monetary assets and liabilities denominated in foreign currencies are translated into euros (CEB's functional currency) at the exchange rate applicable at the end-date of the accounting period. Exchange variations resulting from this translation are accounted for in the Income statement.

Forward currency transactions are valued at market value by using the forward exchange rate applicable for the remaining period for the currency concerned. Spot exchange positions are valued at the spot exchange rate at the end of the accounting period. The resulting exchange differences are recorded in the Income statement.

## 3. Use of estimates

Within the context of IFRS application, the CEB uses estimates to determine the value of its financial instruments, mainly for the valuation of derivative instruments and for determining the credit risk of financial assets and commitments. Except for these aspects, the CEB's nature of operations does not necessitate, in terms of judgement and valuation complexity, significant estimates or defining assumptions in preparing its financial statements. However, economic and demographic assumptions are used to value the post-employment social commitments.

## 4. Financial assets and liabilities

Financial instruments represent the contractual rights or obligations to receive or pay cash or other financial assets. The CEB's banking activities are generally contractual in the form of financial instruments that cover a wide range of assets and liabilities such as loans, debt securities, debt securities in issue and derivatives (swaps, forwards).

In the financial statements, the classification and valuation method of financial assets and liabilities depends on their contractual characteristics as well as the manner in which the CEB manages these financial instruments.

However, this distinction is not applicable to derivative instruments that are always measured in the balance sheet at fair value regardless of the purpose of their holding (market activities or hedging transactions).

Financial instruments are recognised on a trade date basis.

### Classification and measurement of financial assets and liabilities

In accordance with IFRS 9, financial assets and liabilities are classified upon initial recognition in the balance sheet under three categories (amortised cost, fair value through profit or loss and fair value through equity) which determine their accounting treatment and subsequent measurement. This classification is based on the characteristics of their contractual cash flows and how the Bank manages its financial instruments (business model).

### Analysis of contractual cash flow characteristics

The purpose of the analysis of contractual cash flows characteristics is to limit the possibility of recording income from financial assets using the effective interest method only for instruments whose characteristics are similar to those of a basic loan contract,

implying a high predictability of the associated cash flows. All other financial assets that do not have such characteristics are measured at fair value through profit or loss, regardless of the business model in which they are held.

Contractual cash flows that represent only repayments of principal and interest payments on outstanding principal are consistent with a basic loan contract (SPPI flows: Solely Payments of Principal and Interest).

In a basic loan contract, interest consists primarily of consideration for the time value of money and for credit risk. All non-basic financial assets are required to be recognised at fair value through profit or loss, regardless of the business model in which they are held.

#### *Analysis of the model*

The business model represents the way in which instruments are managed to generate cash flows and income. To determine the classification and valuation method of financial assets, it is necessary to distinguish between three business models:

- a model based on collecting contractual cash flows from financial assets;
- a model based on collecting contractual cash flows from financial assets and selling these assets;
- a model specific to other financial assets, particularly transaction assets, in which the collection of contractual cash flows is incidental.

#### **4.1 Financial assets at amortised cost**

Financial assets are classified at amortised cost if the following two criteria are met: the business model consists of holding the instrument to collect the contractual cash flows ("Held to Collect") and the cash flows consist solely of payments of principal and interest on the principal.

##### *Business model criteria*

Financial assets are held to collect cash flows related to payments over the lifetime of the instrument.

##### *Cash flow criteria*

The cash flow criteria is met if the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. The category "Financial assets at amortised cost" includes loans granted and securities held to collect contractual payments (Treasury bills, government bonds and other debt securities).

##### *Recognition*

Upon initial recognition, financial assets are accounted for at fair value, including transaction costs directly attributable to the instrument. Subsequently, they are valued at amortised cost, including accrued interest and net of principal and interest repayments during the period. These financial assets are also initially subject to an impairment calculation for expected credit losses (Note R). Interest is calculated using the effective interest rate method determined at the inception of the contract.

In the context of fair value hedging transactions, the carrying amount of the assets is adjusted for gains and losses attributable to the hedged risk, in accordance with IFRS 9.

#### **4.2 Financial assets at fair value through equity**

##### *Debt instruments*

Debt instruments are classified at fair value through equity if the following two conditions are met:

##### *Business model criteria*

Financial assets are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling financial assets ("Held to Collect and Sell"). The latter is not incidental but is an integral part of the business model.

##### *Cash flow criteria*

The principles are identical to those applicable to financial assets at amortised cost. Securities that are held to collect contractual cash flows or to be sold and that comply with the cash flow criteria are mainly classified in this category.

##### *Recognition*

Upon initial recognition, financial assets are recognised at market value, including transaction costs directly attributable to the transaction. They are subsequently measured at fair value and changes in fair value are recorded in equity under "Gains or losses recognised directly in equity". These financial assets are also subject to a calculation of expected credit losses on the same terms as those applicable to debt instruments at amortised cost. On disposal, changes in value previously recognised in recyclable equity are reclassified to the Income statement. On the other hand, interest is recognised in the Income statement according to the effective interest rate method determined at the beginning of the contract.

In the context of fair value hedging transactions, the carrying amount of the assets is adjusted for gains and losses attributable to the hedged risk, in accordance with IFRS 9.

#### *Equity instruments*

Investments in equity instruments such as shares are classified by option, transaction by transaction, as financial assets at fair value through equity. When shares are sold, changes in value previously recorded in equity are not recognised in the Income statement. Only dividends, provided that they represent a return on investment and not a repayment of capital, are recognised in the Income statement. These instruments are not subject to impairment.

#### **4.3 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss concern debt instruments not held for trading that do not meet the criteria of the business model "Held to Collect" or "Held to Collect and Sell", or that of cash flows.

These financial instruments are recorded at their market value, initial transaction costs being directly recognised in the Income statement. At end-date, changes in market value are recorded in the Income statement under "Net gains or losses from financial instruments at fair value through profit or loss".

#### **4.4 Financial liabilities**

An issued financial instrument or its components are classified as liabilities, in accordance with the economic substance of the legal contract.

Issued financial instruments qualify as debt instruments if there is a contractual obligation for the Bank to settle with their holder.

#### *Debt securities in issue*

Debt securities in issue are initially recorded at their issuance value including transaction costs, and are subsequently valued at amortised cost by using the effective interest rate method.

In application of IFRS 9, within the context of fair value hedge transactions, the book value of issued debt is adjusted for the profits or losses relative to the hedged risk.

#### **4.5 Financing and guarantee commitments**

Financing and financial guarantee commitments that are not recognised as derivative instruments at fair value through profit or loss are presented in Note S relating to commitments given and received. They are depreciated for expected credit losses. These provisions are presented under the heading "Provisions".

#### **4.6 Impairment of financial assets at amortised cost and debt instruments at fair value through equity**

In accordance with IFRS 9, the credit risk impairment model is based on expected losses. This model applies to loans and debt instruments classified at amortised cost or at fair value through equity, loan commitments and given financial guarantee contracts that are not recorded at fair value through profit or loss.

#### *General approach*

The Bank identifies three "stages", each corresponding to a specific situation with respect to the evolution of credit risk of the counterparty since the initial recognition of the asset.

#### *The 12-month expected credit losses "stage 1":*

At the reporting date, if the credit risk of the financial instrument has not increased significantly since its initial recognition, impairment is recognised for this instrument in an amount equal to the 12-month expected credit losses (resulting from default risks within the next 12 months).

#### *Full lifetime expected losses for not impaired assets "stage 2":*

The impairment equals the lifetime expected credit losses (at maturity) if the credit risk of the financial instrument has increased significantly since initial recognition without the financial asset being impaired.

#### *Full lifetime expected losses for impaired assets "stage 3":*

When an asset is impaired, the impairment is also equal to the lifetime expected credit losses at maturity.

This general model is applied to all financial instruments within the scope of the impairment of IFRS 9.

Interest income is calculated on the gross book value for outstanding amounts of stage 1 and stage 2.

For the outstanding amounts within stage 3, interest income is calculated on the basis of the amortised cost balance (i.e. the gross book value adjusted for impairment allowances).

#### *Default definition*

The definition of default is identical to the definition used by the Basel ratios. Thus, the counterparties are considered to be in default when a payment delay longer than 90 days is noted.

#### *Impaired financial assets*

A financial asset is impaired and classified as stage 3 when one or more events having a negative impact on the future cash flow of that financial asset have occurred.

At the individual level, an objective indication of impairment includes any observable data relating to the following events: existence of contractual payments more than 90 days past due; the awareness or observation of significant financial difficulties of the counterparty leading to the conclusion of a proven existing risk.

#### *Significant increase in credit risk*

A significant increase in credit risk can be assessed by considering all reasonable and supportable information and by comparing a financial instrument's risk of default at the end-date with its risk of default at initial recognition.

The assessment of deterioration is based on a comparison of ratings or probabilities of default at initial recognition of financial instruments with those existing at the reporting date.

#### *Expected losses measurement*

Expected credit losses are defined as an estimate of credit losses (i.e. the present value of cash shortfalls) weighted by the probability of loss occurrence over the expected life of the financial instruments. They are calculated on an individual basis, for each exposure.

In practice, for exposures in stages 1 and 2, the expected credit losses are calculated as the Probability of Default (PD) multiplied by the Loss Given Default (LGD) and Exposure at Default (EAD), discounted at the effective interest rate of the exposure. They result from the default risk within the next 12 months (stage 1) or the risk of default over the lifetime till maturity (stage 2).

For exposures classified as stage 3, expected credit losses are calculated as cash flow shortfalls over the lifetime of the instrument, discounted at its effective interest rate. Cash flow shortfalls represent the difference between the contractual cash flows due and the expected cash flows.

The methodology implemented is based on existing concepts and frameworks (in particular the Basel framework).

#### *Probability of Default (PD)*

The Probability of Default is an estimate of the likelihood of a default over a given time horizon.

The measurement of expected credit losses requires the estimation of both 1-year probabilities of default and lifetime probabilities of default at maturity. The 1-year PD and the lifetime PD at maturity are point-in-time (PIT) probabilities derived from regulatory PD, based on long-term averages across the cycle, adjusted to reflect current conditions.

Given the absence of internal data with sufficient depth, the CEB uses external suppliers of PD data standardised according to the Bank's counterparty portfolios.

#### *Loss Given Default (LGD)*

Loss Given Default is the difference between the contractual cash flow and the expected cash flow, discounted at the effective interest rate at the date of default. The LGD is expressed as a percentage of the EAD.

The estimation of expected cash flow includes cash flows from the sale of collateral held or other credit enhancement if these are included in the contractual terms and are not accounted for separately by the entity, net of the costs of obtaining and selling the collateral.

Given the absence of internal data with sufficient depth, the CEB uses external suppliers of LGD data standardised according to the Bank's counterparty portfolios, credit enhancements and the "low cycle" effect (PIT).

#### *Exposure At Default (EAD)*

The Exposure At Default of an instrument is the anticipated outstanding amount owed by the borrower at the time of default. This amount is determined on the basis of the expected payment profile, and takes into account, based on the type of product, the contractual repayment schedule, expected early repayments and expected future drawings on credit agreements.

#### *Forward-looking information*

The amount of expected credit losses is measured on the basis of probability-weighted scenarios, taking into account past events, current conditions and reasonable and supportable economic forecasts.

The principles related to forward-looking information when measuring expected credit losses are detailed in Note R – Cost of risk.

#### **4.7 Cost of risk**

The cost of risk includes impairment allowances and reversals for 12-month expected losses and lifetime expected losses (stage 1 and stage 2) relating to debt instruments accounted for at amortised cost or at fair value through equity, loans commitments and financial guarantee contracts. The cost of risk also includes impairment allowances and reversals for financial assets for which an objective evidence of impairment exists (stage 3), write-offs on irrecoverable amounts and amounts recovered from impaired assets.

#### **4.8 Derivative instruments**

Derivative financial instruments are used by the CEB to manage and hedge the interest rate risk and/or foreign exchange risk of the hedged items. These are hedging derivative financial instruments.

Hedging transactions concern individual items or transactions (micro-hedging transactions).

Their recognition is governed by the standard IFRS 9 on general hedge accounting, or micro-hedging, which replaces IAS 39 "Financial Instruments: Recognition and Measurement".

Derivatives are classified into two categories:

##### *– Transaction derivatives*

Derivative instruments are by default considered to be transaction instruments, unless they can qualify as hedging instruments. They are recorded under the heading "Financial instruments at fair value through profit or loss" on the asset side of the balance sheet in case of positive market value and on the liability side of the balance sheet when the market value is negative. Profits or losses are recorded in the Income statement under the heading "Net gains or losses from financial instruments at fair value through profit or loss".

##### *– Derivatives and hedge accounting*

Fair value hedging is used by the Bank to cover in particular the interest rate risk of assets and liabilities with fixed interest rates, for identified financial instruments (loans, debt securities, issues).

Interest rate cash flow hedging is used to hedge items exposed to changes in future cash flows related to a financial instrument recognised in the balance sheet (floating rate loans, securities or debt). The purpose of this hedging relationship is to hedge against an adverse change in the future cash flows of an item that may affect the Income statement.

In order to qualify a financial instrument as a hedging derivative, the Bank keeps information on the hedge from its initial application. This information specifies the designated asset or liability, the hedged risk, the type of derivative instrument used and the valuation method which will be employed in assessing the retrospective and prospective effectiveness of the hedge.

The hedge must meet all of the hedge effectiveness requirements as defined by IFRS 9; this effectiveness must be ensured from the hedge's initial application and subsequently throughout its lifetime.

In the case of a fair value hedge relationship, derivatives are revalued in the balance sheet at their fair value, whilst fair value variations are recorded in the Income statement under the heading "Net gains or losses from financial instruments at fair value through profit or loss", symmetrically to the revaluation of the instruments hedged for the estimated risk. In the balance sheet, in the case of a hedging relationship of identified assets or liabilities, revaluation of the hedged item is accounted for in accordance with the classification of the instrument hedged. The impact recorded in the Income statement represents the eventual ineffectiveness of the hedge.

In the case of a cash flow hedge relationship, changes in the fair value of hedging derivative financial instruments are recorded in equity as "Gains or losses recognised directly in equity" for their effective portion, while the ineffective portion is recognised as "Net gains or losses from financial instruments at fair value through profit or loss" in the Income statement. In the case of interest rate derivatives, the accrued interest portion of the derivative financial instrument is recorded in the Income statement under "Interest and similar income or expenses", symmetrically with the interest income or expenses related to the hedged item.

In cases where a hedge is interrupted or it no longer satisfies the effectiveness tests, hedging derivatives are transferred to the trading portfolio and accounted for in accordance with the principles applicable to this category. In the case of interest rate instruments

initially identified as hedged, the revaluation amount with respect to these instruments recorded in the balance sheet is amortised at the effective interest rate for its residual life duration. If the hedged items are no longer recorded in the balance sheet, particularly due to early redemption, this amount is immediately transferred to the Income statement.

#### 4.9 Fair value assessment

The fair value of financial assets and liabilities is composed of their market values and additional value adjustments as required by IFRS 13.

##### *– Market value*

The financial assets and liabilities under categories "Financial instruments at fair value through profit or loss", "Hedging derivative financial instruments" and "Financial assets at fair value through equity" are valued and recorded at their market value. The market value is equivalent to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Market value is determined as follows:

- using quoted prices in an active market;
- applying a valuation technique incorporating:
  - mathematical calculation methods based on recognised financial assumptions, and
  - parameters whose value is determined either by using prices of instruments traded in active markets, or based on statistical estimates or other quantitative methods in the absence of an active market.

On the other hand, derivative instruments (foreign exchange, interest rate and currency swaps) are valued on the basis of commonly-accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques) by using observable parameters.

##### *– Value adjustments*

The valuation adjustments allow integration of the counterparty credit risk and of the Bank's own credit risk within the fair value.

Value adjustment for the risk of the counterparty (Credit Valuation Adjustment – CVA) reflects the risk for the Bank not to recover the full market value from its transactions, in case of default of one of its counterparties.

Value adjustment for own credit risk (Own Credit Adjustment - OCA and Debit Valuation Adjustment – DVA) represents the effect of the CEB's credit risk on valuation of its debt securities in issue and derivative financial liabilities.

These adjustments are calculated counterparty by counterparty and are based on the estimates of default exposures, probabilities of default and recovery rates in case of default.

The Exposure At Default is estimated using a model that quantifies the exposure at risk from the simulation of risk factors. The model takes into account collateral movements that depend on the characteristics of the Credit Support Annex (CSA) collateral agreement.

The CVA and DVA are recorded under the heading "Financial instruments at fair value through profit or loss" on the asset side of the balance sheet in the case of a positive value and on the liability side of the balance sheet when the value is negative. Gains and losses are recognised in the Income statement under "Net gains or losses from financial instruments at fair value through profit or loss".

#### 4.10 Derecognition of financial assets and liabilities

##### *Derecognition of financial assets*

The Bank derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when the CEB transfers the contractual rights to receive the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. If all these conditions are not fulfilled, the Bank retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

##### *Derecognition of financial liabilities*

The Bank derecognises all or part of a financial liability when the liability is extinguished in full or in part.

##### *Repurchase agreements*

Securities temporarily sold under repurchase agreements continue to be recognised in CEB's balance sheet in their original portfolio. The corresponding liability is recognised at amortised cost under "Financial liabilities at amortised cost".

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Bank's balance sheet. The corresponding receivable is recognised at amortised cost under "Financial assets at amortised cost"

## 5. Interest income and expense

Interest income and expense are recognised in the Income statement for all financial instruments by using the effective interest rate method.

The effective interest rate is the rate that discounts exactly the estimated future cash payments or receipts through the expected life of the financial instrument to the net book value of the financial asset or liability. This calculation includes commissions paid or received, when similar to interests, transaction charges and all premiums and discounts.

## 6. Fixed assets

Fixed assets recorded in the Bank's balance sheet include tangible and intangible operating assets and, since 1 January 2019, all leases within the scope of IFRS 16 "Leases" which replaces IAS 17 "Leases".

According to IFRS 16, all leases within the scope of the standard must be recognised in the lessee's balance sheet. The amount representing the right-of-use of the leased asset during the term of the contract is recognised as a tangible asset (Note H) and the amount corresponding to a lease liability is recognised as a liability (Note I).

In the Income statement, the right-of-use is depreciated over the lifetime of the contract and an interest expense is recognised on the lease liability.

Fixed assets are recorded at their purchase price to which directly connected expenses are added.

Depreciation is calculated according to the estimated useful life of the asset expected by the Bank using the straight-line method, the residual value of the asset being deducted from its depreciable basis.

At every end-date, fixed assets are valued at their amortised cost (cost less depreciation and any possible impairment) and if necessary, an accounting adjustment is carried out with respect to the duration of the useful life and the residual value.

### Tangible assets

The following is the breakdown of the "building" part of the operational premises, every element being depreciated according to its own useful life:

- Main works, façade and roofing (\*) -
- General and technical installations 10 years
- Fixtures and fittings 10 years

(\*) Given the Bank's headquarters' location in the centre of Paris, its residual value is assigned to the component "main works, façade and roofing" which is not subject to depreciation.

Land is not depreciated. The other tangible fixed assets are depreciated according to the following durations:

- Fittings and furniture 10 years
- Vehicles 4 years
- Office and IT equipment 3 years

### Intangible assets

Intangible assets (IT software) are amortised according to the following durations:

- Application software 5 years
- System software 3 years
- Office software 1 year

## 7. Post-employment staff benefits

The Bank's pension scheme is a defined benefit scheme, funded by contributions made both by the Bank and by the employees. Benefits are calculated on the basis of the number of years of service and a percentage of the basic remuneration of the last year of service.

The other post-employment benefit schemes (health care, fiscal adjustment and termination of service) are likewise defined benefit schemes. During retirement, retired staff members continue to be covered by a medical insurance. This medical coverage is financed by contributions from staff and the Bank. These vary according to the system in which the Bank's staff members find themselves at the time of their retirement. For staff members hired before 1 January 2014, the Bank reimburses 50% of the taxes on the Bank pension they receive.

These schemes represent commitments on the part of the Bank, which are valued and for which provisions are set up. In conformity with IAS 19, actuarial valuations are carried out on these commitments, considering both financial and demographic assumptions. The actuarial gains or losses are recorded in the balance sheet under the heading "Provisions" by counterparty of "Statement of comprehensive income".

The amount of the provision in relation to these commitments is determined by an independent actuary in accordance with the projected unit credit method.

## 8. Social Dividend Account

The Social Dividend Account (SDA) is used to finance grants in favour of projects complying with CEB objectives and located in eligible countries, as defined by the Administrative Council. The operating principles of the SDA were revised by Administrative Council Resolution 1589 (2016), approved on 17 November 2016. The revision consisted of making all of the Bank's member states eligible for guarantee schemes.

In November 2019, the Administrative Council amended the methodology used to provide SDA guarantees for CEB loans. The new methodology is based on the concept of value at risk, i.e. the amount of losses which will not be exceeded for a given time period and probability. It enables the Bank to guarantee up to twice the amount of the endowment, while maintaining a prudent approach to risk. The Administrative Council adopted the new methodology by amending the policy of the SDA through Resolution 1612 (2019).

The grants financed by the SDA may take the form of technical assistance, interest rate subsidies, guarantees and grant contributions.

### Interest rate subsidies

Interest rate subsidies are used to reduce the amount of interests borne by a CEB borrower. Interest rate subsidies cover the interest rate differential between the rate applied by the Bank and the rate effectively paid by the borrower, for each tranche of the loan.

### Guarantees

Guarantees on loans awarded by the CEB enable the Bank to fund projects that have a strong social impact but carry a high credit risk. The amount, the trigger event and the recovery mechanism are determined on a case by case basis.

### Technical assistance

Technical assistance is used to help a CEB borrower to prepare and implement its project. Pre-feasibility, feasibility and technical studies, design and operating plans, institutional and legal appraisals, and other consultancy services necessary for the project preparation, execution or monitoring and reporting, procurement supervision and impact assessment may thus be financed.

### Grant contributions

Grant contributions may be awarded in the framework of emergency situations or take the form of contributions to a common cause in the member states, pursued in cooperation with other international actors.

Grants financed by the SDA are approved by the Administrative Council of the Bank, except technical assistance grants smaller than or equal to €300 thousand, which are approved by the Governor.

The SDA is funded mainly by contributions from the Bank's member states, through dividends of a social nature, paid when the Bank's annual profit is allocated.

## 9. Related parties

With respect to IAS 24, the Bank is not a subsidiary of any entity. The financial statements are not affected by related party relationships.

The information concerning Chairpersons and Appointed Officials of the Bank is presented in paragraph 10 below.

## 10. Compensation for Chairpersons, Vice-Chairpersons and Appointed Officials

The Articles of Agreement of the CEB lay down that the organisation, administration and supervision of the Bank are divided between the following organs:

- the Governing Board,
- the Administrative Council,
- the Governor, and
- the Auditing Board.

The Governing Board and the Administrative Council each consist of a Chairperson and one representative appointed by each member state. The Chairperson of the Governing Board and the Chairperson of the Administrative Council are elected by the Governing Board for a 3-year term, renewable once. A Vice-Chairperson is elected among the members of each body. The annual allowances of the Chairpersons and the Vice-Chairpersons are fixed by the Administrative Council for the duration of their terms of office.

The Governor is appointed by the Governing Board for a 5-year term and may be re-appointed once. He is assisted by one or more Vice-Governors, who are appointed by the Governing Board, for a 5-year term renewable once, upon the Governor's proposal, following an opinion on conformity from the Administrative Council and after consultation with the members of the Governing Board. The emoluments of the Governor and the Vice-Governors are fixed by the Administrative Council, within the framework of the approval of the annual budget of the Bank.

The Governor and Vice-Governors are affiliated to the medical and social coverage as well as to the pension scheme of the CEB. The retirement pension scheme applicable is the same as for staff members, except that Appointed Officials may claim a retirement pension after five years of duty.

The CEB's Chairpersons, Vice-Chairpersons and Appointed Officials do not receive any stock options or any other kind of bonus.

The gross compensation for CEB's Chairpersons, Vice-Chairpersons and Appointed Officials is summarised below:

|   | <i>In thousand euros</i> |             |
|---|--------------------------|-------------|
|   | <b>2022</b>              | <b>2021</b> |
| <b>Official allowances</b>                        |                          |             |
| Chairperson of the Governing Board                | 45                       | 45          |
| Chairperson of the Administrative Council         | 45                       | 45          |
| Vice-Chairperson of the Governing Board           | 4                        | 6           |
| Vice-Chairperson of the Administrative Council    | 6                        | 5           |
| <b>Emoluments</b>                                 |                          |             |
| Governor Monticelli <sup>(a)</sup>                | 414                      | 14          |
| Vice-Governor Boček                               | 315                      | 304         |
| Vice-Governor Gaudin <sup>(b)</sup>               | 131                      |             |
| Vice-Governor Boehmer <sup>(c)</sup>              | 131                      |             |
| Governor Wenzel <sup>(d)</sup>                    |                          | 385         |
| Vice-Governor Monticelli <sup>(e)</sup>           |                          | 293         |
| Vice-Governor Sánchez-Yebra Alonso <sup>(f)</sup> |                          | 293         |

(a) Start of Governor Monticelli's term on 18 December 2021.

(b) Start of Vice-Governor Gaudin's term on 1 August 2022.

(c) Start of Vice-Governor Boehmer's term on 1 August 2022.

(d) End of Governor Wenzel's term on 17 December 2021.

(e) End of Vice-Governor Monticelli's term on 17 December 2021.

(f) End of Vice-Governor Sánchez-Yebra Alonso's term on 17 December 2021.

## 11. Taxation

The Third Protocol to the General Agreement on Privileges and Immunities of the Council of Europe states that the Bank's assets, income and other property are exempt from all direct taxes in the Bank's member states.

## NOTE B – Risk management

The primary purpose of risk management is to ensure the Bank's long-term financial sustainability and operational resilience while enabling the CEB to fulfil its social mandate. The Bank thus endeavours to implement international best banking practices by promoting a sound and prudent risk culture across all of its business lines.

This note provides information about the Bank's exposure to the main financial risks it faces in its regular course of business, namely credit risk, market risk, liquidity risk, and operational risk. It also contains information about the objectives, policies, procedures, limits and controls that provide the CEB with the appropriate tools to identify, assess, monitor, report, mitigate and control such risks.

While the Bank is not subject to member states' regulations, it considers European Union directives on banking regulation and recommendations from the Basel Committee on Banking Supervision as the reference for its Risk Management Framework.

The CEB regularly reviews its risk and control policies, including its monitoring procedures, in compliance with best banking practices.

### Risk appetite

The Bank defines Risk Appetite as the aggregate level and types of risk it is willing to assume within its risk capacity to achieve the objectives set out in its Strategic Framework.

A key instrument for fulfilling the CEB's mandate is lending funds at advantageous rates, which requires raising funds on capital markets at competitive rates. For that purpose, maintaining a solid credit risk profile is paramount.

The CEB financial and risk profile is driven by its risk appetite as set out with quantitative and qualitative key indicators and limits under its prudential framework.

The Bank's risk management adopts a prudent approach and mitigates risk to ensure its long-term financial sustainability. To this end, the Bank has developed and implemented a comprehensive risk management framework to identify, assess, monitor, report, mitigate and control all the risks inherent in the CEB's operations, resulting from both on- and off-balance sheet transactions.

In addition to the "traditional" risks (credit, interest rate, foreign exchange, liquidity or operational), the CEB recognises the challenges related to climate risk. The Bank integrates the assessment of physical climate risk into its analysis of lending projects and has developed the first climate-related methodologies for counterparty assessments. The CEB continues to develop its risk mapping exercise of climate risk factors likely to impact the Bank, directly or through its clients.

### Organisation

The Risk and Control Directorate (R&C) is responsible for implementing the Risk Management Framework, particularly for identifying, monitoring and reporting all risks across the Bank. In co-ordination with other directorates, R&C makes proposals for risk policies and methodologies, supervises their application, ensures overall coherence in risk management and warrants the completeness of risk reporting.

R&C is independent of other operational and business directorates, reporting directly to the Governor. The divisions within R&C cover the following risk areas: credit risk, market risk - including the Asset & Liability Management (ALM) from a risk angle - and operational risk.

The Finance Directorate is in charge of the operational ALM and the liquidity position of the Bank.

### Decision-making Committees

The Bank created different decision-making committees responsible for defining and overseeing risk management policies in their respective fields. The Governor chairs all these committees.

- The **Credit Risk Committee (CRC)** meets weekly and makes credit decisions related to lending and treasury exposure based on internal credit risk assessments and recommendations.
- The **Asset & Liability Committee (ALCO)** holds meetings on a monthly basis or more frequently if necessary to formulate strategic orientations and address on a forward-looking basis interest rate, foreign exchange rate and liquidity risk arising throughout the balance-sheet.
- The **Committee for Operational Risks & Organisation (CORO)** reviews operational risk issues at the CEB semi-annually and ensures that adequate steps are taken to mitigate, monitor and control these risks.

## Controlling Bodies

**Internal Audit (IA)** is a permanent, autonomous entity within the CEB's internal control system. The objective of IA is to provide the Governor and the CEB's controlling bodies with an independent and objective assurance of effective and controlled businesses and operational activities. IA examines whether the CEB's activities and transactions are performed in conformity with existing policies, procedures and best practices, and assesses their associated risks. It also proposes recommendations for potential improvements of CEB's operations.

The **Office of the Chief Compliance Officer (OCCO)** is tasked with addressing money laundering/financing of terrorism and tax evasion risks, as well as integrity, corruption and fraud issues. OCCO's mission is to protect the Bank from financial and reputational risks, to promote ethical business standards and to contribute in an independent manner to the CEB's effective management of compliance risks. OCCO's core activities are to perform integrity due diligence checks on operations and counterparties, to safeguard the Bank's integrity in its financial and loan operations and to safeguard the integrity and deontology of staff and Collegial Organs arising from failure to comply with the Bank's standards and policies. In addition, OCCO ensures that procurement selection procedures comply with internal rules.

The **Chief Information Security Officer (CISO)** in the Compliance Unit ensures that the CEB's information assets and technologies are adequately protected. The CISO is in charge of defining the security policy, designing the security framework, and identifying, developing, implementing, and maintaining processes across the CEB to reduce information and IT risks. The CISO responds to incidents, establishes appropriate standards and controls, manages security technologies, raises security awareness and ensures that information security policies and procedures are applied.

The **Auditing Board** comprises three representatives from member states appointed on a rotating basis by the CEB's Governing Board for a three-year term (outgoing members act as advisors for an additional year). The Auditing Board examines the Bank's accounts and checks their accuracy. The Auditing Board's report is presented to the Bank's governing bodies when the annual financial statements are submitted for approval. An excerpt of the report is appended to the financial statements.

The **External Auditor** is responsible for auditing the Bank's financial statements according to the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) and for reviewing the Bank's internal control and risk management processes. The External Auditor is appointed by the Governing Board for a four-year term – renewable once for three years following a tender procedure – based on the Auditing Board's opinion and recommendations by the Administrative Council. The External Auditor drafts various reports, including the Independent auditor's report on the annual financial statements.

Furthermore, the Bank is assessed by the three major **credit rating agencies**: Fitch Ratings, Moody's and Standard & Poor's, which perform in-depth analyses of the Bank's financial situation and long-term creditworthiness as well as environmental, social and governance criteria, following an annual rating assignment. Since 2021, the CEB has also been assigned an unsolicited credit rating from Scope Ratings.

## Internal and external reporting on risk management

The Risk & Control Directorate reports weekly to the Credit Risk Committee on credit risk across the Loan and Treasury activities.

The Finance Directorate reports monthly to the Asset & Liability Committee on interest and exchange rate exposure, as well as on funding and liquidity position.

The Quarterly Report on Risk Management, prepared by R&C, is presented to the Administrative Council and the Governing Board. It presents information to the shareholders about the development of the CEB's exposure to the main types of risks: credit, market, liquidity, operational risks and compliance with the prudential framework as defined internally.

The CEB also annually publishes a Risk Management Disclosure Report, which provides details about exposures across different types of risks and the methodologies applied in risk management assessment and their objectives.

The Bank also provides extensive information to the rating agencies to support their annual assessment. The CEB's annual report prepared under Form 18-K in connection with the registration statement filed with the U.S. Securities and Exchange Commission also includes information on the Bank's risk management, which in turn promotes accountability and transparency.

Finally, the CEB's annual Financial Report of the Governor provides a fair view of the risk management processes and practices in place at the Bank and discloses detailed data on its risk exposure.

# 1. CREDIT RISK

## Overview of the assessment process

Credit risk is the potential loss arising from a bank borrower or counterparty failing to meet its obligations in accordance with agreed terms. The Bank is exposed to credit risk in its lending and treasury activities, as borrowers and treasury counterparties could default on their contractual obligations, or the value of the Bank's investments could become impaired. Credit risk may also materialise in the form of a rating downgrade that may negatively affect the Bank's capital or provisioning against credit losses. Credit risk also covers settlement and pre-settlement risk. Similarly, the collateral risk is considered part of credit risk (collateral is essentially a credit risk mitigation technique). Overall, credit risk is a function of the amount of credit exposure and the credit quality of the borrower or transaction.

## Credit risk identification and assessment

Credit risk management identifies all potential sources of credit risk inherent in all products and activities arising from the Bank's lending and treasury activities across its balance sheet and off-balance sheet operations. The Bank ensures that the risks of new products and activities are subject to adequate risk management procedures and controls before being introduced or undertaken. Credit risk may materialise in the form of rating downgrades, (cross-) default on payment obligations or during the transaction settlement process.

Credit risk assessment is conducted by the Credit Risk Unit (CRU) (Financial Risk Division/ R&C) independently of lending or treasury officers with the aim of providing (i) appropriate checks and balances to ensure that credit is extended in accordance with risk principles and (ii) an independent judgment, uninfluenced by relationships with the borrower or intermediaries. Credit exposure is measured, monitored and controlled daily. Breach of limit, if any, is reported to senior management.

Internal credit ratings result from the Bank's independent internal credit risk assessment. Internal credit ratings are an opinion on the ability and willingness of a borrower to pay its obligations in full and on time. They are generally based on a qualitative and quantitative assessment of risk factors and potential scenarios that may ultimately lead to a default situation. Internal credit ratings are assigned to all counterparties in the Finance Directorate and in the Loans & Social Development Directorate. The Bank may use external ratings for specific transactions, products or counterparties while ensuring a sound understanding of the underlying risk incurred. The internal rating methodologies are regularly reviewed and calibrated. The defined limits to monitor credit risk arising from its operations are regularly reviewed.

## Mapping between internal rating and external rating agencies:

|                                    | Internal rating | Moody's | S&P / Fitch |
|------------------------------------|-----------------|---------|-------------|
| Investment Grade<br>(I.G.)         | 10              | Aaa     | AAA         |
|                                    | 9.5             | Aa1     | AA+         |
|                                    | 9               | Aa2     | AA          |
|                                    | 8.5             | Aa3     | AA-         |
|                                    | 8               | A1      | A+          |
|                                    | 7.5             | A2      | A           |
|                                    | 7               | A3      | A-          |
|                                    | 6.5             | Baa1    | BBB+        |
|                                    | 6               | Baa2    | BBB         |
|                                    | 5.5             | Baa3    | BBB-        |
| Non-Investment Grade<br>(Non-I.G.) | 5               | Ba1     | BB+         |
|                                    | 4.5             | Ba2     | BB          |
|                                    | 4               | Ba3     | BB-         |
|                                    | 3.5             | B1      | B+          |
|                                    | 3               | B2      | B           |
|                                    | 2.5             | B3      | B-          |
|                                    | 2               | Caa1    | CCC+        |
|                                    | 1.5             | Caa2    | CCC         |
|                                    | 1               | Caa3    | CCC-        |
|                                    | 0.5             | Ca      | CC          |
| Default                            | 0.25            | C       | C           |
|                                    | 0               | D       | D           |

## Credit risk mitigation

The CEB actively uses credit risk mitigation (CRM) techniques to monitor and mitigate credit risk during the life of the transactions. Credit risk mitigation techniques can take the form of a guarantee, collateral, or contractual safeguards (contractual covenants).

Credit risk mitigation techniques for new transactions are proposed by CRU and subject to the approval of the Credit Risk Committee. Credit risk mitigation techniques for existing transactions are presented to the Credit Risk Committee at the annual counterparty review.

The credit risk of a new project is assessed during the appraisal process and requires approval from the relevant internal committees. All projects are submitted to the Administrative Council for approval.

An overall framework for financial operations is established by the Administrative Council through the Bank's financial and risk policy. Within this framework, treasury transactions are assessed by CRU and submitted to the Credit Risk Committee for approval.

Finally, Large Exposure and concentration limits are also defined and reported to the Credit Risk Committee.

## Overall credit risk exposure

The following table presents the Bank's credit risk exposure as at 31 December 2022 and 31 December 2021, both in:

- A. the Loans and Social Development Directorate: loans and financing commitments;
- B. the Finance Directorate: deposits (Nostro and Money Market), securities portfolios and derivatives.

|                                  | 2022          |               |              |               | 2021          |               |              |               |
|----------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|
|                                  | AAA/AA        | A/BBB         | Non-IG       | Total         | AAA/AA        | A/BBB         | Non-IG       | Total         |
| Loans                            | 4 357         | 12 818        | 2 712        | <b>19 887</b> | 3 760         | 12 535        | 2 621        | <b>18 916</b> |
| Financing commitments            | 952           | 4 345         | 1 235        | <b>6 532</b>  | 1 403         | 3 684         | 1 228        | <b>6 316</b>  |
| Deposits (Nostro & Money Market) | 1 414         | 3 939         |              | <b>5 352</b>  | 1 737         | 2 409         |              | <b>4 146</b>  |
| Securities                       | 3 818         | 675           |              | <b>4 493</b>  | 3 497         | 1 589         |              | <b>5 085</b>  |
| Swap & Forex EAD SA-CCR          | 185           | 109           |              | <b>294</b>    | 182           | 112           |              | <b>294</b>    |
| <b>Total</b>                     | <b>10 726</b> | <b>21 885</b> | <b>3 948</b> | <b>36 559</b> | <b>10 578</b> | <b>20 329</b> | <b>3 850</b> | <b>34 757</b> |

● Rating as recommended by the Basel Committee (second best rating) or internal rating when not rated by any international rating agency (i.e. Moody's, Standard and Poor's or Fitch)

● Loans and financing commitments are reported after CRM

● Loans, Deposits and Securities are reported at nominal value and excluding accrued interest

● The SA-CCR methodology for Swaps and Forex was implemented in 2021.

## A – Loans & Social Development Directorate Activity

### Loan portfolio

Credit risk in loan operations mainly arises from a bank borrower or counterparty failing to meet its contractual obligations or the materialisation of a rating downgrade.

As at 31 December 2022, loans outstanding reached €19.9 billion, increasing by 5.1% (+ €971 million) compared to year-end 2021. The Bank did not record any default nor late payment in 2022, as was the case in 2021.

The table below displays the risk profile of the loan portfolio by rating class and type of counterparty:

|  | 2022         |               |              |               | 2021         |               |              |               |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|  | AAA/AA       | A/BBB         | Non-IG       | Total         | AAA/AA       | A/BBB         | Non-IG       | Total         |
| Sovereign, State-Owned Financial Institutions and IFIs   | 1 891        | 6 307         | 2 425        | 10 623        | 1 329        | 6 247         | 2 379        | 9 956         |
| Sub-sovereign administrations and financial institutions | 2 297        | 3 456         | 158          | 5 911         | 2 298        | 3 012         | 134          | 5 443         |
| Other financial institutions                             | 10           | 2 731         | 93           | 2 834         | 13           | 3 092         | 85           | 3 190         |
| Non-financial institutions                               | 159          | 324           | 37           | 519           | 120          | 184           | 23           | 327           |
| <b>Total</b>   | <b>4 357</b> | <b>12 818</b> | <b>2 712</b> | <b>19 887</b> | <b>3 760</b> | <b>12 535</b> | <b>2 621</b> | <b>18 916</b> |

● Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating.

● Loans reported after CRM at nominal value and excluding accrued interest

## Guaranteed and collateralised loans

A significant part of the loan portfolio benefits from credit enhancements (collateral and guarantees), allowing for an improvement in credit risk quality:

- guaranteed loans: €6.1 billion as at 31 December 2022 (€6.5 billion in 2021), i.e. 30.9% of total outstanding (34.3% in 2021);
- collateralised loans: €211 million as at 31 December 2022 (€228 million in 2021), i.e. 1.2% of total outstanding (as in 2021).

### Impact of credit enhancements on the risk profile of loans outstanding:

|              | Table 3 (in M€) |     |               |     | 2022          |     |               |     | 2021       |   |           |   |
|--------------|-----------------|-----|---------------|-----|---------------|-----|---------------|-----|------------|---|-----------|---|
|              | Before CRM      |     | After CRM     |     | Before CRM    |     | After CRM     |     | Before CRM |   | After CRM |   |
|              | Amount          | %   | Amount        | %   | Amount        | %   | Amount        | %   | Amount     | % | Amount    | % |
| AAA/AA       | 3 426           | 17% | 4 357         | 22% | 3 256         | 17% | 3 760         | 20% |            |   |           |   |
| A/BBB        | 11 624          | 58% | 12 818        | 64% | 10 903        | 58% | 12 535        | 66% |            |   |           |   |
| Non-IG       | 4 837           | 24% | 2 712         | 14% | 4 757         | 25% | 2 621         | 14% |            |   |           |   |
| <b>Total</b> | <b>19 887</b>   |     | <b>19 887</b> |     | <b>18 916</b> |     | <b>18 916</b> |     |            |   |           |   |

● Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating

● Loans reported at nominal value and excluding accrued interest

More specifically, the two tables below show the impact of the guarantees on non-rated loans by external rating agencies.

- Share of non-rated loans by external rating agencies out of the total loans:

| 2022       |           | 2021       |           |
|------------|-----------|------------|-----------|
| Before CRM | After CRM | Before CRM | After CRM |
| 5 559      | 2 366     | 5 049      | 1 929     |
| 28.0%      | 11.9%     | 26.7%      | 10.2%     |

Amounts in € million

- Share of loans rated Investment Grade by internal rating, among loans non-rated by external agencies:

| 2022       |           | 2021       |           |
|------------|-----------|------------|-----------|
| Before CRM | After CRM | Before CRM | After CRM |
| 3 322      | 2 142     | 2 904      | 1 741     |
| 59.8%      | 90.6%     | 57.5%      | 92.1%     |

Amounts in € million

### Breakdown of loans outstanding by maturity of repayment flows:

| Maturity                       | 2022          |             | 2021          |             |
|--------------------------------|---------------|-------------|---------------|-------------|
|                                | Amount        | %           | Amount        | %           |
| Up to 1 year                   | 2 094         | 11%         | 2 414         | 13%         |
| 1 year to 5 years              | 8 313         | 42%         | 7 711         | 41%         |
| 5 years to 10 years            | 5 816         | 29%         | 5 552         | 29%         |
| 10 years to 20 years           | 3 227         | 16%         | 2 896         | 15%         |
| More than 20 years             | 437           | 2%          | 343           | 2%          |
| <b>Total</b>                   | <b>19 887</b> | <b>100%</b> | <b>18 916</b> | <b>100%</b> |
| Weighted average residual life | 6.2 years     |             | 5.9 years     |             |

**Breakdown of loans outstanding by rating class and by country of the counterparty (after CRM):**

|                             | 2022         |               |              |               | 2021         |               |              |               |
|-----------------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|                             | AAA/AA       | A/BBB         | Non-IG       | Total         | AAA/AA       | A/BBB         | Non-IG       | Total         |
| <b>Member Countries</b>     |              |               |              |               |              |               |              |               |
| France                      | 861          | 1 315         | 36           | <b>2 212</b>  | 618          | 1 490         | 23           | <b>2 130</b>  |
| Spain                       |              | 2 118         | 25           | <b>2 143</b>  |              | 1 902         |              | <b>1 902</b>  |
| Poland                      |              | 1 670         | 10           | <b>1 680</b>  |              | 1 204         | 21           | <b>1 225</b>  |
| Italy                       |              | 1 257         | 100          | <b>1 357</b>  |              | 1 085         | 100          | <b>1 185</b>  |
| Germany                     | 1 048        | 231           |              | <b>1 279</b>  | 1 109        | 181           |              | <b>1 290</b>  |
| Türkiye                     |              |               | 1 143        | <b>1 143</b>  |              |               | 1 266        | <b>1 266</b>  |
| Belgium                     | 214          | 869           |              | <b>1 084</b>  | 231          | 866           |              | <b>1 097</b>  |
| Slovak Republic             |              | 1 043         | 15           | <b>1 058</b>  |              | 1 040         | 25           | <b>1 065</b>  |
| Netherlands                 | 537          | 433           | 6            | <b>976</b>    | 561          | 434           | 7            | <b>1 002</b>  |
| Hungary                     |              | 716           |              | <b>716</b>    |              | 703           |              | <b>703</b>    |
| Lithuania                   |              | 689           | 3            | <b>692</b>    |              | 639           |              | <b>639</b>    |
| Croatia                     |              | 634           |              | <b>634</b>    |              | 623           |              | <b>623</b>    |
| Finland                     | 344          | 267           | 1            | <b>612</b>    | 316          | 280           |              | <b>596</b>    |
| Serbia                      |              |               | 519          | <b>519</b>    |              |               | 407          | <b>407</b>    |
| Sweden                      | 446          |               |              | <b>446</b>    | 462          |               |              | <b>462</b>    |
| Czech Republic              | 300          | 64            | 59           | <b>423</b>    | 300          | 92            | 25           | <b>417</b>    |
| Ireland                     | 392          | 14            |              | <b>406</b>    |              | 388           |              | <b>388</b>    |
| Romania                     |              | 334           | 33           | <b>367</b>    |              | 391           | 34           | <b>424</b>    |
| Cyprus                      |              | 308           |              | <b>308</b>    |              | 361           |              | <b>361</b>    |
| Portugal                    |              | 293           |              | <b>293</b>    |              | 292           | 7            | <b>299</b>    |
| Greece                      |              |               | 218          | <b>218</b>    |              |               | 218          | <b>218</b>    |
| Estonia                     | 200          |               |              | <b>200</b>    | 151          |               |              | <b>151</b>    |
| Bulgaria                    |              | 192           |              | <b>192</b>    |              | 230           |              | <b>230</b>    |
| Slovenia                    |              | 170           |              | <b>170</b>    |              | 134           |              | <b>134</b>    |
| Albania                     |              |               | 133          | <b>133</b>    |              |               | 83           | <b>83</b>     |
| Montenegro                  |              |               | 100          | <b>100</b>    |              |               | 94           | <b>94</b>     |
| North Macedonia             |              |               | 97           | <b>97</b>     |              |               | 104          | <b>104</b>    |
| Bosnia and Herzegovina      |              |               | 88           | <b>88</b>     |              |               | 88           | <b>88</b>     |
| Moldova (Republic of)       |              |               | 64           | <b>64</b>     |              |               | 71           | <b>71</b>     |
| Iceland                     |              | 63            |              | <b>63</b>     |              | 74            |              | <b>74</b>     |
| Kosovo                      |              |               | 46           | <b>46</b>     |              |               | 35           | <b>35</b>     |
| Malta                       |              | 29            |              | <b>29</b>     |              | 9             |              | <b>9</b>      |
| Latvia                      |              | 24            |              | <b>24</b>     |              | 26            |              | <b>26</b>     |
| Andorra                     |              | 15            |              | <b>15</b>     |              | 12            |              | <b>12</b>     |
| San Marino                  |              |               | 9            | <b>9</b>      |              |               | 10           | <b>10</b>     |
| Georgia                     |              |               | 9            | <b>9</b>      |              |               | 5            | <b>5</b>      |
| <b>Sub-total</b>            | <b>4 342</b> | <b>12 749</b> | <b>2 712</b> | <b>19 803</b> | <b>3 747</b> | <b>12 457</b> | <b>2 621</b> | <b>18 825</b> |
| <b>Supranational</b>        |              | 14            |              | <b>14</b>     |              | 13            |              | <b>13</b>     |
| <b>Non-Member Countries</b> |              |               |              |               |              |               |              |               |
| Austria                     |              | 69            |              | <b>69</b>     |              | 78            |              | <b>78</b>     |
| <b>Grand Total</b>          | <b>4 357</b> | <b>12 818</b> | <b>2 712</b> | <b>19 887</b> | <b>3 760</b> | <b>12 535</b> | <b>2 621</b> | <b>18 916</b> |

● Loans reported after CRM at nominal value and excluding accrued interest.

## Stock of projects and financing commitments

The stock of projects encompasses all projects approved by the Administrative Council awaiting financing. Financing commitments are projects still awaiting financing, and for which a framework loan agreement has been signed.

The stock of projects reached €9.1 billion as at 31 December 2022 (31 December 2021: €8.9 billion), of which 80.5% are rated *Investment-Grade* (compared to 81.6% as at 31 December 2021).

Financing commitments reached €6.5 billion as at 31 December 2022 (31 December 2021: €6.3 billion), of which 79.2% are rated *Investment-Grade* (31 December 2021: 80.5%).

Table 6 (in M€)

|                                | 2022       |              |              |              | 2021         |              |              |              |
|--------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | AAA/AA     | A/BBB        | Non-IG       | Total        | AAA/AA       | A/BBB        | Non-IG       | Total        |
| Total stock of projects        | 1 382      | 5 941        | 1 770        | <b>9 093</b> | 1 453        | 5 824        | 1 638        | <b>8 915</b> |
| of which financing commitments | <b>952</b> | <b>4 345</b> | <b>1 235</b> | <b>6 532</b> | <b>1 403</b> | <b>3 684</b> | <b>1 228</b> | <b>6 316</b> |

● Financing commitments reported considering future CRM.

## Breakdown of financing commitments by rating class and by country of the counterparty (after CRM):

Table 7 (in M€)

|                             | 2022       |              |              |              | 2021         |              |              |              |
|-----------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                             | AAA/AA     | A/BBB        | Non-IG       | Total        | AAA/AA       | A/BBB        | Non-IG       | Total        |
| <b>Member Countries</b>     |            |              |              |              |              |              |              |              |
| France                      | 217        | 435          | 11           | <b>663</b>   | 632          | 280          | 58           | <b>970</b>   |
| Poland                      |            | 625          |              | <b>625</b>   |              | 507          |              | <b>507</b>   |
| Spain                       |            | 553          | 22           | <b>575</b>   |              | 733          | 47           | <b>780</b>   |
| Italy                       |            | 493          | 75           | <b>568</b>   |              | 510          | 75           | <b>585</b>   |
| Germany                     | 256        | 169          |              | <b>425</b>   | 416          | 204          |              | <b>620</b>   |
| Serbia                      |            |              | 418          | <b>418</b>   |              |              | 452          | <b>452</b>   |
| Portugal                    |            | 292          | 100          | <b>392</b>   |              | 150          | 100          | <b>250</b>   |
| Belgium                     |            | 339          |              | <b>339</b>   |              |              |              |              |
| Romania                     |            | 289          | 36           | <b>325</b>   |              | 399          | 26           | <b>425</b>   |
| Türkiye                     |            |              | 320          | <b>320</b>   |              |              | 220          | <b>220</b>   |
| Czech Republic              | 200        | 50           |              | <b>250</b>   |              | 82           | 18           | <b>100</b>   |
| Lithuania                   |            | 164          | 43           | <b>207</b>   |              | 127          |              | <b>127</b>   |
| Netherlands                 |            | 200          |              | <b>200</b>   |              | 20           |              | <b>20</b>    |
| Croatia                     |            | 200          |              | <b>200</b>   |              | 75           |              | <b>75</b>    |
| Finland                     | 140        | 40           |              | <b>180</b>   | 201          | 70           | 1            | <b>272</b>   |
| Ireland                     | 60         | 107          |              | <b>167</b>   |              | 169          |              | <b>169</b>   |
| Slovak Republic             |            | 159          |              | <b>159</b>   |              | 137          |              | <b>137</b>   |
| Cyprus                      |            | 100          |              | <b>100</b>   |              | 34           |              | <b>34</b>    |
| Slovenia                    |            | 75           |              | <b>75</b>    |              |              |              |              |
| Sweden                      | 71         |              |              | <b>71</b>    | 100          |              |              | <b>100</b>   |
| Moldova (Republic of)       |            |              | 60           | <b>60</b>    |              |              | 80           | <b>80</b>    |
| Greece                      |            |              | 53           | <b>53</b>    |              |              | 53           | <b>53</b>    |
| Montenegro                  |            |              | 41           | <b>41</b>    |              |              | 23           | <b>23</b>    |
| North Macedonia             |            |              | 25           | <b>25</b>    |              |              | 25           | <b>25</b>    |
| Estonia                     |            | 25           |              | <b>25</b>    | 50           | 25           |              | <b>75</b>    |
| Kosovo                      |            |              | 14           | <b>14</b>    |              |              | 25           | <b>25</b>    |
| Bosnia and Herzegovina      |            |              | 11           | <b>11</b>    |              |              | 15           | <b>15</b>    |
| Latvia                      |            | 8            |              | <b>8</b>     |              | 9            |              | <b>9</b>     |
| Georgia                     |            |              | 5            | <b>5</b>     |              |              | 9            | <b>9</b>     |
| Andorra                     |            | 4            |              | <b>4</b>     |              |              |              |              |
| Albania                     |            |              | 1            | <b>1</b>     |              |              | 3            | <b>3</b>     |
| Hungary                     |            |              |              |              |              | 103          |              | <b>103</b>   |
| Malta                       |            |              |              |              |              | 20           |              | <b>20</b>    |
| <b>Sub-total</b>            | <b>944</b> | <b>4 325</b> | <b>1 235</b> | <b>6 505</b> | <b>1 400</b> | <b>3 654</b> | <b>1 228</b> | <b>6 282</b> |
| <b>Supranational</b>        | <b>8</b>   |              |              | <b>8</b>     | <b>3</b>     |              |              | <b>3</b>     |
| <b>Non-Member Countries</b> |            |              |              |              |              |              |              |              |
| Austria                     |            | 20           |              | <b>20</b>    |              | 30           |              | <b>30</b>    |
| <b>Grand Total</b>          | <b>952</b> | <b>4 345</b> | <b>1 235</b> | <b>6 532</b> | <b>1 403</b> | <b>3 684</b> | <b>1 228</b> | <b>6 316</b> |

● Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating

● Financing commitments reported, considering future CRM

## B - Finance Directorate Activity

### Treasury operations

Credit risk in treasury operations mainly arises through placements in deposits, investments in securities and by entering into derivatives transactions for hedging purposes.

#### Breakdown of Finance operations by type of transaction:

| Table 8 (in M€)                  | 2022         |              |              |            |               | 2021       |              |              |            |              |
|----------------------------------|--------------|--------------|--------------|------------|---------------|------------|--------------|--------------|------------|--------------|
|                                  | AAA          | AA           | A            | BBB        | Total         | AAA        | AA           | A            | BBB        | Total        |
| Deposits (Nostro & Money Market) | 456          | 958          | 3 939        |            | 5 352         | 280        | 1 457        | 2 359        | 50         | 4 146        |
| Securities                       | 797          | 3 021        | 525          | 150        | 4 493         | 711        | 2 786        | 919          | 670        | 5 085        |
| Swaps & Forex EAD SA-CCR         | 1            | 184          | 109          |            | 294           |            | 191          | 98           | 3          | 291          |
| <b>Total</b>                     | <b>1 254</b> | <b>4 163</b> | <b>4 572</b> | <b>150</b> | <b>10 139</b> | <b>991</b> | <b>4 434</b> | <b>3 375</b> | <b>723</b> | <b>9 522</b> |

### Deposits

The treasury monetary portfolio consists of short-term placements such as nostro accounts, bank deposits up to one year, cash received as collateral from derivative and (reverse) repurchase (repo) activities. Repo transactions aim at managing day-to-day cash flow in all required currencies. Eligible counterparties for investments of up to three months must have a minimum internal rating of 6.5 (BBB+) and 7.0 (A-) for investments between three months and one year.

#### Breakdown by deposit type and credit rating:

| Table 9 (in M€) | 2022       |            |              |     |              | 2021       |              |              |           |              |
|-----------------|------------|------------|--------------|-----|--------------|------------|--------------|--------------|-----------|--------------|
|                 | AAA        | AA         | A            | BBB | Total        | AAA        | AA           | A            | BBB       | Total        |
| Nostro          | 406        | 335        | 416          |     | 1 157        | 280        | 1 457        | 315          |           | 2 052        |
| Money Market    | 50         | 623        | 3 522        |     | 4 195        |            |              | 2 044        | 50        | 2 094        |
| <b>Total</b>    | <b>456</b> | <b>958</b> | <b>3 939</b> |     | <b>5 352</b> | <b>280</b> | <b>1 457</b> | <b>2 359</b> | <b>50</b> | <b>4 146</b> |

● Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating

● Deposits reported at nominal value and excluding accrued interest

#### Breakdown of money-market deposits by maturity and credit rating:

| Table 10 (in M€) | 2022      |            |              |     |              | 2021 |    |              |           |              |
|------------------|-----------|------------|--------------|-----|--------------|------|----|--------------|-----------|--------------|
|                  | AAA       | AA         | A            | BBB | Total        | AAA  | AA | A            | BBB       | Total        |
| Up to 1 month    |           | 227        | 2 147        |     | 2 374        |      |    | 283          |           | 283          |
| 1 M to 3 M       | 50        | 396        | 1 070        |     | 1 516        |      |    | 668          | 50        | 718          |
| 3 M to 6 M       |           |            | 305          |     | 305          |      |    | 917          |           | 917          |
| 6 M to 1 year    |           |            |              |     |              |      |    | 175          |           | 175          |
| <b>Total</b>     | <b>50</b> | <b>623</b> | <b>3 522</b> |     | <b>4 195</b> |      |    | <b>2 044</b> | <b>50</b> | <b>2 094</b> |

● Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating

● Deposits reported at nominal value and excluding accrued interest

## Securities portfolios

The Bank manages three securities portfolios:

- the Short-Term Liquidity Portfolio (STL): short-term securities with maturities up to one year;
- the Fair-Value through Equity Portfolio (FVOCI): maturities of one year and up to 15 years;
- the Amortised Cost Portfolio (ACP): in euro, fixed-rate, and maturities of one year and up to 30 years.

Short-term investments are defined as those with residual maturity of up to one year (370 days). For sovereign bonds with a residual maturity below six months, the minimum internal rating is 5.5 (BBB-). For sub-sovereign / agency / supranational bonds with a residual maturity below three months, the minimum internal rating is 6.0 (BBB). For financial institution bonds and deposits with a residual maturity below three months, the minimum internal rating is 6.5 (BBB+).

Long-term investments are defined as those with a residual maturity above one year (370 days). For sovereign /sub sovereign / agency / supranational bonds and for financial institution bonds and deposits with a residual maturity below two years, the minimum internal rating is 7.0 (A-).

### Breakdown of securities by portfolio type and rating:

| Table 11 (in M€)         | 2022       |              |            |            |              | 2021       |              |            |            |              |
|--------------------------|------------|--------------|------------|------------|--------------|------------|--------------|------------|------------|--------------|
|                          | AAA        | AA           | A          | BBB        | Total        | AAA        | AA           | A          | BBB        | Total        |
| Amortised Cost Portfolio | 652        | 857          | 40         |            | 1 550        | 514        | 945          | 40         |            | 1 499        |
| Fair-Value Portfolio     | 145        | 1 846        |            |            | 1 991        | 197        | 1 730        | 74         |            | 2 000        |
| Short-Term Portfolio     |            | 317          | 485        | 150        | 952          |            | 111          | 805        | 670        | 1 586        |
| <b>Total</b>             | <b>797</b> | <b>3 021</b> | <b>525</b> | <b>150</b> | <b>4 493</b> | <b>711</b> | <b>2 786</b> | <b>919</b> | <b>670</b> | <b>5 085</b> |

● Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating

● Securities reported at nominal value and excluding accrued interest

### Breakdown of securities portfolio by residual maturity and rating:

| Table 12 (in M€)   | 2022       |              |            |            |              | 2021       |              |            |            |              |
|--------------------|------------|--------------|------------|------------|--------------|------------|--------------|------------|------------|--------------|
|                    | AAA        | AA           | A          | BBB        | Total        | AAA        | AA           | A          | BBB        | Total        |
| Under 1 year       | 71         | 728          | 485        | 150        | 1 435        | 50         | 276          | 868        | 670        | 1 864        |
| 1 year to 2 years  | 100        | 285          | 40         |            | 425          | 60         | 420          |            |            | 480          |
| 2 years to 5 years | 243        | 784          |            |            | 1 027        | 271        | 923          | 51         |            | 1 245        |
| > 5 years          | 383        | 1 224        |            |            | 1 607        | 330        | 1 166        |            |            | 1 496        |
| <b>Total</b>       | <b>797</b> | <b>3 021</b> | <b>525</b> | <b>150</b> | <b>4 493</b> | <b>711</b> | <b>2 786</b> | <b>919</b> | <b>670</b> | <b>5 085</b> |

**Breakdown of securities portfolio by country and rating of the issuer:**

| Table 13 (in M€)            | 2022       |              |            |            |              | 2021       |              |            |            |              |
|-----------------------------|------------|--------------|------------|------------|--------------|------------|--------------|------------|------------|--------------|
|                             | AAA        | AA           | A          | BBB        | Total        | AAA        | AA           | A          | BBB        | Total        |
| <b>Member Countries</b>     |            |              |            |            |              |            |              |            |            |              |
| France                      |            | 1 425        |            |            | <b>1 425</b> |            | 1 493        |            |            | <b>1 493</b> |
| Germany                     | 88         | 325          |            |            | <b>413</b>   | 74         | 404          |            |            | <b>477</b>   |
| Switzerland                 | 10         | 200          | 130        |            | <b>340</b>   | 10         |              | 225        |            | <b>235</b>   |
| Finland                     |            | 153          |            |            | <b>153</b>   |            | 162          |            |            | <b>162</b>   |
| Italy                       |            |              | 150        |            | <b>150</b>   |            |              | 670        |            | <b>670</b>   |
| Netherlands                 | 69         |              | 80         |            | <b>148</b>   | 92         |              |            |            | <b>92</b>    |
| Norway                      |            | 136          |            |            | <b>136</b>   |            | 96           |            |            | <b>96</b>    |
| Denmark                     | 8          |              | 120        |            | <b>128</b>   |            |              |            |            |              |
| Sweden                      |            | 69           |            |            | <b>69</b>    |            | 58           |            |            | <b>58</b>    |
| Luxembourg                  | 42         |              |            |            | <b>42</b>    | 42         |              |            |            | <b>42</b>    |
| Spain                       |            |              | 40         |            | <b>40</b>    |            |              | 40         |            | <b>40</b>    |
| Belgium                     |            |              |            |            |              |            | 31           |            |            | <b>31</b>    |
| <b>Sub-total members</b>    | <b>216</b> | <b>2 306</b> | <b>370</b> | <b>150</b> | <b>3 042</b> | <b>217</b> | <b>2 243</b> | <b>265</b> | <b>670</b> | <b>3 396</b> |
| <b>Supranational</b>        | <b>581</b> | <b>23</b>    |            |            | <b>604</b>   | <b>493</b> | <b>26</b>    | <b>74</b>  |            | <b>593</b>   |
| <b>Europe (non-members)</b> |            |              |            |            |              |            |              |            |            |              |
| Austria                     |            | 89           |            |            | <b>89</b>    |            | 89           |            |            | <b>89</b>    |
| Great Britain               |            |              | 80         |            | <b>80</b>    |            |              | 330        |            | <b>330</b>   |
| <b>Sub-total Europe</b>     | <b>89</b>  | <b>80</b>    |            |            | <b>169</b>   |            | <b>89</b>    | <b>330</b> |            | <b>419</b>   |
| <b>Others</b>               |            |              |            |            |              |            |              |            |            |              |
| Canada                      |            | 329          |            |            | <b>329</b>   |            | 179          |            |            | <b>179</b>   |
| Australia                   |            | 218          |            |            | <b>218</b>   |            | 193          |            |            | <b>193</b>   |
| USA                         |            |              | 75         |            | <b>75</b>    |            |              | 196        |            | <b>196</b>   |
| New Zealand                 |            | 52           |            |            | <b>52</b>    |            | 52           |            |            | <b>52</b>    |
| South Korea                 |            | 4            |            |            | <b>4</b>     |            | 4            |            |            | <b>4</b>     |
| Japan                       |            |              |            |            |              |            |              | 54         |            | <b>54</b>    |
| <b>Sub-total Others</b>     | <b>602</b> | <b>75</b>    |            |            | <b>678</b>   |            | <b>428</b>   | <b>250</b> |            | <b>678</b>   |
| <b>Grand Total</b>          | <b>797</b> | <b>3 021</b> | <b>525</b> | <b>150</b> | <b>4 493</b> | <b>711</b> | <b>2 786</b> | <b>919</b> | <b>670</b> | <b>5 085</b> |

- Rating as recommended by the Basel Committee (second best rating) or, when not rated by international rating agencies, internal rating
- Securities reported at nominal value and excluding accrued interest

## Derivatives

The CEB uses Interest Rate Swaps (IRS) and Currency Interest Rate Swaps (CIRS) to hedge market risk on its lending, investment and funding transactions.

Derivatives transactions require prior credit clearance of the counterparty by the Credit Risk Committee and the signing of an ISDA Master Agreement and a Credit Support Annex (CSA), which defines the terms for the provision of collateral with the derivative counterparty. Thus, the CEB has signed ISDA Master Agreements and CSAs with all its derivative counterparties. There are seventeen two-way CSAs, meaning both counterparties are required to post collateral, which allows to adapt to market conditions and ensure the best possible funding cost. The two-way CSAs, if they allow to mitigate the credit risk of the derivative positions in case of favourable variations in their market value, may increase the potential liquidity needs in case of unfavourable changes. Eligible collateral identified in the CSAs may be cash-euro, or debt securities whose market price is discounted by applying a haircut, and whose minimum internal rating must be 7.0 (corresponding to A-). All swap transactions are valued at their net present value, and positions per counterparty are monitored daily so that additional collateral can be called according to the CSA margin call options ranging from daily to three times per month.

As at 31 December 2022, the Bank had received €903 million and provided €638 million as cash collaterals, covering all net present values (negative and positive) of the swap portfolio.

In accordance with CRR2/CRD5<sup>2</sup>, the regulation and the directive prescribing how to assess the counterparty credit risk (CCR) on derivatives exposures, the CEB has used since 2021 the SA-CCR method considering the nettings agreements and the collateral flows.

As at 31 December 2022, the credit risk exposure of the Bank's derivatives was €294 million (as in 2021).

### Breakdown of the swap notional values by type and maturity

| Table 14 (in M€)                   | 2022         |               |               |              |               | 2021         |               |               |              |               |
|------------------------------------|--------------|---------------|---------------|--------------|---------------|--------------|---------------|---------------|--------------|---------------|
|                                    | < 1 year     | 1 to 5Y       | 5 to 10Y      | > 10Y        | Total         | < 1 year     | 1 to 5Y       | 5 to 10Y      | > 10Y        | Total         |
| <b>Total (a)</b>                   | <b>4 625</b> | <b>20 267</b> | <b>11 348</b> | <b>6 142</b> | <b>42 383</b> | <b>4 611</b> | <b>18 094</b> | <b>10 557</b> | <b>5 423</b> | <b>38 686</b> |
| Cross Currency swaps               | 2 906        | 8 767         | 590           | 240          | <b>12 503</b> | 2 735        | 8 445         | 1 457         | 210          | <b>12 848</b> |
| Interest-rate swaps                | 1 720        | 11 500        | 10 758        | 5 902        | <b>29 880</b> | 1 876        | 9 649         | 9 100         | 5 213        | <b>25 838</b> |
| <i>Thereof: collateralised (b)</i> | <i>4 625</i> | <i>20 267</i> | <i>11 348</i> | <i>6 142</i> | <b>42 383</b> | <i>4 611</i> | <i>18 094</i> | <i>10 557</i> | <i>5 423</i> | <b>38 686</b> |
| <i>(b)/(a)</i>                     | <i>100%</i>  | <i>100%</i>   | <i>100%</i>   | <i>100%</i>  | <b>100%</b>   | <i>100%</i>  | <i>100%</i>   | <i>100%</i>   | <i>100%</i>  | <b>100%</b>   |

1 International Swaps and Derivatives Association.

2 Capital Requirements Regulation 2: Regulation (EU) 2019/876 / Capital Requirements Directive 5: Directive (EU) 2019/878.

**CEB's exposure to Public sector<sup>3</sup> by type of instrument (loan & securities)**

| Table 15 (in M€)                     |               |              |               |               |              |               |
|--------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
|                                      | Loans         | Securities   | Total         | Loans         | Securities   | Total         |
| <b>Euro area Countries</b>           |               |              |               |               |              |               |
| France                               | 985           | 910          | <b>1 895</b>  | 750           | 940          | <b>1 689</b>  |
| Spain                                | 1 776         | 40           | <b>1 816</b>  | 1 370         | 40           | <b>1 410</b>  |
| Italy                                | 1 159         | 150          | <b>1 309</b>  | 1 083         | 670          | <b>1 753</b>  |
| Germany                              | 1 048         | 173          | <b>1 220</b>  | 1 109         | 142          | <b>1 251</b>  |
| Belgium                              | 1 074         |              | <b>1 074</b>  | 1 096         |              | <b>1 096</b>  |
| Slovak Republic                      | 947           |              | <b>947</b>    | 949           |              | <b>949</b>    |
| Finland                              | 601           | 76           | <b>676</b>    | 583           | 76           | <b>659</b>    |
| Lithuania                            | 663           |              | <b>663</b>    | 634           |              | <b>634</b>    |
| Netherlands                          | 537           | 69           | <b>606</b>    | 561           | 92           | <b>653</b>    |
| Ireland                              | 404           |              | <b>404</b>    | 388           |              | <b>388</b>    |
| Cyprus                               | 308           |              | <b>308</b>    | 361           |              | <b>361</b>    |
| Portugal                             | 288           |              | <b>288</b>    | 292           |              | <b>292</b>    |
| Greece                               | 218           |              | <b>218</b>    | 218           |              | <b>218</b>    |
| Estonia                              | 200           |              | <b>200</b>    | 151           |              | <b>151</b>    |
| Slovenia                             | 158           |              | <b>158</b>    | 120           |              | <b>120</b>    |
| Luxembourg                           |               | 42           | <b>42</b>     |               | 42           | <b>42</b>     |
| Austria                              |               | 10           | <b>10</b>     |               | 10           | <b>10</b>     |
| Latvia                               | 5             |              | <b>5</b>      | 8             |              | <b>8</b>      |
| <b>Sub-total euro area (a)</b>       | <b>10 371</b> | <b>1 468</b> | <b>11 840</b> | <b>9 672</b>  | <b>2 011</b> | <b>11 684</b> |
| <b>Other EU Countries</b>            |               |              |               |               |              |               |
| Poland                               | 1 262         |              | <b>1 262</b>  | 790           |              | <b>790</b>    |
| Hungary                              | 716           |              | <b>716</b>    | 697           |              | <b>697</b>    |
| Croatia <sup>a</sup>                 | 634           |              | <b>634</b>    | 623           |              | <b>623</b>    |
| Sweden                               | 446           | 8            | <b>453</b>    | 462           | 8            | <b>470</b>    |
| Romania                              | 367           |              | <b>367</b>    | 424           |              | <b>424</b>    |
| Czech Republic                       | 304           |              | <b>304</b>    | 305           |              | <b>305</b>    |
| Bulgaria                             | 192           |              | <b>192</b>    | 230           |              | <b>230</b>    |
| Denmark                              |               | 8            | <b>8</b>      |               |              |               |
| <b>Sub-total other EU (b)</b>        | <b>3 920</b>  | <b>15</b>    | <b>3 935</b>  | <b>3 531</b>  | <b>8</b>     | <b>3 539</b>  |
| <b>Total EU countries (a) + (b)</b>  | <b>14 291</b> | <b>1 484</b> | <b>15 775</b> | <b>13 204</b> | <b>2 019</b> | <b>15 222</b> |
| <b>Non-EU countries</b>              |               |              |               |               |              |               |
| Türkiye                              | 1 143         |              | <b>1 143</b>  | 1 266         |              | <b>1 266</b>  |
| Serbia                               | 519           |              | <b>519</b>    | 407           |              | <b>407</b>    |
| Albania                              | 133           |              | <b>133</b>    | 83            |              | <b>83</b>     |
| Montenegro                           | 100           |              | <b>100</b>    | 94            |              | <b>94</b>     |
| North Macedonia                      | 97            |              | <b>97</b>     | 104           |              | <b>104</b>    |
| Bosnia and Herzegovina               | 88            |              | <b>88</b>     | 88            |              | <b>88</b>     |
| Moldova (Republic of)                | 64            |              | <b>64</b>     | 71            |              | <b>71</b>     |
| Kosovo                               | 46            |              | <b>46</b>     | 35            |              | <b>35</b>     |
| Andorra                              | 15            |              | <b>15</b>     | 12            |              | <b>12</b>     |
| San Marino                           | 9             |              | <b>9</b>      | 10            |              | <b>10</b>     |
| Georgia                              | 9             |              | <b>9</b>      | 5             |              | <b>5</b>      |
| Iceland                              | 8             |              | <b>8</b>      | 9             |              | <b>9</b>      |
| <b>Sub-total non-EU (c)</b>          | <b>2 231</b>  |              | <b>2 231</b>  | <b>2 183</b>  |              | <b>2 183</b>  |
| <b>Other countries</b>               |               |              |               |               |              |               |
| Canada                               |               | 75           | <b>75</b>     |               | 50           | <b>50</b>     |
| New Zealand                          |               | 52           | <b>52</b>     |               | 52           | <b>52</b>     |
| South Korea                          |               | 4            | <b>4</b>      |               |              |               |
| Japan                                |               |              |               |               | 54           | <b>54</b>     |
| <b>Sub-total Other Countries (d)</b> |               | <b>131</b>   | <b>131</b>    |               | <b>155</b>   | <b>155</b>    |
| <b>Supranational Institutions</b>    | <b>14</b>     | <b>604</b>   | <b>619</b>    | <b>13</b>     | <b>581</b>   | <b>594</b>    |
| <b>Sub-total Supranational (e)</b>   | <b>14</b>     | <b>604</b>   | <b>619</b>    | <b>13</b>     | <b>581</b>   | <b>594</b>    |
| <b>Total (a)+(b)+(c)+(d)+(e)</b>     | <b>16 537</b> | <b>2 219</b> | <b>18 755</b> | <b>15 400</b> | <b>2 755</b> | <b>18 155</b> |

<sup>a</sup> Croatia joined the euro area on 1 January 2023.<sup>3</sup> Public sector refers in this document to Sovereign (States), Sub-Sovereign (Regional and Local authorities), and their Promotional Financial Institutions.

## Concentration – Large Exposures

Concentration risk arises from too high a proportion of the portfolio being allocated to a specific country or obligor or to a particular type of instrument or individual transaction. Large exposure is the overall exposure (loans, securities, deposits and derivatives) to a single counterparty or a group of connected counterparties, exceeding 10% of prudential equity (paid-in capital, reserves and net profit).

In line with Basel Committee recommendations and the European Union directives, the CEB ensures that no exposure to a counterparty or group of connected counterparties exceeds the limit of 25% of prudential equity, and that the cumulative total of large exposures does not exceed 800% of prudential equity. Sovereign exposure is excluded from the large exposure calculation.

The risk concentration criteria used are as follows:

- Direct Exposure over group: within a group of counterparties connected by a control relationship (subsidiaries and branches), even if there is no guarantee;
- Indirect Exposure over group: when an entity has given its guarantee to another, even if they are not connected by a control relationship.

As at 31 December 2022:

- Prudential Equity amounted to €3.4 billion (compared to €3.2 billion at year-end 2021);
- twelve counterparties or groups of counterparties were considered as Large Exposure (as in 2021);
- no counterparty or group of connected counterparties exceeded the limit of 25% of the CEB's prudential equity (as in 2021);
- the total amount outstanding to these counterparties stood at €6.1 billion, i.e. 178% of the CEB's prudential equity, well below the 800% limit (31 December 2021: €5.6 billion, i.e. 172% of the CEB's prudential equity).

|  | 2022  | 2021  |
|--|-------|-------|
| Number of counterparties in Large Exposure | 12    | 12    |
| Total Large Exposures in % of Equity       | 178%  | 172%  |
| Total Large Exposures (M€)                 | 6 136 | 5 569 |
| of which Loans (M€)                        | 3 351 | 3 995 |
| of which Finance (M€)                      | 2 785 | 1 575 |

● Loans reported after CRM (without collateral) at nominal value and excluding accrued interest

● "Finance" means Securities, Money market, Nostro, derivatives & Forex

## 2. MARKET RISK

Market risk is the risk of incurring losses due to adverse movements in financial markets, such as interest rates or foreign exchange rates.

As the Bank has no trading activities and minimal foreign exchange rate risk, no capital charge is applied for market risk in the Capital Adequacy Ratio.

### Interest rate risk for the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates due to mismatched interest rate characteristics of assets and liabilities.

Interest rate exposure and compliance with exposure limits are managed by the Finance Directorate and monitored by the Risk & Control Directorate monthly. The Asset and Liability Committee (ALCO) oversees the development of the Bank's interest rate position and steers interest rate risk decisions.

### Interest rate risk management

The CEB adopts a prudent approach to interest rate risk management, aiming to preserve its financial stability and protect its earnings and capital base.

The Bank manages interest rate risk through the balance sheet using micro or macro hedging derivatives, by converting assets and liabilities into euro-denominated variable-rate instruments. To optimise its funding cost, the Bank may also decide to maintain assets and liabilities at fixed rate in euros.

The CEB is subject to structural interest rate risk on its equity, because it is not interest rate sensitive and, therefore, cannot be matched with interest rate sensitive instruments on the asset side. To manage this risk, the Bank adopts a convention for the interest rate repricing profile and duration of its equity, which is regularly reviewed in light of CEB's risk appetite and trends in financial markets. The target duration of equity investments is six years at end 2022, and CEB's equity is invested in euro-denominated fixed-rate loans and securities.

### Interest rate risk measurement

The Bank measures interest rate risk in accordance with Basel/EU regulations, by assessing the potential changes in its economic value and future earnings, and by capturing all components of interest rate risk, namely gap risk, which arises from mismatches in the timing of the instruments' rate changes, basis risk, and option risk.

The key metric for measuring interest rate risk is the **Sensitivity of the Economic Value of Equity (EVE)**. This indicator is included in the CEB's Prudential Framework. It measures the sensitivity to a change in interest rates of the net present value of the static balance sheet, excluding equity. It is calculated according to the methods established by the Basel/EU regulation and the European Banking Authority (EBA). CEB's Prudential Framework limits the impact on EVE to the most severe interest rate shock prescribed by the EBA (out of six scenarios), in absolute terms, at 20% of CEB's prudential equity. At the end of December 2022, the EVE sensitivity reached -10.0% (2021: -11.8%).

The CEB also monitors the following additional metrics:

- **Earnings Sensitivity (EaS):** this metric aims to ensure that the Bank's revenues are not significantly downwardly affected by a change in interest rates; it is calculated on a going-concern basis over a one-year time horizon by incorporating dynamic changes in balance sheet items; it is based on instantaneous interest rate shocks of +/-100bp; at the end of December 2022, the EaS was - €4.7 million (resp. €5.0 million) for a +100bp (resp. -100bp) interest rate change; in 2021, it was - €8.6 million (resp. €30.4 million) for a +100bp (resp. -100bp) interest rate change.
- **Interest rate duration of equity investments:** this metric aims to monitor any deviation between the actual duration of equity investments and the conventional duration of equity decided by the ALCO; at the end of December 2022, the interest rate duration of equity investments was 5.6 years (2021: 4.9 years) compared to a target duration of equity of 6 years.
- **Sensitivities of the Treasury Securities Portfolios:** the Bank monitors the interest rate and credit spread sensitivities of the Treasury Securities Portfolios to ensure that they maintain their liquidity and market value under severe market conditions and to also monitor potential capital impacts. In 2022:
  - the value of the Amortised Cost Portfolio (ACP) recorded at amortised cost, would decrease by €7.9 million (resp. €146.0 million) for a parallel shift of interest rates and credit spreads of +10bp (resp. +200bp).
  - the value of the portfolios recorded at fair value through other comprehensive income (Fair Value through Equity Portfolio (FVOCI) and Short-Term Liquidity Portfolio (STL)) would decrease by €6.8 million (resp. by €128.1 million) in the case of a parallel shift of +10bp of credit spreads (resp. +200bp). These portfolios are not very sensitive to interest rates because they are mostly fair value hedged.
- **Interest rate repricing gaps:** the CEB monitors interest rate risk in a static approach in terms of interest rate gaps, which measure, for each future period, the potential rate characteristic mismatches between assets and liabilities (differences in the timing of instruments' rate change, and differences in the interest rate indices).

The tables below provide the interest rate gap as at 31 December 2022, compared to 2021. The amount of assets and liabilities is grouped by time bands according to their maturity or next contractual reset date. The difference between the amount of assets and liabilities in each time band measures the static interest rate risk exposure.

Interest Rate Risk amortising profile/gap<sup>4</sup>

| 31 December 2022                                     | In thousand euros   |                     |                       |                  |                   |                    |                     |
|--|---------------------|---------------------|-----------------------|------------------|-------------------|--------------------|---------------------|
|  | Up to 1 month       | 1 to 3 months       | 3 months up to 1 year | 1 to 5 years     | More than 5 years | Undefined          | Net book value      |
| <b>Assets</b>  |                     |                     |                       |                  |                   |                    |                     |
| Cash in hand, balances with central banks            | 1 150 258           |                     |                       |                  |                   |                    | 1 150 258           |
| Financial assets at fair value through equity*       | 693 655             | 1 913 395           | 336 829               |                  |                   | (148 370)          | 2 795 509           |
| Financial assets at amortised cost                   |                     |                     |                       |                  |                   |                    |                     |
| Loans*   | 4 608 528           | 12 392 991          | 969 923               | 496 612          | 1 482 406         | (1 728 099)        | 18 222 361          |
| Advances   | 2 345 119           | 1 515 712           | 334 253               |                  |                   | 14 777             | 4 209 861           |
| Debt securities                                      |                     |                     | 127 600               | 592 133          | 830 002           | 43 035             | 1 592 770           |
| Deposits of guarantees paid                          | 638 590             |                     |                       |                  |                   | (457)              | 638 133             |
| Other assets   |                     |                     |                       |                  |                   |                    | 2 919 243           |
| <b>Sub-total of assets</b>                           | <b>9 436 151</b>    | <b>15 822 098</b>   | <b>1 768 605</b>      | <b>1 088 745</b> | <b>2 312 408</b>  | <b>1 100 129</b>   | <b>31 528 135</b>   |
| <b>Liabilities</b>                                   |                     |                     |                       |                  |                   |                    |                     |
| Financial liabilities at amortised cost              |                     |                     |                       |                  |                   |                    |                     |
| Amounts owed to credit institutions and to customers | (54 773)            | (6 975)             | (7 812)               | (311)            | (233)             | (72)               | (70 176)            |
| Debt securities in issue*                            | (12 124 579)        | (13 196 157)        | (37 505)              | (250 000)        | (250 000)         | 1 634 475          | (24 223 766)        |
| Deposits of guarantees received                      | (904 640)           |                     |                       |                  |                   |                    | (904 640)           |
| Provisions   | (480)               | (960)               | (4 318)               | (23 028)         | (225 699)         |                    | (254 484)           |
| Other liabilities                                    |                     |                     |                       |                  |                   | (2 632 694)        | (2 632 694)         |
| <b>Sub-total of liabilities</b>                      | <b>(13 084 472)</b> | <b>(13 204 092)</b> | <b>(49 634)</b>       | <b>(273 339)</b> | <b>(475 932)</b>  | <b>(998 291)</b>   | <b>(28 085 760)</b> |
| <b>Equity</b>  |                     |                     |                       |                  |                   |                    |                     |
| <b>Net during the period</b>                         | <b>(3 648 322)</b>  | <b>2 618 007</b>    | <b>1 718 970</b>      | <b>815 406</b>   | <b>1 836 477</b>  | <b>(3 340 537)</b> |                     |
| <b>Cumulative net during the period</b>              | <b>(3 648 322)</b>  | <b>(1 030 315)</b>  | <b>688 655</b>        | <b>1 504 061</b> | <b>3 340 537</b>  |                    |                     |

\*after hedging

| 31 December 2021                                     | In thousand euros   |                     |                       |                  |                   |                    |                     |
|--|---------------------|---------------------|-----------------------|------------------|-------------------|--------------------|---------------------|
|  | Up to 1 month       | 1 to 3 months       | 3 months up to 1 year | 1 to 5 years     | More than 5 years | Undefined          | Net book value      |
| <b>Assets</b>  |                     |                     |                       |                  |                   |                    |                     |
| Cash in hand, balances with central banks            | 2 044 716           |                     |                       |                  |                   |                    | 2 044 716           |
| Financial assets at fair value through equity*       | 785 367             | 1 842 670           | 1 010 934             |                  |                   | 65 706             | 3 704 677           |
| Financial assets at amortised cost                   |                     |                     |                       |                  |                   |                    |                     |
| Loans*   | 3 911 631           | 11 993 522          | 1 266 853             | 436 525          | 1 352 584         | 58 725             | 19 019 840          |
| Advances   | 282 961             | 718 398             | 1 092 458             |                  |                   | 2 853              | 2 096 670           |
| Debt securities                                      | 134 000             |                     | 125 000               | 630 646          | 743 297           | (62 127)           | 1 570 816           |
| Deposits of guarantees paid                          | 67 464              |                     |                       |                  |                   |                    | 67 464              |
| Other assets   |                     |                     |                       |                  |                   | 1 210 674          | 1 210 674           |
| <b>Sub-total of assets</b>                           | <b>7 226 138</b>    | <b>14 554 590</b>   | <b>3 495 245</b>      | <b>1 067 171</b> | <b>2 095 881</b>  | <b>1 275 832</b>   | <b>29 714 857</b>   |
| <b>Liabilities</b>                                   |                     |                     |                       |                  |                   |                    |                     |
| Financial liabilities at amortised cost              |                     |                     |                       |                  |                   |                    |                     |
| Amounts owed to credit institutions and to customers | (40 937)            | (26 997)            | (1 482)               | (735)            | (551)             | 27                 | (70 675)            |
| Debt securities in issue*                            | (11 108 761)        | (12 025 480)        |                       | (500 000)        | (500 000)         | (690 226)          | (24 824 467)        |
| Deposits of guarantees received                      | (540 534)           |                     |                       |                  |                   |                    | (540 534)           |
| Provisions   | (735)               | (1 469)             | (6 611)               | (35 259)         | (326 147)         | 2 169              | (368 052)           |
| Other liabilities                                    |                     |                     |                       |                  |                   | (677 457)          | (677 457)           |
| <b>Sub-total of liabilities</b>                      | <b>(11 690 966)</b> | <b>(12 053 947)</b> | <b>(8 093)</b>        | <b>(535 994)</b> | <b>(826 698)</b>  | <b>(1 365 487)</b> | <b>(26 481 185)</b> |
| <b>Equity</b>  |                     |                     |                       |                  |                   |                    |                     |
| <b>Net during the period</b>                         | <b>(4 464 828)</b>  | <b>2 500 643</b>    | <b>3 487 152</b>      | <b>531 177</b>   | <b>1 269 183</b>  | <b>(3 323 327)</b> |                     |
| <b>Cumulative net during the period</b>              | <b>(4 464 828)</b>  | <b>(1 964 185)</b>  | <b>1 522 968</b>      | <b>2 054 144</b> | <b>3 323 327</b>  |                    |                     |

\*after hedging

4 The total amount represents the net book value.

## Foreign exchange risk

The foreign exchange risk is managed by the Finance Directorate and monitored by the Risk & Control Directorate which is responsible for the independent oversight of all significant market risk<sup>1</sup>s to the CEB's Administrative Council.

The Bank measures its currency exposures by calculating spot net open currency positions: assets minus liability per currency including both on- and off- balance sheet positions.

The residual risk arises mainly from net interest cash flows in currencies other than the euro. The limit for the net open position per currency is €1 million. It is measured at the end of each month and there is a five working days' time span to cover the position.

The table below shows the residual foreign exchange exposure after taking hedging instruments into account at the end of 2022.

| Breakdown by currency | Assets           | Liabilities       | Derivative Instruments | Net position 2022 | In thousand euros |                   |                        |                   |
|-----------------------|------------------|-------------------|------------------------|-------------------|-------------------|-------------------|------------------------|-------------------|
|                       |                  |                   |                        |                   | Assets            | Liabilities       | Derivative Instruments | Net position 2021 |
| US Dollar             | 1 243 988        | 6 590 484         | 5 344 535              | (1 961)           | 547 159           | 6 958 587         | 6 411 716              | 288               |
| Pound Sterling        | 53 289           | 1 900 417         | 1 848 083              | 955               | 75 121            | 2 700 685         | 2 626 303              | 739               |
| Swiss franc           | 177 850          | 230 407           | 53 079                 | 522               | 167 690           | 219 576           | 52 703                 | 817               |
| Australian dollar     | 6 529            | 636 910           | 630 855                | 474               | 4 832             | 443 103           | 438 681                | 410               |
| Other currencies      | 2 062 682        | 879 759           | (1 182 129)            | 794               | 1 647 814         | 749 173           | (897 748)              | 893               |
| <b>Total</b>          | <b>3 544 338</b> | <b>10 237 977</b> | <b>6 694 423</b>       | <b>784</b>        | <b>2 442 616</b>  | <b>11 071 124</b> | <b>8 631 655</b>       | <b>3 147</b>      |

## 3. LIQUIDITY RISK

Liquidity risk is the risk of incurring losses resulting from the inability to meet payment obligations in full and in a timely manner when they become due. It can be classified into (1) funding liquidity risk, which arises when the Bank is unable to meet its payment obligations because of an inability to obtain new funding, and (2) market liquidity risk, which arises when the Bank is unable to sell or convert its liquid assets into cash without incurring significant losses.

Liquidity risk is inherent to the Bank's business. It arises from maturity mismatches between assets and liabilities. It may be significant because, unlike commercial banks, the CEB does not collect customer deposits, and does not have access to refinancing through central banks.

### Liquidity risk management

Liquidity risk management plays a crucial role in safeguarding the Bank's financial flexibility, especially when adverse market conditions limit access to long-term funding in the markets.

The Bank manages its liquidity risk in a prudent manner, establishing liquidity indicators at different time horizons and holding sufficient liquid assets to withstand potential periods of extreme market conditions where access to the market for new funding is not possible while continuing its regular activity.

The liquidity position and compliance with exposure limits are managed by the Finance Directorate and monitored by the Risk & Control Directorate daily. The Asset and Liability Committee (ALCO) supervises the evolution of the Bank's funding and liquidity position and addresses liquidity risk.

## Liquidity risk management

The key metric used in managing liquidity risk is the **Survival Horizon (SH)**, which measures the period during which the Bank can fulfil its payment obligations arising from ongoing business operations using its available liquid assets under a severe stress scenario. This scenario includes the inability to access the market for new funding, disruptions in loan repayment, erosion of liquid asset values, and stressed collateral requirements on derivatives. The lower limit for the SH is 12 months. At the end of 2022, the Bank's SH reached 15 months (14 in 2021).

Although not subject to the international regulatory framework, the CEB complies with the regulatory liquidity ratios prescribed by the Basel/EU regulations, namely the **Liquidity Coverage Ratio (LCR)** and the **Net Stable Funding Ratio (NSFR)**. Both ratios are included in CEB's Risk Appetite Framework. The lower limit for both ratios is 100%. At year-end 2022 the LCR was 554% (2021: 256%) and the NSFR was 130% (2021: 132%).

To manage its liquidity risk, the Bank maintains a liquidity buffer that can be used to meet payment obligations while continuing normal banking activities without obtaining new funding. This reserve consists of highly rated liquid securities whose market value and liquidity are preserved during adverse market conditions. These securities are mostly eligible as High-Quality Liquid Assets (HQLA) for the "Liquidity Coverage Ratio" (LCR). At the end of 2022, the amount of HQLA after haircuts amounted to €2.6 billion (€3.6 billion in 2021).

Diversification is a major objective of the Bank's funding and liquidity management. The Bank strives to diversify its debt issuance programs, funding markets, and investor base to avoid excessive reliance on individual markets or funding sources. The Bank also ensures that there are no significant mismatches between the maturity profiles of assets and liabilities. This funding strategy is pursued within the annual borrowing authorization approved by the Administrative Council.

The CEB also monitors the following complementary indicators:

- **Self-Sufficiency Period (SSP):** this metric assesses short-term liquidity risk; it measures the period during which the Bank can fulfil its stressed expected net cash outflows stemming from ongoing business operations under a severe stress scenario without accessing the market for new funding and without using available liquid assets; the lower limit for the SSP is 6 months; at the end of 2022, the Bank's SSP reached 9 months (as in 2021).
- **Short-Term Liquidity Ratios (STLR):** these ratios measure the Bank's capacity to handle its net liquidity requirements over an extended market disruption by comparing liquidity sources to their uses over different periods from one to twelve months; the minimum level for these ratios is 100%; as at 31 December 2022, the STLR stood as follows: 592% for a one-month period (2021: 387%), 275% for a 3-month period (2021: 207%), 165% for a 6-month period (2021: 162%) and 132% for the one-year period (2021: 118%).
- **Maturity profile of assets and liabilities:** the CEB monitors liquidity risk in a static approach in terms of liquidity gaps, which measure, for each future period, the potential mismatches between the maturity profile of assets and liabilities.

The table below shows the maturity profile of the Bank's assets and liabilities, namely the undiscounted principal and interest cash flows of financial instruments until their maturity; cash flows are presented on a net basis for interest rate swaps and on a gross basis for currency swaps and foreign exchange forward contracts; they are calculated on the basis of the exchange rates and interest rates prevailing at the closing date.

In thousand euros

| 31 December 2022                                     | Current outstanding |                  |                       | Non-current outstanding |                   | Total              |
|--|---------------------|------------------|-----------------------|-------------------------|-------------------|--------------------|
|  | Up to 1 month       | 1 to 3 months    | 3 months up to 1 year | 1 to 5 years            | More than 5 years |                    |
| <b>Assets</b>  |                     |                  |                       |                         |                   |                    |
| Cash in hand, balances with central banks            | 1 150 631           |                  |                       |                         |                   | 1 150 631          |
| Financial assets at fair value through equity        | 100 965             | 608 563          | 626 314               | 923 801                 | 802 315           | 3 061 960          |
| Financial assets at amortised cost                   |                     |                  |                       |                         |                   |                    |
| Loans  | 89 186              | 287 080          | 1 887 089             | 9 311 004               | 10 357 421        | 21 931 780         |
| Advances   | 2 358 198           | 1 523 050        | 337 497               |                         |                   | 4 218 745          |
| Debt securities                                      | 2 908               | 3 883            | 173 002               | 751 587                 | 961 940           | 1 893 320          |
| Deposits of guarantees paid                          | 638 590             |                  |                       |                         |                   | 638 590            |
| <b>Sub-total of assets</b>                           | <b>4 340 478</b>    | <b>2 422 576</b> | <b>3 023 902</b>      | <b>10 986 392</b>       | <b>12 121 676</b> | <b>32 895 025</b>  |
| <b>Liabilities</b>                                   |                     |                  |                       |                         |                   |                    |
| Financial liabilities at amortised cost              |                     |                  |                       |                         |                   |                    |
| Amounts owed to credit institutions and to customers | 654                 | 8 139            | 13 334                | 32 366                  | 22 174            | 76 665             |
| Debt securities in issue                             | 154 265             | 1 217 971        | 2 963 363             | 15 660 765              | 6 965 999         | 26 962 363         |
| Deposits of guarantees received                      | 904 640             |                  |                       |                         |                   | 904 640            |
| Social Dividend Account                              | 34 842              |                  |                       |                         |                   | 34 842             |
| <b>Sub-total of liabilities</b>                      | <b>1 094 401</b>    | <b>1 226 110</b> | <b>2 976 697</b>      | <b>15 693 130</b>       | <b>6 988 173</b>  | <b>27 978 511</b>  |
| <b>Off-balance sheet</b>                             |                     |                  |                       |                         |                   |                    |
| Financing commitments                                | (453 801)           | (463 033)        | (1 514 088)           | (3 281 174)             | (820 294)         | (6 532 390)        |
| Term financial instruments                           |                     |                  |                       |                         |                   |                    |
| To be received                                       | 1 080 979           | 1 797 789        | 2 279 182             | 10 660 353              | 1 960 796         | 17 779 099         |
| To be paid   | (1 123 056)         | (1 602 672)      | (2 325 226)           | (10 805 747)            | (1 546 741)       | (17 403 443)       |
| <b>Sub-total of off-balance sheet</b>                | <b>(495 878)</b>    | <b>(267 916)</b> | <b>(1 560 132)</b>    | <b>(3 426 569)</b>      | <b>(406 238)</b>  | <b>(6 156 734)</b> |
| <b>Total</b>   | <b>2 750 199</b>    | <b>928 550</b>   | <b>(1 512 927)</b>    | <b>(8 133 307)</b>      | <b>4 727 265</b>  | <b>(1 240 220)</b> |

In thousand euros

| 31 December 2021                                     | Current outstanding |                  |                       | Non-current outstanding |                   | Total              |
|--|---------------------|------------------|-----------------------|-------------------------|-------------------|--------------------|
|  | Up to 1 month       | 1 to 3 months    | 3 months up to 1 year | 1 to 5 years            | More than 5 years |                    |
| <b>Assets</b>  |                     |                  |                       |                         |                   |                    |
| Cash in hand, balances with central banks            | 2 044 894           |                  |                       |                         |                   | 2 044 894          |
| Financial assets at fair value through equity        | 200 622             | 475 238          | 1 097 405             | 1 163 811               | 779 959           | 3 717 035          |
| Financial assets at amortised cost                   |                     |                  |                       |                         |                   |                    |
| Loans  | (62 289)            | 103 654          | 2 197 197             | 8 321 728               | 9 391 832         | 19 952 122         |
| Advances   | 295 895             | 716 216          | 1 088 350             |                         |                   | 2 100 461          |
| Debt securities                                      | 2 908               | 3 527            | 172 955               | 800 058                 | 899 475           | 1 878 922          |
| Deposits of guarantees paid                          | 67 477              |                  |                       |                         |                   | 67 477             |
| <b>Sub-total of assets</b>                           | <b>2 549 507</b>    | <b>1 298 636</b> | <b>4 555 906</b>      | <b>10 285 597</b>       | <b>11 071 266</b> | <b>29 760 911</b>  |
| <b>Liabilities</b>                                   |                     |                  |                       |                         |                   |                    |
| Financial liabilities at amortised cost              |                     |                  |                       |                         |                   |                    |
| Amounts owed to credit institutions and to customers | 459                 | 7 584            | 10 795                | 35 355                  | 16 545            | 70 738             |
| Debt securities in issue                             | 496 226             | 895 554          | 3 192 431             | 14 328 452              | 6 166 255         | 25 078 917         |
| Deposits of guarantees received                      | 540 534             |                  |                       |                         |                   | 540 534            |
| Social Dividend Account                              | 47 169              |                  |                       |                         |                   | 47 169             |
| <b>Sub-total of liabilities</b>                      | <b>1 084 387</b>    | <b>903 138</b>   | <b>3 203 226</b>      | <b>14 363 807</b>       | <b>6 182 800</b>  | <b>25 737 358</b>  |
| <b>Off-balance sheet</b>                             |                     |                  |                       |                         |                   |                    |
| Financing commitments                                | (440 000)           | (738 000)        | (1 518 000)           | (2 861 739)             | (757 874)         | (6 315 613)        |
| Term financial instruments                           |                     |                  |                       |                         |                   |                    |
| To be received                                       | 567 066             | 1 067 373        | 2 404 655             | 9 169 333               | 1 725 921         | 14 934 348         |
| To be paid   | (549 769)           | (958 723)        | (2 319 156)           | (8 849 056)             | (1 723 206)       | (14 399 911)       |
| <b>Sub-total of off-balance sheet</b>                | <b>(422 703)</b>    | <b>(629 351)</b> | <b>(1 432 501)</b>    | <b>(2 541 463)</b>      | <b>(755 159)</b>  | <b>(5 781 176)</b> |
| <b>Total</b>   | <b>1 042 417</b>    | <b>(233 853)</b> | <b>(79 820)</b>       | <b>(6 619 673)</b>      | <b>4 133 306</b>  | <b>(1 757 623)</b> |

## 4. OPERATIONAL RISK

The CEB implemented an Operational Risk Management Policy to codify its approach to identifying, measuring, controlling, and reporting operational risks. The policy lays out sound practices to ensure effective and consistent operational risk management across the CEB.

Operational risk is the risk of potential loss resulting from inadequate or failed internal processes, people and systems or external events. Moreover, the CEB also considers reputational and legal risks that may adversely impact its activities.

By submitting voluntarily to the Basel Committee on Banking Supervision principles and international best practices, the Bank is committed to continuously assessing its operational risk and implementing the appropriate mitigating measures.

The CEB's operational risk framework is reviewed and approved by the Committee for Operational Risks and Organisation (CORO) at their semi-annual meetings. Chaired by the Governor and composed of Senior Management, CORO sets acceptable levels for the operational risks run by the CEB and ensures that directors take the necessary steps to monitor and control these risks within their respective directorates.

In close co-operation with its business lines, the Operational Risk Division (ORD) manages the implementation of the operational risk framework centrally and electronically. Risks identification evaluation and mitigation follow a predefined methodology and a targeted action plan. The operational risk incidents, including "near misses", are also integrated to ensure the control framework's effectiveness and completeness through risk mapping and assessment.

ORD ensures that the permanent internal control framework is adequate in its design and effectiveness. Each directorate reports annually on the efficiency of its respective permanent control environment after performing tests on key controls covering the main risks. The results are reported to the CORO.

To maintain a comprehensive procedure and control map, ORD is also responsible for modelling procedures in collaboration with the business lines. A dedicated intranet site provides all staff access to such procedures.

The CEB has a Business Continuity Plan (BCP) to hedge against disruptions in its business activities. The BCP comprises a crisis management plan and an underlying technical framework, including data centres, emergency dealing room, user back-up positions, telecommuting solutions, and business line-specific plans.

The risk capital charge for operational risk is part of the Bank's capital adequacy ratio, within the prudential framework. The CEB has adopted the Basic Indicator Approach which is based on the average net banking income over the previous three years.

As at 31 December 2022, the operational risk capital charge amounted to €21.9 million, compared to €22.1 million as at 31 December 2021.

## 5. PRUDENTIAL FRAMEWORK

As a multilateral development bank (MDB), the CEB is not subject to its member states' regulatory frameworks, the Basel Committee recommendations or European Union directives. However, it is the Bank's policy to follow best banking practices, according to its MDB status, by making all necessary adjustments. To this end, the CEB has established a set of Prudential Ratios and indicators to assess and monitor the risks arising from its activities.

The ratios and indicators are organised around five main areas: capital, leverage, liquidity, market risk and credit risk in finance activity.

In the reporting period ending 31 December 2022, all ratios and indicators were well within their authorised limits.

### Capital

**Capital Adequacy Ratio (CAR)** is the ratio of the Bank's Prudential Equity<sup>5</sup> divided by total Risk-Weighted Assets (RWA). The Bank applies the Pillar I Standardised Approach, where RWAs are calculated using risk-weight factors according to the type, the rating and the maturity (for banks) of the counterparty.

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<sup>5</sup> Prudential Equity is paid-in capital, reserves and net profit after deduction of appropriate adjustment items prescribed in the EU Capital Requirements Directives that the CEB deems relevant.

The Bank monitors this ratio to ensure it holds sufficient capital to absorb unexpected losses embedded in its operations arising from credit, market and operational risks.

Although the prudential framework floor for this ratio is set at 10.5%, the Bank aims at maintaining a ratio above 20% to ensure first-rank financial fundamentals. Additionally, the Bank targets a sufficient buffer and aims for a comfort zone above 25%.

The ratio reached 30.4% at year-end 2022, slightly higher than in 2021 due to lower RWA for the finance activity and higher equity offsetting the increase in RWA for loans.

|                        | 2022  | 2021  |
|------------------------|-------|-------|
| Capital Adequacy Ratio | 30.4% | 29.1% |

Finally, at the end of December 2022, credit risk represents the bulk of capital requirements at 95.2%, split among credit risk in the loan portfolio (78.2%) and credit risk on finance operations (17.0%).

**Gearing Ratio (GR)** measures the outstanding loans (after swap and guarantees) divided by Own Funds<sup>6</sup>, thus establishing a volume ceiling to the Bank's loan activity. This ratio is primarily intended to provide a benchmark with other multilateral development banks.

The prudential framework ceiling limit is 2.5 times Own funds, corresponding to a maximum possible loan volume of €20.7 billion, at the end of December 2022.

|               | 2022 | 2021 |
|---------------|------|------|
| Gearing Ratio | 2.41 | 2.31 |

## Leverage

**Leverage Ratio (LR)** is the ratio of Prudential Equity divided by the exposure value of all assets and off-balance sheet items. The exposure value of derivatives is calculated with the method used in the capital adequacy ratio standardised approach. The conversion factor for risk-related off-balance sheet items (financing commitments) is 50%.

The leverage ratio provides a simple indicator to complement the capital adequacy ratio to act as a limit to excessive leveraging of the Bank.

The prudential framework floor for this ratio is 7% to ensure first-rank financial fundamentals.

|                | 2022  | 2021  |
|----------------|-------|-------|
| Leverage Ratio | 10.3% | 10.2% |

**Treasury Asset Ratio (TAR)** compares total financial assets (after the impact of hedging swap's fair value) to Prudential Equity.

Total financial assets comprise the outstanding amounts in the securities portfolios, bank deposits, repos and nostro accounts, excluding collaterals.

The prudential framework ceiling is five times the CEB's Prudential Equity, i.e. €17.2 billion.

|                      | 2022 | 2021 |
|----------------------|------|------|
| Treasury Asset Ratio | 2.83 | 2.68 |

## Liquidity

**Survival Horizon** is the key metric used to manage liquidity risk. It is the period during which the Bank is able to fulfil its payment obligations stemming from ongoing business operations under a severe stress scenario without any access to new funding and by using its available liquid assets.

The minimum prudential framework level of this indicator is 12 months.

|                  | 2022      | 2021      |
|------------------|-----------|-----------|
| Survival Horizon | 15 months | 14 months |

<sup>6</sup> Own Funds: subscribed capital, reserves and net profit.

**Liquidity Regulatory Ratios (LCR and NSFR):** In addition, the Bank requires that the liquidity position should be strong enough to fulfil Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements. The prudential framework minimum is 100%.

- The LCR aims to ensure the Bank holds a sufficient amount of high-quality liquid assets (HQLA) to survive a period of significant liquidity stress lasting 30 calendar days.

|                          | 2022 | 2021 |
|--------------------------|------|------|
| Liquidity Coverage Ratio | 554% | 256% |

- The NSFR compares the Bank's available stable funding (ASF) to required stable funding (RSF). In line with supervisory assumptions, different factors reflect the liquidity characteristics of each instrument of the entire balance sheet.

|                          | 2022 | 2021 |
|--------------------------|------|------|
| Net Stable Funding Ratio | 130% | 132% |

## Market Risk

**Sensitivity of Economic Value of Equity (EVE)** measures the maximum change in the present value of interest rate-sensitive assets and liabilities, excluding equity, resulting from the application of the prescribed Basel/EU interest rate shocks.

The prudential framework ceiling is, in absolute value, equal to or below 20% of Prudential Equity. At year-end 2022, it was well within the limit, as in 2021.

|   | 2022   | 2021   |
|---|--------|--------|
| Sensitivity of Economic Value of Equity (EVE) | -10.0% | -11.8% |

**Spot Net Open Position**<sup>7</sup> measures the total asset amount minus the total liability amount in a foreign currency, including both on- and off-balance sheet positions.

The prudential framework ceiling is, in absolute value, €1 million at month-end per currency. At year-end 2022, it was well within the limit, as in 2021.

## Credit Risk in finance activity

**Minimum Internal Rating** defines the minimum rating at the purchase date under which the Bank may enter into transactions with issuers, obligors and counterparties. The Bank's Minimum Internal Rating for short-term investments is  $\geq 7.0$  (A-)<sup>8</sup>, and for long-term investments is  $\geq 8.0$  (A+)<sup>9</sup>. As at 31 December 2022, there were no counterparties/transactions with a minimum rating below the defined threshold at the purchase date, as at 31 December 2021.

<sup>7</sup> At the end of the month.

<sup>8</sup> Short-term investments are defined as those with residual maturity of up to one year (370 days). For sovereign bonds with a residual maturity below six months, the minimum internal rating is 5.5 (BBB-). For sub-sovereign / agency / supranational bonds with a residual maturity below three months, the minimum internal rating is 6.0 (BBB). For financial institution bonds and deposits with a residual maturity below three months, the minimum internal rating is 6.5 (BBB+).

<sup>9</sup> Long-term investments are defined as those with a residual maturity above one year (370 days). For sovereign / sub-sovereign / agency / supranational bonds and for financial institution bonds and deposits with a residual maturity below two years, the minimum internal rating is 7.0 (A-).

## NOTE C – Financial instruments at fair value through profit or loss and hedging derivative financial instruments

The Bank's hedging derivatives for which the hedging relationship is not recognised by IFRS 9 are recorded under the balance sheet heading "Financial instruments at fair value through profit or loss".

The Bank's hedging derivatives recognised under IFRS 9 as fair value hedges or cash flow hedges are recorded in the balance sheet under the heading "Hedging derivative financial instruments". These operations hedge the financial assets and liabilities (loans, financial assets at fair value through equity and debt securities in issue).

Term financial instruments comprises interest rate, currency and forward exchange swaps.

Following the application of IFRS 13 "Fair value measurement", the CEB adjusted its valuation methods related to:

- the counterparty's credit risk within the fair value of derivative financial assets (Credit Valuation Adjustment – CVA);
- own credit risk within the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA); and
- own credit risk within the valuation of debt securities in issue (Own Credit Adjustment – OCA).

As at 31 December 2022, the CEB recorded a fair value adjustment of derivative instruments in the amount of €104 thousand under assets for the DVA (31 December 2021: €145 thousand) and of €1 861 thousand under liabilities for the CVA (31 December 2021: €1 039 thousand). These adjustments are recorded by the counterparty in the Income statement.

The OCA is an adjustment to be made to debt instruments issued which are designated at fair value in order to reflect CEB's risk of default. Since the debt securities issued by the CEB are all designated at amortised cost, the OCA equals zero.

The following table presents the fair value of the financial instruments at fair value through profit or loss and the hedging derivative financial instruments:

| <i>In thousand euros</i>  |                              |                              |
|---|------------------------------|------------------------------|
| <b>31 December 2022</b>   | <b>Positive market value</b> | <b>Negative market value</b> |
| <b>Financial instruments at fair value through profit or loss</b>                     |                              |                              |
| Interest rate derivative financial instruments  | 3 248                        | (2 468)                      |
| Foreign exchange derivative financial instruments                                     | 650 693                      | (183 169)                    |
| Value adjustment for own credit risk (Debit Valuation Adjustment – DVA)               | 104                          |                              |
| Value adjustment for the risk of the counterparty (Credit Valuation Adjustment – CVA) |                              | (1 861)                      |
| <b>Total</b>  | <b>654 045</b>               | <b>(187 498)</b>             |
| <b>Hedging derivative financial instruments</b>                                       |                              |                              |
| Interest rate derivative financial instruments  | 1 997 876                    | (1 724 611)                  |
| Foreign exchange derivative financial instruments                                     | 200 412                      | (673 382)                    |
| <b>Total</b>  | <b>2 198 288</b>             | <b>(2 397 993)</b>           |

| <i>In thousand euros</i>  |                              |                              |
|---|------------------------------|------------------------------|
| <b>31 December 2021</b>   | <b>Positive market value</b> | <b>Negative market value</b> |
| <b>Financial instruments at fair value through profit or loss</b>                     |                              |                              |
| Interest rate derivative financial instruments  | 1 963                        | (174)                        |
| Foreign exchange derivative financial instruments                                     | 441 142                      | (135 565)                    |
| Value adjustment for own credit risk (Debit Valuation Adjustment – DVA)               | 145                          |                              |
| Value adjustment for the risk of the counterparty (Credit Valuation Adjustment – CVA) |                              | (1 039)                      |
| <b>Total</b>  | <b>443 250</b>               | <b>(136 778)</b>             |
| <b>Hedging derivative financial instruments</b>                                       |                              |                              |
| Interest rate derivative financial instruments  | 531 751                      | (362 644)                    |
| Foreign exchange derivative financial instruments                                     | 169 182                      | (115 615)                    |
| <b>Total</b>  | <b>700 933</b>               | <b>(478 259)</b>             |

## NOTE D – Financial assets and liabilities

The table below shows the net book value of financial assets and liabilities according to the accounting valuation rule as well as their fair value:

| 31 December 2022   |                                      |   |   |                   | In thousand euros |                   |
|--|--------------------------------------|---|---|-------------------|-------------------|-------------------|
|  | At fair value through profit or loss | At fair value through recyclable equity | At fair value through non-recyclable equity | At amortised cost | Net book value    | Fair value        |
| <b>Assets</b>  |                                      |   |   |                   |                   |                   |
| Cash in hand, balances with central banks                  |                                      |   |   | 1 150 258         | 1 150 258         | 1 150 258         |
| Financial instruments at fair value through profit or loss | 654 045                              |   |   |                   | 654 045           | 654 045           |
| Hedging derivative financial instruments                   | 2 198 288                            |   |   |                   | 2 198 288         | 2 198 288         |
| Financial assets at fair value through equity              |                                      | 2 794 031                               | 1 478                                       |                   | 2 795 509         | 2 795 509         |
| Financial assets at amortised cost                         |                                      |   |   | 22 432 222        | 22 432 222        | 22 432 222        |
| Loans and advances   |                                      |   |   | 1 592 770         | 1 592 770         | 1 609 602         |
| Debt securities  |                                      |   |   |                   |                   |                   |
| <b>Total financial assets</b>                              | <b>2 852 333</b>                     | <b>2 794 031</b>                        | <b>1 478</b>                                | <b>25 175 250</b> | <b>30 823 092</b> | <b>30 839 924</b> |
| <b>Liabilities</b>   |                                      |   |   |                   |                   |                   |
| Financial instruments at fair value through profit or loss | 187 498                              |   |   |                   | 187 498           | 187 498           |
| Hedging derivative financial instruments                   | 2 397 993                            |   |   |                   | 2 397 993         | 2 397 993         |
| Financial liabilities at amortised cost                    |                                      |   |   | 70 176            | 70 176            | 70 176            |
| Amounts owed to credit institutions and to customers       |                                      |   |   | 24 223 766        | 24 223 766        | 26 406 581        |
| Debt securities in issue                                   |                                      |   |   |                   |                   |                   |
| Social Dividend Account                                    |                                      |   |   | 34 842            | 34 842            | 34 842            |
| <b>Total financial liabilities</b>                         | <b>2 585 491</b>                     |   |   | <b>24 328 784</b> | <b>26 914 275</b> | <b>29 097 090</b> |

| 31 December 2021   |                                      |   |   |                   | In thousand euros |                   |
|--|--------------------------------------|---|---|-------------------|-------------------|-------------------|
|  | At fair value through profit or loss | At fair value through recyclable equity | At fair value through non-recyclable equity | At amortised cost | Net book value    | Fair value        |
| <b>Assets</b>  |                                      |   |   |                   |                   |                   |
| Cash in hand, balances with central banks                  |                                      |   |   | 2 044 716         | 2 044 716         | 2 044 716         |
| Financial instruments at fair value through profit or loss | 443 250                              |   |   |                   | 443 250           | 443 250           |
| Hedging derivative financial instruments                   | 700 933                              |   |   |                   | 700 933           | 700 933           |
| Financial assets at fair value through equity              |                                      | 3 703 635                               | 1 042                                       |                   | 3 704 677         | 3 704 677         |
| Financial assets at amortised cost                         |                                      |   |   | 21 116 510        | 21 116 510        | 21 116 510        |
| Loans and advances   |                                      |   |   | 1 570 816         | 1 570 816         | 1 872 883         |
| Debt securities  |                                      |   |   |                   |                   |                   |
| <b>Total financial assets</b>                              | <b>1 144 183</b>                     | <b>3 703 635</b>                        | <b>1 042</b>                                | <b>24 732 042</b> | <b>29 580 902</b> | <b>29 882 969</b> |
| <b>Liabilities</b>   |                                      |   |   |                   |                   |                   |
| Financial instruments at fair value through profit or loss | 136 778                              |   |   |                   | 136 778           | 136 778           |
| Hedging derivative financial instruments                   | 478 259                              |   |   |                   | 478 259           | 478 259           |
| Financial liabilities at amortised cost                    |                                      |   |   | 70 675            | 70 675            | 70 675            |
| Amounts owed to credit institutions and to customers       |                                      |   |   | 24 824 467        | 24 824 467        | 24 591 781        |
| Debt securities in issue                                   |                                      |   |   |                   |                   |                   |
| Social Dividend Account                                    |                                      |   |   | 47 169            | 47 169            | 47 169            |
| <b>Total financial liabilities</b>                         | <b>615 037</b>                       |   |   | <b>24 942 311</b> | <b>25 557 348</b> | <b>25 324 662</b> |

None of the securities classified under financial assets at fair value through equity or debt securities at amortised cost categories has been pledged in 2022 and 2021.

## NOTE E – Market value measurement of financial instruments

Following the application of IFRS 13 "Fair value measurement", the CEB adjusted the fair value measurement framework of its financial instruments by including its counterparty risk (CVA) and its own credit risk (DVA and OCA), as mentioned in Note C.

The Bank groups its financial assets and liabilities in a three-level hierarchy reflecting the reliability of the fair value measurement.

To determine their fair value level, the CEB uses the fair value level provided by an external data provider, which is based on the set of rules described below:

Level 1: liquid assets and liabilities as well as financial instruments with quoted price in active markets;

Level 2: financial instruments whose market value is measured using valuation techniques based on observable parameters. The level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the financial instrument (interest rates and yield curves observable and credit spreads);

Level 3: financial instruments whose market value is measured using valuation techniques that include unobservable parameters. This level includes loans whose conditions for disbursements are equivalent to those applied by other supranational financial institutions. Given its preferred creditor status, the Bank does not sell this type of receivables. Furthermore, changes in market rates have very little impact on the fair value of these operations as the majority of loans are at variable interest rate (including hedging transactions). The Bank therefore estimates that the fair value of these assets corresponds to their net book value.

As at 31 December 2022, based on the fair value level provided by an external data provider, which is based on the rules described above, the CEB has recorded hierarchy transfers on the following instruments. Concerning debt securities issued on the liabilities side, €3.1 billion have been transferred from level 1 to level 2. Concerning debt securities recorded at fair value through equity, on the assets side, €105.2 million were transferred from level 1 to level 2 and €42.2 million were transferred from level 2 to level 1. Finally, for debt securities recorded at amortised cost, on the assets side, €24.6 million were transferred from level 1 to level 2.

Financial instruments measured at their fair values are presented in the table below:

| 31 December 2022   | In thousand euros |                  |                   | Total             |
|--|-------------------|------------------|-------------------|-------------------|
|  | Level 1           | Level 2          | Level 3           |                   |
| <b>Assets</b>  |                   |                  |                   |                   |
| Cash in hand, balances with central banks                  | 1 150 258         |                  |                   | 1 150 258         |
| Financial instruments at fair value through profit or loss |                   | 654 045          |                   | 654 045           |
| Hedging derivative financial instruments                   |                   | 2 198 288        |                   | 2 198 288         |
| Financial assets at fair value through equity              | 1 734 729         | 1 060 780        |                   | 2 795 509         |
| Financial assets at amortised cost                         |                   |                  |                   |                   |
| Loans and advances   |                   |                  | 22 432 222        | 22 432 222        |
| Debt securities  | 1 566 198         | 43 404           |                   | 1 609 602         |
| <b>Total financial assets</b>                              | <b>4 451 185</b>  | <b>3 956 517</b> | <b>22 432 222</b> | <b>30 839 924</b> |
| <b>Liabilities</b>   |                   |                  |                   |                   |
| Financial instruments at fair value through profit or loss |                   | 187 498          |                   | 187 498           |
| Hedging derivative financial instruments                   |                   | 2 397 993        |                   | 2 397 993         |
| Financial liabilities at amortised cost                    |                   |                  |                   |                   |
| Amounts owed to credit institutions and to customers       | 56 843            | 13 333           |                   | 70 176            |
| Debt securities in issue                                   | 19 865 121        | 6 541 460        |                   | 26 406 581        |
| Social Dividend Account                                    | 34 842            |                  |                   | 34 842            |
| <b>Total financial liabilities</b>                         | <b>19 956 806</b> | <b>9 140 284</b> |                   | <b>29 097 090</b> |

| 31 December 2021   | In thousand euros |                  |                   | Total             |
|--|-------------------|------------------|-------------------|-------------------|
|  | Level 1           | Level 2          | Level 3           |                   |
| <b>Assets</b>  |                   |                  |                   |                   |
| Cash in hand, balances with central banks                  | 2 044 716         |                  |                   | 2 044 716         |
| Financial instruments at fair value through profit or loss |                   | 443 250          |                   | 443 250           |
| Hedging derivative financial instruments                   |                   | 700 933          |                   | 700 933           |
| Financial assets at fair value through equity              | 2 756 496         | 948 181          |                   | 3 704 677         |
| Financial assets at amortised cost                         |                   |                  |                   |                   |
| Loans and advances   |                   |                  | 21 116 510        | 21 116 510        |
| Debt securities  | 1 865 904         | 6 979            |                   | 1 872 883         |
| <b>Total financial assets</b>                              | <b>6 667 116</b>  | <b>2 099 343</b> | <b>21 116 510</b> | <b>29 882 969</b> |
| <b>Liabilities</b>   |                   |                  |                   |                   |
| Financial instruments at fair value through profit or loss |                   | 136 778          |                   | 136 778           |
| Hedging derivative financial instruments                   |                   | 478 259          |                   | 478 259           |
| Financial liabilities at amortised cost                    |                   |                  |                   |                   |
| Amounts owed to credit institutions and to customers       | 44 008            | 26 667           |                   | 70 675            |
| Debt securities in issue                                   | 21 344 323        | 3 247 458        |                   | 24 591 781        |
| Social Dividend Account                                    | 47 169            |                  |                   | 47 169            |
| <b>Total financial liabilities</b>                         | <b>21 435 500</b> | <b>3 889 162</b> |                   | <b>25 324 662</b> |

## NOTE F – Offsetting financial assets and financial liabilities

As at 31 December 2022, no operation was subject to offsetting in the balance sheet of the CEB. The Bank has no offsetting agreements meeting the criteria of the amendment to IAS 32.

The following table presents net amounts of financial assets and liabilities, as well as their net amounts after taking into account transactions under framework agreements (cash deposits or securities received under collateral agreements on swaps and loans), as required by the amendment to IFRS 7:

| 31 December 2022                            | Net amounts of financial assets and liabilities | Cash given / received as collateral | Securities received as collateral | In thousand euros |
|---|---|-------------------------------------|-----------------------------------|-------------------|
|   |   |                                     |                                   | Net amounts       |
| <b>Assets</b>                               |   |                                     |                                   |                   |
| Loans at amortised cost                     | 18 222 361                                      |                                     | (210 555)                         | 18 011 806        |
| Derivative financial instruments            | 2 852 333                                       | (903 451)                           |                                   | 1 948 882         |
| Deposits of guarantees given                | 638 133   | (637 800)                           |                                   | 333               |
| Other assets not subject to offsetting      | 9 815 308                                       |                                     |                                   | 9 815 308         |
| <b>Total assets</b>                         | <b>31 528 135</b>                               | <b>(1 541 251)</b>                  | <b>(210 555)</b>                  | <b>29 776 329</b> |
| <b>Liabilities</b>                          |   |                                     |                                   |                   |
| Derivative financial instruments            | 2 585 491                                       | (637 800)                           |                                   | 1 947 691         |
| Deposits of guarantees received             | 904 640   | (903 451)                           |                                   | 1 189             |
| Other liabilities not subject to offsetting | 24 595 629                                      |                                     |                                   | 24 595 629        |
| <b>Total liabilities</b>                    | <b>28 085 760</b>                               | <b>(1 541 251)</b>                  |                                   | <b>26 544 509</b> |

| 31 December 2021                            | Net amounts of financial assets and liabilities | Cash given / received as collateral | Securities received as collateral | In thousand euros |
|---|---|-------------------------------------|-----------------------------------|-------------------|
|   |   |                                     |                                   | Net amounts       |
| <b>Assets</b>                               |   |                                     |                                   |                   |
| Loans at amortised cost                     | 19 019 840                                      |                                     | (227 845)                         | 18 791 995        |
| Derivative financial instruments            | 1 144 183                                       | (540 769)                           |                                   | 603 414           |
| Deposits of guarantees given                | 67 463  | (67 510)                            |                                   | (47)              |
| Other assets not subject to offsetting      | 9 483 371                                       |                                     |                                   | 9 483 371         |
| <b>Total assets</b>                         | <b>29 714 857</b>                               | <b>(608 279)</b>                    | <b>(227 845)</b>                  | <b>28 878 733</b> |
| <b>Liabilities</b>                          |   |                                     |                                   |                   |
| Derivative financial instruments            | 615 037   | (67 510)                            |                                   | 547 527           |
| Deposits of guarantees received             | 540 534   | (540 769)                           |                                   | (235)             |
| Other liabilities not subject to offsetting | 25 325 614                                      |                                     |                                   | 25 325 614        |
| <b>Total liabilities</b>                    | <b>26 481 185</b>                               | <b>(608 279)</b>                    |                                   | <b>25 872 906</b> |

## NOTE G – Financial assets at fair value through equity and at amortised cost

### Financial assets at fair value through equity

As at 31 December 2022, financial assets at fair value through equity consist of Debt securities in the amount of €2.8 billion (31 December 2021: €3.7 billion) and Equity instruments in the amount of €1.5 million (31 December 2021: €1.0 million).

|  | <i>In thousand euros</i> |                   |
|--|--------------------------|-------------------|
|  | <b>31/12/2022</b>        | <b>31/12/2021</b> |
| <b>Financial assets at fair value through equity</b> |                          |                   |
| Gross book value                                     | 2 967 004                | 3 626 180         |
| Unrealised gains or losses                           | (170 530)                | 79 088            |
| Impairment <sup>(a)</sup>                            | (965)                    | (591)             |
| <b>Total</b>   | <b>2 795 509</b>         | <b>3 704 677</b>  |
| (a) of which stage 1                                 |                          |                   |
| of which stage 2                                     |                          |                   |
| of which stage 3                                     | (965)                    | (591)             |

### Financial assets at amortised cost

|   | <i>In thousand euros</i> |                   |
|---|--------------------------|-------------------|
|   | <b>31/12/2022</b>        | <b>31/12/2021</b> |
| <b>Loans to credit institutions</b>   |                          |                   |
| Gross book value  | 6 641 359                | 7 358 451         |
| Impairment  | (5 176)                  | (3 364)           |
| <b>Net book value</b>   | <b>6 636 183</b>         | <b>7 355 087</b>  |
| <b>Loans to customers</b>   |                          |                   |
| Gross book value  | 13 309 448               | 11 593 863        |
| Impairment  | (14 227)                 | (8 492)           |
| <b>Net book value</b>   | <b>13 295 221</b>        | <b>11 585 371</b> |
| Value adjustment to loans hedged by derivative instruments                  | (1 709 043)              | 79 382            |
| <b>Total loans</b>  | <b>18 222 361</b>        | <b>19 019 840</b> |
| <b>Advances</b>   |                          |                   |
| Advances repayable on demand – gross book value                             | 8 234                    | 6 541             |
| Impairment  | (7)                      | (2)               |
| <b>Net book value</b>   | <b>8 227</b>             | <b>6 539</b>      |
| Advances with agreed maturity dates or periods of notice – gross book value | 4 202 064                | 2 090 489         |
| Impairment  | (430)                    | (358)             |
| <b>Net book value</b>   | <b>4 201 634</b>         | <b>2 090 131</b>  |
| <b>Total advances</b>   | <b>4 209 861</b>         | <b>2 096 670</b>  |
| <b>Debt securities</b>  |                          |                   |
| Gross book value  | 1 593 120                | 1 570 922         |
| Impairment  | (350)                    | (106)             |
| <b>Net book value</b>   | <b>1 592 770</b>         | <b>1 570 816</b>  |
| <b>Total debt securities</b>  | <b>1 592 770</b>         | <b>1 570 816</b>  |

At 31 December 2022, loans are guaranteed up to the amount of €6.1 billion (31 December 2021: €6.8 billion). These guarantees could be either in the form of securities or signed commitments.

### Financial assets at amortised cost by stage

*In thousand euros*

|                                     | 31/12/2022        |                 |                   | 31/12/2021        |                |                   |
|-------------------------------------|-------------------|-----------------|-------------------|-------------------|----------------|-------------------|
|                                     | Gross book value  | Impairment      | Net book value    | Gross book value  | Impairment     | Net book value    |
| <b>Loans to credit institutions</b> | <b>6 641 359</b>  | <b>(5 176)</b>  | <b>6 636 183</b>  | <b>7 358 451</b>  | <b>(3 364)</b> | <b>7 355 087</b>  |
| Stage 1                             | 6 641 359         | (5 176)         | 6 636 183         | 7 358 451         | (3 364)        | 7 355 087         |
| Stage 2                             |                   |                 |                   |                   |                |                   |
| Stage 3                             |                   |                 |                   |                   |                |                   |
| <b>Loans to customers</b>           | <b>13 309 448</b> | <b>(14 227)</b> | <b>13 295 221</b> | <b>11 593 863</b> | <b>(8 492)</b> | <b>11 585 371</b> |
| Stage 1                             | 13 259 347        | (14 079)        | 13 245 268        | 11 593 863        | (8 492)        | 11 585 371        |
| Stage 2                             | 50 101            | (148)           | 49 953            |                   |                |                   |
| Stage 3                             |                   |                 |                   |                   |                |                   |
| <b>Advances</b>                     | <b>4 210 298</b>  | <b>(437)</b>    | <b>4 209 861</b>  | <b>2 097 030</b>  | <b>(360)</b>   | <b>2 096 670</b>  |
| Stage 1                             | 4 210 298         | (437)           | 4 209 861         | 2 097 030         | (360)          | 2 096 670         |
| Stage 2                             |                   |                 |                   |                   |                |                   |
| Stage 3                             |                   |                 |                   |                   |                |                   |
| <b>Debt securities</b>              | <b>1 593 120</b>  | <b>(350)</b>    | <b>1 592 770</b>  | <b>1 570 922</b>  | <b>(106)</b>   | <b>1 570 816</b>  |
| Stage 1                             | 1 593 120         | (350)           | 1 592 770         | 1 570 922         | (106)          | 1 570 816         |
| Stage 2                             |                   |                 |                   |                   |                |                   |
| Stage 3                             |                   |                 |                   |                   |                |                   |

During the year 2022, no defaults occurred in the Bank's financial assets at amortised cost portfolio. In addition, the Bank has identified one increase in credit risk in the amount of €148 thousand within the meaning of IFRS 9 for a counterparty, leading to a transfer from stage 1 to stage 2.

## Loans outstanding and financing commitments by country

The breakdown of outstanding loans and financing commitments by borrower's country location, whether subsidised or not by the Social Dividend Account, is presented in the table below:

| Breakdown by borrower's country location | Outstanding       |               | Financing commitments |               |                  |                  |
|--|-------------------|---------------|-----------------------|---------------|------------------|------------------|
|  | 31/12/2022        | %             | 31/12/2021            | %             | 31/12/2022       | 31/12/2021       |
| Spain                                    | 2 142 575         | 10.77         | 1 902 098             | 10.06         | 575 458          | 780 244          |
| Poland                                   | 1 843 571         | 9.27          | 1 509 260             | 7.98          | 624 726          | 507 400          |
| France                                   | 1 692 508         | 8.51          | 1 497 110             | 7.91          | 587 741          | 939 916          |
| Italy <sup>(a)</sup>                     | 1 210 889         | 6.09          | 1 114 816             | 5.89          | 568 475          | 510 460          |
| Germany <sup>(b)</sup>                   | 1 175 698         | 5.91          | 1 200 106             | 6.34          | 410 062          | 592 362          |
| Türkiye                                  | 1 143 195         | 5.75          | 1 265 829             | 6.69          | 320 000          | 220 000          |
| Belgium                                  | 1 073 875         | 5.40          | 1 095 509             | 5.79          | 339 000          |                  |
| Slovak Republic                          | 1 058 388         | 5.32          | 1 064 915             | 5.63          | 158 500          | 136 674          |
| Netherlands                              | 976 483           | 4.91          | 1 002 414             | 5.30          | 200 000          | 20 000           |
| Czech Republic                           | 779 606           | 3.92          | 762 336               | 4.03          | 325 000          | 130 000          |
| Hungary                                  | 715 523           | 3.60          | 696 919               | 3.68          |                  | 103 386          |
| Lithuania                                | 691 742           | 3.48          | 638 982               | 3.38          | 206 962          | 127 080          |
| Croatia                                  | 634 422           | 3.19          | 622 734               | 3.29          | 200 000          | 74 500           |
| Finland                                  | 611 589           | 3.08          | 595 586               | 3.15          | 180 000          | 272 000          |
| Serbia                                   | 578 472           | 2.91          | 467 740               | 2.47          | 438 471          | 482 161          |
| Romania                                  | 571 390           | 2.87          | 555 963               | 2.94          | 324 529          | 499 551          |
| Sweden                                   | 445 996           | 2.24          | 462 046               | 2.44          | 70 964           | 100 000          |
| Ireland                                  | 406 129           | 2.04          | 387 981               | 2.05          | 166 636          | 168 700          |
| Cyprus                                   | 308 135           | 1.55          | 361 195               | 1.91          | 99 500           | 34 000           |
| Portugal                                 | 292 741           | 1.47          | 299 342               | 1.58          | 391 700          | 249 500          |
| Greece                                   | 218 167           | 1.10          | 218 500               | 1.16          | 53 500           | 53 500           |
| Bulgaria                                 | 201 558           | 1.01          | 248 434               | 1.31          |                  |                  |
| Estonia                                  | 200 000           | 1.01          | 150 898               | 0.80          | 25 000           | 75 000           |
| Slovenia                                 | 169 971           | 0.85          | 140 400               | 0.74          | 75 000           |                  |
| Albania                                  | 139 803           | 0.70          | 83 033                | 0.44          | 8 980            | 17 980           |
| North Macedonia                          | 106 461           | 0.54          | 107 671               | 0.57          | 32 500           | 25 500           |
| Bosnia and Herzegovina                   | 101 677           | 0.51          | 100 252               | 0.53          | 15 227           | 15 717           |
| Montenegro                               | 100 392           | 0.50          | 94 225                | 0.50          | 40 628           | 22 978           |
| Moldova (Republic of)                    | 74 840            | 0.38          | 84 975                | 0.45          | 59 648           | 79 648           |
| Iceland                                  | 62 597            | 0.31          | 74 405                | 0.39          |                  |                  |
| Kosovo                                   | 45 824            | 0.23          | 35 000                | 0.19          | 14 176           | 25 000           |
| Georgia                                  | 35 359            | 0.18          | 20 013                | 0.11          | 5 308            | 23 058           |
| Malta                                    | 29 000            | 0.15          | 8 700                 | 0.05          |                  | 20 300           |
| Latvia                                   | 24 000            | 0.12          | 25 500                | 0.13          | 8 000            | 9 000            |
| Andorra                                  | 15 354            | 0.08          | 12 000                | 0.06          | 4 000            |                  |
| San Marino                               | 8 867             | 0.04          | 9 533                 | 0.05          |                  |                  |
| Luxembourg <sup>(c)</sup>                | 300               | 0.01          |                       |               | 2 700            |                  |
| <b>Total</b>                             | <b>19 887 097</b> | <b>100.00</b> | <b>18 916 422</b>     | <b>100.00</b> | <b>6 532 390</b> | <b>6 315 613</b> |

(a) of which €2.1 million outstanding in favour of target countries as at 31 December 2022 (31 December 2021: €3.1 million)

(b) of which €14.7 million outstanding in favour of target countries as at 31 December 2022 (31 December 2021: €19.8 million)

(c) of which €0.3 million outstanding in favour of target countries as at 31 December 2022 (31 December 2021: €0)

**Loans outstanding and financing commitments by country, with SDA interest rate subsidies or loan guarantee**

Outstanding loans and financing commitments, with Social Dividend Account interest rate subsidies or loan guarantee, are detailed below by borrowers' country location:

*In thousand euros*

| Breakdown by borrower's country location | Outstanding    |                | Financing commitments |               |
|--|----------------|----------------|-----------------------|---------------|
|  | 31/12/2022     | 31/12/2021     | 31/12/2022            | 31/12/2021    |
| Türkiye                                  | 372 000        | 405 667        |                       |               |
| Poland                                   | 141 259        | 156 971        |                       |               |
| Bosnia and Herzegovina                   | 92 284         | 89 806         | 4 727                 | 4 717         |
| Romania                                  | 50 476         | 62 995         | 6 621                 | 7 121         |
| Kosovo                                   | 35 000         | 35 000         |                       |               |
| Albania                                  | 31 924         | 41 302         |                       |               |
| Moldova (Republic of)                    | 27 179         | 30 302         | 1 333                 | 1 333         |
| Croatia                                  | 22 074         | 26 838         |                       |               |
| North Macedonia                          | 21 110         | 21 811         |                       | 500           |
| Italy                                    | 4 400          | 6 400          |                       |               |
| Serbia                                   | 3 004          | 4 888          |                       |               |
| Lithuania                                | 3 000          |                | 3 000                 |               |
| Bulgaria                                 | 2 558          | 3 309          |                       |               |
| Georgia                                  | 1 667          | 1 875          |                       | 1 250         |
| Greece                                   | 667            | 1 000          | 1 000                 | 1 000         |
| Luxembourg                               | 300            |                | 2 700                 |               |
| <b>Total</b>                             | <b>808 902</b> | <b>888 164</b> | <b>19 381</b>         | <b>15 921</b> |

The interest rate subsidies are presented in Note K.

## NOTE H – Tangible and intangible assets

|                            | Land and buildings <sup>(a)</sup> | Fixtures        | Other          | Intangible assets | In thousand euros |
|----------------------------|-----------------------------------|-----------------|----------------|-------------------|-------------------|
|                            |                                   |                 |                |                   | Total             |
| <b>Gross book value</b>    |                                   |                 |                |                   |                   |
| At 1 January 2022          | 37 687                            | 15 113          | 8 165          | 37 089            | 98 053            |
| Additions                  | 2 531                             | 347             | 798            | 4 697             | 8 373             |
| Other movements            | (878)                             | (486)           | (963)          | (4 046)           | (6 374)           |
| <b>At 31 December 2022</b> | <b>39 340</b>                     | <b>14 973</b>   | <b>8 000</b>   | <b>37 740</b>     | <b>100 052</b>    |
| <b>Depreciation</b>        |                                   |                 |                |                   |                   |
| At 1 January 2022          | (852)                             | (11 898)        | (7 179)        | (20 834)          | (40 763)          |
| Charge for the year        | (286)                             | (637)           | (612)          | (5 739)           | (7 274)           |
| Other movements            | 1 043                             |                 | 1 098          | 3 388             | 5 529             |
| <b>At 31 December 2022</b> | <b>(94)</b>                       | <b>(12 535)</b> | <b>(6 693)</b> | <b>(23 186)</b>   | <b>(42 508)</b>   |
| <b>Net book value</b>      |                                   |                 |                |                   |                   |
| <b>At 31 December 2022</b> | <b>39 246</b>                     | <b>2 439</b>    | <b>1 306</b>   | <b>14 554</b>     | <b>57 545</b>     |

|                            | Land and buildings <sup>(a)</sup> | Fixtures        | Other          | Intangible assets | In thousand euros |
|----------------------------|-----------------------------------|-----------------|----------------|-------------------|-------------------|
|                            |                                   |                 |                |                   | Total             |
| <b>Gross book value</b>    |                                   |                 |                |                   |                   |
| At 1 January 2021          | 37 687                            | 15 035          | 8 008          | 32 816            | 93 545            |
| Additions                  |                                   | 98              | 377            | 4 616             | 5 091             |
| Other movements            |                                   | (20)            | (220)          | (343)             | (583)             |
| <b>At 31 December 2021</b> | <b>37 687</b>                     | <b>15 113</b>   | <b>8 165</b>   | <b>37 089</b>     | <b>98 053</b>     |
| <b>Depreciation</b>        |                                   |                 |                |                   |                   |
| At 1 January 2021          | (564)                             | (11 127)        | (6 669)        | (15 721)          | (34 081)          |
| Charge for the year        | (288)                             | (771)           | (499)          | (5 113)           | (6 671)           |
| Other movements            |                                   |                 | (11)           |                   | (11)              |
| <b>At 31 December 2021</b> | <b>(852)</b>                      | <b>(11 898)</b> | <b>(7 179)</b> | <b>(20 834)</b>   | <b>(40 763)</b>   |
| <b>Net book value</b>      |                                   |                 |                |                   |                   |
| <b>At 31 December 2021</b> | <b>36 835</b>                     | <b>3 215</b>    | <b>986</b>     | <b>16 254</b>     | <b>57 290</b>     |

(a) “Land and buildings” represent the Bank’s headquarters located at 55 avenue Kléber in Paris. In accordance with IFRS 16, a lease contract is also included in this item. The gross value of the right-of-use amounts to €2.5 million as at 31 December 2022 and the amortisation to -€94 thousand (31 December 2021: €1.0 million and -€852 thousand respectively).

## NOTE I – Other assets and other liabilities

|   | In thousand euros |                |
|---|-------------------|----------------|
|   | 31/12/2022        | 31/12/2021     |
| <b>Other assets</b>   |                   |                |
| Deposits of guarantees given <sup>(a)</sup>                       | 638 133           | 67 463         |
| Sundry debtors  | 3 019             | 2 762          |
| Subscribed, called and unpaid capital and reserves to be received | 711               | 1 422          |
| Prepaid expenses  | 2 228             | 2 297          |
| Sundry assets   | 3 407             | 2 721          |
| <b>Total</b>  | <b>647 498</b>    | <b>76 665</b>  |
| <b>Other liabilities</b>  |                   |                |
| Deposits of guarantees received <sup>(a)</sup>                    | 904 640           | 540 534        |
| Sundry creditors <sup>(b)</sup>                                   | 11 323            | 12 655         |
| Sundry liabilities  | 1 038             | 2 596          |
| <b>Total</b>  | <b>917 001</b>    | <b>555 785</b> |

(a) The Bank receives and gives guarantees in the form of deposits or securities in relation to collateralisation contracts. As at 31 December 2022, the CEB:  
– paid €638.1 million of guarantees in form of deposits (31 December 2021: €67.5 million),  
– received €904.6 million of guarantees in form of deposits (31 December 2021: €540.5 million) and €210.6 million in form of securities (31 December 2021: €227.8 million).  
(b) Of which €2.5 million of lease liability representing the gross value of the lease payments and -€85 thousand of liability amortisation, in accordance with IFRS 16 (31 December 2021: €1.0 million for the lease liability and -€852 thousand for the liability amortisation).

## NOTE J – Financial liabilities at amortised cost

|   | In thousand euros |                   |
|---|-------------------|-------------------|
|   | 31/12/2022        | 31/12/2021        |
| <b>Amounts owed to credit institutions and to customers</b>                   |                   |                   |
| Interest-bearing accounts   | 56 781            | 44 008            |
| Borrowings and term deposits  | 13 333            | 26 667            |
| Interest payable  | 62                |                   |
| <b>Total</b>  | <b>70 176</b>     | <b>70 675</b>     |
| <b>Debt securities in issue at amortised cost</b>                             |                   |                   |
| Bonds   | 26 242 367        | 24 439 069        |
| Interest payable  | 165 104           | 148 523           |
| Value adjustment to debt securities in issue hedged by derivative instruments | (2 183 705)       | 236 875           |
| <b>Total</b>  | <b>24 223 766</b> | <b>24 824 467</b> |

### Development of customers' interest-bearing accounts

Within the framework of numerous bilateral and multilateral contribution agreements signed with donors, the CEB receives contributions in order to finance, through grants, activities in line with its objectives. The contributions received from donors are deposited on accounts opened in the CEB's books.

In general, most of the contributions are provided by member states of the CEB and the European Union.

The Bank fulfils the role of account manager. As such, it processes and records the movements affecting the accounts and controls the available balances. Within the framework of these activities, the CEB may receive management fees.

The CEB is not exposed to credit risk on these accounts since it does not commit itself to provide a grant to a beneficiary without having first received a contribution commitment from one or more donors.

As at 31 December 2022 the Bank managed 30 trust funds (2021: 28) with a total balance of €56.8 million (2021: €44.0 million). The resources on these accounts amount to €433.8 million (2021: €393.7 million) while disbursements stand at €377.0 million (2021: €349.7 million).

The table below provides a summary of the movements and commitments on the accounts administered by the CEB, distributed according to two categories:

- Programs/Accounts funded by donor countries,
- Programs/Accounts funded entirely or mainly by the European Union.

|   | Resources <sup>(a)</sup> | Disbursements <sup>(b)</sup> | 31/12/2022    | Commitments to be received <sup>(c)</sup> | Commitments to be paid <sup>(c)</sup> | <i>In thousand euros</i> |
|---|--------------------------|------------------------------|---------------|---|---------------------------------------|--------------------------|
| Programs/Accounts funded by donor countries                       | 53 827                   | (38 671)                     | 15 156        |   |                                       | (2 780)                  |
| Programs/Accounts funded entirely or mainly by the European Union | 379 996                  | (338 371)                    | 41 625        | 104 623                                   |                                       | (99 666)                 |
| <b>Total</b>  | <b>433 823</b>           | <b>(377 042)</b>             | <b>56 781</b> | <b>104 623</b>                            | <b>(102 446)</b>                      |                          |
|   | Resources <sup>(a)</sup> | Disbursements <sup>(b)</sup> | 31/12/2021    | Commitments to be received <sup>(c)</sup> | Commitments to be paid <sup>(c)</sup> | <i>In thousand euros</i> |
| Programs/Accounts funded by donor countries                       | 42 756                   | (32 712)                     | 10 044        |   |                                       | (2 020)                  |
| Programs/Accounts funded entirely or mainly by the European Union | 350 976                  | (317 012)                    | 33 964        | 97 202                                    |                                       | (111 046)                |
| <b>Total</b>  | <b>393 732</b>           | <b>(349 724)</b>             | <b>44 008</b> | <b>97 202</b>                             | <b>(113 066)</b>                      |                          |

(a) *Consists of contributions received from donors and accrued interest,*  
 (b) *Consists of grants disbursed to projects, fees and funds returned to donors,*  
 (c) *The commitments to be received and to be paid refer to on-going projects only.*

The table below presents the detail of the interest-bearing accounts distributed according to the two following categories:

| Program/Account  | Donor(s)  | Opening year | <i>In thousand euros</i> |                 |               |               |
|--|---|--------------|--------------------------|-----------------|---------------|---------------|
|  |   |              | Resources                | Disbursements   | 31/12/2022    | 31/12/2021    |
| <b>Programs/Accounts funded by donor countries</b>           |   |              |                          |                 |               |               |
| Ukraine Solidarity Fund                                      | Ireland   | 2022         | 1 001                    | (40)            | 961           |               |
| Green Social Investment Fund                                 | CEB, Czech Republic   | 2020         | 5 089                    |                 | 5 089         | 5 047         |
| Italian Fund for Innovative Projects                         | Italy   | 2017         | 1 001                    | (627)           | 374           | 488           |
| Migrant and Refugee Fund                                     | Albania, Bosnia and Herzegovina, Bulgaria, Cyprus, Czech Republic, France, Germany, Holy See, Hungary, Iceland, Ireland, Italy, Liechtenstein, Lithuania, Luxembourg, Malta, Norway, Poland, San Marino, Slovak Republic, Spain, Sweden, EIB, CEB | 2015         | 38 684                   | (32 909)        | 5 774         | 888           |
| Slovak Inclusive Growth Account                              | Slovak Republic   | 2016         | 4 005                    | (2 170)         | 1 835         | 2 234         |
| Spanish Social Cohesion Account                              | Spain   | 2009         | 4 047                    | (2 925)         | 1 122         | 1 387         |
| <b>Sub-total Programs/Accounts funded by donor countries</b> |   |              | <b>53 827</b>            | <b>(38 671)</b> | <b>15 156</b> | <b>10 044</b> |

In thousand euros

| Program/Account   | Donor(s)  | Opening year | Resources      | Disbursements    | 31/12/2022    | 31/12/2021    |
|---|---|--------------|----------------|------------------|---------------|---------------|
| <b>Programs/Accounts funded entirely or mainly by the European Union</b>                                |   |              |                |                  |               |               |
| <b>Accounts linked to the Regional Housing Program (RHP)</b>  |   |              |                |                  |               |               |
| RHP Fund Country Account – BiH  | European Union, Germany, Italy                                    | 2012         | 63 006         | (60 726)         | 2 280         | 6 965         |
| RHP Fund Country Account – BiH & SRB  | Switzerland   | 2019         | 850            | (850)            |               |               |
| RHP Fund Country Account – Croatia  | European Union  | 2013         | 9 303          | (9 303)          |               | 156           |
| RHP Fund Country Account – Montenegro   | European Union, Germany   | 2013         | 3 502          | (2 840)          | 662           | 1 194         |
| RHP Fund Country Account - Serbia   | European Union, Germany   | 2013         | 69 000         | (68 984)         | 16            | 1 978         |
| RHP Fund Regional Account   | European Union, Türkiye, United States of America                 | 2012         | 47 273         | (41 740)         | 5 533         | 6 777         |
| RHP Fund Sub-Regional Account   | Denmark, European Union, Germany, Luxembourg, Norway, Switzerland | 2012         | 53 855         | (50 106)         | 3 749         | 5 604         |
| RHP Implementation  | European Union  | 2013         | 25 120         | (25 120)         |               | 460           |
| RHP Implementation 2  | European Union  | 2017         | 13 888         | (13 790)         | 98            | 587           |
| RHP Implementation Support Fund Account   | Switzerland   | 2019         | 500            | (2)              | 498           | 498           |
| RHP Implementation Support Fund – ODA Account   | Germany, Norway   | 2019         | 1 641          | (1 595)          | 46            | 836           |
| Special Account RHP Republic of Cyprus  | Cyprus  | 2012         | 50             | (50)             |               | 49            |
| Special Account RHP Czech Republic  | Czech Republic  | 2013         | 85             | (40)             | 44            | 44            |
| Special Account RHP Hungary   | Hungary   | 2014         | 30             | (1)              | 29            | 29            |
| Special Account RHP Slovak Republic   | Slovak Republic   | 2012         | 40             | (36)             | 4             | 13            |
| <b>Eastern Europe Energy Efficiency and Environment Partnership (E5PR)</b>                              |   |              |                |                  |               |               |
| Reconstruction - rehabilitation of public schools and increasing energy efficiency in Tbilisi, Georgia  | European Union<br>Other Donors                                    | 2016         | 2 500          | (2 500)          |               |               |
| <b>European Local Energy Assistance Facility (ELENA)</b>  |   |              |                |                  |               |               |
| CEB-ELENA 2012  | European Union  | 2012         | 1 001          | (726)            | 275           | 274           |
| <b>Facility for Refugees in Türkiye (FRIT)</b>  |   |              |                |                  |               |               |
| Türkçe Refugee Account  | European Union  | 2017         | 50 000         | (49 939)         | 61            | 337           |
| Strengthening health infrastructures for all  | European Union  | 2020         | 33 298         | (6 593)          | 26 705        | 6 953         |
| <b>Instrument for Pre-Accession Assistance (IPA) / Western Balkans Investment Framework (WBIF)</b>      |   |              |                |                  |               |               |
| WBIF: construction of prison facilities in Serbia   | European Union<br>Other Donors                                    | 2015         | 1 430          | (1 430)          |               | 89            |
| WBIF: vulnerable persons living in collective accomodation in Bosnia and Herzegovina                    | European Union<br>Other Donors                                    | 2020         | 500            | (349)            | 151           |               |
| WBIF: North Macedonia, Rehabilitation of Physical Education Facilities in Primary and Secondary Schools | European Union<br>Other Donors                                    | 2020         | 922            | (922)            |               |               |
| <b>Programme Asylum, Migration and Integration</b>  |   |              |                |                  |               |               |
| Partnerships and Financing for Migrant Inclusion  | European Union  | 2021         | 928            | (117)            | 811           |               |
| <b>Facility for Roma populations</b>  |   |              |                |                  |               |               |
| Housing & Empowerment of Roma (HERO)  | European Union  | 2021         | 1 274          | (612)            | 662           | 1 121         |
| <b>Sub-total Programs/Accounts funded entirely or mainly by the European Union</b>                      |   |              |                |                  |               |               |
| <b>Total Interest-bearing accounts</b>  |   |              |                |                  |               |               |
|   |   |              | <b>433 823</b> | <b>(377 042)</b> | <b>56 781</b> | <b>44 008</b> |

## NOTE K – Social Dividend Account

The Bank uses the Social Dividend Account (SDA) to finance four types of grants:

- interest rate subsidies on loans granted by the Bank,
- guarantees to support the Bank's financing of high social impact projects,
- technical assistance within the framework of projects financed by the CEB,
- grant contributions.

Grants financed by the SDA are approved by the Administrative Council of the Bank, except technical assistance grants smaller than or equal to €300 thousand, which are approved by the Governor.

Grants can be up to €2 million each, with the exception of grant contributions which are limited to €500 thousand. Annual approvals per country, all windows combined, cannot exceed 10% of SDA resources available for approval.

The Administrative Council approved the transfer of €5.0 million from the SDA to the Migrant and Refugee Fund (MRF) in March 2022 and another €5.0 million in June 2022, thus decreasing the resources of the Account by a total of €10.0 million.

At 31 December 2022, the breakdown of these sub-accounts is the following:

| SDA windows                             | In thousand euros |               |
|---|-------------------|---------------|
|   | 31/12/2022        | 31/12/2021    |
| Subsidies on loans approved             | 10 719            | 13 047        |
| Available for subsidy                   | 1 772             | 1 640         |
| <b>Interest rate subsidies on loans</b> | <b>12 491</b>     | <b>14 687</b> |
| Guarantees on loans approved            | 8 685             | 7 483         |
| Available for guarantees                | 10 087            | 15 790        |
| <b>Loan guarantees</b>                  | <b>18 772</b>     | <b>23 273</b> |
| Approvals for technical assistance      | 1 261             | 1 091         |
| Available for technical assistance      | 1 998             | 5 798         |
| <b>Technical assistance</b>             | <b>3 259</b>      | <b>6 889</b>  |
| Approved grant contributions            | 320               | 2 320         |
| Available for grant contributions       | 320               | 2 320         |
| <b>Grant contributions</b>              | <b>320</b>        | <b>2 320</b>  |
| <b>Total</b>                            | <b>34 842</b>     | <b>47 169</b> |

### Funding

The SDA can be funded by:

- contributions received from CEB's member states through dividends of a social nature, when the Bank's annual profit is allocated,
- voluntary contributions from the Bank's member states, upon approval by the Administrative Council, and
- voluntary contributions from Council of Europe member states and from non-member states or international institutions, upon approval by the Governing Board and the Administrative Council.

## NOTE L – Provisions

|   | <i>In thousand euros</i> |                   |
|---|--------------------------|-------------------|
|   | <b>31/12/2022</b>        | <b>31/12/2021</b> |
| <b>Provisions</b>                                     |                          |                   |
| Provision on social commitments                       | 250 841                  | 366 291           |
| Impairment relating to financing commitments (Note 5) | 3 643                    | 1 761             |
| <b>Total</b>  | <b>254 484</b>           | <b>368 052</b>    |

### Movements in provision on social commitments

The Bank administers a pension scheme and other post-employment benefits concerning a health care scheme, a fiscal adjustment scheme and a termination of service scheme. The amount of the commitment in relation to each post-employment benefit is determined separately using the projected unit credit actuarial valuation method. The last actuarial valuation was carried out as at 31 December 2022 based on individual data as at 30 June 2022.

The financial situation relating to post-employment benefits is presented below:

|  | <i>In thousand euros</i> |                                       |                |
|--|--------------------------|---------------------------------------|----------------|
|  | <b>Pension scheme</b>    | <b>Other post-employment benefits</b> | <b>Total</b>   |
| <b>Provision as at 1 January 2022</b>                          | <b>308 801</b>           | <b>57 490</b>                         | <b>366 291</b> |
| Service cost   | 10 258                   | 2 809                                 | 13 067         |
| Interest cost related to discounted commitments                | 6 360                    | 1 145                                 | 7 505          |
| Changes in actuarial differences recognised directly in equity | (107 319)                | (22 027)                              | (129 346)      |
| Benefits paid  | (4 800)                  | (1 876)                               | (6 676)        |
| <b>Provision as at 31 December 2022</b>                        | <b>213 300</b>           | <b>37 541</b>                         | <b>250 841</b> |

|  | <i>In thousand euros</i> |                                       |                |
|--|--------------------------|---------------------------------------|----------------|
|  | <b>Pension scheme</b>    | <b>Other post-employment benefits</b> | <b>Total</b>   |
| <b>Provision as at 1 January 2021</b>                          | <b>299 437</b>           | <b>57 003</b>                         | <b>356 440</b> |
| Service cost   | 12 459                   | 2 685                                 | 15 144         |
| Interest cost related to discounted commitments                | 4 105                    | 767                                   | 4 872          |
| Changes in actuarial differences recognised directly in equity | (2 388)                  | (1 248)                               | (3 636)        |
| Benefits paid  | (4 812)                  | (1 717)                               | (6 529)        |
| <b>Provision as at 31 December 2021</b>                        | <b>308 801</b>           | <b>57 490</b>                         | <b>366 291</b> |

The main assumptions used in assessing the commitment relative to the post-employment benefits are shown below:

| <b>Sundry information</b>                 | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Interest discount rate                    | 4.25%       | 1.50%       |
| Inflation rate                            | 2.00%       | 1.75%       |
| Pensions revaluation rate                 | 2.00%       | 1.75%       |
| Salary increase rate                      | 3.50%       | 3.50%       |
| Medical care employer's contribution rate | 6.28%       | 6.28%       |
| Average duration                          | 17.70       | 22.20       |

## Sensitivity test

The table below provides information on the sensitivity of the commitment (Projected Benefit Obligation - PBO) in respect of the post-employment benefits as evaluated as at 31 December 2022, as well as the service cost, the interest cost and the estimated benefits for the year 2023, calculated based on a change of the discount rate assumption of -/+ 0.25%:

| Pension scheme       |                   |                      |                              |                            | In thousand euros |
|----------------------|-------------------|----------------------|------------------------------|----------------------------|-------------------|
|                      | PBO<br>31/12/2022 | Service cost<br>2023 | Interest cost<br>on PBO 2023 | Estimated<br>benefits 2023 | PBO<br>31/12/2023 |
| Discount rate -0.25% | 222 083           | 7 185                | 8 738                        | (7 268)                    | 230 738           |
| Discount rate +0.25% | 205 038           | 6 442                | 9 063                        | (7 263)                    | 213 280           |

As at 31 December 2022, a decrease in the discount rate of 0.25% would have resulted in an increase of the pension commitment of 4.1%. A 0.25% increase in the discount rate would have resulted in a decrease of this commitment of 3.9% at that date.

| Other post-employment benefits |                   |                      |                              |                            | In thousand euros |
|--------------------------------|-------------------|----------------------|------------------------------|----------------------------|-------------------|
|                                | PBO<br>31/12/2022 | Service cost<br>2023 | Interest cost<br>on PBO 2023 | Estimated<br>benefits 2023 | PBO<br>31/12/2023 |
| Discount rate -0.25%           | 39 119            | 1 265                | 1 519                        | (2 277)                    | 39 626            |
| Discount rate +0.25%           | 36 060            | 1 128                | 1 571                        | (2 277)                    | 36 482            |

As at 31 December 2022, a decrease in the discount rate of 0.25% would have resulted in an increase of the commitment relating to other post-employment benefits of 4.2%. A 0.25% increase in the discount rate would have resulted in a decrease of this commitment of 3.9% at that date.

## NOTE M – Capital

### Capital management

In conformity with its Articles of Agreement (Article III), any European State (member or non-member state of the Council of Europe) and any international institution with a European focus may, upon the conditions established by the Governing Board, become a member of the CEB.

The Bank issues participating certificates denominated in euros to which members subscribe. Each certificate has the same nominal value of €1 000.

The accession procedure for prospective members consists of addressing a declaration to the Secretary General of the Council of Europe stating that the applicant endorses the Bank's Articles of Agreement and subscribes the number of participating certificates fixed in agreement with the Governing Board. Any state becoming a member of the Bank shall confirm in its declaration its intention:

- to accede at the earliest opportunity, to the Third Protocol to the General Agreement on Privileges and Immunities of the Council of Europe,
- pending such accession, to apply the legal arrangements resulting from the Protocol to the property, assets and operations of the Bank and to grant to the organs and staff of the Bank the legal status resulting from the Protocol (Articles of Agreement, Article III).

The Governing Board establishes the provisions for the subscription and paying in of capital as well as provisions regarding any capital increase. The terms and conditions for the potential withdrawal of a member state are defined in the CEB's Articles of Agreement (Article XV). The Bank has never received such kind of request. Based on this and according to IAS 32 as amended in February 2008, the participating certificates are classified as equity instruments.

The subscription to the Bank's capital and reserves shall be calculated on the basis of the contribution rate of the applicant countries to the budget of the Partial Agreement of the Council of Europe on the CEB.

The Bank's subscribed capital is composed of paid-in capital and callable capital. The paid-in capital is the portion of the capital to be paid at the accession to the Bank upon the Governing Board's decision following a proposal by the Administrative Council. Since its inception, the Bank has never withdrawn any subscribed capital.

The Bank's capital adequacy in terms of risks linked to its operations is assessed through a prudential framework organised around various ratios (see Chapter 5 in Note B).

## Capital increase

On 2 December 2022, the Governing Board approved an increase of the Bank's subscribed capital by a maximum of €4.25 billion, of which a maximum of €1.20 billion will be paid-in by the member states. The subscription period runs until 31 December 2023. The capital increase will become effective at the end of the calendar month in which at least 67% of the participating certificates offered have been subscribed.

Capital breakdown by member state is presented below:

| Members                | Subscribed capital | Uncalled capital | Called capital | In thousand euros                |
|------------------------|--------------------|------------------|----------------|----------------------------------|
|                        |                    |                  |                | Percentage of subscribed capital |
| France                 | 915 770            | 814 114          | 101 656        | 16.720%                          |
| Germany                | 915 770            | 814 114          | 101 656        | 16.720%                          |
| Italy                  | 915 770            | 814 114          | 101 656        | 16.720%                          |
| Spain                  | 597 257            | 530 958          | 66 299         | 10.905%                          |
| Türkiye                | 388 299            | 345 197          | 43 102         | 7.089%                           |
| Netherlands            | 198 813            | 176 743          | 22 070         | 3.630%                           |
| Belgium                | 164 321            | 146 083          | 18 238         | 3.000%                           |
| Greece                 | 164 321            | 146 083          | 18 238         | 3.000%                           |
| Portugal               | 139 172            | 123 724          | 15 448         | 2.541%                           |
| Sweden                 | 139 172            | 123 724          | 15 448         | 2.541%                           |
| Poland                 | 128 260            | 114 023          | 14 237         | 2.342%                           |
| Denmark                | 89 667             | 79 712           | 9 955          | 1.637%                           |
| Finland                | 69 786             | 62 039           | 7 747          | 1.274%                           |
| Norway                 | 69 786             | 62 039           | 7 747          | 1.274%                           |
| Bulgaria               | 62 459             | 55 526           | 6 933          | 1.140%                           |
| Romania                | 59 914             | 53 264           | 6 650          | 1.094%                           |
| Switzerland            | 53 824             | 43 229           | 10 595         | 0.983%                           |
| Ireland                | 48 310             | 42 948           | 5 362          | 0.882%                           |
| Hungary                | 44 788             | 39 816           | 4 972          | 0.818%                           |
| Czech Republic         | 43 037             | 38 260           | 4 777          | 0.786%                           |
| Luxembourg             | 34 734             | 30 878           | 3 856          | 0.634%                           |
| Serbia                 | 25 841             | 22 973           | 2 868          | 0.472%                           |
| Croatia                | 21 376             | 19 003           | 2 373          | 0.390%                           |
| Cyprus                 | 19 882             | 17 676           | 2 206          | 0.363%                           |
| Slovak Republic        | 18 959             | 16 854           | 2 105          | 0.346%                           |
| Albania                | 13 385             | 11 899           | 1 486          | 0.244%                           |
| Latvia                 | 12 808             | 11 387           | 1 421          | 0.234%                           |
| Estonia                | 12 723             | 11 311           | 1 412          | 0.232%                           |
| North Macedonia        | 12 723             | 11 311           | 1 412          | 0.232%                           |
| Lithuania              | 12 588             | 11 191           | 1 397          | 0.230%                           |
| Slovenia               | 12 295             | 10 930           | 1 365          | 0.224%                           |
| Iceland                | 10 144             | 9 018            | 1 126          | 0.185%                           |
| Malta                  | 10 144             | 9 018            | 1 126          | 0.185%                           |
| Georgia                | 9 876              | 8 780            | 1 096          | 0.180%                           |
| Bosnia and Herzegovina | 9 689              | 8 614            | 1 075          | 0.177%                           |
| Montenegro             | 6 584              | 5 853            | 731            | 0.120%                           |
| Kosovo                 | 6 559              | 5 831            | 728            | 0.120%                           |
| Moldova (Republic of)  | 5 488              | 4 878            | 610            | 0.100%                           |
| Andorra                | 4 925              | 4 378            | 547            | 0.090%                           |
| San Marino             | 4 867              | 4 206            | 661            | 0.089%                           |
| Liechtenstein          | 2 921              | 2 374            | 547            | 0.053%                           |
| Holy See               | 137                | 107              | 30             | 0.003%                           |
| <b>Total 2022</b>      | <b>5 477 144</b>   | <b>4 864 180</b> | <b>612 964</b> | <b>100.000%</b>                  |
| <b>Total 2021</b>      | <b>5 477 144</b>   | <b>4 864 180</b> | <b>612 964</b> |                                  |

The earnings per participating certificate for 2022 amount to €14.55 (€17.31 for 2021).

In 2020, further to Andorra's accession, the Bank's subscribed capital increased by €4 925 thousand, of which €547 thousand related to called capital. Its contribution to the reserves totals €2 296 thousand. The payments of the called capital and the contribution to the reserves are scheduled in four equal annual instalments. Three instalments of €711 thousand each (€574 thousand of reserves and €137 thousand of called capital) were paid in 2022, 2021 and 2020. The last outstanding instalment is detailed below:

| Member       | In thousand euros     |                        |            |
|--------------|-----------------------|------------------------|------------|
|              | Capital<br>to be paid | Reserves<br>to be paid | Total      |
| Andorra      | 137                   | 574                    | 711        |
| <b>Total</b> | <b>137</b>            | <b>574</b>             | <b>711</b> |

## NOTE N – Interest margin

Income and expenses are accounted for in accordance with the effective interest rate method (interest, commissions and charges).

Interest received and interest paid are grouped by product.

The net amounts received are classified under the item "Interest and similar income" and the net amounts paid are classified under the item "Interest expenses and similar charges", regardless of the classification of the product as an asset or a liability.

These net amounts by product also include the negative interest of the product concerned.

Interest income and expenses of fair value hedging derivatives are presented together with the income and expenses from hedged items.

The Interest margin is detailed below:

|  | In thousand euros |                 |
|--|-------------------|-----------------|
|  | 2022              | 2021            |
| Financial assets at fair value through equity <sup>(a)</sup> | 21 536            |                 |
| Hedging derivatives  | (12 493)          |                 |
| Sub-total  | <b>9 043</b>      |                 |
| Loans and advances at amortised cost <sup>(a)</sup>          |                   |                 |
| - Credit institutions and central banks                      | 103 385           |                 |
| - Customers  | 135 492           |                 |
| Hedging derivatives  | (106 559)         |                 |
| Sub-total  | <b>132 318</b>    |                 |
| Debt securities at amortised cost                            | 45 061            | 51 473          |
| Amounts owed to credit institutions and to customers         |                   | 2 346           |
| Debt securities in issue at amortised cost                   |                   | (206 371)       |
| Hedging derivatives  |                   | 328 462         |
| Sub-total  |                   | 122 091         |
| <b>Interest and similar income</b>                           | <b>186 422</b>    | <b>175 910</b>  |
| Amounts owed to credit institutions and to customers         | (803)             |                 |
| Debt securities in issue at amortised cost                   | (265 554)         |                 |
| Hedging derivatives  | 230 680           |                 |
| Sub-total  | (34 874)          |                 |
| Other interest expenses and similar charges                  | (7 485)           | (4 872)         |
| Financial assets at fair value through equity <sup>(a)</sup> |                   | 15 413          |
| Hedging derivatives  |                   | (23 593)        |
| Sub-total  |                   | (8 180)         |
| Loans and advances at amortised cost <sup>(a)</sup>          |                   |                 |
| - Credit institutions and central banks                      | 22 334            |                 |
| - Customers  | 86 381            |                 |
| Hedging derivatives  |                   | (124 138)       |
| Sub-total  |                   | (15 423)        |
| <b>Interest expenses and similar charges</b>                 | <b>(43 162)</b>   | <b>(28 475)</b> |
| <b>Interest margin</b>                                       | <b>143 260</b>    | <b>147 435</b>  |
| (a) of which negative interest impact:                       |                   |                 |
| - Financial assets at fair value through equity              | (5 376)           | (5 898)         |
| - Advances at amortised cost                                 | (15 915)          | (20 390)        |
|  | (21 291)          | (26 288)        |

## NOTE O – Segment information

The CEB is a multilateral development bank with a social vocation. It grants loans to finance projects in its member states. This activity is funded by public issues and private placements.

Within this ambit, the Bank holds a single operational field of activity. It intervenes in geographic areas where its contribution is most needed, particularly in Central and Eastern European countries, which constitute the target countries.

Its activity of project financing is conducted exclusively in Europe. However, for other financial operations, in particular its public issues, the CEB operates in Europe as well as in other continents. Therefore, these operations are not shown in the table below.

The interest on loans is broken down by borrowers' country location as follows:

| Breakdown by borrowers' country location        | In thousand euros |                |
|---|-------------------|----------------|
|   | 2022              | 2021           |
| Poland  | 52 151            | 10 693         |
| Türkiye   | 16 854            | 15 992         |
| Hungary   | 16 178            | 6 959          |
| Romania   | 7 427             | 7 510          |
| Lithuania                                       | 4 849             | 4 351          |
| Croatia   | 4 429             | 4 069          |
| Slovak Republic                                 | 3 840             | 3 296          |
| Cyprus  | 3 451             | 3 704          |
| Czech Republic                                  | 3 030             | 793            |
| Serbia  | 2 719             | 1 337          |
| Albania   | 1 979             | 1 544          |
| Bosnia and Herzegovina                          | 1 268             | 1 199          |
| Bulgaria  | 1 217             | 1 236          |
| North Macedonia                                 | 996               | 808            |
| Slovenia  | 991               | 342            |
| Estonia   | 860               | 64             |
| Moldova (Republic of)                           | 571               | 586            |
| Montenegro                                      | 475               | 336            |
| Latvia  | 387               | 493            |
| Malta   | 240               | 29             |
| Georgia   | 183               | 83             |
| Kosovo  | 143               | 76             |
| <b>Sub-total target countries</b>               | <b>124 238</b>    | <b>65 500</b>  |
| Belgium   | 17 590            | 17 823         |
| France  | 12 792            | 7 179          |
| Spain   | 11 381            | 8 000          |
| Italy   | 7 401             | 3 246          |
| Netherlands                                     | 7 226             | 6 331          |
| Germany   | 5 875             | 4 071          |
| Ireland   | 4 509             | 3 539          |
| Portugal  | 3 547             | 3 226          |
| Sweden  | 3 275             | 2 953          |
| Finland   | 2 420             | 964            |
| Iceland   | 861               | 384            |
| Greece  | 70                | 70             |
| Andorra   | 57                | 14             |
| San Marino                                      | 23                | 19             |
| <b>Sub-total other countries</b>                | <b>77 027</b>     | <b>57 819</b>  |
| <b>Target countries through other countries</b> | <b>122</b>        | <b>22</b>      |
| <b>Total</b>                                    | <b>201 387</b>    | <b>123 341</b> |

Outstanding loans by country are presented in Note G.

## NOTE P – Net gains or losses from financial instruments at fair value through profit or loss

Net gains or losses from financial instruments at fair value through profit or loss cover the profit and loss items relative to financial instruments, except for the interest income and charges presented under Interest margin (Note N).

|   | <i>In thousand euros</i> |             |
|---|--------------------------|-------------|
|   | <b>2022</b>              | <b>2021</b> |
| Net result from fair value hedging instruments  | (388 820)                | (83 138)    |
| Revaluation of hedged items attributable to hedged risks                              | 397 677                  | 83 250      |
| Result from financial instruments at fair value through profit or loss                | (951)                    | (199)       |
| Revaluation of exchange positions   | (184)                    | 170         |
| Value adjustment for own credit risk (Debit Valuation Adjustment – DVA)               | (42)                     | (34)        |
| Value adjustment for the risk of the counterparty (Credit Valuation Adjustment - CVA) | (822)                    | (103)       |
| <b>Total</b>  | <b>6 859</b>             | <b>(54)</b> |

## NOTE Q – General operating expenses

|                                  | <i>In thousand euros</i> |                 |
|----------------------------------|--------------------------|-----------------|
|                                  | <b>2022</b>              | <b>2021</b>     |
| Wages and salaries               | (28 974)                 | (27 271)        |
| Social charges and pension costs | (11 353)                 | (13 660)        |
| Other general operating expenses | (12 954)                 | (12 292)        |
| <b>Total</b>                     | <b>(53 281)</b>          | <b>(53 223)</b> |

As at 31 December 2022, the Bank staff was composed of: 4 appointed officials (Governor and Vice-Governor (\*)) and 211 professional staff. As at 31 December 2021, there were 2 appointed officials (Governor and Vice-Governors) and 213 professional staff.

(\* ) Vice-Governor Gaudin and Vice-Governor Boehmer started their mandates on 1 August 2022.

## NOTE R – Cost of risk

The general impairment valuation model used by the CEB is based on the following two steps:

- assessing whether there is a significant increase in credit risk since initial recognition, and
- measuring the impairment allowance on the 12-month expected losses basis if there has been no significant increase in credit risk since initial recognition or on the full lifetime expected losses basis (i.e. expected loss at maturity) if there has been a significant increase in credit risk since initial recognition.

These two steps must be based on a forward-looking approach.

### Significant increase in credit risk

The assessment of a significant increase in credit risk is measured at the level of each transaction based on indicators and thresholds that vary according to the type of counterparty and its internal rating.

The indicator used to assess a significant increase in credit risk is the counterparty's internal credit rating. The internal rating system is described in Chapter 1 of Note B (on Credit Risk). The assessment is based on a relative criterion namely the number of notches of downgrades compared to the original rating. However, where the transaction was already present in the bank's portfolio as at 1 January 2018, the criterion for assessing a significant increase in credit risk is absolute according to the internal credit rating at the valuation date.

In both cases, the deterioration in credit quality is considered significant, and the transaction is classified in stage 2, if the internal credit rating at the valuation date is 3.5 or below. However, sovereigns are systematically classified in stage 1 given the CEB's Preferred Creditor Status.

Assets are considered in default and classified in stage 3 in the event of a payment delay of more than 90 days.

During the year 2022, no defaults occurred in the Bank's portfolio. In addition, the Bank has identified one increase in credit risk in the amount of €148 thousand within the meaning of IFRS 9 for a counterparty, leading to a transfer from stage 1 to stage 2.

### Forward-looking approach

The Bank takes forward-looking information into account in measuring Expected Credit Losses ("ECL").

The Bank has chosen to use three macroeconomic scenarios, covering a wide range of potential future economic conditions. Currently, the scenarios are defined by Moody's Analytics and updated on a monthly basis.

The main macroeconomic variables are the evolution of GDP in the euro area and the evolution of stock markets in Europe. The modelling of macroeconomic variables over the projection horizon is based on Monte Carlo simulations using an autoregressive model with two variables and three lags.

The scenarios used under IFRS 9 are as follows:

- a base scenario, which describes the most likely economic situation over the 5-year projection horizon;
- an adverse scenario, which reflects the impact of the materialisation of risks weighing on the base scenario, resulting in a less favourable economic situation. This scenario is defined as the 10% quantile in Monte Carlo simulations of GDP growth in the euro area;
- a favourable scenario, which reflects the materialisation of risks resulting in a better economic situation. This scenario is defined as the 90% quantile in Monte Carlo simulations of GDP growth in the euro area.

In order to arrive at a balanced estimate of the provisions, the probability of occurrence of the favourable scenario is equal to the probability of occurrence of the adverse scenario.

The weights assigned to the scenarios are as follows:

- 60% for the base scenario,
- 20% for the adverse scenario, and
- 20% for the favourable scenario.

### Cost of risk provision for the period

|   | <i>In thousand euros</i> |              |
|---|--------------------------|--------------|
|   | <b>2022</b>              | <b>2021</b>  |
| Net allowances to impairment – capital  | (10 706)                 | 7 842        |
| Net allowances to impairment – interest | (58)                     | 12           |
| <b>Total</b>                            | <b>(10 764)</b>          | <b>7 854</b> |

### Detail of the cost of risk for the period

|  | <i>In thousand euros</i> |              |
|--|--------------------------|--------------|
|  | <b>2022</b>              | <b>2021</b>  |
| Balances with central banks                    | (195)                    | (69)         |
| Financial assets at fair value through equity  | (374)                    | (117)        |
| Financial assets at amortised cost             |                          |              |
| Loans  | (7 548)                  | 6 208        |
| Advances                                       | (77)                     | (204)        |
| Debt securities                                | (243)                    | (2)          |
| Other assets                                   | (444)                    | 70           |
| Financing commitments                          | (1 883)                  | 1 968        |
| <b>Total</b>                                   | <b>(10 764)</b>          | <b>7 854</b> |
| Cost of risk of unimpaired outstanding         |                          |              |
| of which stage 1                               | (10 764)                 | 7 854        |
| of which stage 2                               | (10 616)                 | 7 854        |
| Cost of risk of impaired outstanding – stage 3 | (148)                    |              |

## Changes in impairment over the period

|   | In thousand euros  |   |  |                 |
|---|--|---|--|-----------------|
|   | Impairment on outstanding amounts with expected 12 months losses (stage 1) | Impairment on outstanding amounts with lifetime expected losses (stage 2) | Impairment on doubtful outstanding amounts (stage 3) | Total           |
| <b>As at 1 January 2022</b>                       | <b>(14 864)</b>  |   |  | <b>(14 864)</b> |
| <b>Net allowances to impairment</b>               |  |   |  |                 |
| Financial assets acquired during the period       | (5 678)  |   |  | (5 678)         |
| Financial assets derecognised during the period   | 1 241  |   |  | 1 241           |
| Transfer to stage 2                               |  | (148)   |  | (148)           |
| Transfer to stage 3                               |  |   |  |                 |
| Transfer to stage 1                               |  |   |  |                 |
| Other allowances/reversals without stage transfer | (6 180)  |   |  | (6 180)         |
| <b>As at 31 December 2022</b>                     | <b>(25 480)</b>  | <b>(148)</b>  |  | <b>(25 628)</b> |

## NOTE S – Financing commitments given or received

|   | In thousand euros |                  |
|---|-------------------|------------------|
|   | 2022              | 2021             |
| <b>Financing commitments given</b>        |                   |                  |
| To credit institutions                    | 2 306 448         | 533 407          |
| To customers                              | 4 225 942         | 5 782 206        |
| <b>Total financing commitments given</b>  | <b>6 532 390</b>  | <b>6 315 613</b> |
| Impairment of financing commitments given | 3 643             | 1 761            |
| of which stage 1                          | 3 643             | 1 761            |
| of which stage 2                          |                   |                  |
| of which stage 3                          |                   |                  |

No financing commitment received was recorded as at 31 December 2022.

## NOTE T – Post-balance sheet events

No material events that would require disclosure or adjustment to these financial statements occurred between 31 December 2022 and the closing date of the accounts by the Governor on 27 February 2023.

# EXTERNAL AUDITOR'S REPORT



ERNST & YOUNG Audit  
Tour First  
TSA 14444  
92037 Paris-La Défense cedex

Tél. : +33 (0) 1 46 93 60 00  
[www.ey.com/fr](http://www.ey.com/fr)

## Council of Europe Development Bank

Year ended December 31, 2022

### Independent auditor's report on the annual financial statements

To the Governor,

#### *Opinion*

We have audited the annual financial statements of the Council of Europe Development Bank (the "Bank"), which comprise the balance sheet as at December 31, 2022 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

These financial statements were closed under your responsibility.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the annual financial statements in France, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.A.S. à capital variable  
344 366 315 R.C.S. Nanterre

Société de Commissaires aux Comptes  
Société d'expertise comptable inscrite au Tableau  
de l'Ordre de la Région Paris - Ile-de-France

Siège social : 1-2, place des Saisons - 92400 Courbevoie - Paris-La Défense 1



**Valuation of financial instruments at fair value through profit or loss and hedging derivative financial instruments**

**Risk identified**

As at December 31, 2022, the financial instruments at fair value through profit or loss amounted to K€ 654,045 in assets and K€ 187,498 in liabilities. The hedging derivative financial instruments amounted to K€ 2,198,288 in assets and K€ 2,397,993 in liabilities.

As set out in Note A to the annual financial statements, the financial assets and liabilities under these categories are valued and recorded at their market value. The market value of these instruments is determined either by using quoted prices on an active market or by applying a valuation technique including:

- Mathematical calculation methods based on financial assumptions;
- Parameters whose value is determined either by using prices of instruments traded in active markets, or based on statistical estimates or other quantitative methods in the absence of an active market.

Given the significance of those financial instruments and the related estimation inherent uncertainty, we considered the valuation of financial instruments at fair value through profit or loss and hedging derivative financial instruments as a key audit matter.

**Our response**

We obtained an understanding of the Bank's process related to the determination of the fair value of interest rate swaps and currency rate swaps, as well as the methodology implemented by the Bank to model the fair valuation.

We compared the valuation of swaps to external information prepared by the counterparties and recalculated the valuation for a sample of interest-rate swaps (IRS) and currency-interest-rate swaps (CIRS).

**Other Information included in the Bank's Annual Report as at December 31, 2022**

Other information consists of the information included in the Annual Report, other than the annual financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



***Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements***

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

***Auditor's Responsibilities for the Audit of the Annual Financial Statements***

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit performed in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In particular, we inform those charged with governance of the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and inform them of all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate threats and the safeguard measures applied.

Paris-La Défense, February 28, 2023

The Independent Auditor  
ERNST & YOUNG Audit

Digitally signed by  
Luc.Valverde  
DN: cn=Luc.Valverde,  
email=luc.valverde@fr.ey.com  
Date: 2023.02.28 09:28:45  
+01'00'

Luc Valverde

## AUDITING BOARD'S REPORT

In pursuance of its terms of reference under Article XII of the Articles of Agreement of the Council of Europe Development Bank and Article I of its Rules of Procedure, the Auditing Board met by videoconference from 22 to 23 June for an introductory meeting, from 7 to 9 December 2022 for the interim review and from 27 February to 1 March 2023 in order to certify the CEB's balance sheet, income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended 31 December 2022.

Based on Resolution 453 (2021) of the Governing Board on the appointment of the External Auditors EY, the External Auditors presented their statement and gave, when needed, evidence in detail of the performance of the audit.

The Auditing Board carried out the review of the CEB's activities for the year 2022 by:

- Consulting the Governor, the Directors and other pertinent staff;
- Examining the financial statements of the CEB for the year 2022, including the balance sheet as at 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended and the notes to the financial statements, which had been prepared by the Accounting Unit of the CEB and signed by the Governor on 27 February 2023;
- Consulting the Internal Audit and examining its reports as well as consulting auditees;
- Consulting the External Auditor of the CEB and examining its interim report and its long form report for the year 2022;
- Obtaining the independent auditor's report on the annual financial statements signed by the External Auditor on 28 February 2023;
- Obtaining all necessary documents, information and explanations which the Auditing Board deemed necessary. These were readily given by the Governor, the Internal Auditor, the Directors and other pertinent staff.

The Auditing Board certifies, on the basis of the information which was made available to it and to the best of its understanding, that the CEB's balance sheet, income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements are in agreement with the books and other records and present fairly, in all material respects, the state of the CEB's affairs as at 31 December 2022 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Paris, 1 March 2023

Nata LASMANE

Lucia KAŠIAROVÁ

Barbora JANÍČKOVÁ

# APPROVAL OF THE ACCOUNTS BY THE ADMINISTRATIVE COUNCIL

## RESOLUTION 1651 (2023) of the Administrative Council on the discharge of the Governor and allocation of the net profit for 2022

Paris, 17 March 2023

CA/PV/335/2023

The Administrative Council,

Having regard to Article XI, Section 3 of the Bank's Articles of Agreement,

Having regard to Rule 1, paragraph 2 of the Rules of Procedure of the Administrative Council,

Having taken note of the Bank's annual report, the balance sheet, income statement and notes to the financial statements as at 31 December 2022,

Having taken note of the Governor's Memorandum "Proposal for the allocation of the net profit for the 2022 financial year" dated 1 March 2023,

Having taken note of the External Auditor's report dated 28 February 2023,

Having taken note of the Auditing Board's report dated 1 March 2023,

1. recommends that the Governing Board approve the Bank's annual report, the balance sheet, the income statement and the notes to the financial statements as at 31 December 2022,
2. discharges the Governor from his responsibility for financial management in respect of the financial year 2022,
3. resolves to allocate the 2022 net profit as follows:
  - € 74 682 729 to the general reserve
  - € 5 000 000 to the Social Dividend Account
4. recommends that the Governing Board endorse point 3 above.

# APPROVAL OF THE ACCOUNTS BY THE GOVERNING BOARD

## RESOLUTION 465 (2023) of the Governing Board on the 2022 Financial Year

Paris, 31 March 2023

CD/PV/234/2023

The Governing Board,

Having regard to Article IX, Section 3, paragraph 1, litt. e of the Bank's Articles of Agreement,

Having regard to Rule 5, paragraph 1 of the Governing Board's Rules of Procedure,

Having regard to the balance sheet, income statement and notes to the financial statements as at 31 December 2022,

Having taken note of the certification by the External Auditor, dated 28 February 2023,

Having regard to the reports of the Bank's statutory organs, viz:

- the Report of the Governor for the financial year 2022,
- the Auditing Board's report dated 1 March 2023,

Having regard to Resolution 1651 (2023) of the Administrative Council,

Having heard the Auditing Board,

Decides:

- to approve the Bank's annual report, the balance sheet, the income statement and the notes to the financial statements as at 31 December 2022,
- to discharge the Administrative Council from its responsibility for the financial year 2022,
- to endorse point 3 of Resolution 1651 (2023) of the Administrative Council of 17 March 2023, by which the Administrative Council allocated the 2022 net profit as follows:
  - € 74 682 729 to the general reserve,
  - € 5 000 000 to the Social Dividend Account.

## NOTES FOR THE READER

**Articles of Agreement:** The first Articles of Agreement were adopted by the Committee of Ministers of the Council of Europe on 16 April 1956 under Resolution (56)9. New Articles of Agreement, adopted by the Committee of Ministers on 16 June 1993 under Resolution (93)22, came into force on 18 March 1997 following their ratification by all the member states.

**Project approved:** A project that has been submitted to the Administrative Council and approved for funding.

**Loan disbursed:** A loan that has actually been disbursed to the borrower.

**Loan tranche:** Loans are disbursed in tranches, depending on the progress of the work, up to the maximum amount approved by the Administrative Council.

**Financing commitment:** Projects still awaiting financing and for which a framework loan agreement has been signed.

**Social Dividend Account (SDA):** Funded mainly by the earmarked portion of the Bank's shareholder approved annual results and used to finance grants in favour of high social impact projects. These grants may take the form of interest rate subsidies, technical assistance grants, loan guarantees or grant contributions.

**Loans outstanding:** Total amount of loans disbursed and not yet repaid.

**Subscribed capital:** Participating certificates issued by the CEB and subscribed by its members.

**Called capital:** Total capital paid in and to be paid in.

**Uncalled capital:** Difference between the subscribed capital and the called capital.

## Member countries

The CEB has 42 member states who are the Bank's shareholders.

All countries that are members of the Council of Europe  
are eligible to join the CEB.

Albania ★

Andorra

Belgium

Bosnia and Herzegovina ★

Bulgaria ★

Croatia ★

Cyprus ★

Czech Republic ★

Denmark

Estonia ★

Finland

France

Georgia ★

Germany

Greece

Holy See

Hungary ★

Iceland

Ireland

Italy

Kosovo ★

Latvia ★

Liechtenstein

Lithuania ★

Luxembourg

Malta ★

Republic of Moldova ★

Montenegro ★

Netherlands

North Macedonia ★

Norway

Poland ★

Portugal

Romania ★

San Marino

Serbia ★

Slovak Republic ★

Slovenia ★

Spain

Sweden

Switzerland

Türkiye ★

★ Target countries



**CEB**

— COUNCIL OF EUROPE DEVELOPMENT BANK —  
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE



55, avenue Kléber

FR-75116 PARIS FRANCE

Tel.: +33 (0)1 47 55 55 00

Email: [info@coebank.org](mailto:info@coebank.org)

**[www.coebank.org](http://www.coebank.org)**

2221-0113 (Online)

1563-2601 (Print)