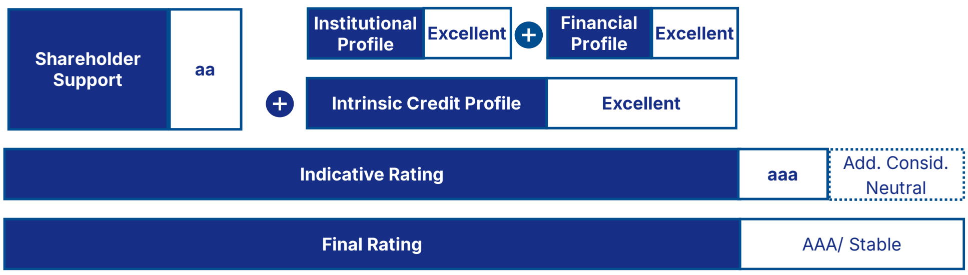
European Union and Euratom

Rating Report

The AAA/Stable rating of the European Union (EU) reflects its 'High' Member support and its 'Excellent' intrinsic strength underpinned by its 'Excellent' institutional and financial profiles. In detail:

- **Shareholder support**: The EU benefits from: i) the largest European economies being its highly rated key Member States, with a weighted average rating of AA-; ii) a track record of and solid legal basis for receiving timely financial support; iii) extraordinary support mechanisms, ensuring de facto joint and several support; and iv) a legally enshrined debt service priority combined with significant budgetary flexibility.
- **Institutional profile:** The EU has a proven record of excellent governance and an irreplaceable mandate for its Member States. It was at the heart of Europe's Covid-19 response via the SURE and NGEU programmes, is coordinating Member States' response to Russia's war of aggression against Ukraine, including supporting increased defence spending among Members via the SAFE instrument, and is leading the continent's transition towards a carbon-neutral and climate-resilient economy.
- **Financial profile:** The EU benefits from an excellent liquidity profile, driven by high, prudently managed liquid assets, excellent market access given its global benchmark issuer status, and a diversified funding base. The EU's excellent asset quality reflects its preferred creditor status. Challenges relate to the more than tenfold increase in its outstanding liabilities from 2020 levels over the coming years, which will result in higher debt repayments going forward.
- **Outlook and triggers:** The Stable Outlook reflects our assessment of the EU's financial buffers to withstand shocks. The rating could be downgraded if: i) highly rated key Member States were downgraded; ii) the EU's institutional setup weakened; and/or iii) the EU's liquidity buffers declined.

Figure 1: Scope's assessment of rating drivers



Source: Scope Ratings

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt rating/Outlook

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Lead Analyst

Eiko Sievert
+49 69 6677389-79
e.sievert@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Credit strengths and challenges

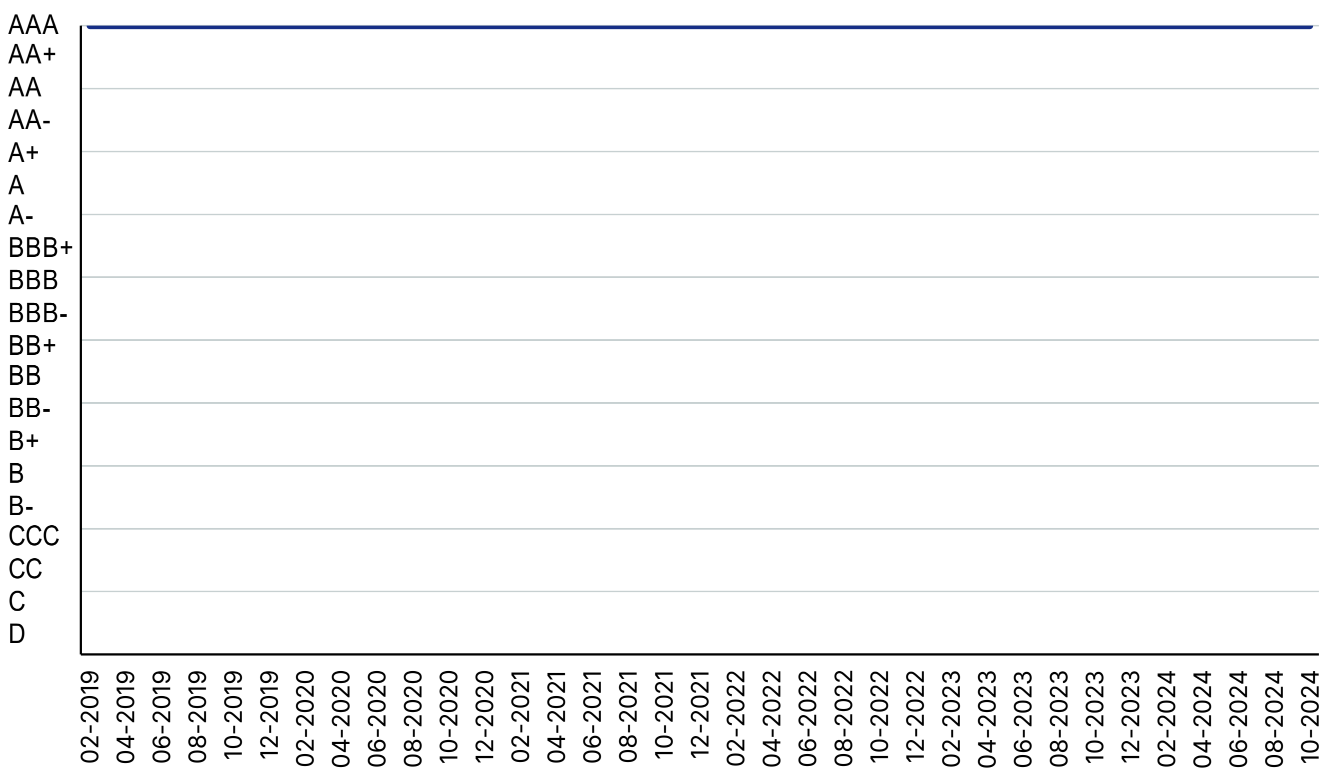
Credit strengths	Credit challenges
• Highly rated Member States, providing de facto joint and several support • High liquidity buffers, excellent market access, budgetary flexibility • Preferred creditor status	• Significant increase in debt • High guarantees, mostly to European Investment Bank

Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
• N/A	• Downgrades of key Member States • Weakening in institutional setup • Reduction in liquidity buffers

Figure 2: Rating history



Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

Credit profile

We determine a non-capitalised supranational's rating by assessing its shareholder support as well as its intrinsic strength based on its institutional and financial profiles. We map these two assessments to determine an indicative rating range that can be adjusted by up to one notch to determine the final rating. For details, please see our methodology.

Shareholder support: High

We assess an institution's shareholder support primarily via the weighted average rating of its key shareholders or members on the AAA-CCC rating scale. This indicative rating may be adjusted in case of a meaningful overlap between the key shareholders providing support and the countries of operation, as well as for any extraordinary support measures.

Shareholder support																
aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc
High				Medium						Low						

The EU's shareholder support is assessed at 'aa'. This reflects the average key shareholder rating of AA-, a concentrated loan portfolio with an elevated share related to key shareholders, and 'Very Strong' extraordinary support mechanisms reflecting the EU's legal debt service priority and budgetary flexibility, as well as a de facto joint and several guarantee mechanism.

Key shareholder rating

EU budgetary contributions as proxy for ownership and control

The EU's and Euratom's[1] borrowings are ultimately backed by the EU budget. The EU budget is financed by several sources of revenues, which mostly comprise GNI-based transfers from EU Member States (around two-thirds) but also customs duties, VAT, and an own resource based on plastic packaging not recycled. As the EU budget must not run a deficit, the GNI-based resource plays a budget-balancing role, financing the annual expenditure that is not covered by all other revenues.

New own resources proposed by European Commission

The European Commission published its proposal for the 2028-2034 multiannual financial framework in July 2025. This included several proposed new sources of revenue for the EU budget estimated to total around EUR 44bn annually on average (in 2025 prices), including new own resources from:

(i) The emissions trading system (ETS), directing 30% of the revenues from emissions trading in the EU to the EU budget, estimated to generate around EUR 9.6bn annually;

(ii) The carbon border adjustment mechanism (CBAM), allocating 75% of what EU countries collect under CBAM to the EU budget. This is estimated to generate around EUR 1.4bn annually;

(iii) An own resource based on non-collected e-waste, estimated to generate around EUR 15bn annually;

(iv) A Tobacco Excise Duty Own Resource (TEDOR), estimated to generate around EUR 11.2bn annually; and

(v) A Corporate Resource for Europe (CORE) annual lump-sum contribution applied to companies with an annual turnover above EUR 100m, estimated to generate around EUR 6.8bn annually.

[1] Euratom is a separate legal entity, but its credit profile is identical to the EU's as its debt repayment obligations are backed by the EU's budgetary resources.

We identify the most relevant EU Members based on the capital key of the European Central Bank (ECB), which is driven by the member states' nominal GDP and population. This balances several considerations: i) budgetary contributions based on the GNI of the Member States; ii) the fact that the EU budget benefits from its own revenue sources, which are at least partly dependent on the member states' economic size and population; iii) the political weight in decision-making processes; and iv) the relative stability of the ECB's capital key, which provides stability in this critical part of the credit analysis.

Highly rated Member States

Figure 3: Key Member States

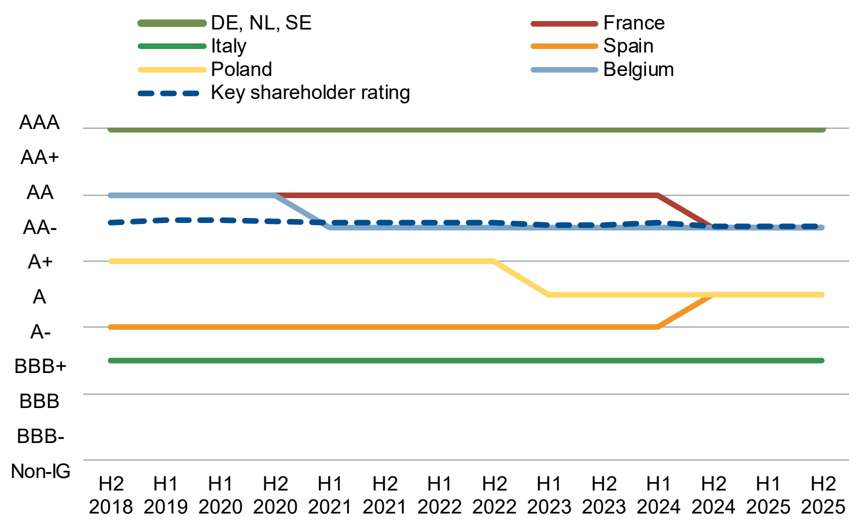
Key shareholders	Rating	Relative relevance (%)	
		Original	Adjusted
Germany	AAA/Stable	21.8	28.0
France	AA-/Negative	16.4	21.0
Italy	BBB+/Stable	13.1	16.8
Spain	A/Stable	9.7	12.4
Poland	A/Stable	6.1	7.8
Netherlands	AAA/Stable	4.8	6.2
Sweden	AAA/Stable	2.9	3.8
Belgium	AA-/Negative	3.0	3.9
		77.8	**100.0**
Key shareholder rating			**AA-**

* Based on ECB key (nominal GDP and population). Source: Scope Ratings.
Source: Scope Ratings

The eight largest European economies account for around 75%-80% of the EU's economy, population and GNI-based national budgetary transfers and thus constitute the EU's key Member States, with a weighted-average rating of AA-. The average key shareholder rating would remain unchanged in case of a downgrade of Belgium (AA-/Negative) and France (AA-/Negative). For the average rating to decrease by one notch to A+, the sovereign ratings of two additional key shareholders (including Germany) would have to be downgraded by one notch.

Key Member States with an average rating of AA-

Figure 4: EU's key Member States' rating



Source: Scope Ratings

Some overlap between key Member States and countries of operation, notably Italy and Spain

Loans to Italy, Spain and Poland account for about 55% of total loans (including NGEU loans, SURE and other programs). This could increase considering continued disbursements from the NGEU programme, although it may be partially offset by rising loan exposures to Ukraine. In our view, this reflects a moderate risk of material credit deteriorations arising simultaneously in those countries that are expected to provide support if ever needed. However, we note positively that the other key Member States, notably, Germany, France, the Netherlands and Sweden, will have minimal loans, if any, from the EU, limiting this potential risk.

Extraordinary support

One notch for legal debt service priority and budgetary flexibility

The EU's debt servicing ability benefits from multiple layers of protection. The EU repays its debt using repayment proceeds from borrowing countries that received back-to-back financing of loans. However, in case a borrowing country fails to repay on time, 'the European Parliament, the Council and the Commission shall ensure that the financial means are made available to allow the Union to fulfil its legal obligations in respect of third parties'[2]. We acknowledge this legal debt service priority with a one-notch positive adjustment, taking into account the actual budgetary flexibility of the European Commission to delay significant amounts of the EU's annual expenditure of about EUR 40bn-60bn from the European regional and cohesion funds.

One notch for de facto joint and several guarantee mechanism and three-day payment horizon

In addition, if the EU's available cash resources were insufficient to service debt, the EC would be legally entitled to draw funds from all Member States[3]. In such an adverse event, the additionally required funds 'shall be divided among the Member States, as far as possible, in proportion to the estimated budget revenue from each of them'[4]. Member States are legally obliged to 'execute the Commission's payment orders following the Commission's instructions and within not more than three working days of receipt'[5]. We consider this to be an exceptionally strong and timely guarantee mechanism with a de facto joint and several support framework, warranting a one-notch upward adjustment to our shareholder support assessment.

At the same time, we note that rebates for GNI-based contributions[6] lower the final contributions to the EU budget from the highest-rated Members. Still, these lump-sum payments are fixed and will not increase over the coming years.

Intrinsic credit profile – Institutional profile: Excellent

Notches	2	1	0	-1	-2
Assessment	**Excellent**	Strong	Adequate	Moderate	Weak

We assess the credit risk of supranationals, placing a significant emphasis on the importance of their mandate to their shareholders and associated environmental, social and governance (ESG) considerations.

The EU's institutional profile is assessed as 'Excellent'. This reflects its excellent governance and irreplaceable mandate for EU Members, being at the forefront of policy design and implementation. This role includes financial assistance programmes to help countries in financial distress, close Europe's investment gap, facilitate the recovery from cross-border shocks such as the Covid-19 crisis, foster Europe's transition to carbon neutrality, and support higher defence spending following Russia's invasion of Ukraine.

2 Treaty on the Functioning of the European Union. Article 323
3 Article 14 of the Council Regulation (EU, Euratom) No. 609/2014
4 Article 14 (4) of the Council Regulation (EU, Euratom) No. 609/2014
5 Article 15 (1) of the Council Regulation (EU, Euratom) No. 609/2014
6 EUR 377m for Denmark, EUR 3.671bn for Germany, EUR 1.921bn for the Netherlands, EUR 565m for Austria and EUR 1.069bn for Sweden in the period 2021-2027.

Mandated activities

The EU budget guarantees the borrowings of the European Commission that finance: i) lending to Member and non-Member States in back-to-back transactions; and ii) non-repayable support (i.e. grants) to EU Member States in response to the Covid-19 shock and NGEU.

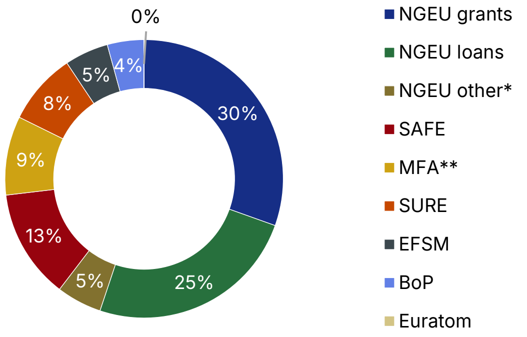
Mandate to provide loans and grants mostly to EU Member States

Social factors

The EU's borrowing is permitted to finance: i) loans to its Member States, via the European Financial Stabilisation Mechanism (EFSM)[7], the Balance-of-Payments (BoP)[8] financial assistance programmes, the Support to mitigate Unemployment Risks in an Emergency (SURE)[9], NGEU[10] and Security Action for Europe (SAFE)[11] instruments; ii) grants to its Member States via NGEU instruments and payments to existing EU programmes; iii) loans to non-EU countries through EU Neighbourhood support programmes including the Macro-Financial Assistance (MFA)[12] programme, financial support for Ukraine, and the Reform and Growth Facility for the Western Balkans[13]; and finally; iv) loans for Euratom, which lends to EU Member States and non-Member States and their entities to finance projects relating to energy installations[14].

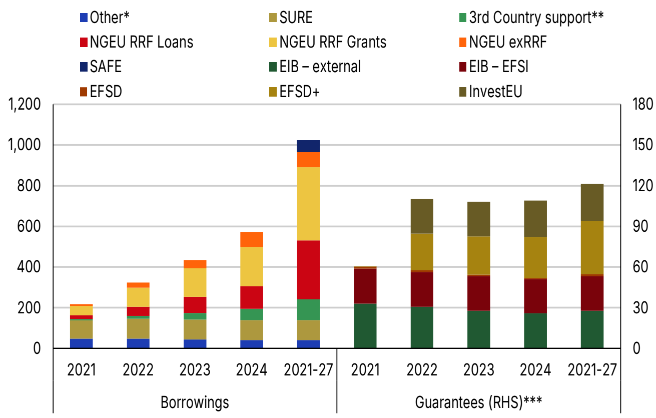
Loan exposure shifts to EU Member States following SURE and NGEU disbursements

Figure 5: EU's financing programmes
EUR bn, maximum ceilings where applicable



*Refers to payments to existing EU programmes while NGEU loans and grants refer to support under the Recovery and Resilience Facility. ** No official ceiling, includes Ukraine disbursements of EUR 18bn under MFA+, planned EUR 50bn disbursements under Ukraine Facility, EUR 18.1bn under the Ukraine Loan Cooperation Mechanism (ULCM), and EUR 6bn under the Reform and Growth Facility for the Western Balkans (R&G WB).
Source: European Commission, Scope Ratings

Figure 6: Total exposure including guarantees
EUR bn



*Includes EFSM, Euratom and Balance of Payments. **Support for countries outside the EU. Includes MFA, Ukraine MFA+, Ukraine Facility, ULCM, R&G WB. ***Guarantee ceilings for 2027 reflect the maximum amount of budgetary guarantee provisioned under the EU budget expressed in current prices. For guarantee programmes that are closed for new operations (EFSI and ELM), the available guarantee signed at December 2024 is shown. Source: European Commission, Scope Ratings

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7 EFSM enables financial assistance to be granted to a Member State in difficulty. This may take the form of a loan or a credit line. While the facility is limited at EUR 60bn, the EFSM is not foreseen to engage in new financing programmes or enter into new loan facility agreements.

8 The BoP facility, a policy-based financial instrument, provides medium-term financial assistance to EU Member States that have not adopted the euro. The maximum outstanding amount of loans granted under the instrument is EUR 50bn.

9 The SURE instrument had a limit of EUR 100bn and was concluded at the end of 2022.

10 The NGEU instrument has a limit of EUR 750bn (in 2018 prices) and is temporary, with net borrowing to be concluded by the end of 2026.

11 The SAFE instrument has a limit of EUR 150bn and is temporary, with net borrowing to be concluded by the end of 2030.

12 MFA is a policy-based financial instrument of untied and undesignated balance-of-payment and/or budgetary support to partner countries under an IMF programme. Loans are guaranteed by the Guarantee Fund for External Actions and have no official ceiling although the External Action Guarantee ceiling of EUR 53.4bn, which also covers external actions of the EIB, cannot be exceed.

13 The Reform and Growth Facility for the Western Balkans has a limit of EUR 6bn for the period from 2024 to 2027.

14 Guarantees from third parties are the first to cover outstanding Euratom loans. Otherwise, the Guarantee Fund for External Actions will cover the amounts.

The EU has allocated significant funding support for Ukraine since the outbreak of the war of aggression by Russia. This includes the launch of the Ukraine Facility in March 2024 with an overall capacity of EUR 50bn in the period 2024-2027, including EUR 33bn in loans, and the Ukraine Loan Cooperation Mechanism (ULCM), which will be repaid with proceeds from immobilised Russian State assets in the EU. Direct exposures at the end of 2024 amounted to EUR 42.4bn, including (i) EUR 5.3bn in legacy MFA and Euratom loans, (ii) EUR 6.0bn in exceptional MFA loans, (iii) EUR 18bn of MFA+ loans, and (iv) EUR 13.1bn related to the Ukraine Facility.

Significant Ukraine funding support

In response to the Covid-19 pandemic, energy transition and Russia's war in Ukraine, the EU's financial activities and outstanding liabilities are set to increase more than tenfold between 2020 and 2027, reaching more than EUR 1 trillion, or about 6% of the EU's GDP, on account of SURE, NGEU and SAFE over the coming years. This highlights the exceptional importance of these instruments to the EU.

Financial activities increasing almost tenfold from 2020 to 2027

In addition, the EU is mandated to provide guarantees to: i) the EIB in the context of its non-EU activities and those classified under the European Fund for Strategic Investments (EFSI) and its successor, the InvestEU programme, in which national promotional banks and institutions as well as international financial institutions are able to participate; and ii) the European Fund for Sustainable Development (EFSD) and its successor, EFSD+. These contingent liabilities are not funded by the EU on the capital markets. Still, they are ultimately backed by the EU budget and thus form an important and growing part of the EU's activities and overall credit risk.

Guarantees, mostly to EIB, demonstrate risk-sharing capacity

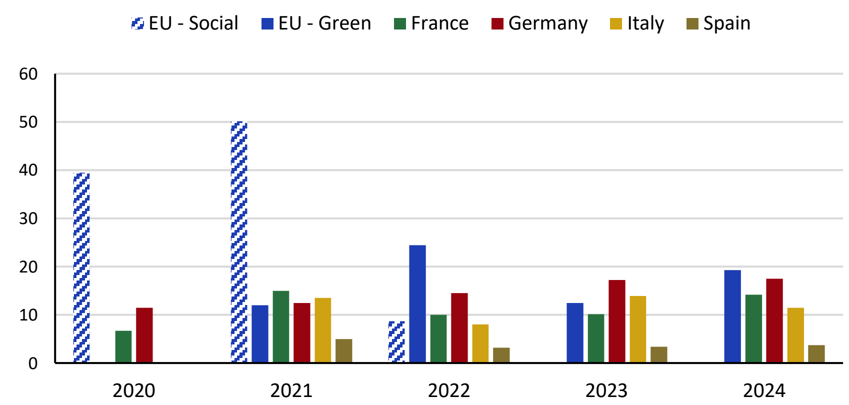
Environmental factors

The EU Taxonomy Regulation entered into force in July 2020. It established the basis for the EU taxonomy by setting out the overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. Under the NGEU green bond framework, the European Commission established clear governance structures including annual allocation reports and impact assessments. The framework is aligned with the green bond principles of the International Capital Market Association and NGEU Green Bonds are included in the MSCI Global Green Bond Index.

Established green bond framework

We therefore assess the EU's potential environmental risk exposure as relatively low when compared with peers, including the risk of stranded assets as well as the reputational risk of pursing activities that contradict its mandate and environmental objectives, either directly or indirectly through counterparties. An advanced level of ESG risk management and effective measures regarding project selection contribute to mitigate these risks.

Figure 7: Social and green bond issuance: EU, Germany, France, Italy and Spain
EUR bn, annual issuance



Source: European Commission, respective debt management offices, Scope Ratings

EU to become largest green bond issuer worldwide

Specifically, we note positively that at least 37% of the Recovery and Resilience Facility – which accounts for 90% of NGEU – is set for green investments. As a result, up to 30%, or EUR 215bn, of NGEU bond issuance will be directly linked to the objectives of a green and sustainable economic recovery. In addition, most of the EUR 300bn REPowerEU Plan is being funded through the Recovery and Resilience Facility. REPowerEU aims at safeguarding EU countries from energy shortages, accelerating the green transition and promoting investments in renewable energies via a series of reforms Member States have included in their national recovery plans. The growing issuance places the EU as the largest green bond issuer worldwide and underlines its commitment to achieving climate targets. To date, the EU has raised EUR 76.4bn via green bonds.

Governance

The EU's exceptionally strong governance and regulatory frameworks help to frame its political priorities into financial terms, including the operationalisation of the EU budget via the multiannual financial framework and the annual budget. Every year the European Court of Auditors verifies the reliability of the EU's accounts, which are prepared based on the International Public Sector Accounting Standards.

EU Treaty provides solid legal basis for EU budget

The Treaty on the Functioning of the EU sets out: i) general principles governing budget procedures and the principle of sound financial management (Article 310); ii) the principle of funding the budget from own resources (Article 311); iii) the multiannual financial framework, with annual expenditure ceilings for at least five years (Article 312); iv) the schedule for the financial year (Articles 313-316); and v) procedures for budget implementation and control and confers the necessary powers (Articles 317-319). On this basis, the EU's conservative budgetary practices aim at ensuring a balanced budget, although normally there are annual surpluses that are carried forward to the next year's budget.

No single EU Member State dominates decision-making

The adoption of the EU budget requires a proposal from the European Commission followed by a qualified majority approval from the Member States (i.e. 15 of the 27 Member States representing at least 65% of the EU population) and majority approval from the European Parliament. The most relevant EU Members economically and politically are Germany, France, Italy and Spain (see Annex I) following the departure of the UK. Still, we note positively that no single Member States can dominate the EU's strategic and operational activities because a blocking minority requires at least four Member States representing more than 35% of the EU population.

Withdrawal Agreement with EU regulates UK's financial obligations

Finally, under the 'Withdrawal Agreement', the UK agreed to honour all financial obligations undertaken while it was an EU Member. The UK will therefore continue to contribute to the EU budget and benefit from pre-2021 EU programmes and expenditure. These obligations create liabilities and receivables for the EU that amounted to EUR 41.8bn on a net basis as of end-2021. At the end of 2024, this amount declined to about EUR 12.8bn, which will be paid by the UK over the coming years.

Figure 8: EU-UK financial obligations

EUR bn

	2020	2021	2022	2023	2024
Due from the UK	49.6	44.0	26.7	18.9	14.7
Due to the UK	2.1	2.2	2.8	3.4	1.9
Net receivable from UK	**47.5**	**41.8**	**23.9**	**15.5**	**12.8**
UK payment (expected following year)	6.8	10.9	9.1	2.4	1.5

Source: European Commission

Intrinsic credit profile – Financial profile: Excellent

We assess a non-capitalised institution's financial profile along two rating factors: i) liquidity and funding; and ii) asset quality.

	Financial profile						
Assessment	**Excellent**	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak

The EU's financial profile is assessed as 'Excellent'. This reflects its: i) 'Excellent' liquidity coverage and 'Excellent' funding access, flexibility and profile to meet its high disbursement needs; and ii) 'Very Strong' portfolio quality and 'Excellent' asset performance.

Liquidity and funding

Notches	≥ 6	≥ 4	≥ 2	≥ 0	-1	≤ -2
Assessment	**Excellent**	Very Strong	Strong	Adequate	Moderate	Weak

Our analysis focuses on the supranational's: i) available liquid assets to meet financial obligations and expected disbursements over an extended period; and ii) funding operations, including the stability and diversification of its market access.

Our assessment balances the EU's 'Excellent' liquid assets coverage with its 'Excellent' market access, given its global benchmark issuer status and diversified funding base.

Liquidity coverage

We note the EU's conservative liquidity management and budgetary practices, including its diversified funding strategy set up to meet short-term liquidity needs in the context of NGEU disbursements. In 2023, this funding strategy was extended to the financing of other programmes, resulting in a unified funding approach.

High cash balances and NGEU-specific liquidity account

When considering liquid assets, we note the cyclical nature of the EU's high cash balances. During 2025, the cash balance averaged EUR 28.5bn until August, with a low of EUR 21.4bn in March. As of August 2025, the cash balance stood at EUR 32.2bn, in line with the previous two years. Over the past decade, the cash balance never dropped below EUR 10bn. We also include the funds held in the unified funding off-budget account, which is maintained to meet upcoming NGEU disbursements and repayments. At end-2024, this account held liquid assets of EUR 33.9bn, up from EUR 12.5bn in 2023 as disbursements are expected to increase.

Significant additional liquidity buffer given budgetary margin

We also include the budgetary margin in the EU's liquid assets. Specifically, the EU's total own resources ceiling – the maximum it can draw on from Member States without the need for any subsequent decision by national authorities – is set at 1.40% of the EU's estimated GNI since 2021, up from 1.20% previously. In addition, Member States agreed to set aside a further 0.6pp until 2058 to cover the repayment of all liabilities from NGEU borrowings. The total ceiling is thus 2.00% of the EU's GNI, or about EUR 372bn for 2025, of which EUR 111bn relate to NGEU activities.

Conversely, regarding expenditures, we note that total payment appropriations, meaning actual authorised disbursements in a given year in the EU's seven policy areas[15], averages around EUR 172bn each year following the agreement on the amended multiannual financial framework for the years 2021 to 2027.

Budgetary margin adjusted for pro-rata share of highly rated Members

The own resources ceiling is legally binding, and it has never been reached. Thus, we estimate the EU's liquid assets using a conservative approach, by adjusting the budgetary margin for the pro-

[15] Single market, innovation and digital; cohesion, resilience and values; natural resources and environment; migration and border management; security and defence; neighbourhood and the world; European public administration

rata budgetary contributions of Member States rated AA- or above[16]. Based on Scope's sovereign ratings and the adopted 2025 GNI-based budgetary contributions, this share is currently at around 62%.

Figure 9: Monthly cash balances
EUR bn

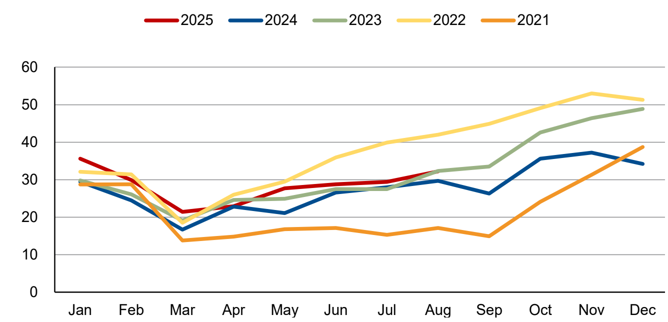
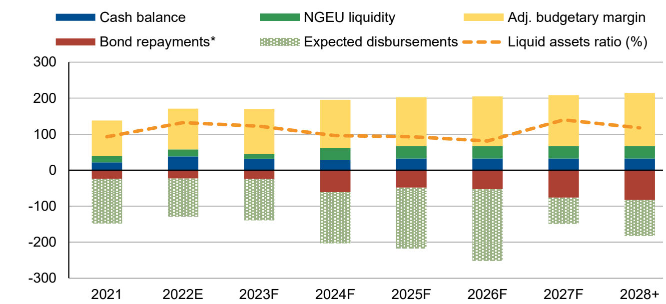


Figure 10: Liquidity coverage
EUR bn, %



*Assumes maximum expected bond repayments in 2028 of EUR 8.5bn for SURE, EUR 31.4bn under the unified funding approach and EUR 10.3bn for EFSM/BoP/MFA.
Source: European Commission, Scope Ratings

On this basis, the margin between the potential maximum contribution from the EU's highly rated Members and the actual payments during 2021-27, adjusted for 'other revenues'[17] that increase the budgetary margin, averages around EUR 127bn over the 2021-27 period. Together with the estimated average cash balance of EUR 29.8bn[18] and the NGEU-specific liquidity account of around EUR 21.1bn[19], this results in liquid assets averaging around EUR 184bn for 2021-27.

Modest bond repayments due within next 12 months…

Conversely, we estimate the EU's liabilities materialising within 12 months to average EUR 177bn for 2021-27 and at around EUR 218bn for 2025. This includes bond repayments (EUR 48.7bn) and disbursements of around EUR 169bn, driven mostly by NGEU (EUR 150bn). We estimate that the EU's disbursements will remain elevated over 2025 and 2026, averaging around EUR 184bn. While precise disbursements are unknown, we assume that the full envelope for NGEU funding of around EUR 712bn will be used by 2027.

… but significant disbursements to continue under NGEU

On this basis, we estimate the liquid assets ratio will average around 108% during 2021-27, increasing to around 140% in 2027[20]. We acknowledge that our liquidity coverage ratio is conservative because NGEU disbursements can only be made once the funds are raised on the markets, pointing to a higher liquidity coverage ratio that exactly matches liquidity needs with available funds. Excluding disbursements from our calculation and assuming conservatively the maximum bond repayments due in any given year for SURE and NGEU, we arrive at a liquidity coverage of around 486%. However, as the EU has credibly announced these disbursements, any funds that cannot be raised and thus disbursed could cast doubt on the EU's ability to fulfil its mandate.

Disbursements can be postponed until funds are actually raised

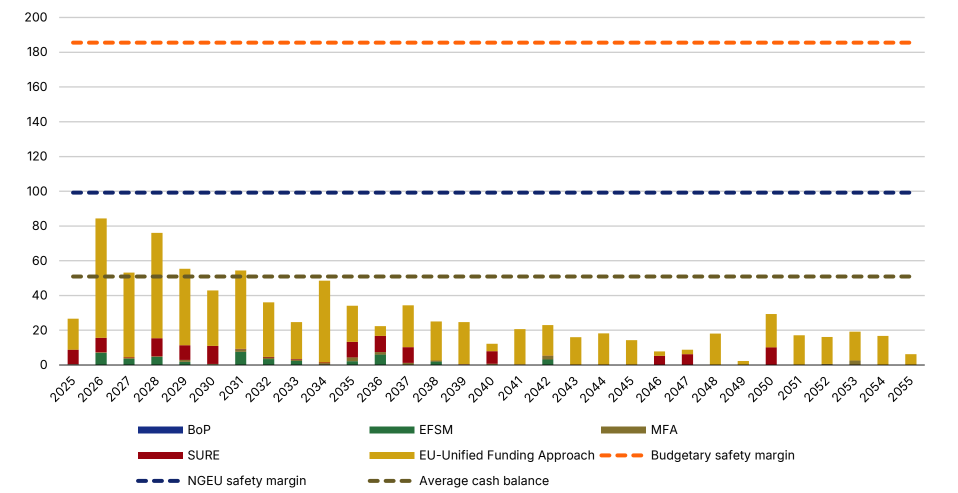
To balance these considerations, we include credibly announced disbursements to assess the liquidity coverage and needs of the EU but make an additional positive adjustment to our overall liquidity assessment to account for the fact that disbursements are only made after the funds are actually raised. This contrasts with most supranationals, whose announced disbursements often include a high share of contractually committed disbursements.

[16] This adjustment is in line with Scope's methodology of only using assets rated AA- or above for the calculation of liquid assets.
[17] Includes taxes paid by EU staff, payments from the UK stemming from the Withdrawal Agreement, fines paid by companies and budget balance from previous year.
[18] Based on full-year average cash balances for the 2021-24 period.
[19] Based on full-year average cash balances held in the NGEU-specific liquidity account for the 2021-24 period.
[20] Our scorecard uses a projected average of 105% for the 2021-27 period.

Future bond repayments covered by cash balance and budgetary margin

We expect the maximum annual repayment – including bonds and bills – due within one year to amount to around EUR 84bn in 2026. This includes repayments related to the EFSM (EUR 6.9bn), SURE (EUR 8.3bn) and EUR 68.7bn related to the Commission's unified funding approach of which EUR 23.5bn constitutes EU-Bills. Critically, this remains below the 0.6% of GNI earmarked until 2058 to cover repayment of all NGEU borrowings, and well below the total own-resource ceiling of 2.0% of GNI.

Figure 11: Repayment schedule of outstanding loans (principal and interest) and safety margins
EUR bn



Note: The NGEU safety margin reflects the 0.6% of EU-27 GNI to cover NGEU repayments; the budgetary safety margin reflects the 2.0% of GNI own resource ceiling, deducting payment appropriations and accounting for other revenue. Average cash balances include cash deposits and the NGEU liquidity account.
Source: European Commission, Scope Ratings

In addition, we note that the possible liquidity risk arising from borrowings is offset by loan repayments made by Member States under the EFSM, BoP, SURE, NGEU and future SAFE loan operations. For MFA and Euratom loans, as well as different 'facilities' for the Western Balkans and Moldova, the Common Provisioning Fund (CPF) serves as a first liquidity reserve in case of a payment missed by its borrowers. The Ukraine Facility is not provisioned for in the budget, being fully covered by the headroom. Notably, there has been no payment default to date and as of December 2024, the net assets in the CPF stood at EUR 23.18bn.

Additional direct revenues may further bolster repayment capacity

We also note that repayment of NGEU borrowings may benefit from new own resources as previously outlined in the section on shareholder support. Depending on the final agreement and timeline of adoption, these new own resources could be sufficient to cover an amount corresponding to the expected expenditure related to the repayment of NGEU and other support programmes to member states agreed to date.

In our view, the high liquidity buffer (comprising cash and potential resources the EU can draw from Member States without requiring additional decision-making processes) allows the EU to increase issuances and disbursements in line with its mandate, which is to provide loans and grants to Member States during the most financially distressed times. See Annex V for detailed calculations.

Funding

EU is the largest supranational issuer as a result of NGEU and is set to retain a strong presence on capital markets

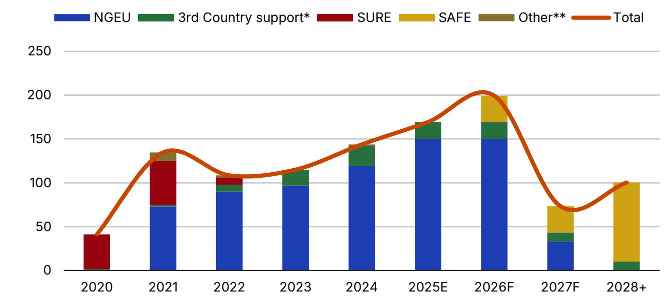
Expected issuances of around EUR 712bn for NGEU have transformed the EU into the largest supranational issuer as the European Commission issues the funds until 2026. In addition to NGEU, the European Commission also issued a total of EUR 98.4bn via an ICMA-compliant Social Bond Principles framework between October 2020 and December 2022, making it the world's largest social bond scheme. With around EUR 680bn of outstanding bonds already issued as of end-

September 2025, we expect continued high volumes of bond issuances of around EUR 160bn in 2025 and 2026. Even after NGEU disbursements are completed, the EU is set to retain a strong presence on capital markets with further issuances related to the EUR 150bn SAFE instrument and around EUR 40 – 50bn per year in rollover operations of outstanding debt.

Unified funding strategy, EU bills programme, quoting arrangements and repo facility

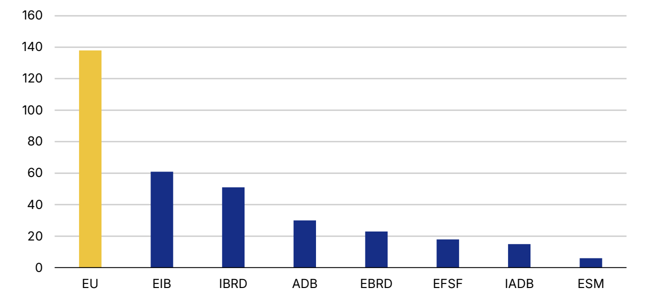
To meet liquidity needs under NGEU, the European Commission relies on a diversified funding strategy that mirrors sovereign-style funding programmes. This is centred around a clear funding schedule, a bill programme and a combination of auctions and syndications of medium- and long-term bonds, green bonds, and EU bills. In addition, the Commission's stated aim is to raise 30% of NGEU funds under its Green Bonds Framework.

Figure 12: Expected disbursements/funding 2021-28
EUR bn



*Includes MFA, Ukraine MFA+, Ukraine Facility, Ukraine Loan Cooperation Mechanism, Reform and Growth Facility for the Western Balkans. **Includes EFSM, Euratom, Balance of Payments.
Source: European Commission, Scope Ratings

Figure 13: 2024 funding volume vs peers
EUR bn



EU issuance excludes EU-Bills issued in 2024.
Source: European Commission, respective issuers, Scope Ratings

Continued strengthening of EU Bond market ecosystem

To support a more homogenous secondary market for EU-Bonds, this strategy has been extended as of 2023, with the EU issuing single branded "EU-Bonds" under a unified funding approach rather than separately denominated bonds for individual programmes such as SURE or MFA. The Commission has also made continued progress in enhancing the EU debt capacity infrastructure and strengthening liquidity of EU bonds in the secondary market. This includes the introduction of quoting arrangements in November 2023, the launch of a repo facility in October 2024 and the launch of non-competitive offers allocations in September 2025. This is in addition to independent market initiatives such as the introduction of EUREX EU Bond Futures in September 2025.

Extraordinary investor demand; only euro issues

We note that the EU Bonds have been benefiting from strong investor demand even during volatile markets. While demand is coming from a diverse range of investors, they are mostly based in Europe, potentially reflecting the fact that the EU's funding currency is exclusively the euro. This eliminates currency risks but may also make the issuances less appealing to non-euro investors. Still, we note positively that the EU can use its issuances to enhance the euro's role as a global safe asset.

World's largest green bond issuer

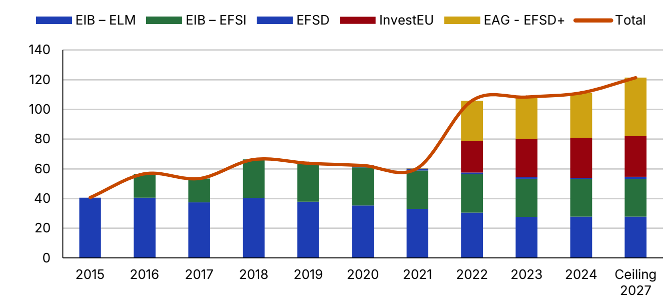
The Commission intends to issue up to 30% of NGEU funds in the form of green bonds. This is expected to make the EU the world's largest green bond issuer, providing the EU with access to a wider range of investors and boosting the green bonds market in line with its commitment to sustainable finance. To date, the EU has raised EUR 76bn via green bonds with a total estimated expenditure under NGEU eligible for the green bond framework of around EUR 263bn.

Additional considerations

We note that the EU's budget is materially exposed to contingent liabilities, specifically from its guarantees to the EIB for non-EU operations (ELM) and those classified under the EFSI, the InvestEU programme, the EFSD, and EFSD+ (Global Europe).

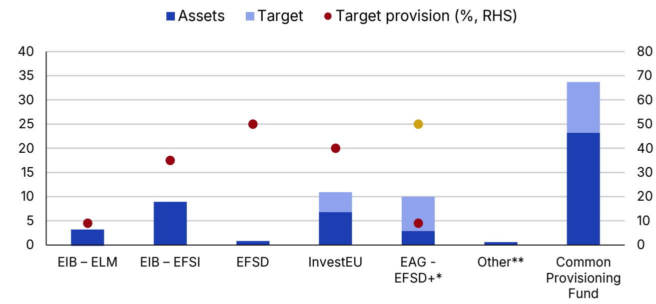
The overall size of guarantees has increased substantially since 2015, initially driven by the scaling up of EFSI (from 2016 onwards) to around EUR 60bn at end-2021, and again in 2022 due to the introduction of the InvestEU and EFSD+ programmes with the overall size of guarantees reaching EUR 111bn in 2024. These two programs are expected to further increase the overall size of guarantees. Critically, any calls under the guarantees are covered by the Common Provisioning Fund (CPF), reducing the direct impact on the EU budget. Since 2021, the CPF combines the assets of all guarantee funds, which thus constitute separate compartments within this fund. The invested CPF portfolio has a high credit quality with an average rating of A. It mainly consists of investment-grade bonds, including over 40% AAA-rated securities, while short-term liquid assets made up about 11% as of December 2024. The CPF investments generated a return of +3.57% in 2024, exceeding its portfolio benchmark of +3.31%.

Figure 14: EU's guarantee programmes
EUR bn, maximum ceilings



EFSD+ includes guarantees covered by the NDICI External Action Guarantee.
Source: European Commission, Scope Ratings

Figure 15: Guarantee fund and provision rates
EUR bn, % (RHS)



*EFSD+ provision rate of 9% for EFSD+ Investment Window 1 and 50% for Open Architecture. **Other includes CPF compartments for Post-2020 MFA, Exceptional MFA Ukraine, and Ukraine Guarantee.
Source: European Commission, Scope Ratings

Three specific risks from EU guarantees...

In assessing the EU's contingent liabilities, we highlight three specific risks to the EU budget: i) the low asset quality, as measured by sovereign credit ratings, particularly regarding the high and rising exposure to Ukraine (SD); ii) the potential risks covered by the EFSI compartment of the CPF, which is expected to see an increase in the number and volume of future guarantee calls; and iii) the potential risks covered by the EFSD and, going forward, the InvestEU and EFSD+ programmes, which will result in additional operations and new clients.

...mitigated by liquid assets, low defaults and conservative financial management

At the same time, the risk borne by the EU budget is significantly curtailed by: i) the assets of the guarantee funds, with a relatively high provisioning rate for newer programmes that would absorb any losses before EU budgetary resources would be needed; ii) the low annual net guarantee payments to date, which have never exceeded EUR 230m in a given year; and iii) the EU's conservative financial management, including ample liquidity buffers and upfront provisioning of the funds.

High provisioning for Ukraine exposure

The EU has provided substantial financial support to Ukraine and we note the high level of provisions assigned to these exposures. Direct exposures to Ukraine stood at around EUR 42.4bn at end-2024, including (i) EUR 5.3bn legacy MFA and Euratom exposures with a provisioning rate of 9%, (ii) EUR 6bn related to the exceptional MFA I and II programmes backed by the exceptional MFA compartment in the CPF (9% first loss) and a second loss guarantee granted by Member States (61%). (iii) EUR 18bn of MFA+ loans and EUR 13.1bn under the Ukraine Facility, both backed by the EU budget 'headroom'. No loans have been disbursed under the Ukraine Loan Cooperation Mechanism at the end of 2024, but these will also be backed by the headroom.

Indirect exposures to Ukraine from all guarantees outstanding amounted to EUR 4.13bn at end-2024. These included (i) EUR 3.7bn under the ELM, with EUR 1.6bn provisioned at 70% and EUR 2.1bn provisioned at 9%, (ii) EUR 170m under the Ukraine Facility, provisioned at 70%, (iii) EUR 100m under the EFSD+ Investment Window 1 guarantee, provisioned at 70%, (iv)under the EFSD, there is a guarantee agreement with the EBRD under which the EU has a maximum loss of EUR 70m, and (v) EUR 90m under the EFSD+ signed with the IFC.

Figure 16: Adequacy of provisioning
Confidence level for coverage of expected guarantee calls over next five years, %

	2024
ELM	90.0
EFSI	95.0
EFSD	90.0
InvestEU, EFSD+	N/A

Source: European Commission

We could adjust the liquidity assessment negatively by one notch if: i) the credit quality of the largest exposures under the EIB's external lending mandate deteriorated; ii) the magnitude of the guarantee calls increased meaningfully; and/or iii) the overall size of the EU's guarantees increased further without a commensurate increase in liquid assets and provisions.

Other considerations

Interest rate risk, foreign exchange rate risk, derivatives and collateral management have resulted in no adjustment for the liquidity and funding assessment.

Asset quality

Notches	≥ 5	4	3	2	1	0	-1	≤ -2
Assessment	**Excellent**	Very Strong	Strong	Strong	Adequate	Adequate	Moderate	Weak

Our analysis is structured around a forward-looking qualitative assessment of the supranational's portfolio quality, including an evaluation of climate risks and of possible credit enhancements, as well as a quantitative assessment of the portfolio's past asset performance.

The EU's excellent asset quality reflects its conditional lending policies and preferred creditor status as well as its diversified portfolio across geographies.

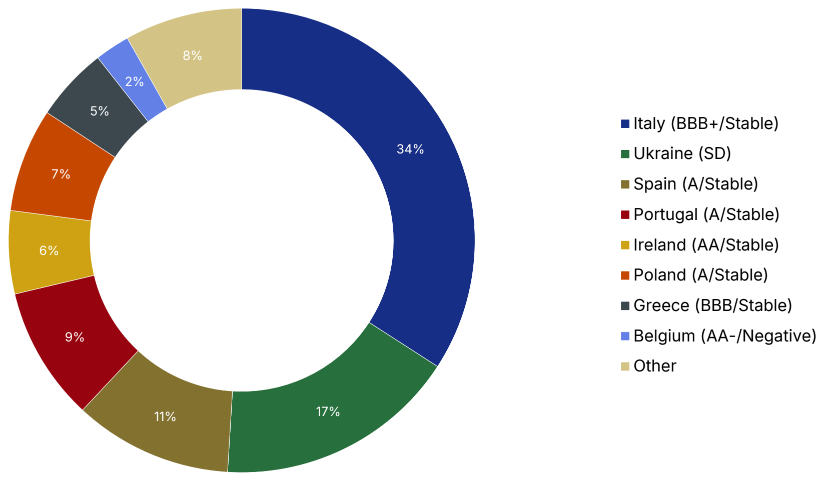
Excellent asset quality, very low NPLs

Portfolio quality

The EU's main exposure for borrowings relates to financial assistance provided via its SURE[21], NGEU, EFSM, and 3rd Country Support including for Ukraine.

Excellent asset quality reflects sovereign lending only and preferred creditor status

Figure 17: Country exposure, loans
%



Source: European Commission, Scope Ratings

[21] We note that SURE loans also benefit from guarantees of up to EUR 25bn from Member States.

Overall, the exposures via these programmes to Italy (BBB+/Stable), Ukraine (SD), Spain (A/Stable), Portugal (A/Stable), Ireland (AA/Stable), Poland (A/Stable), Greece (BBB/Stable) and Belgium (AA-/Negative) account for more than 90% of the EU's total direct loan exposure. On this basis, we estimate the weighted-average borrower quality at around BBB, which corresponds to an 'adequate' portfolio quality assessment based on our methodology.

Indirect guarantee exposures to EIB's non-EU and riskier activities

Similarly, we also account for the EU's credit risk resulting from its guarantees to: i) the EIB, in the context of its non-EU activities as well as those classified under the EFSI; ii) the EFSD; and iii) the InvestEU and EFSD+ programmes via separate assessments in the liquidity section. While these contingent liabilities are not funded by the EU on the capital markets, they are ultimately backed by the EU budget and thus form an important and growing part of the EU's overall credit risk.

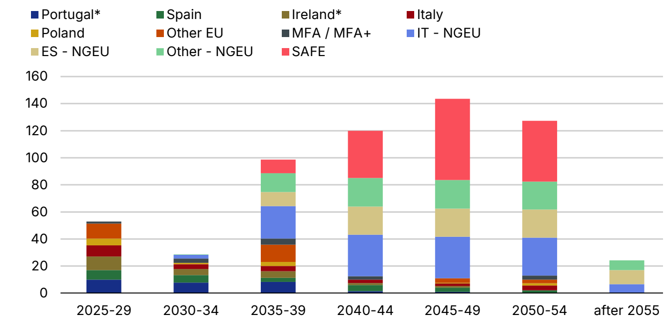
Portfolio quality – credit enhancements

We provide an uplift to our initial estimate of the EU's portfolio quality given the EU's credit enhancements, which improve our final assessment of its portfolio quality to 'Very Strong' from 'Adequate' (see Annex IV). This primarily reflects the EU's preferred creditor status.

EU has clear track record of benefiting from preferred creditor status

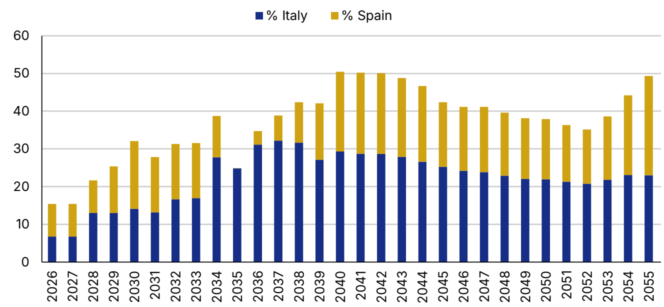
We note positively that the EU, which lends counter-cyclically during crises as a lender of last resort, has a clear record of its loans being exempt from any debt restructurings. Despite lending to crisis-hit countries, the EU's loans have always been exempted from debt restructuring operations; although, for completion, we note that the EU's loans have been extended in the past. While NGEU repayments can start from 2028, loan agreements indicate that Member States will make annual repayments of 5% of the disbursed amounts starting ten years after the disbursement date. The first payments are therefore expected in 2032 and the final payment of already disbursed amounts in 2055, while the maturity of SURE loans varies between 5-30 years. Overall, all NGEU loans will need to be repaid by 2058 at the latest.

Figure 18: Country exposure loan repayment profile
EUR bn



*Includes SURE and EFSM loans, otherwise SURE loans only for EU Member States.
NGEU undisbursed but requested loan amounts assumed to be disbursed equally until 2026 and respective repayments to start 10Y after.
Source: European Commission, Scope Ratings

Figure 19: Share of exposure to Italy and Spain
% of total loan repayments from Member States, 5Y moving average



Source: European Commission, Scope Ratings

Exposure risk to shift towards Italy and Spain

We expect SURE, NGEU and SAFE loans to benefit from preferred creditor status should any Member States face financial distress. The EU's portfolio is concentrated across sectors and individual counterparties due to its mandate to lend to sovereigns that require financial assistance. The overall loan repayment profile is assumed to be weighted towards later years with a peak of around EUR 40bn in 2050 due to an assumed increase in SAFE repayments. Over the next fifteen years, the country and concentration risk is expected to markedly shift towards Italy and Spain given the countries' large share of total NGEU loans. This concentration may shift depending on the final volume of the EU's growing exposure to Ukraine and other future lending programs.

No risks from equity participations

Finally, the EU is not permitted to invest in equity aside from its holdings in the European Bank for Reconstruction and Development (AAA/Stable, capital subscription of 2.9%, paid-in capital of

EUR 187m) and the European Investment Fund (capital subscription of 29.7%, paid-in capital of EUR 438m).

Asset performance

No non-performing loans given preferred creditor status

Despite lending counter-cyclically to crisis-hit countries, the EU has not suffered any losses on its loan portfolio to date. This is because loan disbursements depend on governments' compliance with agreed policy conditions, which are also monitored by the European Commission in the context of financial assistance programmes. As of end-2024, loans of EUR 14m were in Stage 3, and EUR 27m were impaired loans from the EIB's EFSI and ELM programmes, constituting less than 0.1% of the EU's total loan exposure.

Member States are expected to honour repayment obligations under SURE, NGEU and SAFE loans in full and on time. We therefore expect these programmes to have no adverse impact on the EU's asset performance, demonstrating the EU's preferred creditor status.

Indicative rating: 'aaa'

We first map the assessments for the institutional and financial profiles to determine the supranational's intrinsic credit profile. In a second step, we complement this assessment with our assessment of the strength of shareholder support to determine the indicative rating.

Figure 20a: Mapping institutional and financial profiles for the EU

Intrinsic Credit Profile		Institutional Profile				
		Excellent	Strong	Adequate	Moderate	Weak
Financial Profile	Excellent	Excellent	Excellent	Excellent	Very Strong	Very Strong
	Very Strong	Excellent	Very Strong	Very Strong	Very Strong	Strong
	Strong	Very Strong	Strong	Strong	Strong	Adequate
	Adequate	Strong	Adequate	Adequate	Adequate	Moderate
	Moderate	Adequate	Moderate	Moderate	Moderate	Weak
	Weak	Moderate	Weak	Weak	Weak	Very Weak
	Very Weak	Weak	Very Weak	Very Weak	Very Weak	Very Weak

Figure 20b: Mapping intrinsic strength and shareholder support for the EU

Indicative Rating		Intrinsic Credit Profile						
		Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak
Shareholder Support	aaa	aaa	aaa	aaa	aaa	aaa	aaa / aa+	aa+ / a+
	aa+	aaa	aaa	aaa	aaa	aaa	aaa / aa	aa / a
	aa	aaa	aaa	aaa	aaa	aaa / aa+	aa+ / aa-	aa- / a-
	aa-	aaa	aaa	aaa	aaa	aaa / aa	aa / a+	a+ / bbb+
	a+	aaa	aaa	aaa	aaa / aa+	aa+ / aa-	aa- / a	a / bbb
	a	aaa	aaa	aaa	aaa / aa	aa / a+	a+ / a-	a- / bbb-
	a-	aaa	aaa	aaa / aa+	aa+ / aa-	aa- / a	a / bbb+	bbb+ / bb+
	bbb+	aaa	aaa	aaa / aa	aa / a+	a+ / a-	a- / bbb	bbb / bb
	bbb	aaa	aaa / aa+	aa+ / aa-	aa- / a	a / bbb+	bbb+ / bbb-	bbb- / bb-
	bbb-	aaa	aaa / aa	aa / a+	a+ / a-	a- / bbb	bbb / bb+	bb+ / b+
	bb+	aaa / aa+	aa+ / aa-	aa- / a	a / bbb+	bbb+ / bbb-	bbb- / bb	bb / b
	bb	aaa / aa	aa / a+	a+ / a-	a- / bbb	bbb / bb+	bb+ / bb-	bb- / b-
	bb-	aa+ / aa-	aa- / a	a / bbb+	bbb+ / bbb-	bbb- / bb	bb / b+	b+ / ccc
	b+	aa / a+	a+ / a-	a- / bbb	bbb / bb+	bb+ / bb-	bb- / b	b / ccc
	b	aa- / a	a / bbb+	bbb+ / bbb-	bbb- / bb	bb / b+	b+ / b-	b- / ccc
	b-	a+ / a-	a- / bbb	bbb / bb+	bb+ / bb-	bb- / b	b / ccc	ccc
	ccc	a / bbb+	bbb+ / bbb-	bbb- / bb	bb / b+	b+ / b-	b- / ccc	ccc

Source: Scope Ratings

Additional considerations: Neutral

We acknowledge the heterogeneity of supranationals and include in our assessment idiosyncratic factors that may affect the creditworthiness of the supranational.

For the EU, no additional considerations apply.

Annex I: Member States: European Union

EU member states	Population (m)	GDP (EUR bn)	2024 Budgetary Contribution (EUR bn)*	ECB capital key (%)**	Rating (latest)	Share ≥ AA-
Germany	83.6	4,329.0	31.6	21.8	AAA	21.8
France	68.6	2,919.9	24.3	16.4	AA-	16.4
Italy	58.9	2,199.6	17.9	13.1	BBB+	
Spain	49.1	1,591.6	13.2	9.7	A	
Poland	36.5	845.7	7.2	6.1	A	
Netherlands	18.0	1,122.5	8.6	4.8	AAA	4.8
Sweden	10.6	558.0	3.6	2.9	AAA	2.9
Belgium	11.9	614.0	6.5	3.0	AA-	3.0
Romania	19.0	353.8	2.8	2.9	BBB-	
Austria	9.2	484.2	3.2	2.4	AA+	2.4
Greece	10.4	237.6	1.9	1.8	BBB	
Portugal	10.7	285.2	2.4	1.9	A	
Czech Republic	10.9	320.7	2.6	2.0	AA-	2.0
Denmark	6.0	392.4	2.7	1.8	AAA	1.8
Hungary	9.5	206.2	1.8	1.6	BBB	
Finland	5.6	276.0	2.2	1.5	AA+	1.5
Ireland	5.4	562.8	3.3	1.8	AA	1.8
Bulgaria	6.4	103.7	0.9	1.0	A-	
Slovakia	5.4	131.0	1.0	0.9	A	
Croatia	3.9	85.6	0.7	0.6	A-	
Lithuania	2.9	78.4	0.6	0.5	A+	
Slovenia	2.1	67.4	0.6	0.4	A+	
Latvia	1.9	40.2	0.4	0.3	A-	
Luxembourg	0.7	86.2	0.4	0.3	AAA	0.3
Estonia	1.4	39.8	0.3	0.2	A+	
Cyprus	1.0	33.6	0.3	0.2	A-	
Malta	0.6	23.1	0.2	0.1	A+	
Total (All Member States)	**450.4**	**17,988.2**	**141.2**	**100.0**	**-**	**58.6**

*Refers to total own resources contribution according to Amending Budget No 5 of the European Union for the financial year 2024. **Weighted by GDP and population.
Source: European Commission, Scope Ratings

Annex II: Supranational scorecard

	Analytical Pillar	Variables		Unit	+4	+3	+2	+1	0	-1	-2	EU Value	EU Assessment	EU Notches	EU
Shareholder Support (*,**)	Key shareholder rating (90%)	Weighted average rating of key shareholders		AAA - CCC	--	--	--	--	--	--	--		AA-		aa
	Key shareholders & exposures	Share of portfolio related to key shareholders		%	--	--	--	--	≤ 50	> 50	--	52	High / Negative adjustment	-1	
	Extraordinary support (10%)	Additional support mechanisms		Qualitative	--	--	Very Strong	Strong	N/A	--	--	--	Very Strong	2	
	Shareholder Support (*,)**												**aa**		
Intrinsic Credit Profile (*,**) – Institutional Profile (15%)	Mandate & ESG	Mandate (50%)	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High	1	Strong
			Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong		
			Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong		
		Governance (50%)	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1100	Strong	1	Strong
			Shareholder control	%	--	--	--	--	≤ 25	> 25	--	22	Strong		
			Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong		
	Institutional Profile (15%)												**Excellent**		
Intrinsic Credit Profile (*,**) – Financial Profile (85%)	Liquidity & funding (55%)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	110	Excellent	4	Excellent
		Funding access, flexibility and profile		Qualitative	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak	Excellent	Excellent	4	
		Trend (-1; +1)												1	
	Asset quality (45%)	Portfolio quality	Incl. risk mitigants	Qualitative	--	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Strong	Very Strong	2	Excellent
		Asset performance	NPLs	% total loans	--	≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5; ≤ 7	> 7; ≤ 10	> 10	0.0	Excellent	3	
		Trend (-1; +1)												0	
	Financial Profile (85%)												**Excellent**		
	Intrinsic Credit Profile (*,)**												**Excellent**		
	Indicative Rating												**aaa**		
	Additional considerations (-1; +1)												Neutral		
	Final Rating												**AAA**		

* The indicative rating from the 'Shareholder support' assessment ranging from aaa - ccc is mapped non-linearly to the intrinsic credit profile assessment. ** Weights are approximated and for illustrative purposes.
Source: Scope Ratings.

Annex III: Climate credit risks

Methodology input / assumptions	Consolidated annual accounts of the EU 2024	Output / calculations		
Initial portfolio quality	**% of lending portfolio**	**Weighted average borrower quality**		
Non-financial Corporates (NFC)	0%	N/A		
Public Sector	0%	N/A		
Sovereigns	100%	BBB		
Financial Institutions	0%	N/A		
Total	**100%**	**bbb**		
1. Transition risks: NFC				
Sectors with high transition risks	**% of NFC**	**o/w aligned with Paris Agreement**	**% of NFC with high transition risk**	
Oil & gas	0%	0.0%	0%	
Power generation (oil, coal)	0%	0.0%	0%	
Metals & mining (coal & steel)	0 %	0.0%	0%	
Petrochemicals, cement & concrete manufacture	0%	0.0%	0%	
Total	**0%**	**0.0%**	**N/A**	
2. Physical risks: NFC				
Countries: ND-GAIN percentile	**Physical risk assessment**	**% portfolio in countries**	**Assumed share of NFC with high physical risk***	**% of NFC with high physical risk**
0.00	Very High	0%	100%	0%
0.10	High	0%	75%	0%
0.25	Medium	0%	50%	0%
0.50	Moderate	0%	25%	0%
0.75	Low (Estonia, Latvia, Lithuania, Poland)	0%	5%	0%
0.90	Very Low (Rest)	0%	0%	0%
*This share is assumed and fixed.	Portfolio coverage	N/A		**N/A**
3. 'High' climate risks (NFCs)				
	% of NFC			
Transition risks	0%			
Physical risks	0%			
	N/A			
4. Adjustment for maturity			**5. Notches adjustment to avg. NFC borrower quality**	
Avg. maturity of portfolio	Adjustment		Notches	% NFC with high climate risks
< 1Y	100%		0	≤ 25%
> 1Y; < 7Y	50%		-1	> 25%; ≤ 50%
> 7Y	0%		-2	> 50%
Average maturity of NFC loan portfolio*	N/A			
*If unavailable, proxied with total loan portfolio.				
Adj. high climate risk exposure, % of NFC	**N/A**		**Adjustment (notches)**	**0**
6. Final portfolio quality (climate risk adjusted)				
	% of lending portfolio	**Portfolio quality, before climate credit risk**	**Adjusted for climate credit risk**	
Non-financial Corporates (NFC)	0%	N/A	**N/A**	
Public Sector	0%	N/A	N/A	
Sovereigns	100%	BBB	BBB	
Financial Institutions	0%	N/A	N/A	
Total	**100%**	**bbb**	**bbb**	

Annex IV: Portfolio quality assessment

Portfolio quality (initial assessment)	Excellent	Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality	aaa	aa	a	bbb	bb	b

Adjustments		Indicator	Assessment/ Thresholds								
Points			+5	+4	+3	+2	+1	0	-1	-2	-3
Credit Protection	Sovereign PCS Private sector secured	*% of gross loans*	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20			
Diversification	Geography	*HHI*				≤ 1000	≤ 2000	> 2000			
	Sector	*HHI*					≤ 2000	> 2000			
	Top 10 exposures	*% of loan portfolio*				≤ 25	≤ 75	> 75			
Equity Exposure		*% of capital*						≤ 25	> 25	> 50	> 75

Total points	+5
Adjustments	+2 categories

Portfolio quality (final assessment)	Excellent	Very Strong	Strong	Adequate	Moderate	Weak
Notches	3	2	1	0	-1	-2

Note: Three points usually correspond to one assessment category. In the case of the EU, this implies up two categories higher from the initial portfolio quality assessment based on the estimated average borrower quality.
Source: EU, Scope Ratings

Annex V: Scope's liquid asset ratio calculation for the European Union, 2021-28F

Budgetary margin (EUR bn)	2021	2022	2023	2024	2025E	2026F	2027F	2028+
Own resources ceiling (% EU GNI)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Temporary increase (% EU GNI)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Adj. own resources ceiling (% EU GNI)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Adj. own resources ceiling	297.5	323.0	343.8	358.2	371.6	380.9	390.4	400.2
Payment appropriations	163.5	166.5	162.1	170.5	175.4	180.6	184.2	184.2
Other revenue	17.1	17.8	20.3	27.3	21.8	21.8	21.8	21.8
Budgetary margin	151.2	174.2	202.0	214.9	218.0	222.1	228.0	237.8
of which pro-rata rated >= AA- (%)*	0.65	0.65	0.62	0.62	0.62	0.62	0.62	0.62
Adjusted budgetary margin	97.9	112.9	126.1	134.2	136.1	138.6	142.3	148.4
Cash deposits (EUR bn)**	21.8	37.8	31.9	27.7	32.5	32.5	32.5	32.5
NGEU liquidity account	18.0	19.9	12.5	33.9	33.9	33.9	33.9	33.9
Liquid assets (EUR bn)	137.7	170.6	170.6	195.7	202.5	205.0	208.7	214.8
Estimated annual disbursements (EUR bn)	124.8	106.3	115.0	142.0	169.3	199.3	73.3	100.3
NGEU	73.0	90.0	97.0	119.0	150.0	150.0	33.0	-
3rd Country support***	1.7	7.5	18.0	23.0	19.3	19.3	10.3	10.3
SURE	50.1	8.7	-	-	-	-	-	-
SAFE	-	-	-	-	-	30.0	30.0	90.0
Other (EFSM, Euratom, BoP)	9.9	2.2	-	1.8	-	-	-	-
Estimated annual bond repayments (EUR bn)****	23.8	23.2	24.5	61.6	48.7	53.3	76.1	82.7
EFSM/BOP/MFA	0.3	3.9	0.3	3.5	7.3	4.1	5.1	10.3
SURE	0.0	0.2	0.2	8.2	8.3	0.3	10.3	10.3
EU - Unified Funding Approach	23.1	21.1	18.0	-	33.0	48.9	60.7	62.1
Total liabilities (repayments and disbursements)	148.6	129.5	139.5	203.6	218.0	252.6	149.5	183.1
Liquid assets ratio (%)	92.7	131.8	122.2	96.1	92.9	81.2	139.7	117.3
Liquid assets ratio (excluding disbursements) (%)	579.5	735.3	695.4	317.8	416.0	384.9	274.2	259.7
EU GNI (EUR trn)*****	14.9	16.1	17.2	17.9	18.6	19.0	19.5	20.0

Figures may not add up due to rounding.
* Based on 2024 estimated GNI-based national contributions to EU budget and Scope's latest sovereign ratings.
** 2025 figure is an estimate based on 2022-24 figures, assumed to remain constant.
*** Includes MFA, Ukraine MFA+, Ukraine Facility, Ukraine Loan Cooperation Mechanism, Reform and Growth Facility for the Western Balkans.
**** 2021 – 2024 based on annual accounts. 2025 onwards reflects debt bond repayments within 12 months (2025 figures shown therefore refer to 2026 expected bond repayments). 2028+ based on maximum repayment as per debt profile.
***** Based on latest European Commission estimate for 2024 in current prices, and constant 2.5% nominal growth thereafter.

Annex VI. Statistical table

	2019	2020	2021	2022	2023	2024
Shareholder support						
Key shareholder rating	AA-	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated ≥ AA- (%)*	62.7	56.8	58.1	58.1	58.1	58.6
Liquidity (EUR m)						
Cash & cash equivalents	28,092	21,750	21,783	37,800	31,933	27,683
NGEU – cash account			18,000	19,900	12,500	33,900
Adj. budgetary margin**	39,985	31,037	97,948	112,919	126,123	134,153
Bond repayments within 12 months	1,273	10,410	23,769	23,204	24,526	61,589
Disbursements	420	41,275	132,644	118,253	115,899	120,126
Liquid assets ratio (%)	4,021	102	93	132	122	96
Funding (EUR m)						
Volume	420	41,365	132,554	118,253	115,999	137,981
Share of total (%)						
EUR	100	100	100	100	100	100
ESG issuance (SURE and green NGEU)		95.5	46.9	28.1	10.7	14.0
Borrowings (EUR m)						
Debts evidenced by certificates	51,941	92,565	235,376	347,981	458,503	601,303
% EU GDP	0.3	0.7	1.6	2.2	2.7	3.3
% Total budget revenue	35.0	56.4	140.1	204.6	277.5	401.6
Loans (EUR m)						
Debts evidenced by certificates	51,941	92,565	162,394	205,301	254,101	296,391
MFA	4,729	5,787	7,438	14,963	15,193	15,738
Euratom	213	278	350	326	313	300
EFSM	46,800	46,800	46,800	46,300	42,800	42,000
BoP	200	200	200	200	200	200
SURE		39,500	89,637	98,355	98,355	98,355
NGEU			17,970	45,156	79,240	108,686
MFA+					18,000	18,000
Ukraine Facility						13,112
Guarantees (EUR m)						
Total	63,776	62,285	60,443	105,868	108,279	111,134
EIB – external lending mandate	37,929	35,372	33,026	30,599	27,729	27,786
EIB – EFSI	25,797	25,543	25,826	25,793	25,591	25,373
EFSD	50	1,370	1,391	1,176	1,077	760
InvestEU				21,280	25,767	27,042
EFSD+			200	27,020	28,115	30,173
Budget (EUR m)						
Total revenues	160,288	224,027	178,948	171,178	171,855	175,665
of which, GNI-based own resource	108,820	125,393	115,955	103,880	101,287	95,037
Total expenditures	155,493	166,612	221,046	263,128	243,292	272,873
Budgetary surplus from previous year	1,803	3,218	1,769	3,227	2,519	633
Other						
EU GNI (EUR trn)	16.7	13.6	14.9	16.1	17.2	17.9
EU GDP (EUR trn)	14.1	13.6	14.8	16.2	17.2	18.0
EU population (m)	446.1	447.0	445.9	446.0	447.7	449.3

*ECB capital key. **Difference between own resources ceiling and total payments, adj. for other revenues and AA- ratings.
Figures may not add up due to rounding. Source: EU, Scope Ratings

Lead Analyst

Eiko Sievert
+49 69 6677389-79
e.sievert@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Applied methodologies

Supranational Rating Methodology, May 2025

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

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