European Union and Euratom

AAA STABLE OUTLOOK

Credit strengths

- Highly rated shareholders providing de facto joint and several support
- High liquidity buffers, excellent market access, budgetary flexibility
- Preferred creditor status

Credit challenges

- Significant increase in debt
- High guarantees, mostly to European Investment Bank

Ratings and Outlook

Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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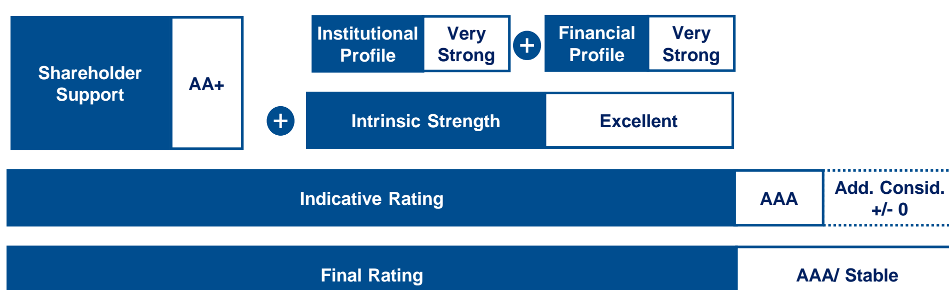
Rating rationale and Outlook: The AAA rating of the European Union (EU) reflects its 'excellent' shareholder support and 'excellent' intrinsic strength. In detail:

- **Shareholder support**: The EU benefits from i) the largest European economies being its highly rated key member states (AA-); ii) the track record and solid legal basis for receiving timely financial support; iii) the 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, being at the heart of Europe's Covid-19 response via the SURE and NGEU programmes as well as leading the continent's transition towards a carbon-neutral and climate-resilient economy.
- **Financial profile:** The EU benefits from a very strong liquidity profile driven by high, prudently managed liquid assets, excellent market access given its global benchmark issuer status and diversified funding base. The EU's excellent asset quality reflects its preferred creditor status. Challenges relate to the almost tenfold increase expected in its outstanding liabilities 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 shareholders are downgraded; ii) the EU's institutional setup weakened; and/or iii) the EU's liquidity buffers declined.

Figure 1: Scope's assessment of the EU's rating drivers



Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Downgrades of key shareholders
- Change in institutional setup
- Reduction in liquidity buffers

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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: AA+

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.

Scale	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC

The EU's shareholder support is assessed at 'AA+'. This reflects the 'strong' ability and 'high' willingness of its members to provide financial support in case of need.

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, mostly GNI-based transfers from EU member states (around two-thirds) but also customs duties and VAT. As the EU budget must not run a deficit, the GNI-based resource plays the budget-balancing role, financing the annual expenditure not covered by all other revenues.

Highly rated member states

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.

Figure 2: Key member states

Key shareholders	Rating	Relative relevance (%)*	
		Original	Adjusted
Germany	AAA/Stable	21.4	27.3
France	AA/Stable	16.6	21.2
Italy	BBB+/Stable	13.8	17.6
Spain	A-/Stable	9.7	12.4
Poland	A+/Stable	6.0	7.7
Netherlands	AAA/Stable	4.8	6.1
Sweden	AAA/Stable	3.0	3.8
Belgium	AA-/Stable	3.0	3.8
		78.3	**100.0**
Key shareholder rating			**AA-**

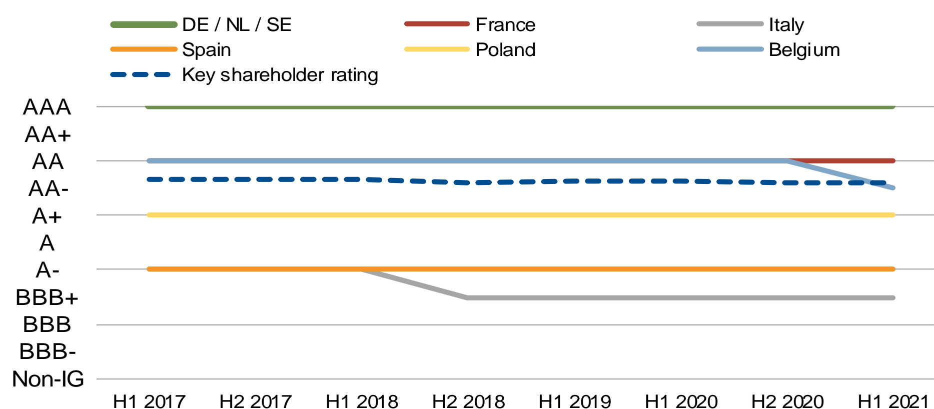
*Based on ECB key (nominal GDP and population). Source: Scope Ratings GmbH

No impact from Brexit

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-. This considers that the United Kingdom does not provide budgetary contributions for liabilities and obligations taken after 2021 due to its exit from the EU on 30 January 2020.

[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.

Figure 3: EU's key shareholder rating



Source: Scope Ratings GmbH

Some overlap between key member states and countries of operation, notably Italy and Spain

The EU's operations in Italy, Spain and Poland together account for about 43% of its outstanding loans. This could increase further in light of forthcoming disbursements from Next Generation EU (NGEU) programme. 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 60bn-40bn from the European structural funds[3].

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

In addition, in case the EU's available cash resources were to be insufficient to service debt, the EC is legally entitled to draw funds from all member states[4]. 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*'[5]. 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*'[6]. 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.

At the same time, we note that rebates for GNI-based contributions[7] 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.

[2] Treaty on the Functioning of the European Union. Article 323
[3] For 2020, we determined budgetary flexibility by accounting for the expenditure under the budgetary headings 'economic, social and territorial cohesion' (EUR 55.5bn), the European Agricultural Fund for Rural Development (EUR 13.9bn) and the European Maritime and Fisheries Fund (EUR 0.8bn).
[4] Article 14 of the Council Regulation (EU, Euratom) No. 609/2014
[5] Article 14 (4) of the Council Regulation (EU, Euratom) No. 609/2014
[6] Article 15 (1) of the Council Regulation (EU, Euratom) No. 609/2014
[7] 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 EU Council July 2020.

Intrinsic strength – Institutional profile: Very Strong

Scale	**Very Strong**	Strong	Moderate	Weak	Very 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 'Very Strong'. 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 the Covid-19 crisis, and foster Europe's transition to carbon neutrality.

Mandated activities

Mandate to provide loans and grants mostly to EU member states and not for profit

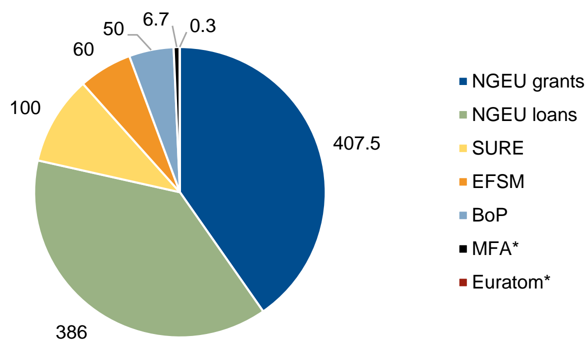
The EU budget guarantees the borrowings of the European Commission that finance i) lending to member and non-member states in back-to-back transactions; and ii) non-repayable support (i.e. grants) to EU member states in response to the Covid-19 shock.

Social factors

Loan exposure shifts to EU member states following SURE and NGEU disbursements

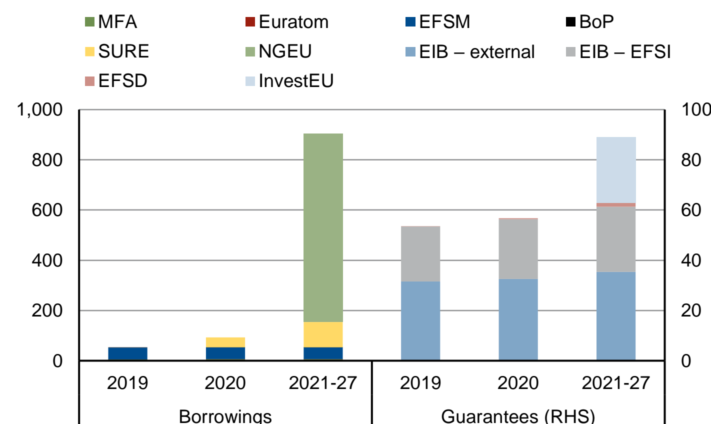
The EU's borrowing is permitted to finance i) loans to its member states, via the European Financial Stabilisation Mechanism (EFSM)[8], the Balance-of-Payments (BoP)[9] financial assistance programmes, the Support to mitigate Unemployment Risks in an Emergency (SURE)[10] and NGEU[11] instruments; ii) grants to its member states via NGEU instruments; iii) loans to non-EU countries benefiting from an IMF programme through the Macro-Financial Assistance (MFA)[12] programme; 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[13].

Figure 4: EU's financing programmes
EUR bn, maximum ceilings where applicable



*No official ceiling Source: European Commission, Scope Ratings GmbH

Figure 5: Total exposure including guarantees
EUR bn



Source: European Commission, Scope Ratings GmbH

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[8] 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.
[9] 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.
[10] The SURE instrument has a limit of EUR 100bn and is temporary, to be concluded by the end of 2022.
[11] 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.
[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. These loans are guaranteed by the Guarantee Fund for External Actions and have no official ceiling.
[13] Guarantees from third parties are the first to cover outstanding Euratom loans. Otherwise, the Guarantee Fund for External Actions will cover the amounts.

Financial activities to increase almost tenfold

In response to the Covid-19 crisis, the EU's financial activities and outstanding liabilities will increase almost tenfold to around EUR 950bn, or about 7% of the EU-27 GDP, on account of SURE and NGEU over the coming years. This highlights the exceptional importance of these instruments to EU member states.

SURE demonstrates EU solidarity

We highlight that in addition to traditional financial assistance instruments, which have a social dimension as they assist countries in financial distress, the SURE instrument has demonstrated solidarity among EU member states. It is the world's largest social bond programme to date with EUR 89.6bn raised. Funds have been disbursed to 19 member states since October 2020 to help finance the sudden increases in public expenditure for the preservation of employment following the Covid-19 shock.

Guarantees, mostly to EIB, demonstrate risk-sharing capacity

In addition, the EU is also 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; and ii) the European Fund for Sustainable Development (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 an important and growing part of the EU's activities and overall credit risk.

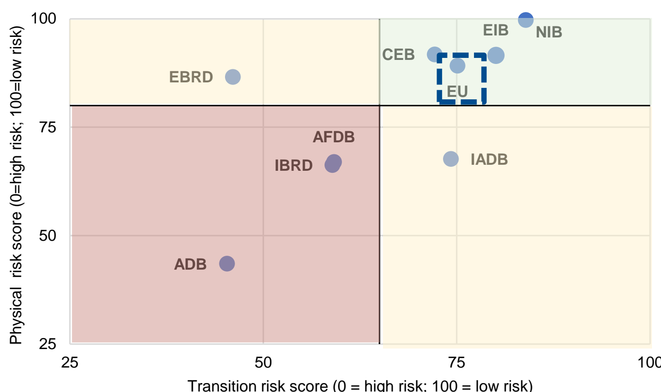
Environmental factors

European Green Deal and EU Taxonomy set policy stage for EU green bonds

To help meet EU climate and energy targets and European Green Deal objectives, the European Commission's Action Plan on Financing Sustainable Growth includes the development of a common classification system for sustainable economic activities called the EU Taxonomy. The ultimate objective is to direct investments towards sustainable projects and activities.

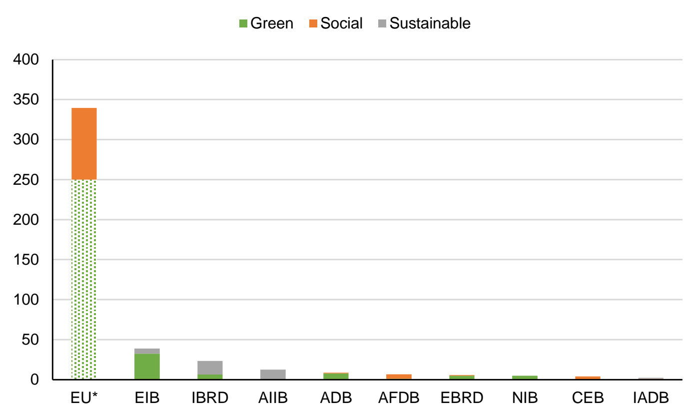
We therefore assess the EU's potential environmental risk exposure as lower than peers', including the risk of stranded assets as well as the reputational risk of pursing activities that contradict its mandate and environmental objectives, either directly or indirectly through counterparties. This is due to the comparatively low transition and physical risk scores of the EU's main countries of operation as well as the effective measures already taken and underway regarding its project selection.

Figure 6: Physical and transition risk scores
0 = high risk, 100 = low risk



NB. Transition risks measured via CO_2/GDP and physical risks via World Risk Institute. Variables transformed using min-max approach ranging from 0 to 100. Portfolio weighted by top 10 country exposures. Mid-point reflects median scores of a sample of 13 supranationals. Source: Scope Ratings GmbH

Figure 7: Green, social and sustainable bonds
EUR bn, latest outstanding and EU forthcoming



*EU refers to expected issuance over coming years.
Source: Bloomberg, Scope Ratings GmbH

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, at least 30%, or EUR 250bn, of the NGEU bond issuance will be directly linked to the objectives

of a green and sustainable economic recovery. This will transform the EU into the largest green bond issuer worldwide and underline its commitment to achieving climate targets. The first issuance based on the EU's Green Bond Framework, which is aligned with the green bond principles of the International Capital Market Association (ICMA), is set for October 2021.

These measures reduce the risk of financing projects with transition risks and critically support the EU's goals to boost the green bond market, accelerating a virtuous circle of sustainable investments and thus mobilising private capital towards environmental ends.

Governance

The EU's exceptionally strong governance and regulatory frameworks translate 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 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 state 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, which, on a net basis, amount to EUR 47.5bn as of end-2020. At the end of 2021, this amount is set to decline to about EUR 40.6bn, which will be paid by the UK over the coming years.

Figure 8: EU-UK financial obligations
EUR bn

	2020
Due from the UK	49.6
Due to the UK	2.1
Net receivable from UK	**47.5**
UK payment 2021 (estimate)	6.8
UK payment after 2021 (estimate)	40.6

Source: European Commission

Intrinsic strength – Financial profile: Very Strong

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

Scale	Excellent	**Very Strong**	Strong	Adequate	Moderate	Weak	Very Weak

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

Liquidity and funding

Scale	+8	**+7**	+6	+5	+4	+3	+2	+1	0	-1	-2	-3	-4

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, diversified funding base, and the significant ESG-related issuance.

Liquidity coverage

We note the EU's conservative liquidity management and budgetary practices, including its recently launched diversified funding strategy to meet short-term liquidity needs in the context of NGEU disbursements.

High cash balances

Looking at liquid assets, we note the cyclical nature of the EU's high cash balances. During 2021, the cash balance averaged EUR 19.1bn until August, with a low in March of EUR 13.8bn. As of August 2021, the cash balance again increased to EUR 17.1bn, in line with previous years' levels. Over the past six years, the cash balance never dropped below EUR 10bn; over the past 10 years, the lowest balance was in March 2011 at EUR 7.2bn. As of August 2021, it stood at EUR 17.1bn.

Significant additional liquidity buffer given budgetary margin

We also include the budgetary margin into 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 now set at 1.40% the EU's estimated GNI. In addition, member states have 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 282bn for 2021.

Conversely, regarding expenditures, we note that total payment appropriations, that is, actual authorised disbursements in a given year on the EU's seven policy areas[14], may not exceed EUR 171bn on average each year.

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

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-rata budgetary contributions of member states rated AA- or above[15]. Based on Scope's sovereign ratings and the 2020 GNI-based budgetary contributions, and adjusting for the UK, this share is currently at around 65%.

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

[15] This adjustment is in line with Scope's methodology of only using assets rated AA- or above for the calculation of liquid assets.

On this basis, the margin between the potential maximum contribution from the EU's highly rated shareholders and the actual payments during 2021-27, adjusted for 'other revenues'[16] that increase the budgetary margin, is around EUR 100bn, on average, over the 2021-27 period. Together with the estimated average cash balance of EUR 23.6bn[17], this results in liquid assets of around EUR 123bn for 2021-27.

Figure 9: Monthly cash balances
EUR bn

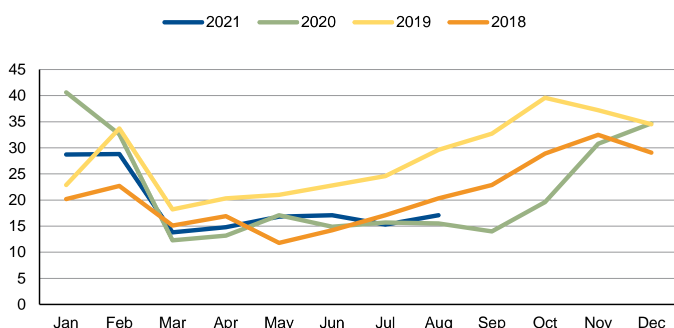
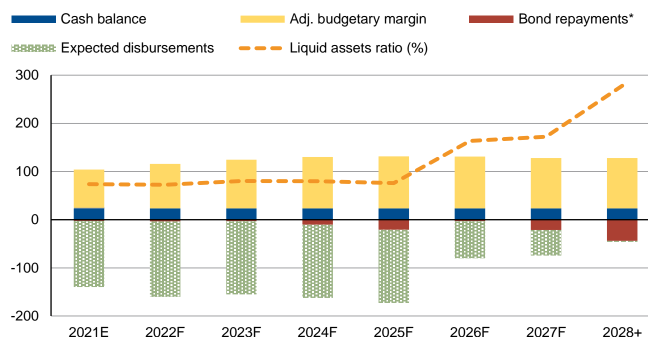


Figure 10: Liquidity coverage
EUR bn; %



*Assumes maximum bond repayments from 2028 of EUR 10bn for SURE, EUR 29.25bn for NGEU and EUR 4.75bn for EFSM/BoP/MFA.
Source: European Commission, Scope Ratings GmbH

Modest bond repayments due within next 12 months…

Conversely, we estimate the EU's liabilities maturing within 12 months at around EUR 140bn for 2021. This includes bond repayments (EUR 2.7bn) and disbursements of EUR 137bn, driven by SURE (EUR 50bn) and NGEU (EUR 80bn). Looking ahead, we estimate that the EU's disbursements will increase further over the coming years, mostly on account of NGEU following the de facto completion of SURE, to around EUR 150bn each year during 2021-25. While precise disbursements are unknown, we assume, conservatively, that the full envelope for NGEU funding of around EUR 800bn will be used over 2021-26.

…but significant disbursements in the years to come given NGEU

On this basis, we estimate the liquid assets ratio to remain broadly stable at around 70%-80% for 2021-25, before increasing above 150% by 2027[18]. We acknowledge that our liquidity coverage ratio is very 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.

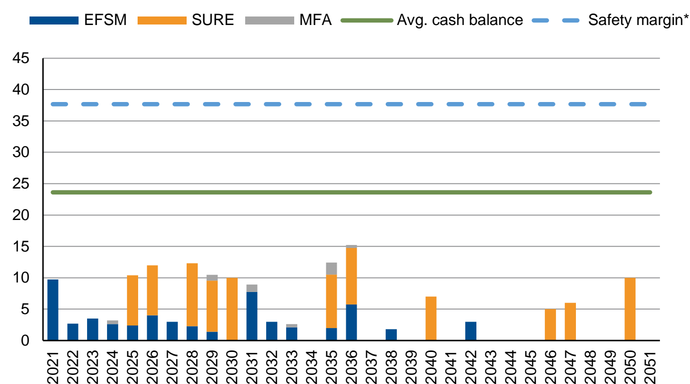
However, as the EU has credibly announced these disbursements, any funds that cannot be raised and thus disbursed could cast doubt on the EU's ability to fulfil its mandate. For this reason, we include credibly announced disbursements to assess the liquidity coverage and needs of the EU, in line with our methodology. Critically, once these large disbursements are made, the liquidity ratio will gradually increase significantly above 150% by 2027, assuming no additional significant disbursements are made for other programmes such as MFA/BoP.

Future bond repayments covered by cash balance and budgetary margin

From 2028 onwards, the EU will have to repay its outstanding liabilities. We estimate the maximum annual repayment of bonds due within one year to amount to less than EUR 45bn. This assumes, conservatively, that the EU repays each year the maximum amounts of EUR 10bn under SURE and EUR 29.25bn under NGEU. Actual figures are likely to be lower, as shown by the EU's current debt profile. Critically, these will be well below the 0.6% of GNI earmarked until 2058 to cover repayment of all NGEU borrowings.

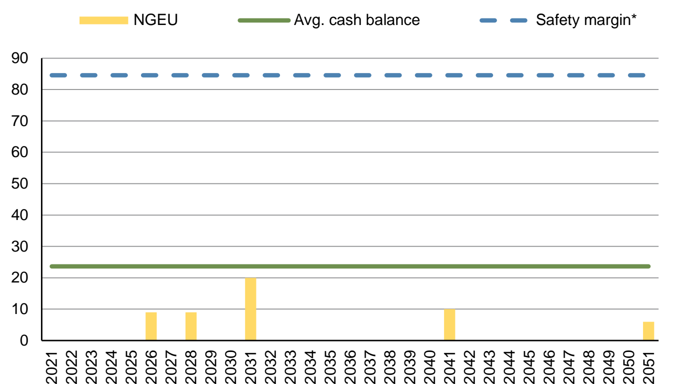
[16] Includes taxes paid by EU staff, payments from the UK stemming from the Withdrawal Agreement, fines paid by companies, and budget balance from previous year.
[17] Based on full-year average cash balances for the 2018-20 period.
[18] For our scorecard we use a projected average of 105% for the 2021-27 period.

Figure 11: Debt profile, excluding NGEU
EUR bn



*2021 Budgetary margin excluding 0.6% of EU-27 GNI for NGEU.
Source: European Commission, Scope Ratings GmbH

Figure 12: NGEU debt profile and related safety margin
EUR bn



*0.6% of EU-27 GNI exclusively available to cover NGEU repayments.
Source: European Commission, Scope Ratings GmbH

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 and NGEU-loan operations. For MFA and Euratom loans, the Guarantee Fund for External Actions serves as a first liquidity reserve in case of a payment missed by its borrowers. As of December 2020, the net assets in the fund stood at EUR 2.8bn.

Additional direct revenues may further bolster repayment capacity

We also note that repayment of NGEU borrowings may benefit from new own resources. The EU obtains revenues from plastic packaging waste, estimated at EUR 6bn in the 2022 draft budget. Going forward, these may be further complemented with revenues from a carbon border adjustment mechanism as well as revised proposals on the Emissions Trading Scheme, on a digital levy or on corporate income and a Financial Transaction Tax.

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 IV for detailed calculations.

Funding

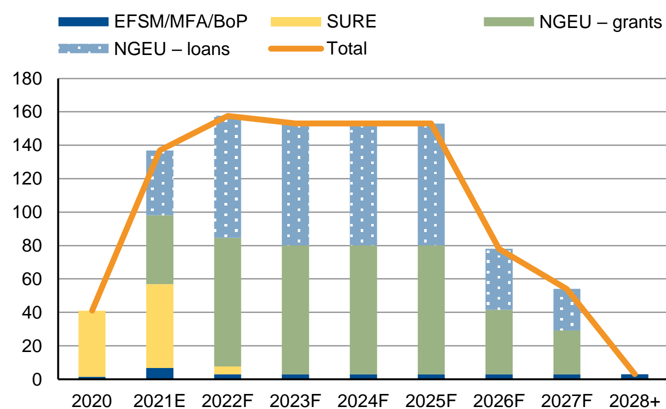
EUR 800bn of issuances for NGEU until 2026 will make EU largest supranational issuer

The issuances for NGEU of around EUR 800bn will transform the EU into the largest supranational issuer. The European Commission will issue the funds until 2026, with some frontloading expected in 2021-25. We thus expect funding volumes of around EUR 150bn over the coming years, significantly above last year's volume of around EUR 41.3bn. We note that the SURE programme, with a maximum size of EUR 100bn in an ICMA-compliant Social Bond Principles framework, is almost complete with EUR 89.6bn raised since October 2020.

Diversified funding strategy with auctions and syndications; EU-bills programme

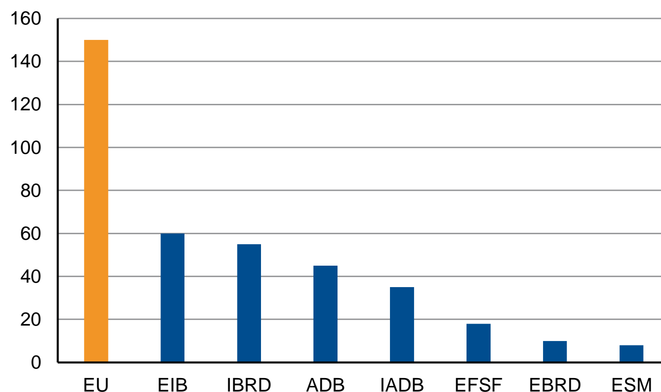
To meet liquidity needs under NGEU, the European Commission will rely on a diversified funding strategy that mirrors sovereign-style funding programmes. This will be centred around a clear funding schedule, a bill programme and a combination of auctions and syndications of medium- and long-term bonds,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

Figure 13: Expected disbursements/funding 2021-28
%



Source: European Commission, Scope Ratings GmbH

Figure 14: Estimated annual funding volume vs peers
EUR bn



* Source: European Commission, respective issuers. Approximate values. Scope Ratings GmbH

Extraordinary investor demand; only euro issues

We note that the EU's SURE issuances and its first NGEU issuances have been benefiting from extraordinary investor demand, being multiple times oversubscribed and resulting in highly favourable funding costs (with negative rates for up to 10 years) across the yield curve. In fact, the EU's issuances have recorded the largest ever order books for a supranational issuer in the euro market, underpinning investor confidence.

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

This may particularly be the case for the EU's forthcoming green bond issuances, which will become the world's largest green bond scheme, 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.

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 and those classified under the EFSI, the EFSD and, going forward, the InvestEU programme.

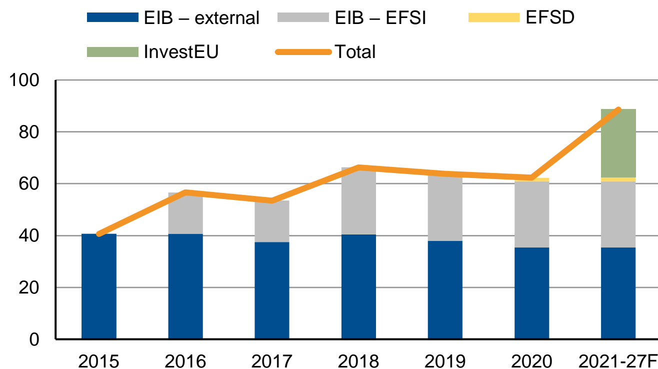
The overall size of guarantees has increased substantially since 2015 on account of the EFSI, to around EUR 62bn at end-2020, and will continue to rise over the coming years and likely reach around EUR 90bn, mostly driven by the InvestEU programme. Critically, any calls under the guarantees are covered by a respective guarantee fund, reducing the direct impact on the EU budget. As of 2021, the Common Provisioning Fund combines the assets of all funds, which thus constitute separate compartments within this fund.

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 of operations covered by the Guarantee Fund for External Actions, in particular, regarding the meaningful exposure to Turkey (B/Negative); ii) the potential risks covered by the EFSI Guarantee Fund, including the short operational record of the comparatively new client base; and iii) the potential risks covered by the EFSD and, going forward, the InvestEU programmes, which will result in additional operations and new clients.

Figure 15: EU's guarantee programmes

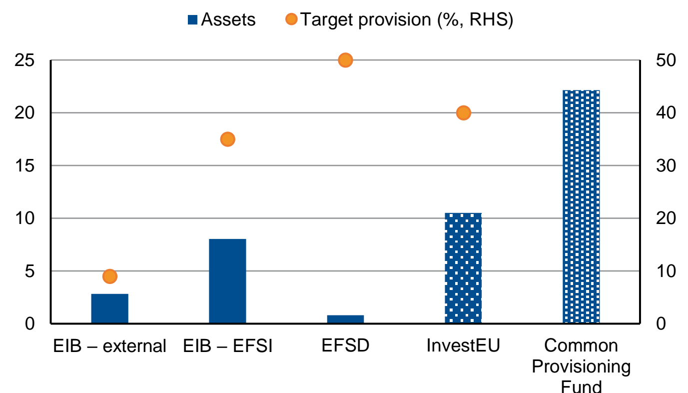
EUR bn, maximum ceilings



2015 value based on 2016 as maximum ceiling for 2015 not available.
Source: European Commission, Scope Ratings GmbH

Figure 16: Guarantee fund assets and provision rates

EUR bn; % (RHS)



InvestEU EUR 10.5bn assets refer to target level.
Source: European Commission, Scope Ratings GmbH

…mitigated by liquid assets, record of 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 very low annual default payments to date, which have never exceeded EUR 110m in a given year; and iii) the EU's conservative financial management, including ample liquidity buffers and upfront provisioning of the funds.

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 further; 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.

1. Guarantee for EIB's external (non-EU) activities

Fund covers EIB's non-EU operations, and MFA and Euratom loans to third countries

Under the External Lending Mandate, the EU budget guarantees the EIB's non-EU activities, with an overall ceiling of EUR 35.4bn as of December 2020. The Guarantee Fund for External Actions covers potential losses from the EIB's external financing activities as well as from MFA and Euratom loans to third countries. As of end-2020, about 85% of the amount covered by the fund consisted of guarantees on EIB loans.

The Guarantee Fund for External Actions covers defaults within three months of a request by the EIB[19]. It has a minimum provision under the EU budget of 9% of outstanding loans and guarantees covered by the fund. If the fund's resources are insufficient, the EU budget will provide the necessary funds. As of end-2020, the fund's net assets were to EUR 2.8bn, with 60% of the portfolio held in assets rated at least AA-.

Elevated exposure to high-risk countries…

The fund's main exposure relates to high-risk countries in the EU's southern and eastern neighbourhood such as Turkey (B/Negative), Ukraine, Morocco, Egypt and Tunisia. The proportion of loans guaranteed by the fund relating to investment-grade borrowers has decreased markedly over time, particularly due to developments in and exposures to Turkey (B/Negative). Back in 2014, the European Commission itself noted that the share of investment-grade credit exposures, at about 50%, justified the 9% target rate.

…but low guarantee calls to date

Conversely, since 2011, the EIB has drawn upon EU guarantees only to cover EUR 565m in defaulted payments in relation to operations in Syria and Tunisia; EUR 3m has been recovered to date. In 2020, guarantee calls were EUR 52m (2019: EUR 54.9m).

[19] For Euratom and MFA loans, the European Commission draws on the fund to cover defaults and replenish its treasury resources.

2. Guarantee for EFSI activities

The EU budget also guarantees a part of the signed investments under the EFSI, which is implemented by the EIB and the European Investment Fund via the Infrastructure and Innovation Window and SME Window, respectively.

EUR 26bn EFSI guarantee

Following the EFSI's extension in 2017, the EU budget now provides a EUR 26bn guarantee ceiling on the EIB's related investments, which on average are riskier than the traditional risk profile of the EIB's portfolio, resulting in a significant increase in new clients for the EIB. However, we note that the first-loss coverage would not necessarily affect the EU's budget balance, as called guarantees would be covered by the EFSI Guarantee Fund, which had assets of EUR 8.0bn at end-2020.

EFSI Guarantee Fund to gradually reach EUR 9.1bn to cover 35% of EFSI guarantees

The EFSI Guarantee Fund started in April 2016 and was originally foreseen to gradually reach EUR 8bn by 2022, thus provisioning for 50% of the maximum exposure of the original EU guarantee of EUR 16bn. Following the EFSI's extension, its guarantee fund is now set to gradually reach EUR 9.1bn by 2022, i.e. 35% of total EU guarantees for EFSI operations. As of the end of December 2020, the assets of the EFSI Guarantee Fund covered 34% of the actual exposure covered by the EU guarantee.

Figure 17: Distribution of signed EFSI operations
%

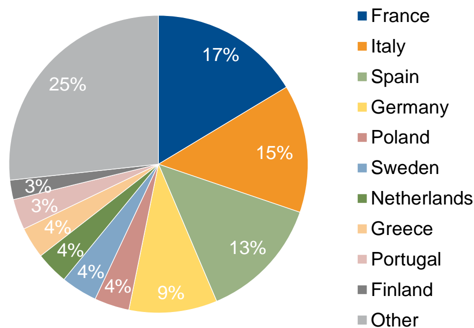
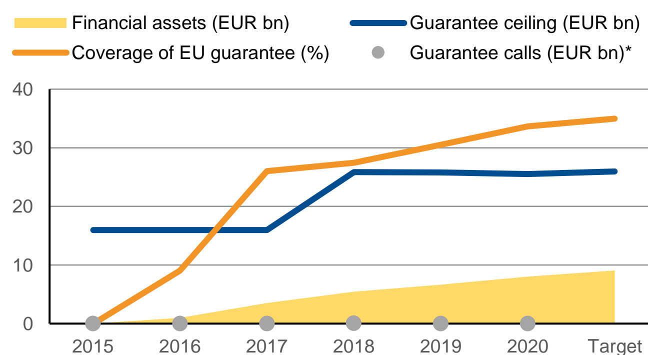


Figure 18: EFSI Guarantee Fund, assets and exposure
EUR bn, %



*Relate to defaulted operations only. Source: European Commission, Scope Ratings GmbH

EFSI operations carry higher risks but limited guarantee calls

Despite the higher-risk profile of loans, guarantee calls for defaulted exposures have so far been very limited: none in 2020, EUR 3.5m in 2019 and EUR 78.5m in 2018. Additional guarantee calls of EUR 77m to date relate to negative value adjustments.

Covid-19 could result in higher guarantee calls in 2021

Looking ahead, given the Covid-19 shock, guarantee calls could increase somewhat in 2021. Still, we note that all operations are i) within the EU; and ii) highly diversified across countries and sectors, with research, development and innovation constituting the highest share (35%), followed by energy sectors (17%) and smaller companies (15%).

3. InvestEU

As a follow-up to the EFSI under the 2021-27 Multiannual Financial Framework, the European Council established the InvestEU fund, whose objective is to mobilise public and private investment within the EU. The overall guarantee amounts to EUR 26.2bn. The guarantee is open to the EIB Group, which is set to receive 75% of the guarantee, and other partners including national promotional banks and international financial institutions. Via these institutions and the private sector, the European Commission aims to mobilise EUR 372bn until 2027.

InvestEU is based on EFSI and expands its financial partners

The guarantee will be provisioned at 40% or EUR 10.5bn. Any calls emanating under the programme will be first covered by these substantial provisions, which will be paid upfront and kept in the common provision fund.

4. **European Fund for Sustainable Development (EFSD)**

Since 2018, the EU budget also covers the financing of operations in Africa and countries neighbouring the EU, with its EUR 1.55bn guarantee intended to serve as a risk mitigation mechanism to leverage private sector financing.

EFSD still very small, related to activities in Africa

The EFSD Guarantee Fund provides a liquidity cushion from which counterparts can be paid in the event an EFSD guarantee is called. The amount to be provisioned is 50%. As of end-2020, the fund had assets of EUR 804m, 18 EFSD guarantee agreements have been concluded, exhausting the capacity of EUR 1.55bn, and no calls had been made.

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

Scale	+5	+4	+3	+2	+1	0	-1	-2	-3

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

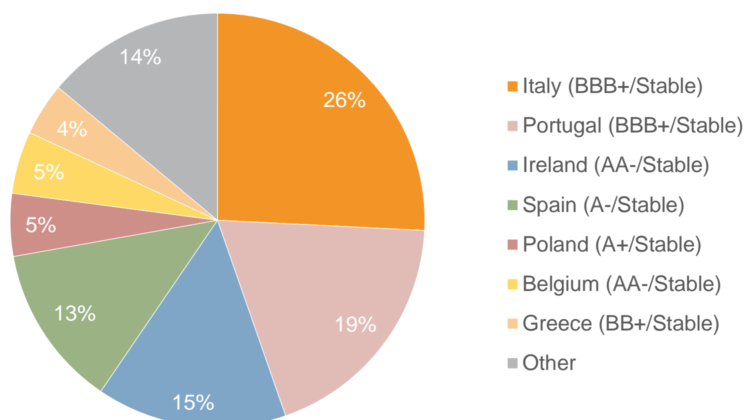
The EU's excellent asset quality reflects its conditional lending policies and preferred creditor status as well as its diversified portfolio across geographies.

Portfolio quality

Excellent asset quality reflects sovereign lending only and preferred creditor status

The EU's main exposure for borrowings relates to financial assistance provided via its SURE[20], NGEU and EFSM programmes. Overall, via these programmes, the exposures to Italy (BBB+/Stable), Portugal (BBB+/Stable), Ireland (AA-/Stable), Spain (A-/Stable), Poland (A+/Stable), Belgium (AA-/Stable) and Greece (BB+/Stable) account for around 85% of the EU's total direct loan exposure. On this basis, we estimate the weighted-average borrower quality at around A-, which corresponds to a 'strong' portfolio quality assessment based on our methodology.

Figure 19: Country exposure, borrowings
%



Source: European Commission, Scope Ratings GmbH

[20] We note that SURE loans also benefit from guarantees of up to EUR 25bn from member states.

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) going forward, the InvestEU programme via separate assessments in the liquidity section. As mentioned earlier, these contingent liabilities are not funded by the EU on the capital markets but are ultimately backed by the EU budget and thus an important and growing part of the EU's overall credit risk.

Portfolio quality – credit enhancements

We provide some uplift to our initial estimate of the EU's portfolio quality given the EU's credit enhancements, which improve our final assessment of the portfolio quality to 'very strong' from 'strong' (see Annex III). This reflects primarily the EU's preferred creditor status and diversified portfolio across countries.

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; however, for completion, we note that the EU's loans have been extended in the past.

Looking ahead, we expect the loans the EU provides to its member states, via the SURE and NGEU programmes, to benefit from preferred credit status should any member state face financial distress. At the same time, given its mandate to lend to sovereigns that require financial assistance, the EU's portfolio is concentrated across sectors and individual counterparties.

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 (capital subscription of 3%, paid-in capital of EUR 187m) and the European Investment Fund (capital subscription of 29.7%, paid-in capital of EUR 267.4m), of which the UK's share is EUR 33m (with EUR 7m to be paid back in 2021).

Asset performance

No non-performing loans given preferred creditor status

Despite lending counter-cyclically to crisis-hit countries, the EU has, to date, never suffered a loss on its loan portfolio. This is because loan disbursements depend on the governments' compliance with agreed policy conditions, which are also monitored by the European Commission in the context of financial assistance programmes.

Looking ahead, while no strict conditionality and monitoring will apply to loans under SURE, disbursements under NGEU are conditional on the achievement of agreed milestones and targets in the context of the approved recovery and resilience plans.

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

Indicative rating: AAA

To determine the final rating, we map our assessments of the institution's shareholder support, which ranges from AAA to CCC, against its intrinsic strength, which is driven by its institutional and financial profiles, and assessed on a seven-point scale ranging from Excellent to Very Weak.

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

Intrinsic Strength		Institutional Profile				
		Very Strong	Strong	Moderate	Weak	Very 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 Strength						
		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 GmbH

Additional considerations

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

In the case of the EU, we have not made an adjustment to our indicative rating.

Rating history

Date	Rating Action	Outlook
1 February 2019	AAA	Stable

Source: Scope Ratings GmbH

I Members: European Union

EU member states	Population (m)	GDP (EUR bn)	2020 Budgetary contribution (EUR bn)*	ECB capital key (%)**	Rating (latest)	Share ≥ AA- (%)
Germany	83.2	3,367.6	28.1	21.4	AAA	21.4
France	67.3	2,302.9	23.7	16.6	AA	16.6
Italy	59.6	1,651.6	16.6	13.8	BBB+	
Spain	47.3	1,121.9	11.0	9.7	A-	
Poland	38.0	523.0	4.9	6.0	A+	
Netherlands	17.4	800.1	5.8	4.8	AAA	4.8
Sweden	10.3	475.3	4.1	3.0	AAA	3.0
Belgium	11.5	451.2	4.7	3.0	AA-	3.0
Romania	19.3	218.2	2.1	2.8	BBB-	
Austria	8.9	377.3	3.6	2.4	AAA	2.4
Greece	10.7	165.8	1.7	2.0	BB+	
Portugal	10.3	202.4	2.0	1.9	BBB+	
Czech Republic	10.7	215.3	2.0	1.9	AA	1.9
Denmark	5.8	312.5	2.8	1.8	AAA	1.8
Hungary	9.8	135.9	1.3	1.5	BBB+	
Finland	5.5	236.2	2.3	1.5	AA+	1.5
Ireland	5.0	372.9	2.4	1.4	AA-	1.4
Bulgaria	7.0	60.6	0.6	1.0	BBB+	
Slovakia	5.5	91.6	0.9	0.9	A+	
Croatia	4.1	49.3	0.5	0.7	BBB-	
Lithuania	2.8	48.9	0.4	0.5	A	
Slovenia	2.1	46.9	0.5	0.4	A	
Latvia	1.9	29.3	0.3	0.3	A-	
Luxembourg	0.6	64.1	0.4	0.3	AAA	0.3
Estonia	1.3	26.8	0.3	0.2	AA-	0.2
Cyprus	0.9	20.8	0.2	0.2	BBB-	
Malta	0.5	13.1	0.1	0.1	A+	
Total	**447.3**	**13,381.6**	**123.1**	**100.0**		**58.1**

*Refers to total national contribution. Total excludes UK (EUR 17.1bn) **Weighted by GDP and population. Source: Scope Ratings GmbH.

II Scope's supranational scorecard: European Union

		Risk factors	Variables		Unit	+4	+3	+2	+1	0	-1	-2	EU Value	EU Assessment	EU Notches
Shareholder Support		Key shareholder rating	Weighted average rating of key shareholders		AAA - CCC	--	--	--	--	--	--	--		AA-	
Shareholder Support		Key shareholders & exposures (-1; 0)	Share of portfolio related to key shareholders		%	--	--	--	--	≤ 50	> 50	--	43.4	Low	0
Shareholder Support		Extraordinary Support (0; +2)	Additional support mechanisms		Qualitative	--	--	Very Strong	Strong	N/A	--	--	--	Very Strong	2
		Shareholder Rating												**AA+**	
Intrinsic Strength	Institutional Profile	Mandate & ESG (-2; +2)	Mandate	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High	
Intrinsic Strength	Institutional Profile			Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1
Intrinsic Strength	Institutional Profile			Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	
Intrinsic Strength	Institutional Profile		Governance risks	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1100.0	Strong	
Intrinsic Strength	Institutional Profile			Shareholder control	%	--	--	--	--	≤ 25	> 25	--	21.0	Strong	1
Intrinsic Strength	Institutional Profile			Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong	
		Institutional Profile												**Very Strong**	
Intrinsic Strength	Financial Profile	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	105.0	Excellent	4
Intrinsic Strength	Financial Profile		Funding	Maturity gap	Multiple		--	--	> 0.75	< 0.75; ≥ 0.50	< 0.50	--	1.0	Strong	1
Intrinsic Strength	Financial Profile			Funding volume	EUR or USD bn		--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	150.0	Very Strong	2
Intrinsic Strength	Financial Profile			Currency diversification	Top 1 share		--	--	≤ 70	> 70	--	--	100.0	Adequate	0
Intrinsic Strength	Financial Profile	Asset quality (-3; +5)	Portfolio quality	Incl. risk mitigants	Qualitative		--	Very Strong	Strong	Adequate	Moderate	Weak	Very Strong	Very Strong	2
Intrinsic Strength	Financial Profile		Asset performance	NPLs	% total loans		≤ 0.5	> 0.5; ≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5	--	0.0	Excellent	3
		Financial Profile												**Very Strong**	
		Intrinsic Strength												**Excellent**	
		Indicative Rating												**AAA**	
		Additional considerations (-1; +1)												Neutral	
		FINAL RATING												**AAA**	

Source: Scope Ratings GmbH

III Asset quality assessment

Portfolio quality (initial assessment)	Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality	aaa/aa	a	bbb	bb	b/ccc
Notches	+2	+1	0	-1	-2

Adjustments		**Indicator**	**Assessment/ Thresholds**								
Points			+5	+4	+3	+2	+1	0	-1	-2	-3
Credit protection	Sovereign PCS Private sector secured	*% of loan portfolio*	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 equity*						≤ 25	> 25	> 50	> 75

Total points	+6
Adjustments	+2 categories

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

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

IV Scope's liquid assets ratio calculation for the European Union, 2020-28F

Budgetary margin (EUR bn)	2020	2021E	2022F	2023F	2024F	2025F	2026F	2027F	2028+
Own resources ceiling (% EU GNI)	1.20	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Temporary increase (% EU GNI)	--	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Adj. own resources ceiling (% EU GNI)	--	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Adj. own resources ceiling	203.87	281.80	298.40	308.00	318.00	328.30	338.60	349.10	349.10
Payment appropriations	171.72	170.6	169.4	163.2	161.9	166.7	176.5	191.4	191.40
Other revenue	14.22	11.00	12.80	10.50	7.50	4.20	2.90	2.60	2.60
Budgetary margin	46.37	122.20	141.80	155.30	163.60	165.80	165.00	160.30	160.30
of which pro-rata rated >= AA- (%)*	0.68	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
Adjusted budgetary margin	31.35	79.43	92.17	100.95	106.34	107.77	107.25	104.20	104.20
Cash deposits (EUR bn)**	21.75	23.62	23.62	23.62	23.62	23.62	23.62	23.62	23.62
Liquid assets (EUR bn)	**53.10**	**103.05**	**115.79**	**124.56**	**129.96**	**131.39**	**130.87**	**127.81**	**127.81**
Estimated annual disbursements (EUR bn)	41.28	136.94	156.62	152.00	152.00	152.00	77.00	53.00	2.00
EFSM/MFA/BoP***	1.78	6.80	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SURE	39.50	50.14	4.62	0.00	0.00	0.00	0.00	0.00	0.00
NGEU****		80.00	150.00	150.00	150.00	150.00	75.00	51.00	0.00
*Estimated annual bond repayments (EUR bn)******	10.41	2.70	3.50	3.20	10.40	21.00	3.00	21.30	44.00
EFSM/MFA/BoP	10.41	2.70	3.50	3.20	2.40	4.00	3.00	2.30	4.75
SURE		--	--	--	8.00	8.00	--	10.00	10.00
NGEU		--	--	--	--	9.00	--	9.00	29.25
Total liabilities (repayments and disbursements)	**51.69**	**139.64**	**160.12**	**155.20**	**162.40**	**173.00**	**80.00**	**74.30**	**46.00**
Liquid assets ratio (%)	**102.73**	**73.80**	**72.31**	**80.26**	**80.02**	**75.95**	**163.58**	**172.02**	**277.85**
Liquid assets ratio (excluding disbursements) (%)	510.05	3,816.54	3,308.19	3,892.55	1,249.58	625.65	4,362.22	600.05	290.48
EU GNI (EUR trn)******	15.68	14.09	14.92	15.30	15.68	16.07	16.47	16.88	17.31
UK GNI (EUR trn)	2.33								

Figures may not add up due to rounding.

* Based on 2020 national contributions to EU budget and Scope's latest sovereign ratings, adjusted for the UK for 2021 onwards.
** 2021 figure is an estimate based on 2018-20 figures, assumed to remain constant.
*** Estimated MFA disbursements, based on latest investor presentation. From 2022 onwards, we assume EUR 2.0bn in disbursements.
**** Own estimates based on investor presentation.
***** 2020 based on annual accounts. 2021 onwards reflects debt profile (2021 reflects bond repayments within 12 months, therefore 2022 figure). 2028+ based on maximum repayment for NGEU and SURE.
****** Based on latest European Commission forecast for 2021 and 2022 in current prices, and constant 2.5% nominal growth thereafter.

V Statistical tables

	2016	2017	2018	2019	2020
Shareholder support					
Key shareholder rating	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated ≥ AA- (%)*	61.1	61.1	61.1	62.7	56.8
Liquidity (EUR m)					
Cash & cash equivalents	21,883.3	25,150.0	20,975.0	28,091.7	21,750.0
Adj. budgetary margin**	38,801.5	48,311.5	33,636.3	39,985.0	31,346.0
Bond repayments within 12 months	2,094.0	6,700.0	2,350.0	1,273.0	10,410.0
Disbursements	4,760.0	1,013.0	5,015.0	420.0	41,275.0
Liquid assets ratio (%)	885.4	952.4	741.5	4,021.1	102.7
Funding (EUR m)					
Volume	4,760.0	1,013.0	5,015.0	420.0	41,275.0
Share of total (%)					
Euro	100.0	100.0	100.0	100.0	100.0
ESG issuance (SURE and green NGEU)	-	-	-	-	95.7
Borrowings (EUR m)					
Debts evidenced by certificates	54,951.0	54,674.0	53,725.0	52,433.0	92,514.0
% EU-GDP	0.4	0.4	0.3	0.4	0.7
% Total budget revenue	38.0	39.1	33.7	32.0	53.1
Loans (EUR m)					
Debts evidenced by certificates	54,951.0	54,674.0	53,725.0	52,433.0	92,514.0
MFA	2,963.9	3,901.5	4,387.6	4,754.4	5,813.0
Euratom	252.3	249.8	253.9	213.7	392.2
EFSM	47,455.8	47,456.0	47,400.0	47,394.4	47,394.4
BoP	4,217.6	3,114.1	1,733.9	201.1	201.1
SURE	--	--	--	--	39,500.0
NGEU	--	--	--	--	--
Non-performing loans	--	--	--	--	--
Guarantees (EUR m)					
Total	56,645.0	53,479.0	66,315.0	63,776.0	62,285.0
EIB – external lending mandate	40,645.0	37,479.0	40,417.0	37,929.0	35,372.0
EIB – EFSI	16,000.0	16,000.0	25,898.0	25,797.0	25,543.0
EFSD	-	-	-	50.0	1,370.0
InvestEU	-	-	-	-	-
Budget (EUR m)					
Total revenues	144,717.0	139,691.0	159,318.0	163,918.0	174,306.0
of which, GNI-based own resource	95,578.0	78,279.0	104,979.0	105,700.0	122,944.0
Total expenditures	138,312.0	139,136.0	157,517.0	160,700.0	172,538.0
Budgetary surplus	6,405.0	555.0	1,801.0	3,218.0	1,768.0
Other					
EU GNI (EUR trn)***	14.9	15.4	15.9	16.5	15.7
EU GDP (EUR trn)	15.0	15.4	16.0	16.5	13.4
EU population (m)	510.2	511.4	512.5	513.1	447.3

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

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