European Investment Bank

SCOPE **AAA** STABLE OUTLOOK

Credit strengths

- Very strong mandate; ESG pioneer
- Excellent asset quality
- Excellent access to capital markets and ECB's refinancing operations
- High retained earnings
- Highly rated shareholders

Credit challenges

- High leverage and moderate liquidity buffers compared to peers

Rating rationale and Outlook: The European Investment Bank's (EIB) AAA rating reflects its 'excellent' intrinsic strength and 'very high' shareholder support. In detail:

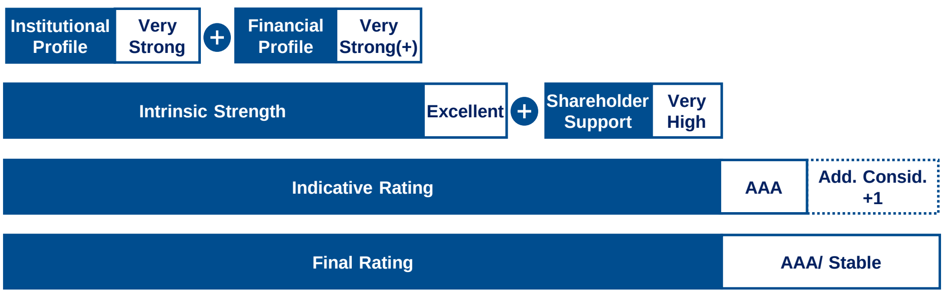
➢ **Institutional profile:** The EIB has a proven track record of excellent governance and an irreplaceable mandate for its EU shareholders. It is at the forefront of implementing the European Fund for Strategic Investments (EFSI) and its successor programme, InvestEU. In addition, it is catalysing Europe's move to carbon neutrality and playing a critical role in the EU's response to the Covid-19 crisis.

➢ **Financial profile:** The EIB benefits from a persistent ability to generate capital every year since 1958, including in 2020. The EIB's excellent asset quality with negligible non-performing loans is driven by its conservative lending policies, high asset protection, and its widely diversified portfolio across geographies, sectors and counterparties. The EIB's strong liquidity profile is driven by high, prudently managed liquid assets, excellent market access given its global benchmark issuer status, a diversified funding base, and unique access to the ECB liquidity facilities. Challenges relate to its high leverage and moderate liquidity buffers compared to peers.

➢ **Shareholder support**: The EIB benefits from highly rated key shareholders (AA-), a track record and solid legal basis for receiving extraordinary support when needed.

➢ **Outlook and triggers:** The Stable Outlook reflects our assessment of the EIB's financial buffers to withstand external and balance sheet-driven shocks. The rating could be downgraded if: i) the EIB records sustained losses; ii) its liquidity buffers are significantly reduced; and/or iii) highly rated key shareholders are downgraded.

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



Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Losses that reduce capital base
- Reduction in liquidity buffers
- Downgrades of key shareholders

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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Credit profile

We determine a capitalised supranational's rating by assessing its intrinsic strength based on its institutional and financial profiles, and its shareholder support. 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.

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 EIB's institutional profile is assessed as 'Very Strong'. This reflects its excellent governance and irreplaceable mandate for its EU shareholders, being at the forefront of implementing the EFSI and its successor programme, InvestEU. In addition, it is catalysing Europe's transition to carbon neutrality and playing a critical role in the EU's response to the Covid-19 crisis.

Mandated activities

Mandate is to support EU polices on non-profit-making basis, mostly in the EU

The EIB raises funds on the capital markets to provide loans to public and private entities 'to contribute […] to the balanced and steady development of the internal market in the interest of the Union'. The EIB also supports EU programmes with developing countries[1]. In this context, the EIB finances projects in the EU and beyond (blending its loans with other EU funds to increase impact) to promote EU social and economic cohesion, climate action and environmental sustainability.

Social factors

Loan exposure in line with EU policy agenda

The EIB's activities are therefore driven by the EU's policy agenda and focused mainly on EU member states. The EIB's project appraisals assess the contribution to EU priorities and country development objectives conducted in conjunction with the European Commission. Thus, as the EU's policy agenda changes, so too does the EIB's loan exposure. Signature targets for projects in 2021 are: i) sustainable energy and natural resources (EUR 17bn); ii) sustainable cities and regions (EUR 16bn); iii) SMEs and mid-caps (EUR 16bn); and iv) innovation, digital and human capital (EUR 14bn).

Activities aim to increase investment in Europe…

The EIB implements the EFSI, which helps to overcome the current investment gap in the EU. As of YE 2020, the EIB had financed EUR 102.8bn in projects and was expecting to mobilise EUR 546.6bn, exceeding the original EUR 500bn target. Going forward, the EIB will be the key implementing partner of follow-up programme InvestEU. As a result, the EIB Group will be responsible for managing 75% of overall capacity. Based on the EU guarantee of EUR 26.2bn, this is expected to mobilise EUR 372bn over 2021-27.

…support the EU's response to the Covid-19 crisis…

The EIB was also at the forefront of the EU's response to the Covid-19 crisis providing a safety net for businesses. The EIB Group introduced in March 2020 a Support Action Plan to mobilise up to EUR 28bn, and, in May 2020, the Pan-European Guarantee Fund of EUR 24.4bn to support mostly SMEs and mid-caps. The EIB also provided supportive measures to clients via temporary waivers, re-profiling of cash flows, and accelerating loan disbursements, among other things. These successful actions clearly underscore the EIB's ability to achieve socially desirable outcomes as defined by EU member states.

[1] Treaty on the Functioning of the European Union. Articles 309 and 209.

Environmental factors

…and facilitate the transition towards a carbon-neutral and climate-resilient economy

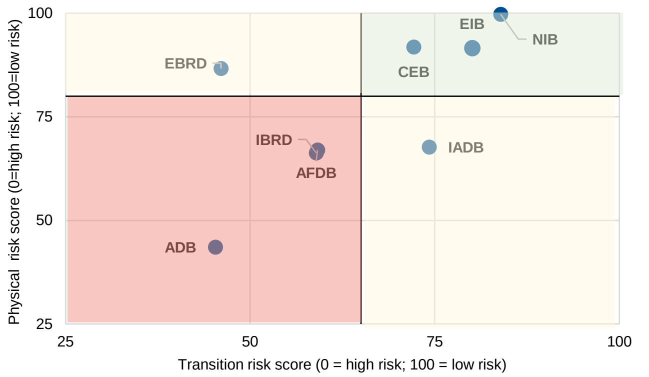
The EIB is at the centre of the EU's climate agenda to support the transition to a carbon-neutral and climate-resilient economy. The EIB aims to: i) align all its new financing activities with the goals of the Paris Agreement and to start integrating the principles of the EU Taxonomy into its activities from 2021 onwards; ii) stop supporting new unabated fossil-fuel energy projects from 2022 onwards; iii) allocate more than 50% of its financing to climate action and environmental sustainability from 2025 onwards; and iv) mobilise EUR 1trn in investment for climate action and environmental sustainability by 2030.

We assess the EIB's potential environmental risk exposure – including the risk of stranded assets and the reputational risk of pursing activities, either directly or through counterparties, that are contradictory to its mandate and environmental objectives – as low compared to that of its peers. This is due to: i) the comparatively low transition and physical risk scores of the EIB's main countries of operation; and ii) the effective measures already taken and underway regarding its project and counterparty selection.

Project and counterparty selection criteria reduce physical and transition risks

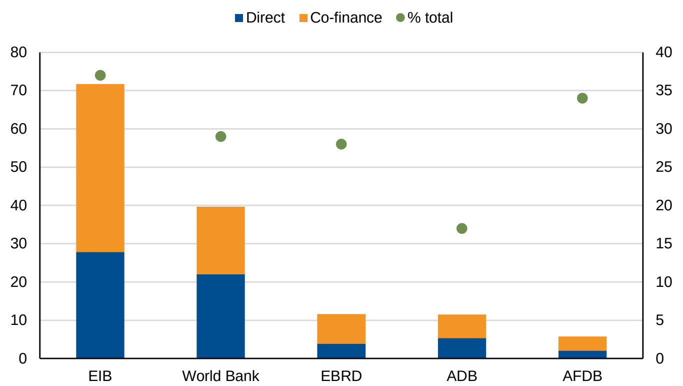
The EIB uses a climate risk screening tool at the counterparty level and a climate risk assessment system to screen, assess and report on climate-related physical risks in its lending operations. These assessments will be integrated into its credit risk assessments going forward. The EIB also includes a shadow cost of carbon of EUR 80 per tonne of CO_2 emissions, which is to be raised to EUR 250 by 2030. These measures reduce the risk of financing projects with high transition risks and support the EIB's role in mobilising private capital to achieve environmental goals, given its weight in capital markets.

Figure 2: 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 sample of 12 supranationals.

Figure 3: Climate finance lending
USD bn; % of total operations (RHS)



Source: MDB Climate Finance 2020, Scope Ratings

Governance

The EIB is the largest multilateral development bank in the world by far, with total assets of EUR 554bn or about twice those of the World Bank. The Board of Governors, its highest decision-making body, is composed of ministers designated by each of the 27 EU member states, whose voting rights correspond to their country's respective share of the EIB's subscribed capital (see Annex I). While Germany, France and Italy each have a relatively high share at 18.8% following Brexit, the shareholder base is broadly diversified and no single shareholder is able to dominate the EIB's strategic and operational activities. Most decisions require one third of voting members representing 50% of subscribed capital. The independent audit committee verifies that the bank's activities conform with best banking practices and confirms the validity of the EIB's accounts.

Intrinsic strength – Financial profile: Very Strong (+)

We assess a capitalised institution's financial profile along three rating factors: i) capitalisation; ii) asset quality; and iii) liquidity and funding.

Scale	Excellent	Very Strong			Strong			Adequate			Moderate			Weak			Very Weak		
		+		-	+		-	+		-	+		-	+		-	+		-

The EIB's financial profile is assessed as 'Very Strong (+)'. This reflects its: i) 'adequate' capitalisation and 'strong' ability to generate and retain capital; ii) 'very strong' portfolio quality and 'excellent' asset performance; and iii) 'strong' liquidity coverage and 'excellent' funding profile.

Capitalisation

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

Our analysis focuses on the supranational's capacity to absorb losses, taking into account the long-term and counter-cyclical nature of its operations and its ability to generate and retain capital.

Statute allows for significant leverage compared to peers

Our assessment balances the EIB's high statutory and actual leverage with its track record of generating and retaining capital. We use an implied leverage ratio as the cornerstone of our capitalisation assessment, which assumes that the EIB operates at maximum leverage as per its statute. This ratio thus acknowledges the possibility of counter-cyclical activities per its mandate. The numerator includes paid-in capital (EUR 22.2bn), accumulated reserves and retained earnings (EUR 49.6bn), and retained profits as at 2020 (EUR 1.7bn). Together, these resources amount to EUR 73.5bn.

Leverage relatively high

For the denominator of this ratio, we rely on the EIB's Statute[2], which allows for maximum leverage of 2.5 times its subscribed capital, accumulated reserves and profit, i.e. roughly EUR 750.3bn. The resulting capitalisation ratio of about 10% is below that of peers but above the 6% level prior to the EUR 10bn capital increase in 2012. We also note that the EIB operates at a higher actual capitalisation level of around 16%, based on total disbursed loans of about EUR 424.8bn, guarantees (EUR 16.5bn) and equity participations (EUR 9.1bn). Counter-balancing this elevated leverage, we note positively that the bank's reported CET1 ratio has been consistently above 30% since 2018, and stood at around 35.5% as of H1 2021.

Figure 4: Capitalisation vs peers
%

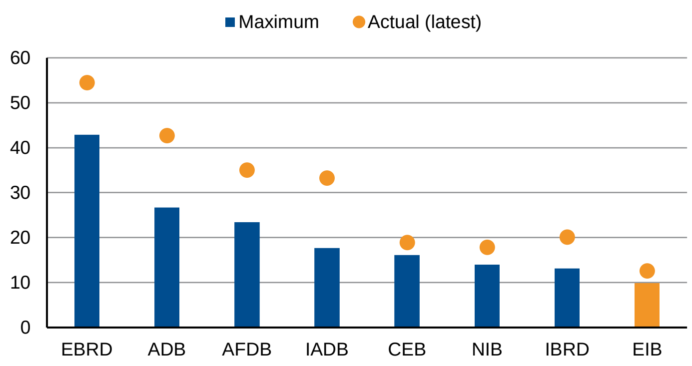
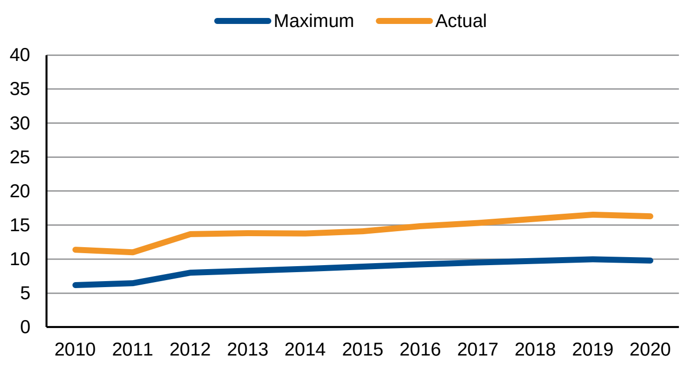


Figure 5: Capitalisation over time
%



Source: EIB, Scope Ratings.

[2] Article 16, paragraph 5: 'The aggregate amount outstanding at any time of loans and guarantees granted by the Bank shall not exceed 250% of its subscribed capital, reserves, non-allocated provisions and profit and loss account surplus. Maximum assets per Statute = 2.5 x (EUR 248.8bn + EUR 49.6bn + EUR 1.7bn) = EUR 750.3bn

Following Brexit, capital actually increased

The most recent minor improvements in the capitalisation level since 2017 have been driven by an increase in reserves due to stable profits and a decline in lending to the UK. We also note that following Brexit, the EIB's subscribed capital increased given the higher subscription levels of Poland (EUR 5.4bn) and Romania (EUR 0.1bn), with actual mandated assets increasing slightly by about EUR 5.6bn during 2020.

Sustained retained profits since 1958

We note positively the EIB's ability to generate and retain profits, which supports our overall capitalisation assessment. Specifically, the EIB has been profitable since its inception, with stable annual earnings. These are fully retained and thus contribute to the EIB's accumulated reserves. The EIB's net result in 2020 was EUR 1.7bn, down from EUR 2.4bn in 2019, on account of the Covid-19 shock resulting in a slightly lower return on equity of about 2.4% for 2020. As of H1 2021, net income stood at EUR 1.5bn.

Figure 6: EIB's return on equity
%

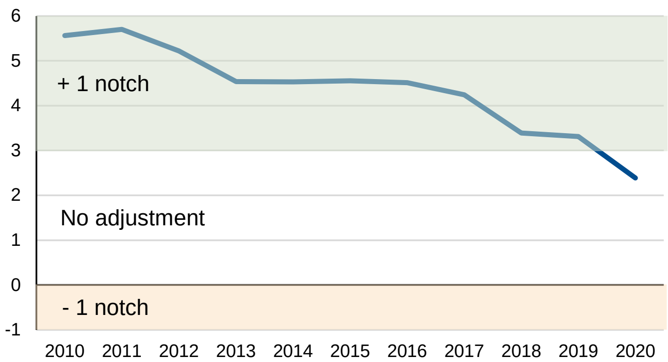
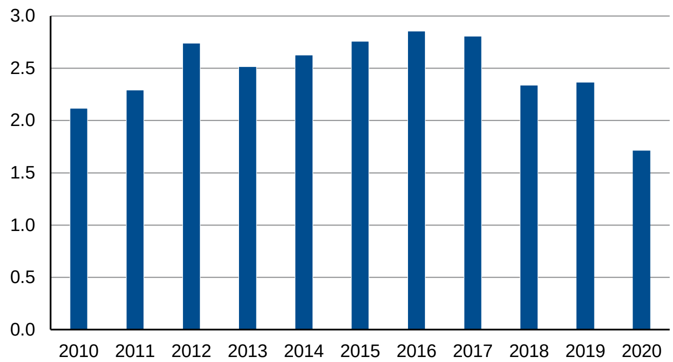


Figure 7: EIB's retained net result
EUR bn



Source: EIB, Scope Ratings

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.

Excellent asset quality reflects conservative lending and strong credit enhancements

The EIB's excellent asset quality reflects its conservative lending policies, high asset protection, and credit enhancements provided by the EU and its member states – including for non-EU and EFSI-related exposures. Its widely diversified portfolio across geographies, sectors and counterparties and its strong collateralisation levels also play an important role. Equity participations, while growing, remain moderate.

Portfolio quality

Based on IFRS figures, the EIB Group disbursed EUR 423.2bn as of 2020. Of this, about 59% relates to loans to the private sector (banks and corporates), 29% to public institutions, and around 12% to sovereigns directly. In terms of geographic exposures, we note that the EIB's top 10 country exposures, based on aggregate loans granted, collectively constitute around 75% of its total loans (EUR 585.1bn), with the four large EU economies comprising about 45.2% of the loan book. Based on our sovereign ratings, the weighted average rating of these sovereign exposures is assessed as A+.

Figure 8: EIB's portfolio by type
EUR bn, %

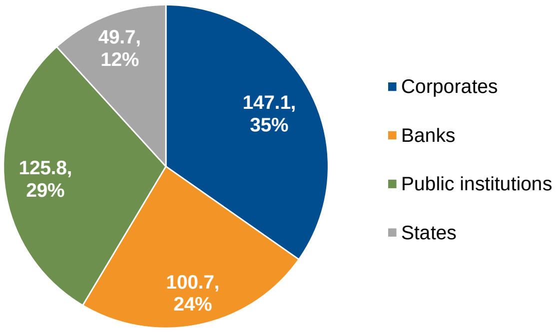
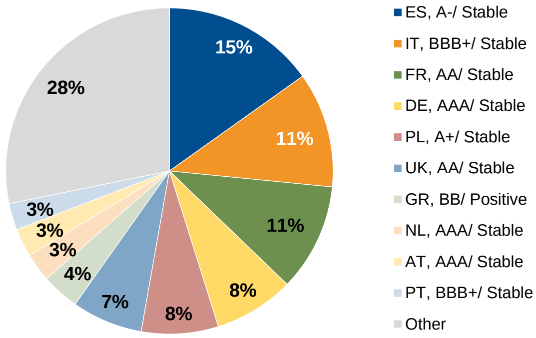


Figure 9: EIB's portfolio by geographic exposure
EUR bn



Source: EIB, Scope Ratings. Figures may not add up due to rounding.

We estimate the average borrower quality of the overall portfolio at around 'bbb', which corresponds to an 'adequate' assessment per our methodology. We use the average sovereign rating of the top 10 country exposures as our starting point. We then adjust the average borrower quality for the other asset classes downwards, by one notch for public institutions, one category for banks and, conservatively, two categories for corporates.

Figure 10: EIB's estimated average borrower quality at EIB Group level

Portfolio	EUR bn	%	Est. avg. quality
Corporates	147.1	34.8	bb
Banks	100.7	23.8	bbb
Public institutions	125.8	29.7	a
States	49.7	11.7	A+
Overall estimated portfolio quality	423.2	100.0	bbb

Source: EIB, Scope Ratings. Estimated borrower qualities in lower case.

Portfolio quality – credit enhancements

We provide significant uplift to this initial estimate given the EIB's credit enhancements, which improve our final assessment of the portfolio quality to 'very strong' from 'adequate' (see Annex III). This reflects the EIB's preferred creditor status, protection of its private sector exposures, well-diversified portfolio across regions, sectors and individual counterparties, and its relatively low equity exposure.

EIB has a clear record of benefiting from preferred creditor status

For the EIB's EU **sovereign exposures**, which comprise about 12% of the portfolio, we acknowledge the EIB's track record of being exempt from debt restructuring. This was most recently seen during the debt restructuring in Greece (BB+/Stable) and Cyprus (BBB-/Stable), when the EIB's debt securities portfolios of government bonds were exempt from any haircut to principal or interest. We thus assess the EIB's EU sovereign exposures as benefiting from preferred creditor status and, similarly, its public sector exposures as being well protected.

In addition, we note that the EIB's final exposure to the four asset classes changes once guarantees are included. At the EIB Group level, the share of exposures to sovereigns increases to about 28% from 12%, while that of banks declines to about 12% from 24%. As such, final exposures to the private sector constitute about 45% of the EIB's loan book. Moreover, 39% of the EIB's corporate and 76% of its banking exposure are also secured, and collateral from borrowers of EUR 17.9bn (of which 85% was either in cash, sovereign bonds or rated A+ or higher) provides further protection to the EIB's exposures.

Figure 11: EIB's portfolio by type, incl. guarantees
%

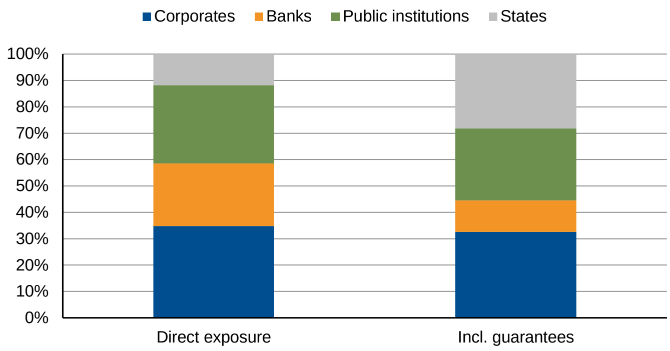
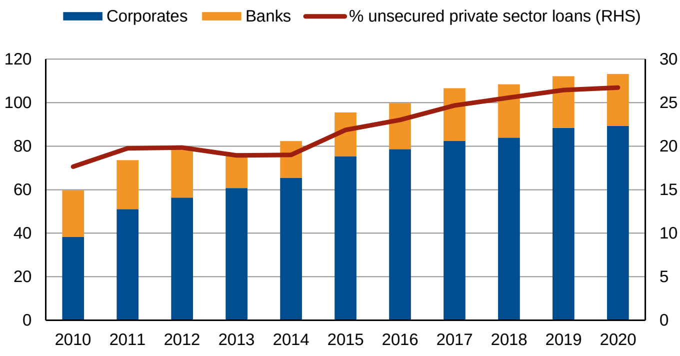


Figure 12: EIB's unsecured private sector exposures
EUR bn; % of total loans (RHS)

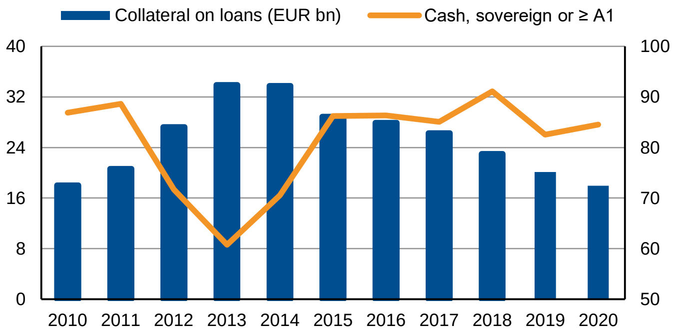


Source: EIB, Scope Ratings

60%-80% of EIB's portfolio assessed as well protected

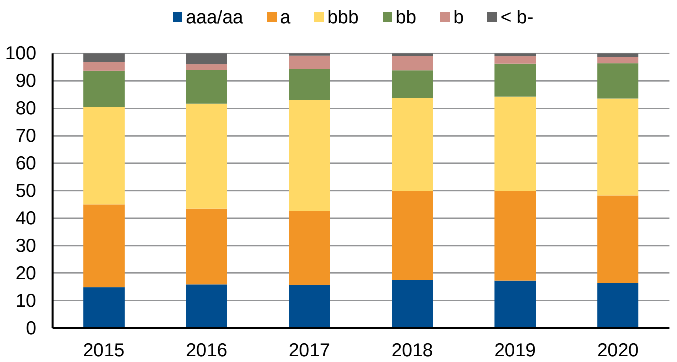
Of the EUR 423.2bn in total disbursements, about EUR 234.7bn was ultimately lent to or backed by sovereigns or public institutions. Of the remaining EUR 188.6bn, about EUR 113.1bn or 26.7% of the total portfolio is unsecured private sector exposures. We thus estimate that 60%-80% of the EIB's portfolio is well protected. This estimate is supported by the EIB's internal grading system, according to which 84.1% of its exposures – based on the better of the borrower's or guarantor's ratings – are assessed as investment grade, while less than 3% are assessed as 'high risk' ('b') or worse.

Figure 13: Collateral on loans
EUR bn; %



*As presented by EIB. A1 corresponds to A+ on Scope's rating scale.

Figure 14: Portfolio by credit risk
% of total, based on EIB's internal rating scale



Source: EIB, Scope Ratings
'aaa/aa' corresponds to EIB's internal ratings 1 and 2; 'a' to 3; 'bbb' to 4; 'bb' to 5, 'b' to 6 '<b-' to 7, 8 and other.

Non-EU exposures benefit from EU and member state guarantees

Finally, we also note that EUR 30.6bn of the EIB's disbursed exposure outside of the EU – which is not included in the EUR 423.2bn – benefits directly from guarantees by either the European Union (AAA) under its external lending mandate or EU member states under the Cotonou Agreement. These exposures therefore do not constitute a source of risk to the EIB. Arrears called for loans secured under the EU stood at EUR 52.4m in 2020, slightly below the EUR 54.8m figure recorded in 2019.

Equity exposure

EIB's equity exposure is increasing but still moderate

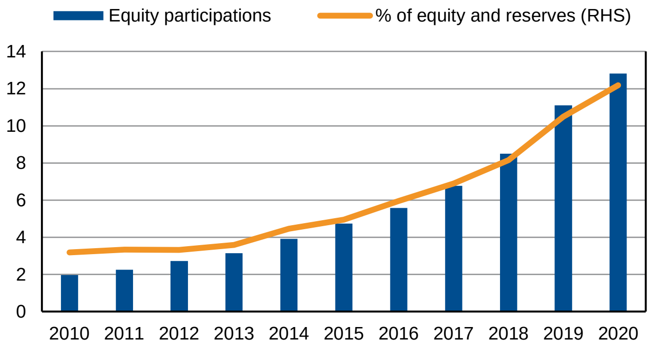
The EIB also provides certain types of equity financing, especially indirect equity in funds and quasi-equity financing to corporates. The EIB's equity exposure at the EIB Group level and excluding its EBRD shares, has grown steadily since 2010 from around EUR 2.0bn to around EUR 12.8bn, or about 18% of the institution's equity and reserves.

Portfolio diversification

Highly diversified loan portfolio

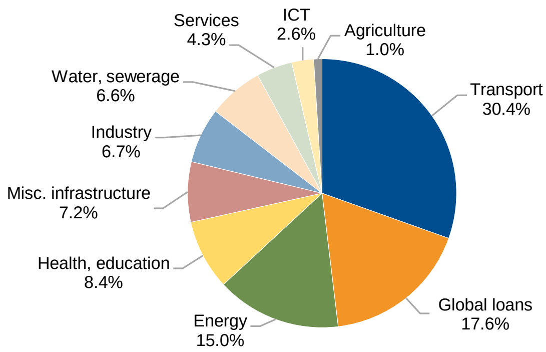
The EIB's portfolio is highly diversified given its mandate to lend to sovereigns, public institutions, financial institutions and corporates across several sectors and jurisdictions. Its lending policies establish counterparty and sector limits to ensure sufficient diversification of the loan portfolio. As a result, the top 10 nominal exposures at the consolidated EIB Group level constitute only 10.9% of the EIB's portfolio, excluding exposures to sovereigns and those covered by sovereign guarantees.

Figure 15: EIB's equity exposure
EUR bn; % of equity and reserves



At EIB Group level, excl. EBRD shares.

Figure 16: EIB's loan portfolio split by sector
% total



Source: EIB, Scope Ratings

Asset performance

Negligible non-performing loans

The EIB's non-performing loans (NPLs) – defined as amounts more than 90 days in arrears – amounted to EUR 121.1m in 2020, down from a peak of EUR 182.0m in 2017. This represents just 0.03% of the EIB's portfolio, which is one of the lowest NPL ratios among peers.

Looking at the wider definition of impaired exposures – defined as amounts that are probable that will not be collected in full – the EIB's track record is also outstanding, with around EUR 1.9bn of impaired exposures as of YE 2020, or about 0.4% of the loan book. For this reason, provisions remain relatively low, although last year they increased from EUR 479.8m to EUR 647.8m, or about 0.2% of disbursed loans.

Figure 17: Extremely low NPL ratio
% of total loans, 3Y average

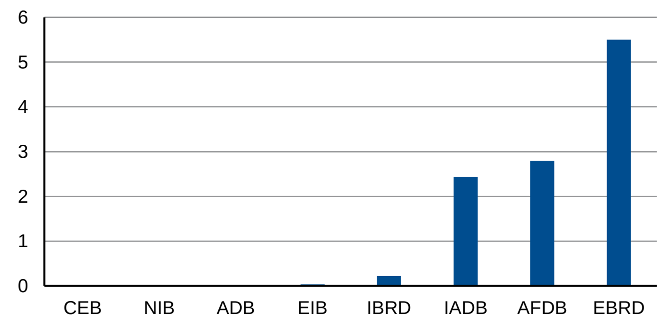
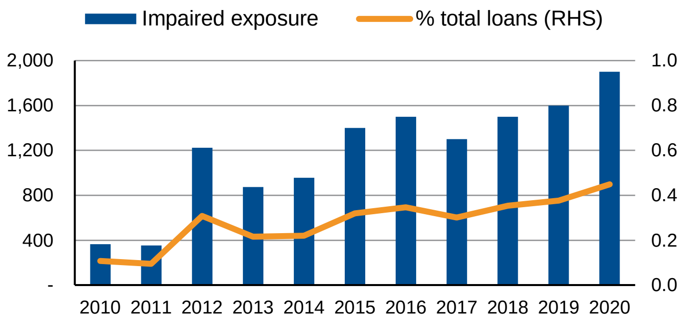


Figure 18: Impaired loan exposure
EUR m; % of total loans



Source: EIB, Scope Ratings

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 EIB's 'strong' liquid assets coverage (which is, however, lower than that of its peers) with its excellent market access, given its global benchmark issuer status, diversified funding base, and unique access to the liquidity facilities of a central bank (the ECB) issuing a global reserve currency.

Liquidity coverage

Stable level of liquid assets

The EIB's conservative liquidity management results in a stable level of liquid assets, which we estimate at around EUR 83.1bn for YE 2020, slightly above the EUR 79bn figure for 2019. We include assets that are the least sensitive to sudden market or interest rate changes, specifically, cash and cash equivalents (EUR 0.84bn), deposits (EUR 61.5bn), and T-bills and debt securities with a maturity of less than or equal to 12 months (EUR 20.7bn) [3].

Elevated liabilities due within the next 12 months

Conversely, EIB liabilities maturing within a 12-month period are elevated and amounted to around EUR 94.7bn (2019: EUR 92.8bn), while disbursements of loans and advances to credit institutions and customers increased to EUR 51.6bn in 2020 from EUR 43.6bn in 2019. This brings our proxy of 'total liabilities due within one year' to around EUR 146.4bn at YE 2020. We include disbursements to reflect the EIB's mandate to continue its activities precisely when economic and financial circumstances deteriorate.

Figure 19: EIB liquid assets, liabilities and disbursements
EUR bn, %

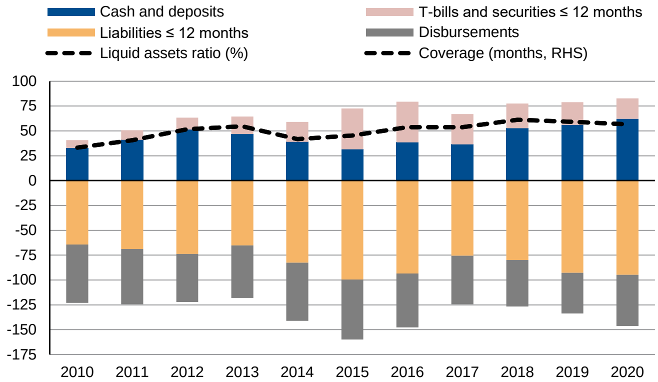
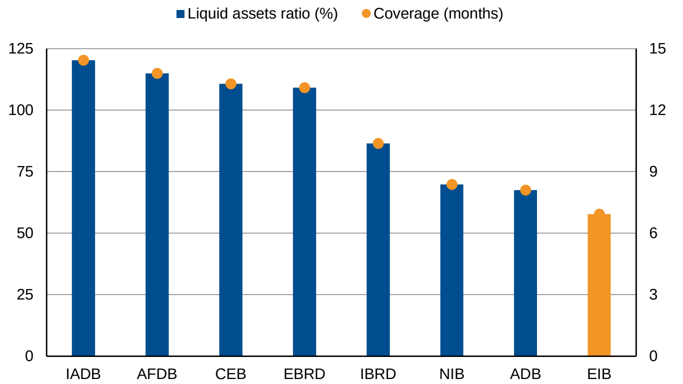


Figure 20: Liquid assets ratio and coverage of obligations
%, coverage without capital market access in months (RHS)



NB. A 50% liquid assets ratio implies coverage of all obligations for a period of six months without the need to access capital markets. Source: EIB, Scope Ratings.

Liquid assets coverage lower than that of peers

On this basis, reflecting the EIB's conservative liquidity management, we calculate a three-year weighted average liquid assets ratio of around 58% for 2018-20, markedly above the 2014 level of 42%. This ratio implies that all outstanding liabilities and all committed disbursements due within a year can be financed for more than six months using available liquid assets, without needing to access capital markets. This ratio, however, is lower than that of peers.

[3] This is a conservative estimate, however, since the EIB has additional securities worth EUR 22.7bn. While these securities have a maturity of more than 12 months, they could still be included in our assessment if their minimum rating is AA-. However, to err on the conservative side, these assets were not included, since their exact rating is not publicly disclosed. Still, the fact that 59% of the EIB's securities portfolio has a 'Moody's or equivalent rating' of AA- or above, we estimate that approximately EUR 13.4bn of these assets could serve as additional liquid assets. Including these would not alter our liquidity ratio assessment.

Funding

Regulatory preference and inclusion in ECB bond purchase programmes

The EIB's funding activities combine the issuance of large liquid benchmarks in three main currencies – the euro, US dollar and British pound – with issuances targeted in several other currencies. EIB bonds are designated as high-quality liquid assets under the Basel framework and are included in the ECB's asset purchase programmes, supporting the bank's market access. The EIB estimates that the ECB may have purchased EUR 139bn in EIB debt since March 2015, about 32.7% of its outstanding debt securities in 2020.

Global benchmark issuer in euros, US dollars and British pounds

The EIB's annual funding volume of around EUR 50bn-70bn over the past decade is by far the largest among peers. This, along with its highly diversified funding strategy in terms of currencies (19 in 2020) and instruments (including around EUR 10.5bn of green and sustainability bonds), underlines its status as a global benchmark issuer. This status was on display again in 2020 when the EIB entered the market as the first supranational in a de facto closed market environment after the Covid-19 crisis began.

Limited risks from longer-term liabilities coming due

As of June 2021, the EIB had already funded EUR 43.8bn or 73% of its targeted EUR 60bn programme for the year. In the coming years, we expect the EIB to issue EUR 50bn-60bn annually, in line with its operational strategy.

We also note positively that the EIB has a stable redemption profile over the medium term, with EUR 212.5bn of liabilities due within one to five years, in line with previous years and down from their peak of EUR 229.8bn in 2016. These medium-term liabilities are covered to about 80% by assets with the same maturity horizon, reducing sudden funding needs over the medium term. This coverage is among the highest of its peers.

Figure 21: High annual funding volume
EUR bn, 3Y average 2018-20

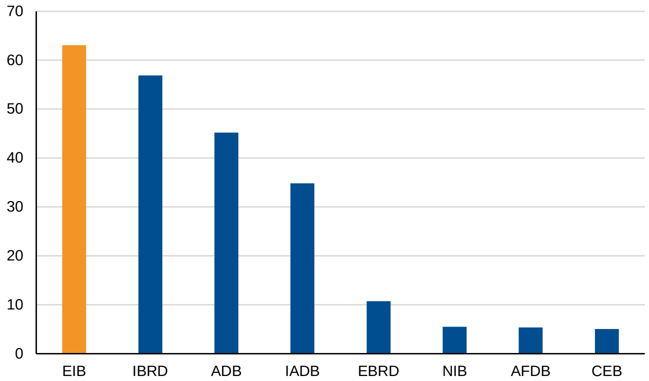
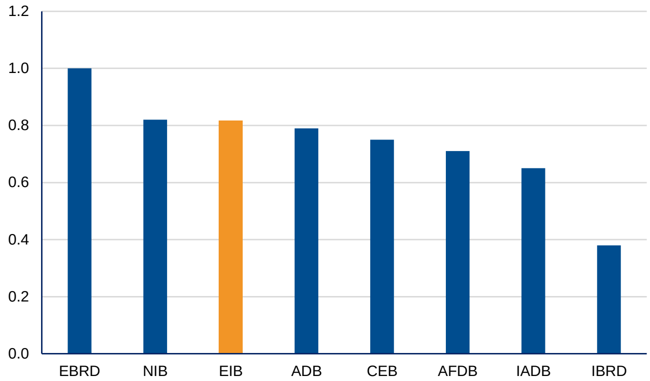


Figure 22: Coverage of medium-term liabilities
%, 3Y average



Source: EIB, Scope Ratings

Globally diversified investor base and leading green and sustainable bond issuer

In addition, reflecting its appeal to global investors, the EIB benefits from a broad and very diversified investor base led by those in Europe (69%), followed by Asia (17%) and the Americas (12%). Bank treasuries (37%), fund managers, pension and insurance funds (28%), and central banks and official institutions (31%) account for most of the EIB's investors.

Reflecting its agency and ability to develop capital markets, the EIB is the second largest supranational green and sustainable bond issuer after the European Union, having raised a cumulative EUR 45.4bn in green and sustainable bonds across 19 currencies since 2007. Of the around EUR 200bn in outstanding supranational green and sustainable bonds worldwide, about 20% have been issued by the EIB. As of August 2021, the EIB has issued EUR 7.4bn in Climate Awareness Bonds via 26 transactions and EUR 1.7bn in Sustainability Awareness Bonds via three transactions.

In accordance with its mandate, the EIB's alignment of its green lending with the EU Taxonomy Regulation will have a direct impact on its sustainability funding, which is allocated to this lending. The EIB is therefore aligning its Climate- and Sustainability Awareness Bonds (CABs and SABs) with the EU Sustainability Taxonomy and the proposed EU Green Bond Standard. As stated in the EIB's Climate Bank Roadmap 2021-2025, the EIB aims to increase the share of its green lending to at least 50% of annual new lending by 2025. The volume of CAB- and SAB-eligible projects is likely to increase on this basis, which may also increase the share of CAB and SAB issuance.

Leading digital bond issuer

Finally, the EIB issued its first-ever EUR 100m two-year digital bond on a public blockchain in April this year. This move testifies to the bank's leadership in digital innovation and paves the way for market participants to adopt blockchain technology when issuing financial securities.

Figure 23: Green and sustainability supranational issuance
% total outstanding

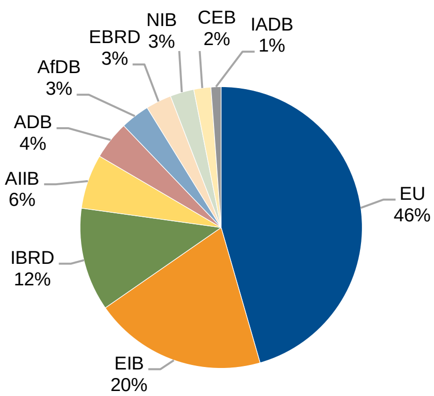
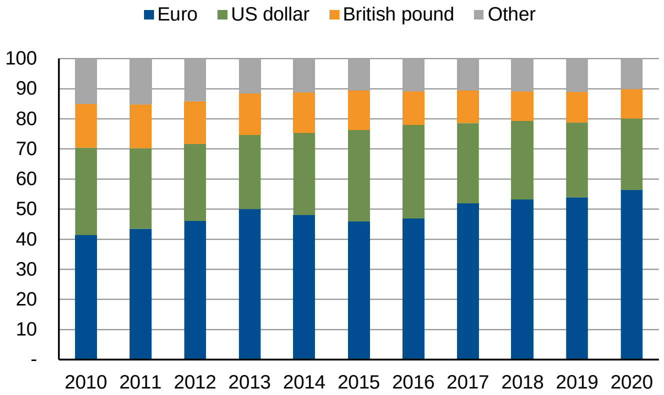


Figure 24: Distribution by currency
% of total



Source: EIB, Bloomberg, Scope Ratings

Additional liquidity considerations

To complete our liquidity assessment, we look at the EIB's access to central bank facilities, its contingent liabilities, interest rate and foreign exchange rate risks, derivatives and collateral management practices.

Unique access to ECB facilities

As noted previously, the EIB is the only supranational worldwide with access to the refinancing operations of a central bank that issues a reserve currency[4], namely, the ECB. We acknowledge this unique funding capacity with a positive adjustment under the 'additional considerations' in our methodology.

No adjustment for rising contingent liabilities

The potential risk from the EIB's guarantees, which at the EIB Group level have grown to around EUR 22bn in 2020 (or about 26% of estimated liquid assets) from EUR 3bn in 2010, is curtailed by the overall strong credit quality of the positions. Some 70% of them are at investment grade based on the EIB's internal ratings, their high diversification and the lack of substantial guarantee calls to date. For this reason, we have made no negative adjustment for the risk from contingent liabilities and guarantees.

No adjustments for interest rate, foreign exchange or derivatives exposures

The EIB's main source of interest rate risk stems from movements in funding or lending spreads. Currency operations are only conducted for lending operations or commitments arising from loans or guarantees. Derivatives instruments are mainly used for the EIB's asset and liability management of these exposures, and not for trading.

[4] Defined as a currency included in the IMF's basket of currencies to determine the value of its Special Drawing Rights.

Shareholder support: Very High

We assess an institution's shareholder support primarily via the weighted average rating of its key shareholders. This 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	**Very High**	High	Moderate	Weak

The EIB's shareholder support is assessed as 'Very High'. This reflects the ability of its key shareholders and their demonstrated willingness to provide financial support in case of need.

Key shareholder rating

Highly rated key shareholders

In line with its governance, the six largest European economies constitute the EIB's key shareholders, whose weighted average rating is AA-. This is one of the highest key shareholder ratings among supranationals. This drives our assessment of the EIB's shareholders' ability to provide support if ever needed. Here, we also note that 12 of the EIB's 27 shareholders are rated AA- or above, constituting around 59.9% of its capital subscription, providing additional assurance to shareholders' ability to provide support.

Figure 25: Key shareholders

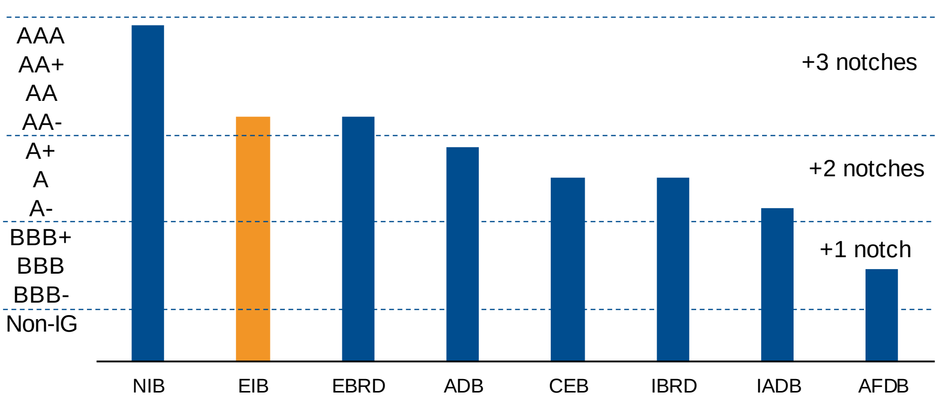
Key shareholders	Rating	Capital subscription (%)	
		Original	Adjusted
Germany	AAA/Stable	18.8	24.1
France	AA/Stable	18.8	24.1
Italy	BBB+/Stable	18.8	24.1
Spain	A-/Stable	11.3	11.6
Netherlands	AAA/Stable	5.2	6.7
Belgium	AA-/Stable	5.2	6.7
		78.0	**100.0**
Key shareholder rating			**AA-**

Source: EIB, Scope Ratings. Figures may not add up due to rounding.

No impact from Brexit

The UK's exit as an EIB shareholder on 31 January 2020 had no impact on the EIB's key shareholder rating following the replacement of the EIB's capital among its members on a pro-rata basis and the capital increases from Poland (EUR 5.4bn) and Romania (EUR 0.1bn) in March 2020.

Figure 26: EIB's key shareholder rating vs peers



Source: Scope Ratings

Some overlap between key shareholders and countries of operation

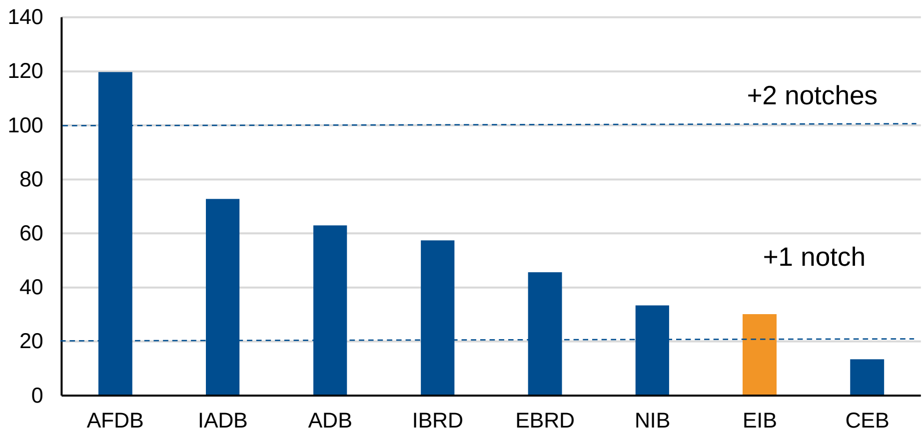
While the EIB's operations in the jurisdictions of its key shareholders constitute about 55% of its total operations, we exclude the operations in countries rated AA- or above. We do this because the credit quality of such highly rated shareholders is unlikely to deteriorate materially even in times of financial distress. On this basis, the EIB's operations in Italy and Spain at the EIB Group level, together account for about 27% of its total operations. In our view, this reflects a moderate risk of material credit deteriorations arising simultaneously in those countries that are expected to be able to provide support if ever needed.

Extraordinary support

Moderate high-quality callable capital coverage of mandated assets

To complement our assessment of shareholder support, we also look at the quality of the EIB's callable capital in relation to its mandated outstanding assets. Here, we note that EUR 135.7bn in callable capital is rated above AA-, which covers about 30% of the EIB's mandated (disbursed) assets of EUR 450.5bn. This coverage is relatively moderate compared to peers, and our positive assessment could change if both France and Belgium were to be rated below AA-.

Figure 27: Moderate coverage of high-quality callable capital of mandated assets
Callable capital rated ≥ AA-/mandated assets



Source: Scope Ratings, respective supranationals

Strong legal basis for capital call

However, we note positively the strong legal basis for enforcing a capital call should one ever be made. This is because the EIB's Statute is anchored in EU rather than national law. As a result, there is a strong legal basis for enforcing a capital call if ever needed, highlighting the shareholders' willingness to provide financial resources when needed.

Track record of successful capital increases

Finally, the EIB has a proven track record of receiving capital payments on time from all member states. This was highlighted in 2012 when a general capital increase of EUR 10bn was agreed and successfully completed by 2015. A capital increase via additional financial resources from member states, rather than from converting previously accumulated reserves, further underlines the shareholders' commitment to supporting the EIB. Similarly, the agreement to replace the UK's capital via a conversion in reserves and increased capital from Poland and Romania in March 2020 also confirm this.

Indicative rating: AAA

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

Figure 28a: Mapping institutional and financial profiles for the EIB

Intrinsic Strength	Institutional Profile: Very Strong	Strong	Moderate	Weak	Very Weak
Financial Profile					
Excellent	Excellent	Excellent	Excellent	Very strong (+)	Very strong
Very Strong (+)	Excellent	Excellent	Very strong (+)	Very strong	Very strong (-)
Very Strong	Excellent	Very strong (+)	Very strong	Very strong (-)	Strong (+)
Very Strong (-)	Very strong (+)	Very strong	Very strong (-)	Strong (+)	Strong
Strong (+)	Very strong	Very strong (-)	Strong (+)	Strong	Strong (-)
Strong	Very strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)
Strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)	Adequate
Adequate (+)	Strong	Strong (-)	Adequate (+)	Adequate	Adequate (-)
Adequate	Strong (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)
Adequate (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate
Moderate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)
Moderate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)
Moderate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)	Weak
Weak (+)	Moderate	Moderate (-)	Weak (+)	Weak	Weak (-)
Weak	Moderate (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)
Weak (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak
Very Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)
Very Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)
Very Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	Very Weak (-)

Figure 28b: Mapping intrinsic strength and shareholder support for the EIB

Indicative Rating		Shareholder Support: Very High	High	Moderate	Weak
Intrinsic Strength					
Excellent		AAA	AAA	AAA / AA	AA+ / AA-
Very strong	+	AAA	AAA / AA	AA+ / AA-	AA / A+
		AAA / AA	AA+ / AA-	AA / A+	AA- / A
	-	AA+ / AA-	AA / A+	AA- / A	A+ / A-
Strong	+	AA / A+	AA- / A	A+ / A-	A / BBB+
		AA- / A	A+ / A-	A / BBB+	A- / BBB
	-	A+ / A-	A / BBB+	A- / BBB	BBB+ / BBB-
Adequate	+	A / BBB+	A- / BBB	BBB+ / BBB-	BBB / BB+
		A- / BBB	BBB+ / BBB-	BBB / BB+	BBB- / BB
	-	BBB+ / BBB-	BBB / BB+	BBB- / BB	BB+ / BB-
Moderate	+	BBB / BB+	BBB- / BB	BB+ / BB-	BB / B+
		BBB- / BB	BB+ / BB-	BB / B+	BB- / B
	-	BB+ / BB-	BB / B+	BB- / B	B+ / B-
Weak	+	BB / B+	BB- / B	B+ / B-	B / CCC
		BB- / B	B+ / B-	B / CCC	B- / CCC
	-	B+ / B-	B / CCC	B- / CCC	CCC
Very Weak	+	B / CCC	B- / CCC		
		B- / CCC	CCC	CCC	
	-	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 EIB, we have made a positive adjustment to capture the fact that the EIB is the only supranational worldwide with access to the refinancing operations of a central bank that issues a reserve currency, namely, the ECB.

Rating history

Date	Rating Action	Outlook
15 November 2019	AAA	Stable

Source: Scope Ratings GmbH

I Shareholders: European Investment Bank

EUR m

EIB shareholders	Paid-in capital	Callable capital	Subscribed capital	Key (%)	Rating	Callable capital ≥ AA-
Germany	4,167.3	42,555.1	46,722.4	18.8	AAA	42,555.1
France	4,167.3	42,555.1	46,722.4	18.8	AA	42,555.1
Italy	4,167.3	42,555.1	46,722.4	18.8	BBB+	
Spain	2,500.4	25,533.0	28,033.4	11.3	A-	
Netherlands	1,155.1	11,796.0	12,951.1	5.2	AAA	11,796.0
Belgium	1,155.1	11,796.0	12,951.1	5.2	AA-	11,796.0
Poland	1,013.8	10,352.9	11,366.7	4.6	A+	
Sweden	766.3	7,825.5	8,591.8	3.5	AAA	7,825.5
Denmark	584.9	5,972.6	6,557.5	2.6	AAA	5,972.6
Austria	573.4	5,855.6	6,429.0	2.6	AAA	5,855.6
Finland	329.5	3,364.3	3,693.7	1.5	AA+	3,364.3
Greece	313.3	3,199.6	3,513.0	1.4	BB+	
Portugal	201.9	2,062.0	2,263.9	0.9	BBB+	
Czech Republic	196.8	2,010.1	2,206.9	0.9	AA	2,010.1
Hungary	186.2	1,901.6	2,087.8	0.8	BBB+	
Ireland	146.2	1,493.2	1,639.4	0.7	AA-	1,493.2
Romania	146.2	1,493.2	1,639.4	0.7	BBB-	
Croatia	94.8	967.6	1,062.3	0.4	BBB-	
Slovakia	67.0	684.2	751.2	0.3	A+	
Slovenia	62.2	635.2	697.5	0.3	A	
Bulgaria	45.5	464.5	510.0	0.2	BBB+	
Lithuania	39.0	398.6	437.6	0.2	A	
Luxembourg	29.2	298.6	327.9	0.1	AAA	298.6
Cyprus	28.7	292.8	321.5	0.1	BBB-	
Latvia	23.8	243.3	267.1	0.1	A-	
Estonia	18.4	187.9	206.2	0.1	AA-	187.9
Malta	10.9	111.5	122.4	0.0	A+	
Total	**22,190.7**	**226,604.9**	**248,795.6**	**100.0**		**135,709.8**

Source: EIB, Scope Ratings. Figures may not add up due to rounding.

II Scope's supranational scorecard: European Investment Bank

	Risk factors		Variables	Unit	+4	+3	+2	+1	0	-1	-2	EIB Value	EIB Assessment	EIB Notches
Intrinsic Strength – Institutional Profile	Mandate & ESG (-2; +2)	Mandate	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High	
			Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1
			Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	
		Governance	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1300.0	Strong	
			Shareholder control	%	--	--	--	--	≤ 25	> 25	--	19.0	Strong	1
			Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong	
	Institutional Profile												**Very Strong**	
Intrinsic Strength – Financial Profile	Capitalisation (-3; +6)	Capital/ Potential assets		%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	10.0	Adequate	1
		Capital/ Actual assets*		%	--	--	--	≥ 40	< 40	--	--	16.0	Adequate/ No uplift	0
		Profitability (Return on equity)		%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	3.0	Strong	1
	Asset quality (-3; +5)	Portfolio quality	Incl. risk mitigants	Qualitative	--	--	Very Strong	Strong	Adequate	Moderate	Weak	Very Strong	Very Strong	2
		Asset performance	NPLs	% total loans	--	≤ 0.5	> 0.5; ≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5	--	0.0	Excellent	3
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	60.0	Strong	2
		Funding	Maturity gap	Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.50	< 0.50	--	0.8	Strong	1
			Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	63.0	Very Strong	2
			Currency diversification	Top 1 share	--	--	--	≤ 70	> 70	--	--	55.0	Strong	1
	Financial Profile												**Very strong (+)**	
	Intrinsic Strength												**Excellent**	
Shareholder Support	Shareholder strength (0; +3)	Weighted average rating of key shareholders		Avg. rating	--	≥ AA-	≥ A-	≥ BBB-	< BBB-	--	--	--	AA-	
		Share of portfolio related to key shareholders		%	--	--	--	--	≤ 50	> 50	--	26.6	Low / No adjustment	3
		Adjusted key shareholder rating		Avg. rating	--	--	--	--	--	--	--	--	AA-	
	Extraordinary Support (0; +2)	Callable capital [rated ≥ AA-]/ Actual assets		%	--	--	≥ 100	< 100; ≥ 20	< 20	--	--	30.0	Strong	1
		Additional support mechanisms		Qualitative	--	--	Very Strong	Strong	N/A	--	--	N/A		
	Shareholder Support												**Very High**	
	Indicative Rating												**AAA**	
	Additional considerations (-1; +1)**												Positive	
	PRELIMINARY OUTCOME												**AAA**	

* A value ≥ 40% is 'excellent' and results in a one notch positive assessment.

**The positive additional consideration captures the benefit from accessing the ECB's liquidity facilities.

Source: Scope Ratings.

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	+8
Adjustments	+3 categories

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

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

IV Statistical tables

	2015	2016	2017	2018	2019	2020
Capitalisation (EUR bn)						
Mandated potential assets	712.3	719.4	726.4	732.3	738.2	750.3
Mandated (disbursed) assets	448.7	446.2	450.0	447.5	445.7	450.5
Capitalisation ratio, potential (%)	8.9	9.2	9.5	9.7	10.0	9.8
Capitalisation ratio, actual (%)	14.1	14.8	15.3	15.9	16.5	16.3
Profitability (EUR bn)						
Net income	2.8	2.9	2.8	2.3	2.4	1.7
Return on equity (%)	4.6	4.5	4.2	3.4	3.3	2.4
Asset quality (EUR bn)						
Total (signed) loans	563.6	568.7	568.2	557.0	560.4	558.9
Unsecured private sector loans (%)	21.9	23.0	24.7	25.6	26.4	26.7
Impaired loans	1.4	1.5	1.3	1.5	1.6	1.9
Non-performing loans (EUR m)	120.1	93.6	182.2	178.7	148.3	121.1
Direct equity participations	4.3	4.9	5.8	6.9	8.5	9.2
% of total equity and reserves	7.1	7.8	8.8	10.0	11.9	12.8
Liquidity (EUR bn)						
Cash & deposits	31.5	38.4	36.4	52.6	56.1	62.4
T-bills & securities ≤ 12 months	41.1	41.1	30.4	24.9	22.9	20.7
Liabilities ≤ 12 months	99.6	93.4	75.7	80.0	92.8	94.7
Disbursements	60.2	54.3	48.6	46.7	40.8	51.6
Liquid assets ratio (%)	45.4	53.8	53.7	61.2	57.9	56.8
Funding (EUR bn)						
Volume	62.4	66.4	56.4	60.0	50.3	70.0
Share of total outstanding (%)						
EUR	46.0	46.9	51.9	53.2	53.9	56.4
USD	30.3	31.1	26.7	26.0	24.9	23.7
GBP	13.1	11.0	11.0	10.0	10.2	9.8
ESG issuance	4.0	3.8	4.3	4.5	4.1	10.5
% total	6.4	5.7	7.6	7.5	8.2	15.0
Equity (EUR bn)						
Paid-in capital	21.7	21.7	21.7	21.7	21.7	22.2
Reserves	38.9	41.6	44.5	47.3	49.6	49.6
Total equity and reserves	60.6	63.3	66.2	69.0	71.3	71.8
Key shareholders						
Average capital-key weighted rating	AA-	AA-	AA-	AA-	AA-	AA-
Shareholders rated at least AA- (%)	66.9	66.9	66.9	66.9	66.9	59.2
Callable capital [rated ≥ AA-] / Mandated assets	33.0	33.2	32.9	33.1	33.2	29.8

Source: EIB, Scope Ratings

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