

European Union and Euratom



Credit strengths

- Highly rated Member States, 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

Rating rationale and Outlook:

The AAA rating of the European Union (EU) reflects its 'very strong' Member 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, with a weighted average rating of AA-; ii) a track record of and solid legal basis for receiving timely financial support; iii) extraordinary support mechanisms, ensuring de facto joint and several support; and iv) a legally enshrined debt service priority combined with significant budgetary flexibility.
- **Institutional profile:** The EU has a proven record of excellent governance and an irreplaceable mandate for its Member States, implemented the SURE and NGEU programmes to be at the heart of Europe's Covid-19 response and 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 a 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 from 2020 levels over the coming years, which will result in higher debt repayments going forward.
- **Outlook and triggers:** The Stable Outlook reflects our assessment of the EU's financial buffers to withstand shocks. The rating could be downgraded if: i) highly rated key Member States were downgraded; ii) the EU's institutional setup weakened; and/or iii) the EU's liquidity buffers declined.

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



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Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced over the next 12 to 18 months.

Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Downgrades of key Member States
- Weakening in institutional setup
- Reduction in liquidity buffers

I Indicative Rating: European Union

Indicative rating: AAA

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.

Intrinsic Strength: 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

Indicative Rating: 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	

For non-capitalised supranationals, the assessment of the financial profile is capped at 'Very Strong'.

Source: Scope Ratings

II Members: European Union

EU Member States	Population (m)	GDP (EUR bn)	2023 Budgetary contribution (EUR bn)*	ECB capital key (%)**	Rating (latest)	Share ≥ AA- (%)
Germany	84.4	3,876.8	34.1	21.8	AAA	21.8
France	68.1	2,639.1	26.0	16.4	AA	16.4
Italy	58.9	1,946.5	19.1	13.1	BBB+	
Spain	48.1	1,346.4	13.7	9.7	A-	
Poland	36.8	654.6	7.4	6.1	A	
Netherlands	17.8	958.5	9.5	4.8	AAA	4.8
Sweden	10.5	563.0	3.9	2.9	AAA	2.9
Belgium	11.8	554.0	6.7	3.0	AA-	3.0
Romania	19.1	284.2	2.9	2.9	BBB-	
Austria	9.1	447.2	3.5	2.4	AAA	2.4
Greece	10.4	206.6	2.1	1.8	BBB-	
Portugal	10.5	242.3	2.4	1.9	A-	
Czech Republic	10.8	276.3	2.8	2.0	AA-	2.0
Denmark	5.9	380.6	3.1	1.8	AAA	1.8
Hungary	9.6	168.9	1.9	1.6	BBB	
Finland	5.6	268.4	2.4	1.5	AA+	1.5
Ireland	5.2	506.3	3.6	1.8	AA-	1.8
Bulgaria	6.4	85.8	0.9	1.0	BBB+	
Slovakia	5.4	109.6	1.1	0.9	A	
Croatia	3.9	68.0	0.7	0.6	BBB+	
Lithuania	2.9	67.4	0.7	0.5	A	
Slovenia	2.1	57.0	0.8	0.4	A	
Latvia	1.9	38.9	0.4	0.3	A-	
Luxembourg	0.7	77.5	0.5	0.3	AAA	0.3
Estonia	1.4	36.0	0.4	0.2	AA-	0.2
Cyprus	0.9	27.8	0.3	0.2	BBB+	
Malta	0.5	17.5	0.2	0.1	A+	
Total	448.4	15,905	151.0	100.0		58.9

*Refers to total own resources contribution according to Amending Budget 4 of 2023. **Weighted by GDP and population. Source: Scope Ratings



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III Scope's supranational scorecard: European Union

	Risk factors	Variables	Unit								EU			
				+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches	
Shareholder Support	Key shareholder rating	Weighted average rating of key shareholders	AAA - CCC	--	--	--	--	--	--	--	--	AA-		
	Key shareholders & exposures (-1; 0)	Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	48.0	Low	0	
	Extraordinary Support (0; +2)	Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	--	Very Strong	2	
Shareholder Support												AA+		
Institutional Profile	Mandate & ESG (-2; +2)	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High		
		Mandate	Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1
			Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	
			Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1100.0	Strong	
		Governance risks	Shareholder control	%	--	--	--	--	≤ 25	> 25	--	22.0	Strong	1
			Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong	
Institutional Profile												Very Strong		
Intrinsic Strength	Liquidity & funding (-4; +8)	Liquid assets ratio	%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	115.0	Excellent	4	
			Maturity gap	Multiple	--	--	> 0.75	< 0.75; ≥ 0.5	< 0.5	--	0.6	Adequate	0	
		Funding	Funding volume	EUR or USD bn	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	114.9	Very Strong	2	
			Currency diversification	Top 1 share	--	--	≤ 70	> 70	--	--	100.0	Adequate	0	
		Trend (-1; +1)											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	
		Trend (-1; +1)											0	
Financial Profile												Very Strong		
Intrinsic Strength												Excellent		
Indicative Rating												AAA		
Additional considerations (-1; +1)												Neutral		
Final Rating												AAA		

Source: Scope Ratings



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IV Asset quality assessment

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

Adjustments		Indicator	Assessment/ Thresholds								
Points			+5	+4	+3	+2	+1	0	-1	-2	-3
Credit Protection	Sovereign PCS	% of loan portfolio	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20			
	Private sector secured										
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	+5								
		Adjustments	+2 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 EU, this implies up to two categories higher from the initial portfolio quality assessment based on the estimated average borrower quality.

V Statistical tables

	2017	2018	2019	2020	2021	2022
Shareholder support						
Key shareholder rating	AA-	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated ≥ AA- (%)*	61.1	61.1	62.7	56.8	58.1	58.1
Liquidity (EUR m)						
Cash & cash equivalents	25,150.0	20,975.0	28,091.7	21,750.0	21,783.3	37,800.0
NGEU – cash account	-	-	-	-	18,000.0	19,900.0
Adj. budgetary margin**	48,311.5	33,636.3	39,985.0	23,019.1	89,414.8	102,011.2
Bond repayments within 12 months	6,700.0	2,350.0	1,273.0	10,410.0	23,769.0	23,204.0
Disbursements	1,063.0	565.0	420.0	41,275.0	132,644.0	118,253.0
Liquid assets ratio (%)	946.3	1,873.5	4,021.1	86.6	82.6	112.9
Funding (EUR m)						
Volume	1,063.0	5,065.0	420.0	41,275.0	157,599.0	173,562.0
<i>Share of total (%)</i>						
<i>EUR</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>ESG issuance (SURE and green)</i>	-	-	-	95.7	39.4	15.7
Borrowings (EUR m)						
Debts evidenced by certificates	54,674.0	53,725.0	52,433.0	93,192.0	236,720.0	344,303.0
% EU GDP	0.4	0.3	0.3	0.7	1.6	2.2
% Total budget revenue	40.1	33.0	32.7	41.6	132.3	201.1
Loans (EUR m)						
Debts evidenced by certificates	54,721.4	53,775.4	52,563.6	93,300.7	236,721.0	344,303.0
MFA	3,901.5	4,387.6	4,754.4	5,813.0	7,464.0	14,963.0
Euratom	249.8	253.9	213.7	392.2	351.0	327.0
EFSM	47,456.0	47,400.0	47,394.4	47,394.4	47,138.0	46,587.0
BoP	3,114.1	1,733.9	201.1	201.1	201.0	201.0
SURE	--	--	--	39,500.0	90,567.0	99,130.0
NGEU	--	--	--	--	91,000.0	187,837.0
Guarantees (EUR m)						
Total	53,479.0	66,315.0	63,776.0	62,285.0	60,443.0	105,868.0
EIB – external lending mandate	37,479.0	40,417.0	37,929.0	35,372.0	33,026.0	30,599.0
EIB – EFSI	16,000.0	25,898.0	25,797.0	25,543.0	25,826.0	25,793.0
EFSD	-	-	50.0	1,370.0	1,391.0	1,176.0
InvestEU	-	-	-	-	-	21,280.0
EFSD+	-	-	-	-	200.0	27,020.0
Budget (EUR m)						
Total revenues	136,183.0	162,932.0	160,288.0	224,027.0	178,948.0	171,179.0
of which, GNI-based own resource	78,620.0	105,780.0	108,820.0	125,393.0	115,955.0	103,880.0
Total expenditures	128,101.0	149,014.0	155,493.0	166,612.0	221,046.0	263,128.0
Budgetary surplus from previous year	6,405.0	555.0	1,803.0	3,218.0	1,769.0	3,227.0
Other						
EU GNI (EUR trn)	15.4	16.0	16.6	13.5	14.6	15.8
EU GDP (EUR trn)	15.4	16.0	16.5	13.5	14.6	15.8
EU population (m)	511.4	512.5	513.2	447.5	447.0	446.7

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



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