European Investment Bank

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 members

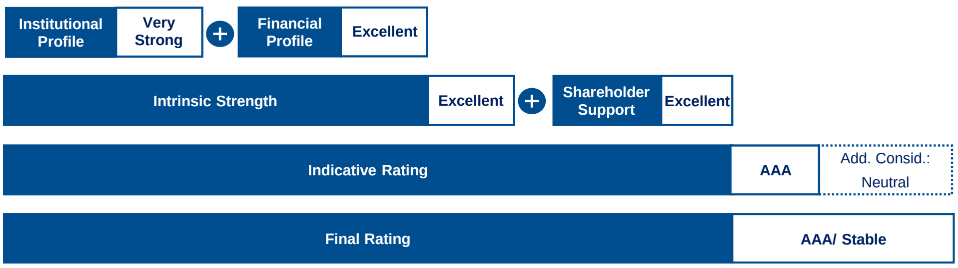
Credit challenges

- High leverage compared to peers

Rating rationale and Outlook: The AAA rating of the European Investment Bank (EIB) reflects its 'Excellent' intrinsic strength and 'Excellent' shareholder support. In detail:

- **Institutional profile:** The EIB has a proven track record of excellent governance and an irreplaceable mandate from its EU members. It is critical for supporting EU policies including the response to the Covid-19 crisis and Russia's war in Ukraine, closing investment gaps by leveraging member states' Next Generation EU funds and the InvestEU programme, as well as catalysing Europe's transition to carbon neutrality.
- **Financial profile:** The EIB has generated capital every year since 1958, including during the Covid-19 and energy crisis. Its 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 its high, prudently managed liquid assets, excellent market access given its global benchmark issuer status, diversified funding base and unique access to the ECB's liquidity facilities. Challenges, which are marginal at the AAA level, relate to its high leverage and moderate liquidity buffers compared to peers.
- **Shareholder support**: The EIB benefits from highly rated key members (AA-) and 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 members were 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 members

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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Bloomberg: SCOP

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 members 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 from its EU members. It is at the forefront of supporting EU policies, including its response to the Covid-19 crisis and financial support to Ukraine, closing investment gaps by leveraging the impact of member states' Next-Generation-EU funds and the InvestEU programme, as well as catalysing Europe's transition to carbon neutrality.

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 [European] Union'. The EIB also grants financing outside of the and 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.

Environmental factors

Key to 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 mobilise EUR 1trn in investment for climate action and environmental sustainability by 2030 and align all new financing with Paris Agreement goals. The goal of allocating more than 50% of its financing to climate action and environmental sustainability from 2025 onwards was already achieved in 2021 with 51%, and further exceeded in 2022 with 58% of financing, significantly increased from the 26% in 2016. In July 2023, the EIB's Board of Directors decided to raise the minimum target for its share of annual lending dedicated to climate action and environmental sustainability from 50% to 52% between 2025 and 2027. Climate action and environmental sustainability financing reached EUR 36.6bn in 2022, up from EUR 26.6bn in 2021.

With the adoption of the EIB's new energy lending policy in 2019, the EIB decided to phase out financing of energy projects reliant on unabated fossil-fuel energy, while a target was introduced in 2021 to increase the share of adaptation support to 15% of the bank's overall climate action financing by 2025. It has also revised its transport lending policy, which aims to support the rollout of new innovative technologies, as well as mature Paris-aligned projects to enable the transition of the transport sector to decarbonisation and depollution, safety and security, accessibility and efficiency.

Support to reduce Europe's dependency on Russian fossil fuels

In 2022, the EIB provided extraordinary support to the REPowerEU objectives approving the first package of contribution for EUR 30bn targeted financing over five years. This is

[1] Treaty on the Functioning of the European Union. Articles 309 and 209 and Article 16.1 of the EIB Statue.

expected to mobilise up to EUR 115bn of new investment by 2027, accelerating the green transition towards decarbonising Europe's economy and reduce Europe's dependency on Russian fossil fuels. In July 2023, the EIB raised the size of its REPowerEU package by 50% to EUR 45bn over the next five years, expanding eligibilities to finance manufacturing in state-of-the-art Strategic Net-Zero Technologies. The additional funding is expected to mobilize more than EUR 150bn in investment for the targeted sectors.

Project and counterparty selection criteria reduce physical and transition risks…

The EIB's potential environmental risk is lower than peers', including the risk of stranded assets as well as the reputational risk of pursuing activities that contradict its mandate and environmental objectives, either directly or through counterparties. The EIB screens projects and counterparties to assess its portfolio's credit exposure to transition and physical risks. For 2022, the EIB assessed approx. 90% of its exposure (at the Group level) and identified high physical (transition) risk for only 3% (4%) of its scored exposures.

Low physical risks, transition risks concentrated in specific sectors

The high physical risk exposures mostly relate to the public administration sector, which reflects risks associated with countries outside the EU. The medium risk exposure (19% of the portfolio) mostly relates to regulated networks and electricity sectors, which can be impacted by physical risks like storms or fires. The high transition risk exposure, which is somewhat higher than for the physical risk, is concentrated in the energy and transportation sectors, to which the EIB has a large exposure to support the transition. Here, the medium risk exposure (38% of total) is concentrated in the corporate and financial services sectors, with the latter reflecting the average economic risk given the exposure to multiple sectors.

Figure 2: EIB climate action and environmental sustainability financing
% total financing

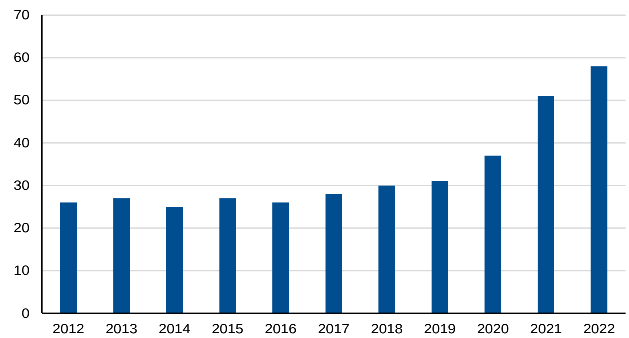
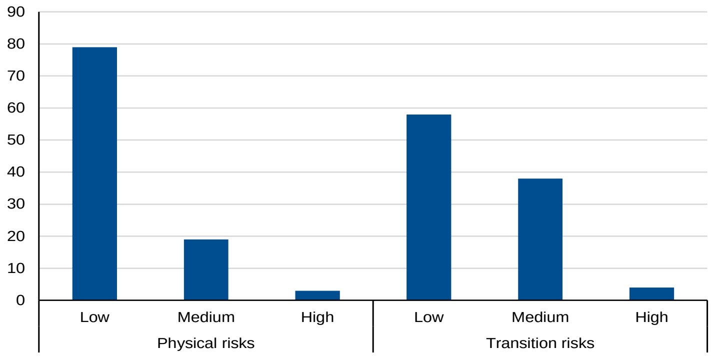


Figure 3: EIB physical and transition risk scores
% of EIB Group operations, YE 2022



Source: Refers to 90% of assessed portfolio. The tool scores counterparties on a scale of one (low risk) to five (high risk). EIB, Scope Ratings

Shadow price of carbon to rise to EUR 250/ tonne of CO_2 emissions by 2030

For financed projects, transition risk is assessed using a shadow price of carbon in the economic appraisal of EUR 80 per tonne of CO_2 emissions, which will be raised to EUR 250 by 2030. In addition, we note that projects directly financed by the EIB undergo detailed sustainability due diligence to exclude incompatible activities and sectors as well as counterparties that do not comply with the EIB's Paris Alignment for Counterparties (PATH) framework and its environmental and social principles and standards. Furthermore, in 2022, the EIB Group introduced a temporary and exceptional extension of the exemptions to its PATH framework to include all renewable energy projects and electric-vehicle charging infrastructure inside the EU. The extension is expected to run until 2027.

Counterparties need to disclose decarbonisation plans

This framework requires counterparties to develop and disclose their plans for decarbonisation and improving resilience to physical risks, providing additional mitigation for the portfolio. The focus on the wider activities of borrowers, not just the climate impact of projects, mitigates reputational risk as it decreases the likelihood that the EIB finances new projects of counterparties whose activities are incompatible with the Paris Agreement.

Overall, these policies and measures reduce the risk of financing projects with high transition and physical risks and support the EIB's role in mobilising private capital to achieve environmental goals, given its weight in capital markets.

Social factors

Loan exposure in line with EU policy

The EIB's activities are driven by the EU's policy agenda and are focused 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 2023 are: i) sustainable energy and natural resources (EUR 21.5bn); ii) sustainable cities and regions (EUR 16.1bn); iii) SMEs and mid-caps (EUR 14.5bn); and iv) innovation, digital and human capital (EUR 16.5bn). Beyond Europe, a new branch dedicated to development – EIB Global – was launched last year to increase activities outside of the EU in areas such as climate, health and digitalisation (EUR 8.5bn).

Activities aim to increase investment in Europe,…

The EIB Group is the key implementing partner of the InvestEU programme, which provides the EU with long-term funding for investments to support sustainable growth and address market failures and/or investment gaps. The EIB Group (which includes the European Investment Fund) will implement 75% of the EU guarantee of EUR 26.2bn, which should mobilise EUR 372bn of financing by 2027. The first projects under the programme were approved in March 2022 and reached EUR 9.1bn by end-2022.

…support the EU's recovery from the Covid-19 crisis,…

The EIB is also at the forefront of the EU's response to the Covid-19 crisis by providing a safety net for businesses. It set up the EUR 24.4bn European Guarantee Fund, of which by end-2022 EUR 23.5bn were approved to mobilise about EUR 187.3bn of financing, mostly for SMEs and mid-caps. The EIB is also working with EU member states to strengthen the impact of new investment in the context of the national recovery plans.

…and help Ukraine and countries affected by the war

Since the start of Russia's full-scale invasion of Ukraine in early 2022, the EIB has disbursed EUR 1.7bn in support packages to Ukraine and plans to help cities and regions in EU member states to welcome and integrate war refugees from Ukraine with EUR 4bn. In March 2023, the EIB announced the EU for Ukraine Fund, demonstrating the bank's commitment to assist Ukraine and support its long-term goal of acceding to the EU.

Governance

The EIB is the largest multilateral development bank in the world by far, with total assets of EUR 545bn, 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 have each a high share at 18.8%, the member base is broadly diversified, and no member dominates the EIB's strategic and operational activities. Most decisions require a majority of its voting members representing 50% of subscribed capital.

While it is generally not subject to EU legislative acts and guidelines applicable to commercial banks, the bank voluntarily applies these to the extent determined by the Best Banking Practice Guiding Principles. The independent audit committee also verifies that the EIB's activities conform with best banking practices and confirms the validity of the bank's accounts.

Intrinsic strength – Financial profile: Excellent

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 'Excellent'. This reflects its: i) 'Adequate' capitalisation and demonstrated ability to generate and retain capital; ii) 'Excellent' portfolio quality and 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 record of generating and retaining capital. An implied leverage ratio forms the cornerstone of our capitalisation assessment, which assumes that the EIB operates at the 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 53.9bn) and retained profits as at 2022 (EUR 2.4bn). Together, these resources amount to EUR 78.5bn.

High leverage but very strong and stable CET 1 ratio

For the denominator of this ratio, we rely on the EIB's Statute[2], which allows for maximum leverage at 2.5 times its subscribed capital, accumulated reserves and profit, i.e. roughly EUR 762.6bn. The resulting capitalisation ratio of about 10% is below that of peers but above the 6% level before the EUR 10bn capital increase in 2012. We also note that the EIB operates at a higher actual capitalisation of around 17%, based on total disbursed loans (about EUR 420.1bn), guarantees (EUR 24.4bn) and equity participations (EUR 10.8bn). Counter-balancing this elevated, leverage, we note positively that the bank's self-reported CET1 ratio, which is based on risk-weighted as opposed to risk-insensitive total exposure, has been above 30% since 2018 and stood at around 35.1% at end-2022.

Figure 4: Capitalisation vs peers
% 3Y weighted average, YE 2022

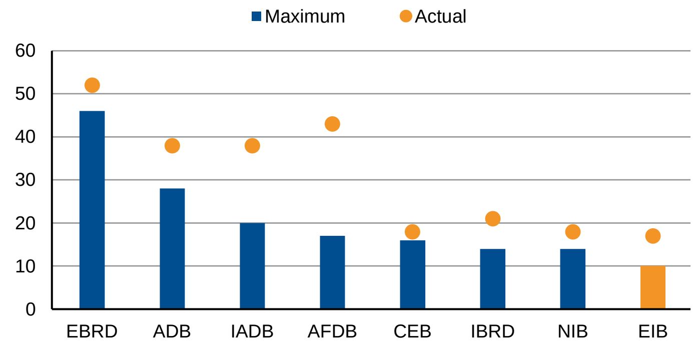
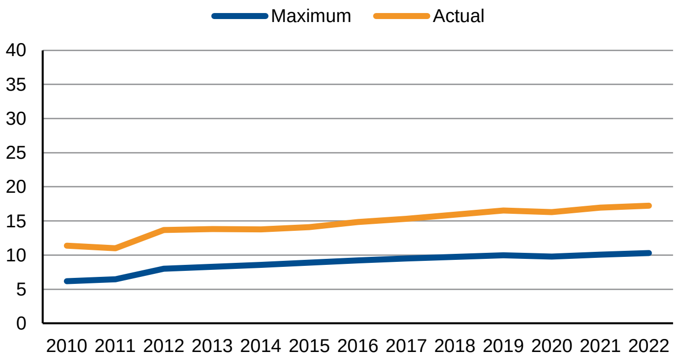


Figure 5: Capitalisation over time
%



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 53.9bn + EUR 2.4bn) = EUR 762.6bn

Sustained profit retention since 1958

The EIB's ability to generate and retain profits also 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 profit in 2022 was EUR 2.4bn, down from EUR 2.6bn in 2021, broadly in line with the past few years, resulting in a return on equity of about 3.1% for 2022.

Figure 6: EIB's common equity tier 1 ratio
%

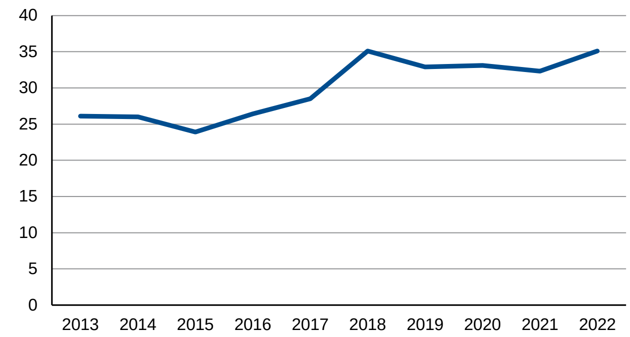
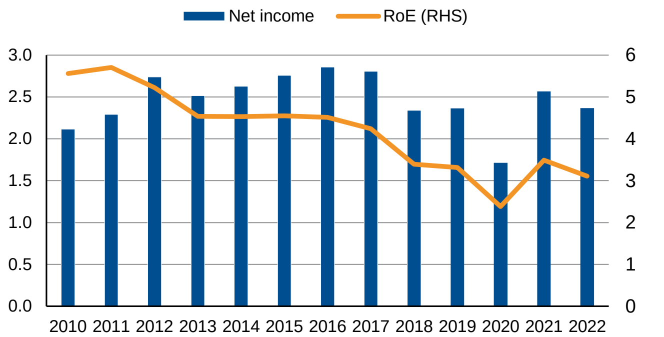


Figure 7: EIB's retained result and return on equity
EUR bn; %



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 third party credit enhancements provided by the EU and its member states – including for non-EU exposures and exposures related to the EFSI and its successor programme InvestEU. Its widely diversified portfolio across geographies, sectors and counterparties and its strong collateralisation also play an important role. Equity participations, while growing, remain moderate.

Portfolio quality

The EIB Group has disbursed EUR 382.7bn as of 2022. Of this, about 59% relates to loans to the private sector (banks and corporates), 30% to public institutions, and around 11% 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 71% of its total loans (EUR 562bn), with the four large EU economies comprising about 45% of the loan book. Based on our sovereign ratings, the weighted average rating of these sovereign exposures is assessed as A+.

Negligible exposure to Ukraine, Russia and Belarus

At end-2022, the disbursed lending exposure to Ukraine (incl. guarantees) was about EUR 3.6bn, EUR 45.2m in Belarus, and only EUR 13.8m in Russia. Still, except for EUR 17m, specifically related to its lending exposure to Ukraine, this exposure is covered by EU guarantees, mostly under the external lending mandate.

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 8: EIB's portfolio by type
EUR bn, %, YE 2022

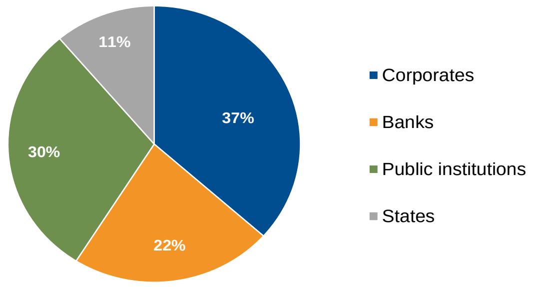
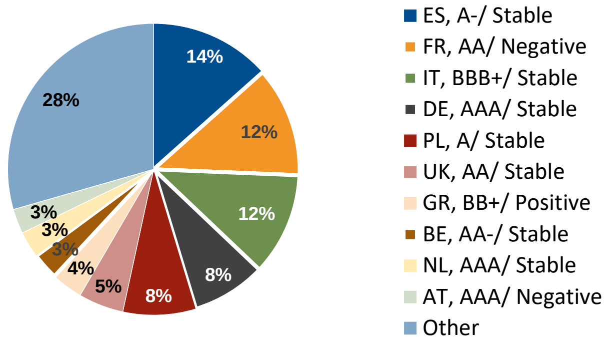


Figure 9: EIB's portfolio by geographic exposure
EUR bn, YE 2022



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

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

Portfolio	EUR bn	%	Estimated average quality
Corporates	140.0	36.6	bb+
Banks	85.7	22.4	bbb+
Public institutions	114.2	29.9	a
States	42.8	11.2	A+
Overall estimated portfolio quality	382.7	100.0	bbb

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

Portfolio quality – credit enhancements

We provide a 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 low equity-type exposure.

EIB has a clear record of benefiting from preferred creditor status

For the EIB's EU **sovereign exposures**, which comprise about 11% of the portfolio, we acknowledge the EIB's record of being exempt from debt restructuring. This was seen during the debt restructurings in Greece (BB+/Positive), in which the EIB's portfolios of government bonds were exempt from haircuts 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, the EIB's final exposure to the four asset classes alters once guarantees are included: at EIB Group level, the share of exposures to sovereigns increases to about 26% from 11%, while the bank exposure declines to about 9% from 22%. As such, final exposures to the private sector constitute about 45% of the EIB Group's loan book. Moreover, 33% of the EIB Group's corporate exposure and 76% of its banking exposure are secured. Collateral from borrowers provides further protection, although it has decreased since 2015 to EUR 8.2bn in 2022 (of which 86% was either in cash, sovereign bonds or rated A+ or higher).

Figure 11: EIB's portfolio by type, incl. guarantees
%, YE 2022

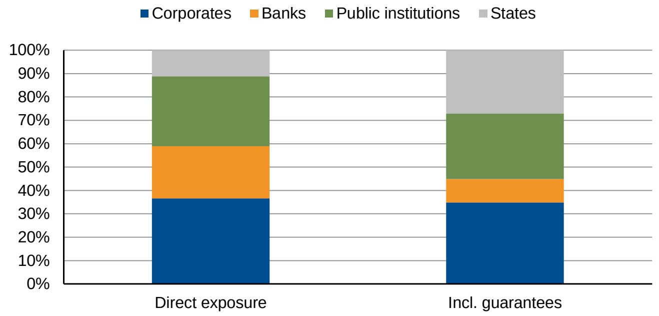
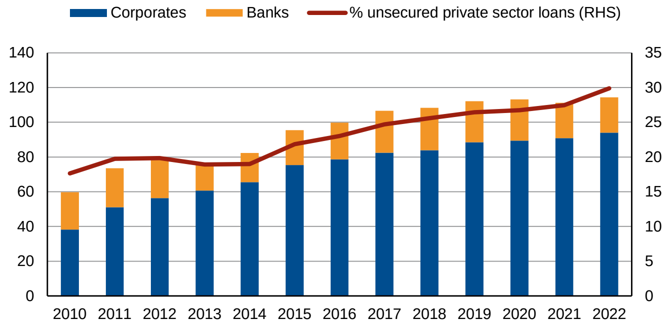


Figure 12: EIB's unsecured private sector exposures
EUR bn; % of total loans (RHS)

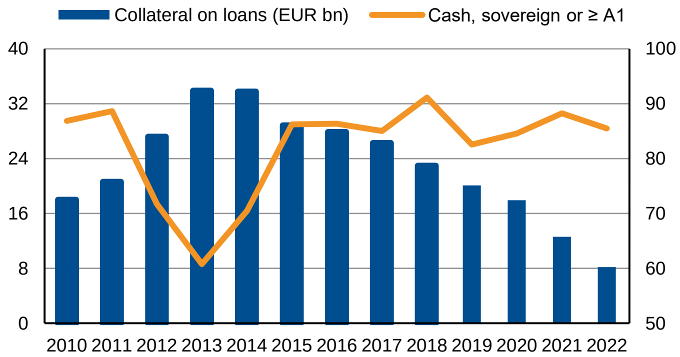


Source: EIB, Scope Ratings

60%-80% of EIB's portfolio is well-protected

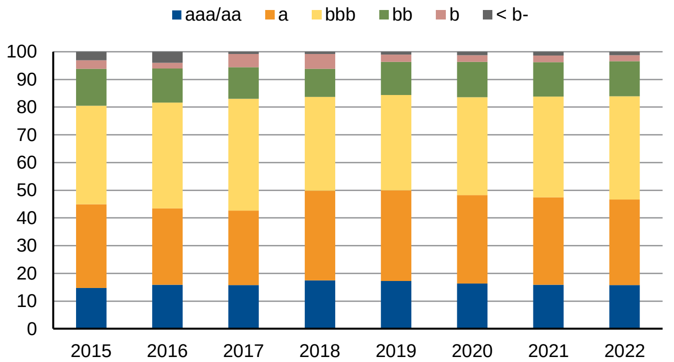
Of the EUR 382.7bn in total disbursements, about EUR 210.8bn was ultimately lent to or backed by sovereigns or public institutions. Of the remaining EUR 171.9bn, about EUR 114.4bn or 29.9% of the total portfolio relates to unsecured private sector exposures. We thus estimate that 60%-80% of the EIB's portfolio is well-protected. This estimate is supported by the EIB's internal grading system, according to which about 84% of its exposures – based on the better of the borrower's and the guarantor's ratings – are investment grade, while, at consolidated level, less than 4% are '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.

Higher-risk activities to increase

Looking ahead, we note that the EIB's higher-risk activities will increase from about EUR 10.8bn in 2022, to EUR 14bn in 2023 and EUR 18bn in 2025, above the levels in 2020 (EUR 10.7bn) and 2021 (EUR 7.4bn). This will be driven by projects on own higher-risk activities and the InvestEU programme. These activities generate higher additionality, reaching new clients and sectors and developing innovative financing structures and products that address market needs. Similarly, EIB investments outside of the EU are also set to increase slightly to an average EUR 9.4bn over the next three years from an average EUR 8.5bn over 2020-22, mostly under own resources.

Non-EU exposures benefit from EU and member state guarantees

Finally, we note that EUR 32.0bn of the EIB Group's disbursements outside of the EU – which are excluded from the EUR 382.7bn total – benefits directly from guarantees either by the European Union (AAA) under its external lending mandate or by EU member states under the Cotonou Agreement. These exposures are therefore not a source of risk for the EIB.

Equity-type exposure

EIB's equity exposure is increasing but still moderate

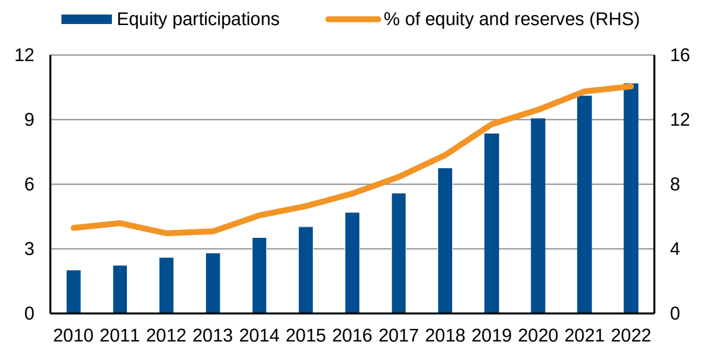
The EIB also provides certain types of equity financing, especially indirect equity in funds and quasi-equity financing to corporates. The EIB's equity-type exposure, excluding its shares in the European Bank for Reconstruction and Development, has grown steadily since 2010 from EUR 2.0bn to around EUR 10.7bn, or 14% of its equity and reserves.

Portfolio diversification

Highly diversified loan portfolio

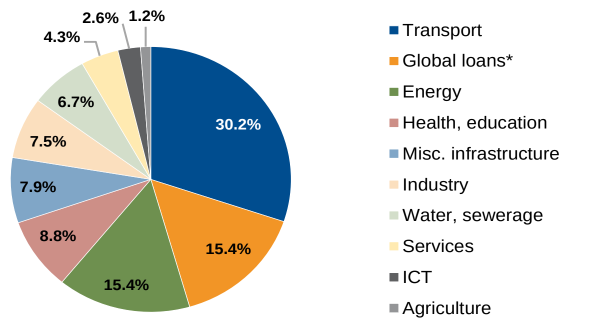
The EIB's portfolio is highly diversified as it lends to sovereigns, public institutions, financial institutions and corporates across several sectors and jurisdictions. Its lending policies establish counterparty and sector limits to ensure sufficient diversification of loans. As a result, the top 10 nominal exposures at consolidated level constitute only 9.4% of the EIB's portfolio, excluding exposures to sovereigns and those covered by sovereign guarantees.

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



Excl. EBRD shares.

Figure 16: EIB's loan portfolio split by sector
% total, YE 2022



* Line of credit to an intermediary financing institution or a bank, which subsequently lends the proceeds. Source: EIB, Scope Ratings

Asset performance

Negligible non-performing loans

The EIB's overdue payments beyond 90 days amounted to EUR 77.7m in 2022, down from a peak of EUR 180m in 2017. This represents just 0.02% of the EIB's portfolio, one of the lowest ratios among peers. Looking at the wider definition of impaired exposures – i.e. amounts unlikely to be collected in full – the EIB's record is also exceptional, with around EUR 1.8bn of impaired exposures as of YE 2022, or about 0.4% of the loan book. For this reason, provisions remain low at EUR 402.5m, down from EUR 443.9m in 2021, or about 0.1% of disbursed loans despite a collective provision of EUR 76m for Ukraine exposures to reflect the potential effects of the Russian invasion of Ukraine on EIB's loan portfolio.

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

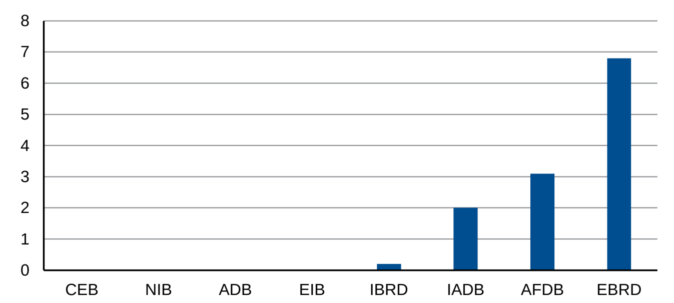
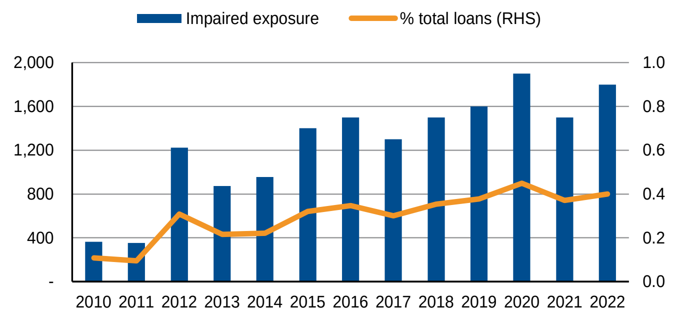


Figure 18: Impaired loan exposure
EUR m; % of total loans



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 reserve currency.

Liquidity coverage

Stable liquid assets

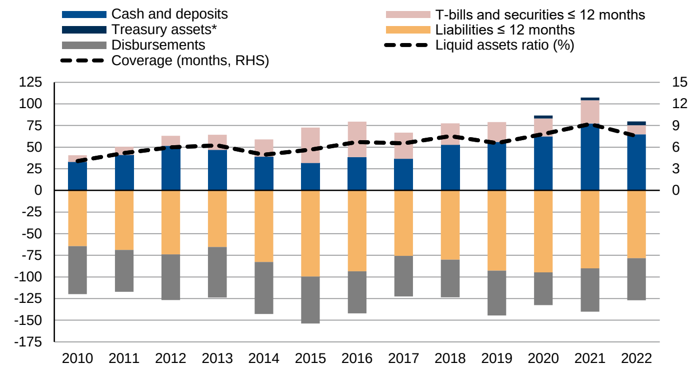
The EIB's conservative liquidity management results in stable liquid assets, which we estimate at around EUR 79.7bn for YE 2022, below the EUR 107.3bn figure for 2021. We include assets that are the least sensitive to sudden market or interest rate changes, specifically, cash and deposits (EUR 64.9bn), treasury bills and securities with a maturity of less than or equal to 12 months (EUR 10.4bn) and treasury assets with a maturity above 12 months rated AA- or above (EUR 4.4bn).

Elevated liabilities due within next 12 months

Conversely, EIB liabilities maturing within 12 months are elevated and amount to EUR 78.4bn in 2022 (2021: EUR 90.1bn), while we estimate expected disbursements of loans and advances to credit institutions and customers for 2023 at around EUR 48.6bn, below the EUR 50bn in 2022. This brings our proxy of 'total liabilities due within one year' to around EUR 126.9bn for 2022. We include expected 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

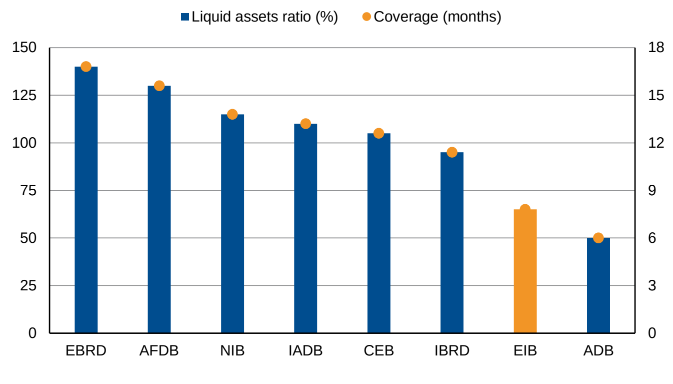
EUR bn, %



*Treasury assets above 12 months with a minimum rating of AA-. Available for 2020-2022.

Figure 20: Liquid assets ratio and coverage of obligations

%, coverage without capital market access in months (RHS)



NB. 3Y weighted average. A 50% liquid assets ratio implies coverage of obligations for a period of six months without capital markets access.

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 67.2% for 2020-22 (62.8% for 2022; 76.5% for 2021 and 65.3% for 2020), markedly above the 2014 level of 41%. This ratio implies that all outstanding liabilities and all committed disbursements due within a year can be financed for about eight months using available liquid assets, without needing to access capital markets.

...but significantly above internal limits and regulatory requirements for commercial banks

Moreover, we also note the EIB's own liquidity policies require its total liquidity ratio – defined as total treasury assets relative to projected net cash outflows over the next 12 months – to be at least 25%. As of the end of 2022, the total liquidity ratio was 95.4%, down from 117.2% recorded at the end of 2021. Finally, the bank's liquidity coverage ratio, computed daily in line with EU regulation for commercial banks, stood at 348.0% (2021: 564.9%) while its net stable funding ratio was 124.6% (2021: 130.0%), above the regulatory minimum of 100%.

Funding

Regulatory preference and inclusion in ECB bond purchase programmes

The EIB's funding activities combine the issuance of large liquid benchmarks in core currencies – the euro (58% of total outstanding) and US dollar (23%) – with issuances targeted in further currencies. EIB bonds are designated high-quality liquid assets under the Basel framework and included in the ECB's asset purchase programmes, supporting the bank's market access. The EIB estimates that the ECB may have purchased EUR 138.7bn in EIB Euro-denominated debt since March 2015, about 32% of its outstanding debt securities.

Global benchmark issuer in euros, US dollars and British pounds

The EIB's annual funding volume of around EUR 45bn-70bn over the past decade is, cumulatively, by far the largest among peers and set to remain elevated at EUR 45bn in 2023, with a borrowing authorisation of EUR 50bn, and around EUR 50-55bn in 2024-25 in line with its Operational Plan 2023-25. This, along with its highly diversified funding strategy in terms of non-core currencies (15 in 2022) and instruments (including around EUR 19.9bn of green and sustainability bonds), underlines the EIB's status as a global benchmark issuer. As of 7 July 2023, the EIB had already funded EUR 41.8bn or 84% of the announced borrowing authorisation of EUR 50bn for the year.

Limited risks from longer-term liabilities coming due

We also note positively that the EIB has a stable redemption profile over the medium term, with EUR 206.4bn of liabilities due within one to five years, in line with previous years' levels and down from their peak of EUR 229.8bn in 2016. These medium-term liabilities are about 83% covered by assets with the same maturity, reducing sudden funding needs over the medium term. This coverage is among the highest of its peers.

Figure 21: Green and sustainability supranational issuance
EUR bn; % total outstanding

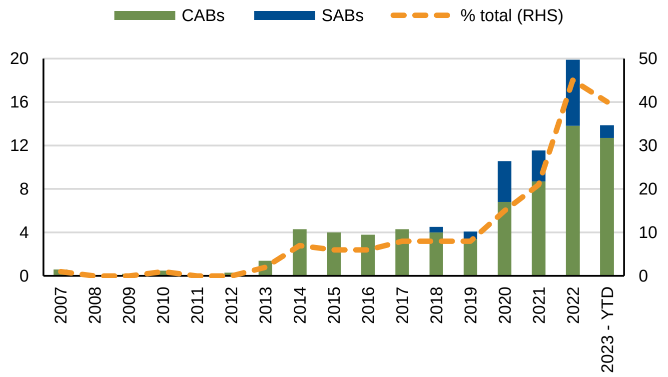
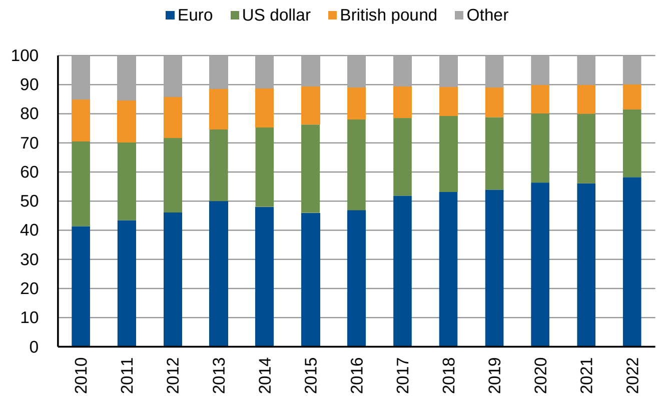


Figure 22: Distribution by currency
% of total



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 (66% in 2023 YTD), followed by Asia (17%) and the Americas (15%). Bank treasuries (46%), fund managers, pension and insurance funds (25%), and central banks and official institutions (23%) account for most of the EIB's investors.

Growing green and sustainability bond issuance

The EIB is also the largest multilateral development bank issuer of green and sustainability bonds with dedicated use-of-proceeds, reflecting its inauguration of this segment in 2007 and its ability to pursue EU policy objectives also via capital market activities. It has raised EUR 84.0bn in green and sustainability bonds across 23 currencies. During 2022 the EIB issued EUR 13.8bn in Climate Awareness Bonds (CABs) and EUR 6.1bn in Sustainability Awareness Bonds (SABs), about 45% of its total issuance.

The EIB is gradually aligning its CABs and SABs with the upcoming EU Green Bond Standard, which requires alignment of the use of proceeds with the EU Taxonomy. The volume of CAB issuance depends on the volume of CAB/SAB-eligible disbursements, which have been increasing in the past years, plus an additional precautionary buffer.

Pioneering digital bond issuance

Finally, the EIB increased its digital issuance by issuing its second digital bond in November 2022 (a two-year EUR 100m), followed by two-year GBP 50m bond in January 2023, and a two-year SEK 1bn digital CAB in June 2023.

Additional liquidity considerations

The final step of our liquidity assessment examines 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[3]. We acknowledge this unique funding capacity with a positive adjustment to our liquidity assessment.

No adjustment for rising contingent liabilities

The potential risk from the EIB's guarantees, which have grown to around EUR 24.4bn in 2022 (or about 31% of estimated liquid assets), is curtailed by the overall strong credit quality of the positions. As of end-2022, 80.1% of them are investment grade at consolidated level based on the EIB's internal ratings. In addition, high diversification and lack of substantial guarantee calls to date support our decision to not make a negative adjustment for the risk from contingent liabilities and guarantees exposures.

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.

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

Shareholder support: Excellent

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

Scale	Excellent	Very High	High	Moderate

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

Key member rating

Highly rated key members

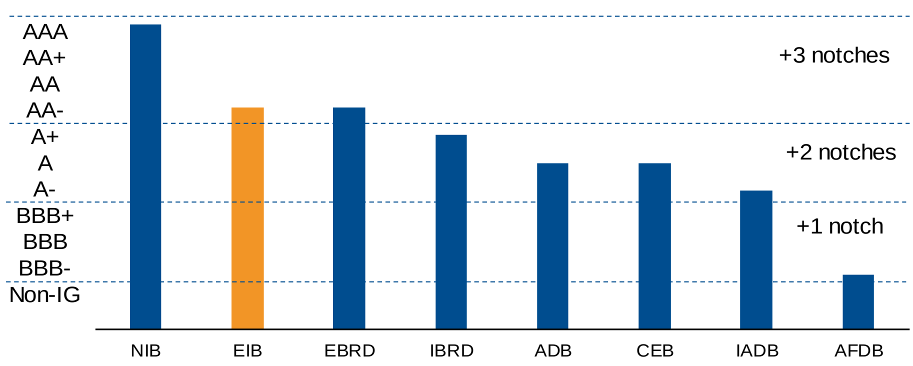
In line with its governance, the six largest EU economies constitute the EIB's key members, whose weighted average rating is AA-. This is one of the highest key member ratings among supranationals. This drives our assessment of the EIB members' ability to provide support if ever needed. Here, we also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

Figure 23: Key members

Key members	Rating	Capital subscription (%)	
		Original	Adjusted
Germany	AAA/Stable	18.8	24.1
France	AA/Negative	18.8	24.1
Italy	BBB+/Stable	18.8	24.1
Spain	A-/Stable	11.3	14.4
Belgium	AA-/Stable	5.2	6.7
Netherlands	AAA/Stable	5.2	6.7
		78.0	**100.0**
Key member rating			**AA-**

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

Figure 24: EIB's key member rating vs peers



Source: Scope Ratings

Some overlap between key members and countries of operation

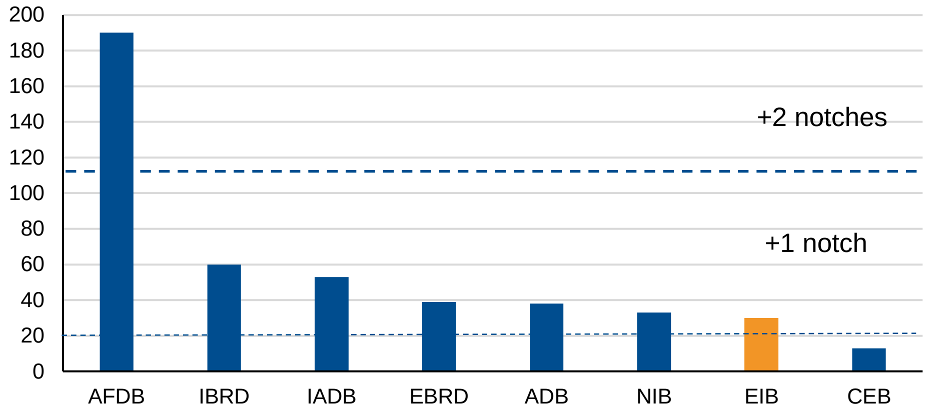
While the EIB's operations in the jurisdictions of its key members constitute about 50% of its total operations, we exclude the operations in countries rated AA- or above. We do this because the credit quality of such highly rated members is unlikely to deteriorate materially, even in times of financial distress. On this basis, the EIB's operations in Italy and Spain together account for about 25% of its total operations. This reflects a moderate risk of a simultaneous, material credit deterioration among countries expected to be able to provide support if ever needed.

Extraordinary support

Moderate high-quality callable capital coverage of mandated assets

We complement our assessment of member support by looking at the quality of the EIB's callable capital in relation to its mandated outstanding assets. Here, we note that EUR 135.7bn of the callable capital is rated AA- or above, which covers about 30% of the EIB's mandated (disbursed) assets of EUR 455.4bn. This coverage is moderate among peers, and our positive assessment could change if both France and Belgium were downgraded below AA-.

Figure 25: 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, providing a strong legal basis and highlighting members' willingness to provide financial resources when needed.

Record of successful capital increases

Finally, the EIB has a 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 completed by 2015. A capital increase via additional financial resources from member states, rather than from converting previously accumulated reserves, further underlines the members' commitment to supporting the EIB. The agreement to replace the UK's share in the subscribed and paid-in capital of the other members (with the conversion of reserves into paid-in capital) and the additional capital increase 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 26a: Mapping of 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 26b: Mapping of intrinsic strength and shareholder support for the EIB

Indicative Rating			Shareholder Support			
			Excellent	Very High	High	Moderate
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

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 capturing the fact that the EIB is the world's only supranational 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

I Members: European Investment Bank

EUR m

EIB members	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-	
Belgium	1,155.1	11,796.0	12,951.1	5.2	AA-	11,796.0
Netherlands	1,155.1	11,796.0	12,951.1	5.2	AAA	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

Pillar	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	1
			Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	
			Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	
		Governance	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1300.0	Strong	1
			Shareholder control	%	--	--	--	--	≤ 25	> 25	--	19.0	Strong	
			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*		%	--	--	--	≥ 30	< 30	--	--	17.0	Adequate/ No uplift	0
		Profitability (Return on equity)		%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	3.0	Adequate	1
	Trend (-1; +1)													0
	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
	Liquidity & funding (-4; +8)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	65.0	Strong	2
		Funding	Maturity gap	Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.5	< 0.5	--	0.8	Strong	1
			Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	50.0	Very Strong	2
			Currency diversification	Top 1 share	--	--	--	≤ 70	> 70	--	--	57.0	Strong	1
	Trend (-1; +1)													1
	Financial Profile												**Excellent**	
	Intrinsic Strength												**Excellent**	
Shareholder Support	Shareholder strength (0; +3)	Weighted average rating of key shareholders		Avg. rating	--	≥ AA-	≥ A-	≥ BBB-	< BBB-	--	--	--	AA-	3
		Share of portfolio related to key shareholders		%	--	--	--	--	≤ 50	> 50	--	25.0	Low / No adjustment	
		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												**Excellent**	
			Indicative Rating										**AAA**	
	Additional considerations (-1; +1)												Neutral	
			Final Rating										**AAA**	

Source: Scope Ratings. Figures in the financial profile refer to three-year weighted averages for 2020-22. The positive 'trend' under liquidity & funding reflects the benefit from accessing the ECB's liquidity facilities.

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-type 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

	2017	2018	2019	2020	2021	2022
Capitalisation (EUR bn)						
Mandated potential assets	726.4	732.3	738.2	750.3	756.7	762.6
Mandated assets (disbursed)	450.0	447.5	445.7	450.5	448.8	455.4
Capitalisation ratio, potential (%)	9.5	9.7	10.0	9.8	10.1	10.3
Capitalisation ratio, actual (%)	15.3	15.9	16.5	16.3	17.0	17.2
Profitability (EUR bn)						
Net income	2.8	2.3	2.4	1.7	2.6	2.4
Return on equity (%)	4.2	3.4	3.3	2.4	3.5	3.1
Asset quality (EUR bn)						
Total loans (signed)	568.2	557.0	560.4	558.9	556.8	562.2
Unsecured private sector loans (%)	24.7	25.6	26.4	26.7	27.5	30.0
Impaired loans	1.3	1.5	1.6	1.9	1.5	1.8
Arrears over 90 days (EUR m)	182.2	178.7	148.3	121.1	118.7	77.7
Equity participations	5.6	6.8	8.4	9.1	10.1	10.7
% of total equity and reserves	8.5	9.8	11.7	12.6	13.8	14.1
Liquidity (EUR bn)						
Cash & deposits	36.4	52.6	56.1	62.4	77.3	64.9
T-bills & securities ≤ 12 months	30.4	24.9	22.9	20.7	26.8	10.4
Treasury assets > 12 months rated ≥ AA-				3.4	3.2	4.4
Liabilities ≤ 12 months	75.7	80.0	92.8	94.7	90.1	78.4
Disbursements (of following year)	46.7	43.6	51.6	37.7	50.1	48.6
Liquid assets ratio (%)	54.6	62.7	57.0	65.3	76.5	62.8
Funding (EUR bn)						
Volume	56.4	60.0	50.3	70.0	55.3	44.3
Share of total outstanding (%)						
EUR	51.9	53.2	53.9	56.4	56.1	58.2
USD	26.7	26.0	24.9	23.7	23.9	23.3
GBP	11.0	10.0	10.2	9.8	9.9	8.6
ESG issuance	4.3	4.5	4.1	10.5	11.5	19.9
% total	7.6	7.5	8.2	15.0	20.8	44.9
Equity (EUR bn)						
Paid-in capital	21.7	21.7	21.7	22.2	22.2	22.2
Reserves	44.5	47.3	49.6	49.6	51.3	53.9

Source: EIB, Scope Ratings

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