

# European Union and Euratom

## Rating report

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

- **Shareholder support:** The EU benefits from: i) the largest European economies being its highly rated key Member States, with a weighted average rating of AA-; ii) a track record of and solid legal basis for receiving timely financial support; iii) extraordinary support mechanisms, ensuring de facto joint and several support; and iv) a legally enshrined debt service priority combined with significant budgetary flexibility.
- **Institutional profile:** The EU has a proven record of excellent governance and an irreplaceable mandate for its Member States. It was at the heart of Europe's Covid-19 response via the SURE and NGEU programmes, is supporting Member States' rearmament efforts following Russia's war of aggression against Ukraine while coordinating Europe's response to the sharp increase in tariffs implemented by the US, and is 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 a 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.

### Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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



Source: Scope Ratings.

### Credit strengths and challenges

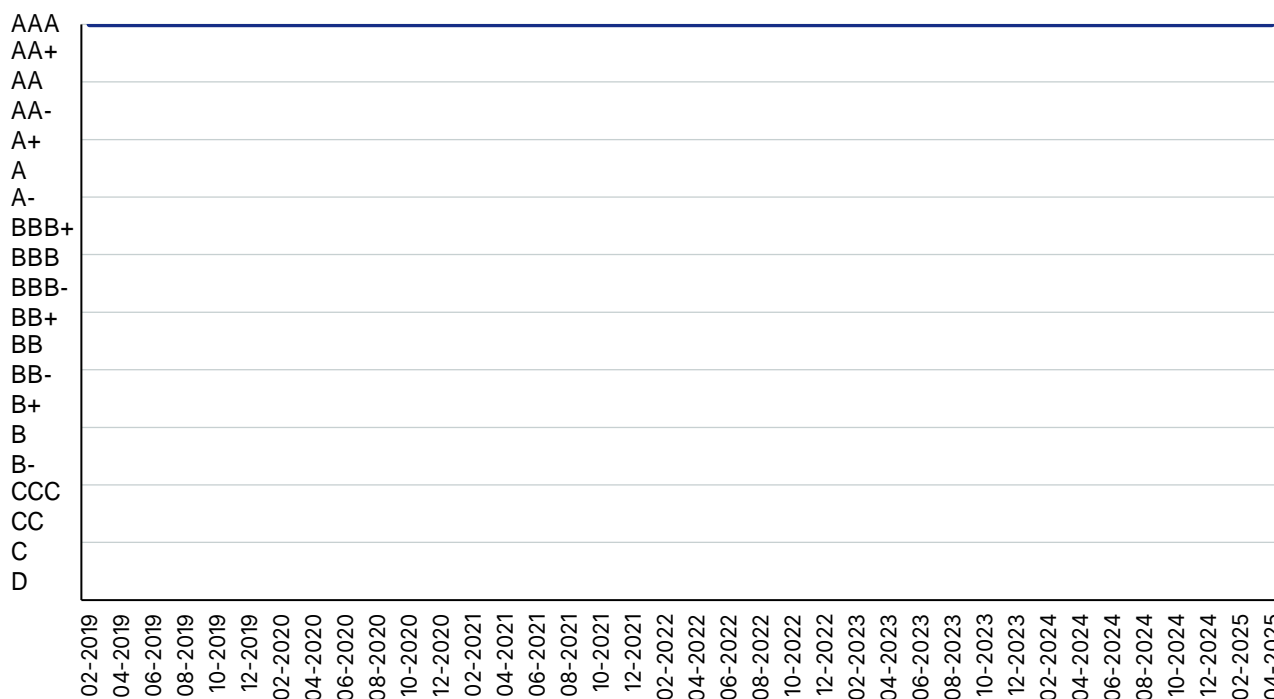
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Highly rated Member States, providing de facto joint and several support</li> <li>High liquidity buffers, excellent market access, budgetary flexibility</li> <li>Preferred creditor status</li> </ul>	<ul style="list-style-type: none"> <li>Significant increase in debt</li> <li>High guarantees, mostly to European Investment Bank</li> </ul>

### Outlook and rating triggers

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

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Downgrades of key Member States</li> <li>Weakening in institutional setup</li> <li>Reduction in liquidity buffers</li> </ul>

Figure 2: Rating history



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

## I. Members: European Union

For non-capitalised institutions, we begin with a shareholder support assessment, which is then complemented by an assessment of intrinsic strength to determine the final rating.

EU member states	Population (m)	GDP (EUR bn)	2024 Budgetary Contribution (EUR bn)*	ECB capital key (%)**	Rating (latest)	Share ≥ AA-
Germany	83.5	4,305.3	31.6	21.8	AAA	21.8
France	68.5	2,921.4	24.3	16.4	AA-	16.4
Italy	59.0	2,192.2	17.9	13.1	BBB+	
Spain	48.6	1,591.6	13.2	9.7	A	
Poland	36.6	840.1	7.2	6.1	A	
Netherlands	17.9	1,134.1	8.6	4.8	AAA	4.8
Sweden	10.6	564.0	3.6	2.9	AAA	2.9
Belgium	11.8	614.5	6.5	3.0	AA-	3.0
Romania	19.1	355.0	2.8	2.9	BBB-	
Austria	9.2	481.9	3.2	2.4	AA+	2.4
Greece	10.4	237.6	1.9	1.8	BBB	
Portugal	10.6	285.2	2.4	1.9	A	
Czech Republic	10.9	318.9	2.6	2.0	AA-	2.0
Denmark	6.0	397.0	2.7	1.8	AAA	1.8
Hungary	9.6	206.2	1.8	1.6	BBB	
Finland	5.6	276.2	2.2	1.5	AA+	1.5
Ireland	5.4	533.4	3.3	1.8	AA	1.8
Bulgaria	6.4	103.7	0.9	1.0	BBB+	
Slovakia	5.4	130.0	1.0	0.9	A	
Croatia	3.9	85.5	0.7	0.6	A-	
Lithuania	2.9	78.4	0.6	0.5	A	
Slovenia	2.1	67.0	0.6	0.4	A	
Latvia	1.9	40.2	0.4	0.3	A-	
Luxembourg	0.7	86.1	0.4	0.3	AAA	0.3
Estonia	1.4	39.5	0.3	0.2	A+	
Cyprus	1.0	33.4	0.3	0.2	A-	
Malta	0.6	22.5	0.2	0.1	A+	
<b>Total (All Member States)</b>	<b>449.3</b>	<b>17,940.9</b>	<b>141.2</b>	<b>100.0</b>		<b>58.6</b>

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

## II. Indicative rating: 'aaa'

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

### Institutional and financial profiles of the EU

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

### Mapping intrinsic credit profile and shareholder support for the EU

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

Source: Scope Ratings

### III. Supranational scorecard

Analytical Pillar			Variables	Unit	+4	+3	+2	+1	0	-1	-2	Value	EU Assessment	Notches		
Shareholder Support (*,**)	Key shareholder rating (90%)	Weighted average rating of key shareholders	AAA - CCC	--	--	--	--	--	--	--	--		AA-			
	Key shareholders & exposures	Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	--	53	High / Negative adjustment	-1	aa	
	Extraordinary support (10%)	Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	--	--	Very Strong	2		
	Shareholder Support (*,**)													aa		
Intrinsic Credit Profile (*,**)	Mandate & ESG	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	--	Very High			
		Mandate (50%)	Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1	Strong	
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong				
	Governance (50%)	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	--	--	1100	Strong		
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	--	--	22	Strong	1	Strong
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong				
	Institutional Profile (15%)													Excellent		
	Liquidity & funding (55%)	Liquid assets ratio	%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10			110	Excellent	4	
		Funding access, flexibility and profile	Qualitative	0	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak		Excellent	Excellent	4	Excellent
		Trend (-1; +1)													1	
Asset quality (45%)	Portfolio quality	Incl. risk mitigants	Qualitative	--	Excellent	Very Strong	Strong	Adequate	Moderate	Weak		Very Strong	Very Strong	2		
	Asset performance	NPLs	% total loans	--	≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5; ≤ 7	> 7; ≤ 10	> 10		0.0	Excellent	3	Excellent	
	Trend (-1; +1)													0		
Financial Profile (85%)													Excellent			
Intrinsic Credit Profile (*,**)													Excellent			
Indicative Rating													aaa			
Additional considerations (-1; +1)													Neutral			
Final Rating													AAA			

\* The indicative rating from the 'Shareholder support' assessment ranging from aaa - ccc is mapped non-linearly to the intrinsic credit profile assessment. \*\* Weights are approximated and for illustrative purposes. \*\*\* The +1 trend adjustment for the liquidity & funding assessment accounts for the fact that disbursements are only made after funds are actually raised on financial markets.

Source: Scope Ratings

### IV. Climate credit risks

Average (initial) portfolio quality		% of total exposure	Before climate credit risk	Comment
	Sovereign	100%	BBB	Based on country exposures / sovereign ratings
	Public Sector	0%	N/A	Adjusted by 2 notches
	Financial Institutions	0%	N/A	Adjusted by 3 notches
	Non-financial corporates	0%	N/A	Adjusted by 6 notches
	<b>Total</b>	<b>100%</b>	<b>bbb</b>	

Legend:

Methodology input / assumptions

Supranational input

Output / calculations

1. Transition risks: NFC	Sectors with high transition risks	% NFC Portfolio	Aligned with path towards Paris Agreement	High Risk (unmitigated)
	Oil & Gas	0%	0%	0%
	Power Generation (oil, coal)	0%	0%	0%
	Metals & Mining (coal & steel)	0%	0%	0%
	Petrochemicals, cement & concrete manufacture	0%	0%	0%
	<b>Total</b>	<b>0%</b>	<b>0%</b>	<b>N/A</b>

2. Physical risks: NFC	ND-GAIN Percentile	Physical risk assessment	% portfolio in countries	% of NFC with high climate risks*	NFC portfolio with high climate risks
	0.00	Very High	0%	100%	0%
	0.10	High	0%	75%	0%
	0.25	Medium	0%	50%	0%
	0.50	Moderate	0%	25%	0%
	0.75	Low	0%	5%	0%
	0.90	Very Low	0%	0%	0%
*This share is assumed and fixed.		Portfolio coverage	N/A		N/A
					N/A

3. 'High' climate risks (NFC portfolio)		% NFC portfolio
	Transition risks	0%
	Physical risks	0%
		<b>N/A</b>

4. Adjustment for maturity	Avg. Maturity of portfolio	Adjustment
	< 1Y	100%
	> 1Y; < 7Y	50%
	> 7Y	0%
	Maturity of NFC loan portfolio*	N/A
	*If unavailable, proxied with total loan portfolio.	
Adj. high climate risk exposure	<b>N/A</b>	

5. Notches adjustment to NFC borrower quality	Notches	% portfolio high climate risks
	0 notch adjustment	≤ 25%
	-1 notch adjustment	> 25%; ≤ 50%
	-2 notch adjustment	> 50%
Adjustment (notches)	<b>0</b>	

6. Average portfolio quality (climate risk adjusted)		% of total exposure	Before climate credit risk	After climate credit risk	Comment
	Sovereign	100%	BBB	BBB	Climate risk incorporated via sovereign rating/estimates
	Public Sector	0%	N/A	N/A	Climate risk incorporated via sovereign rating (anchor for public sector)
	Financial Institutions	0%	N/A	N/A	Climate risk incorporated via sovereign rating and assumption of widely diversified portfolio
	Non-financial corporates	0%	N/A	N/A	No adjustment since share of physical and transition risks assessed as having 'high' climate risks ≤ 25%
	<b>Total</b>	<b>100%</b>	<b>bbb</b>	<b>bbb</b>	

Source: Scope Ratings

### V. Portfolio quality assessment

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

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

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

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

## VI. Statistical table

	2018	2019	2020	2021	2022	2023
<b>Shareholder support</b>						
Key shareholder rating	AA-	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated $\geq$ AA-* (%)*	61.1	62.7	56.8	58.1	58.1	58.1
<b>Liquidity (EUR m)</b>						
Cash & cash equivalents	20,975.0	28,091.7	21,750.0	21,783.3	37,800.0	31,933.3
NGEU – cash account	-	-	-	18,000.0	19,900.0	12,500.0
Adj. budgetary margin**	33,636.3	39,985.0	31,037.1	93,059.3	110,255.7	123,309.7
Bond repayments within 12 months	2,350.0	1,273.0	10,410.0	23,769.0	23,204.0	24,526.0
Disbursements	565.0	420.0	41,275.0	132,644.0	118,253.0	115,899.0
Liquid assets ratio (%)	1,873.5	4,021.1	102.1	84.9	118.7	119.5
<b>Funding (EUR m)</b>						
Volume	5,065.0	420.0	41,275.0	157,599.0	173,562.0	159,495.0
Share of total (%)						
EUR	100.0	100.0	100.0	100.0	100.0	100.0
ESG issuance (SURE and green) NGEU	-	-	95.5	46.9	28.0	10.7
<b>Borrowings (EUR m)</b>						
Debts evidenced by certificates	53,113.6	51,941.4	92,565.1	235,375.5	347,981.3	458,503.1
% EU GDP	0.3	0.3	0.7	1.6	2.2	2.7
% Total budget revenue	32.6	32.4	41.3	131.5	203.3	266.8
<b>Loans (EUR m)</b>						
Debts evidenced by certificates	53,113.6	51,941.4	92,565.1	162,394.2	205,300.7	254,101.4
MFA	4,360.7	4,728.6	5,786.8	7,438.0	14,963.0	15,193.0
Euratom	252.9	212.8	278.3	349.5	326.3	313.1
EFSM	46,800.0	46,800.0	46,800.0	46,800.0	46,300.0	42,800.0
BoP	1,700.0	200.0	200.0	200.0	200.0	200.0
SURE	--	--	39,500.0	89,637.0	98,355.0	98,355.0
NGEU	--	--	--	17,969.7	45,156.4	79,240.3
MFA+	--	--	--	--	--	18,000.0
<b>Guarantees (EUR m)</b>						
Total	66,315.0	63,776.0	62,285.0	60,443.0	105,868.0	108,279.0
EIB – external lending mandate	40,417.0	37,929.0	35,372.0	33,026.0	30,599.0	27,729.0
EIB – EFSI	25,898.0	25,797.0	25,543.0	25,826.0	25,793.0	25,591.0
EFSD	-	50.0	1,370.0	1,391.0	1,176.0	1,077.0
InvestEU	-	-	-	-	21,280.0	25,767.0
EFSD+			-	200.0	27,020.0	28,115.0
<b>Budget (EUR m)</b>						
Total revenues	162,932.0	160,288.0	224,027.0	178,948.0	171,178.0	171,856.0
of which, GNI-based own resource	105,780.0	108,820.0	125,393.0	115,955.0	103,880.0	101,287.0
Total expenditures	149,014.0	155,493.0	166,612.0	221,046.0	263,128.0	243,292.0
Budgetary surplus	555.0	1,803.0	3,218.0	1,769.0	3,227.0	2,519.0
<b>Other</b>						
EU GNI (EUR trn)	15.9	16.6	13.5	14.5	15.9	17.0
EU GDP (EUR trn)	16.0	16.6	13.5	14.8	16.1	17.1
EU population (m)	512.5	513.2	447.5	446.3	446.1	448.8

\*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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**Applied methodologies**

[Supranational Rating Methodology](#), June 2024

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