Supranational Outlook 2023

Institutions to raise substantial funds amid pressure for rebuilding Ukraine, accelerating the green transition.

Sovereign and Public Sector, Scope Ratings GmbH, 5 December 2022

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| Bloomberg: RESP SCOP

Executive summary

Supranational debt has increased markedly since 2020 and is set to grow further reflecting growing policy relevance and lasting consequences of Russia's war in Ukraine. Rebuilding Ukraine will absorb significant political and economic capital with the likely long-term outcome of Ukraine's accession to the European Union. However, the process may divert Europe's attention and resources from other pressing global issues. In addition, while the war is accelerating Europe's transition away from fossil fuels, it is also exacerbating tensions between the EU/ US and Russia and China. This may undermine efforts by supranationals – who serve their shareholder governments – to agree on strategies and work together to deliver on the long-term goals of the Paris Agreement and the UN's Sustainable Development Goals. These tensions will likely affect supranational operations, funding volumes and loan books. Still, we expect the balance sheets of highly rated entities to remain robust as reflected in our Stable Outlooks.

Rising supranational debt

- Supranational debt issuance has risen significantly in recent years, reflecting mostly the EU's increased borrowing in reponse to the Covid-19 crisis. Over 2020-22, annual issuance by major supranationals averaged EUR 275bn, double its level over 2017-19. Elevated issuance is likely to persist for some years to come as the institutions become increasingly relevant for implementing government policy, notably in terms of the green transition.

Financing Ukraine's reconstruction

- The cost of Russia's invasion of Ukraine is expected to exceed EUR 400bn. A significant European contribution, most likely provided by the European Commission, could lead to substantially higher euro bond issuance and further underpin the EU's presence in capital markets.
- The EU can also support Ukraine through additional guarantees to protect and increase the potential exposure of multilateral development banks (MDBs).

Paris alignment

- The alignment of supranationals' activities to the Paris Agreement has become the new standard. This has important implications given their pioneering role in setting industry standards built on engagement with investors and the private sector, with implications potentially for global supply chains.
- Supranationals are developing tools to determine transition and physical risks in their portfolios. As methodologies evolve, minimum standards for assessing climate-related risks will emerge.

Green and ESG-linked issuance led by EU

- The Next Generation EU programme is set to increase the supply of euro-denominated bonds – European safe assets – given its overall funding envelope of about EUR 800bn over coming years. The euro's leading role in funding green projects will likely continue in the absence of green US Treasuries.

Capital adequacy frameworks

- The G20 wants to further mobilise resources via supranationals. Some headroom exists, but institutions need to be cautious, deploying additional resources without jeopardising credit-relevant metrics.

Scope's supranational ratings, as of 2 December 2022

	Scope	Moody's	S&P	Fitch
EIB	AAA/Stable	Aaa/Stable	AAA/Stable	AAA/Stable
EBRD	AAA/Stable	Aaa/Stable	AAA/Stable	AAA/Stable
CEB	AAA/Stable	Aa1/Stable	AAA/Stable	AA+/Positive
BSTDB	A-/Negative	Baa1/Negative	A-/Negative	--
EU	AAA/Stable	Aaa/Stable	AA+/Stable	AAA/Stable
ESM	AAA/Stable	Aaa/Stable	AAA/Stable	AAA/Stable
EFSF	AA+/Stable	Aaa/Stable	AA/Stable	AA/Stable

Source: Scope Ratings, respective websites

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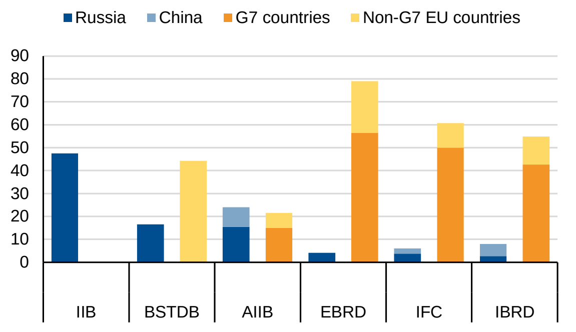
Key themes for 2023

EU, US, Russia, and China: testing multilateralism

Russia's war in Ukraine and its impact in exacerbating tensions between the EU and US on the one hand and Russia, China and several large emerging market economies on the other, will test the governance of the multilateral system, including the operations of supranationals.

As supranationals serve their shareholders, strategies and operations reflect the priorities of their respective governments. But what if these conflict to the extent that there is no consensus in decision making, voting powers are suspended or even repealed? Specifically, what will happen to the Russian capital and voting power at several G7-led and EU-led MDBs, including the EBRD but possibly also the World Bank?

Russia's and G7 countries' share of subscribed capital in selected MDBs



Source: Issuers, Scope Ratings

Conversely, what implications, if any, will the current situation have for MDB operations in Russia, which presumably benefit from preferred creditor status and wider co-operation among MDBs?

Russia has published a decree protecting MDBs from transfer and convertibility risks, which included only the China-led Asian Infrastructure Investment Bank (AIIB), the BRICS' New Development Bank, and the Russian-Kyrgyz Development Fund in addition to the two Russia-led MDBs – the International Investment Bank (IIB) and International Bank for Economic Cooperation (IBEC) in which several central and eastern European EU member states are looking to end their involvement. The Russian decree did not include any of the G7- or EU-led supranationals.

While short-term pressure on asset quality is likely to be manageable for the highly rated MDBs, growing divergence risks adversely affecting the ability of MDBs to work together on transactions, reducing their combined impact in meeting the long-term aims of the Paris Agreement and Sustainable Development Goals.

Resilient credit profiles to Covid, Ukraine and energy-price shocks

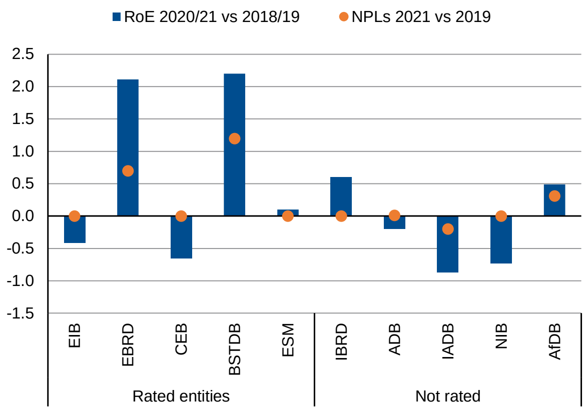
The credit profiles of our European AAA-rated issuers – the EU, EIB, EBRD, ESM, and the CEB – benefit from exceptional intrinsic strengths and strong shareholder support. Their significant buffers allow them to withstand external shocks and step-up activities during crises as they did during the pandemic and as we expect them to do to rebuild Ukraine once conditions allow. For our 2022 rating actions, see Annex III.

European supranational issuers enjoy a *de facto* safe-haven status, reflecting their high capital adequacy, excellent liquidity and funding profiles, as well as their strong mandates from politically committed shareholders, mostly highly rated EU sovereigns.

The impact on supranationals' balance sheets of the Covid-19 pandemic was moderate overall and mostly transitory. Similarly, the impact of the Russia-Ukraine war and resulting energy- and food-price shocks should also be manageable overall.

Still, we expect a marked deterioration in asset quality and equity valuations for corporate and public-sector borrowers in Russia and Ukraine. This is relevant for the EBRD (AAA/Stable) and the Black Sea Trade and Development Bank (A-/Negative).

Return on equity and NPLs
pps-change



Source: Issuers, Scope Ratings

Overall, we observe sturdy credit profiles of most of our rated supranationals, able to withstand higher leverage and temporarily weaker asset quality as sizeable fiscal and monetary support is withdrawn over coming years. For a detailed overview of credit profiles, see Annex I.

Financing Ukraine's reconstruction

The cost of Russia's invasion of Ukraine is expected to exceed EUR400bn, with some estimates already going up to EUR 750bn. Ukraine has secured unprecedented financial commitments from the EU and other international partners including the US and G7. The European Commission proposed on 9 November another support package for Ukraine of up to EUR 18bn to cover a high share of Ukraine's short-term funding needs for 2023.

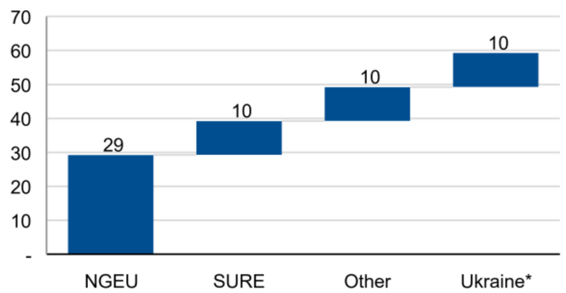
However, to assist with rapid reconstruction once the war ends, a significant European contribution, likely based on the European Commission's experience with its successful NGEU and SURE programmes, will increase outstanding liabilities for the EU (AAA/Stable), and thus future bond repayments. We also expect the EU to increase guarantees to partially protect future exposures of MDBs in Ukraine, particularly the EIB's.

To gauge potential EU financial support for Ukraine's longer-term reconstruction, we need to address several issues: first, how much does Ukraine need; secondly, how much can the EU afford, financially, to retain its AAA rating, and politically, given stretched member-state budgets; thirdly, how should it be provided, through grants or loans; and fourthly, how much can Ukraine reasonably be expected to repay each year.

We estimate three stylised scenarios ranging from EUR 100bn (in line with the SURE programme), EUR 250bn (similarly to the EUR 256.6bn provided to Greece via member states, the EFSF (AA+/Stable) and ESM (AAA/Stable)), and EUR 350bn based on the latest official estimate on the reconstruction cost of Ukraine.

Assuming volume of EUR 100-350bn, the EU's annual maximum bond repayments would likely increase by around EUR 10-15bn (to allow sufficient funding flexibility) or about 6-10% of its annual budget, assuming a 40-year repayment horizon and broadly stable budget revenues. The impact of such a repayment profile should also be manageable for Ukraine, as it would not exceed 5% of its GDP, broadly in line with Greece's repayments to the ESM/EFSF.

EU's maximum bond repayments assuming full disbursements
EUR bn



*Assuming a financial envelope between EUR 100-350bn.

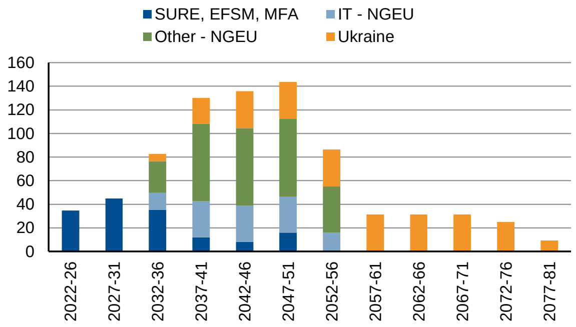
Source: Scope Ratings

Such support for Ukraine would lead to substantially higher euro bond issuance and further underpin the EU's presence in the capital markets beyond the recovery-fund and social debt issued for the NGEU and SURE programmes.

However, Ukraine might also become the EU's second largest debtor after Italy (BBB+/Stable), and possibly the largest, once Italy and other member states repay their Next Generation EU loans, latest by 2058.

The EU's asset quality would decline at least until Ukraine's (CC/Negative) creditworthiness improves, which is probable, but will take time and ultimately depend on the implementation of reforms and institutional improvements on which EU disbursements will be conditional.

EU loan repayment profile, assuming a EUR 350bn facility for Ukraine
EUR bn



NB. Assumes EUR 350bn of Ukraine loans, disbursed over 10 years, with 10-year grace period and repayment over 40 years until 2081. Other NGEU assumes full use of loan envelop (EUR 386bn) excl. Italy.

Source: European Commission, Scope Ratings

An essential component of EU lending to Ukraine will thus be its preferred creditor status, excluding it from any possible future debt restructuring. Additional member state guarantees and/or upfront provisions for the loans would also enhance the EU's asset quality.

Conditionality and monitoring over Ukraine's use of the loans will be vital to ensure repayment by multiple future Ukrainian governments, and thus the EU's AAA rating, despite the reassurance provided by Ukraine's EU candidate status and possible eventual membership.

While the specific modalities of the financial support are uncertain and will need to be carefully negotiated over the coming months, financing the reconstruction of Ukraine will absorb significant political and financial capital of Europe in the years and decades to come.

While this effort promises to eventually enlarge the European Union by another key member, with all its associated geo(political), economic and social consequences, it may also divert Europe's attention and resources from other pressing global issues over the coming years.

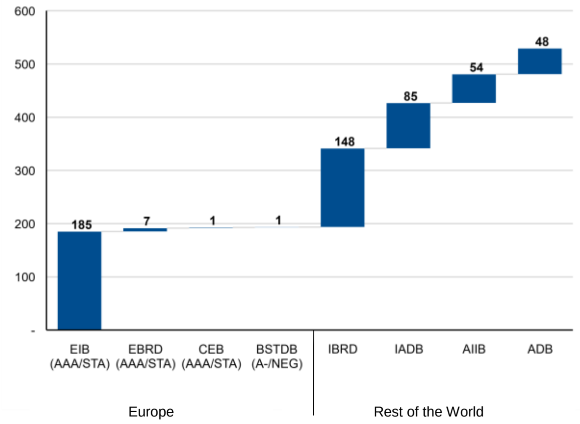
Limited resources: can balance sheets be optimised further?

Given global challenges to finance the reconstruction of Ukraine, the green transition and helping countries achieve the SDGs, the G20 has identified leveraging the resources of MDBs as a priority. In addition to optimising balance sheets to increase the impact of existing capital and mobilise private financing[1], the G20 review of MDB capital adequacy frameworks provided a number of recommendations to maximise MDBs' financing capacity. These include harmonising capital adequacy frameworks, emphasising MDB specificities such as preferred creditor status and callable capital, and enhancing dialogue and reporting.

In the context of capital adequacy frameworks, statutory limits define maximum mandate-related assets relative to available capital resources. MDBs usually have operational limits that are stricter and ensure some buffer to statutory limits. We estimate that, if statutory limitations remain unchanged, around EUR 530bn in lending headroom is available for major MDBs. While it is not clear whether all supranationals would retain their current rating levels should they exhaust all statutory buffers, under certain assumptions, the most resilient could increase operations without risking AAA-ratings.

Lending headroom

EUR bn, at YE 2021



Lending headroom is defined as the maximum mandated assets under statutory limits or credibly enforced operational lending limits as of end-2021, minus outstanding mandated assets as of end-2021.

*Does not incorporate the capital increase decided 2 December 2022 for the CEB.

Source: Issuers, Scope Ratings

Still, decisions around risk appetite are ultimately political and a potential loosening of capital adequacy frameworks without strengthening other credit relevant drivers such as liquidity profiles and/or tangible instruments that demonstrate additional shareholder support could be credit negative for some supranationals with relatively lower financial buffers.

Climate finance and Paris alignment

We expect most supranationals to adapt their activities for full alignment to the Paris Agreement framework over coming years. Most European supranationals have already done so. As a result, financing green projects has become a priority and measure of success for most supranationals, with the EIB and EBRD, for example, setting a target for green financing of more than 50% of annual business volume by 2025.

Similarly, supranationals will continue working on the dynamic and evolving "good practice" of climate risk-management frameworks and disclosures. We expect additional criteria for project and counterparty selection to include their contribution to climate mitigation and adaptation. In addition, projects will also be screened for their physical and transition risks going forward.

Alignment with Paris Agreement

Supranational	Alignment	Date
EIB	Yes	2020
EBRD	Yes	2023
CEB	Yes	2022
NIB	No	-
ADB	Yes	2023/25
AFDB	Yes	2023
IBRD	Yes	2023
AIIB	Yes	2023
BSTDB	No	-
NDB	No	-

Source: Issuers, Scope Ratings

While project screening is common practice, it is unclear when credit allocations will be affected by borrowers' climate risk scores. This is because the associated PD and LGD risk metrics are difficult to quantify. Still, the integration of climate risk scores into financial reporting will gradually affect credit allocations.

Climate finance targets

Supranational	Target	Estimated volume
EIB	50% by 2025	EUR 25-30bn/year
EBRD	50% by 2025	EUR 5-6bn/year
CEB	No	
NIB	50% until 2030*	EUR 30bn until 2030
ADB	75% by 2030	USD 80bn until 2030
AFDB	40% for 2021	USD 25bn until 2025
IBRD	35% by 2025	
AIIB	50% by 2025	USD 50bn until 2030
BSTDB	30% by 2030	
NDB	-	

*Estimated from 30-by-30 commitment. Source: Issuers, Scope Ratings

The alignment of activities with the Paris Agreement, will have far-reaching consequences for the entities they finance and the counterparties they work with.

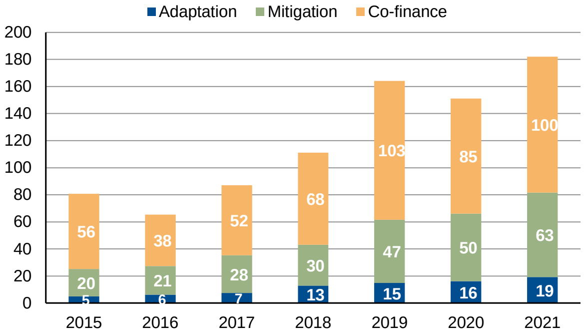
[1] Via risk transfers including, for example, guarantees, exposure exchange agreements and synthetic securitization.

MDB direct & co-financing activities

In addition to direct financing that is compliant with green and social bond frameworks, supranational issuers mobilise private and public sector co-financing. They limit their financing to a portion of the project's total cost, usually around 50%. The remaining portion will be financed by co-investors, often public sector entities, commercial banks or other MDBs.

Over 2019-2021, co-financing for climate adaptation and mitigation projects by major MDBs amounted to USD 100bn on average, while MDBs' own activities amounted to USD 70bn. This highlights the growing importance of this pillar for MDBs to raise their impact.

Climate finance commitments of major MDBs
USD bn, 2015-21

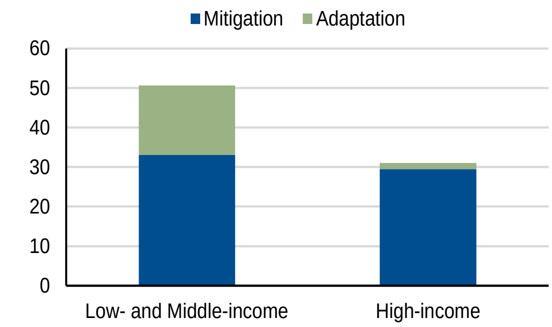


Source: Joint Report on MDB's Climate Finance, Scope Ratings

At the same time, almost 40% of MDB climate financing was for mitigation projects in high-income countries in 2021, reflecting the relative challenges of mobilising significant funding for projects in low- and middle-income recipient countries.

This is partly driven by the EIB's investments, the largest MDB globally, which are predominantly mitigation projects in the EU. The EIB, together with the IBRD, which has a broader balance of mitigation and adaptation projects globally, accounted for almost 75% of total MDB climate finance in 2021.

Climate finance of major MDBs
USD bn, 2021



Source: Joint Report on MDB's Climate Finance, Scope Ratings

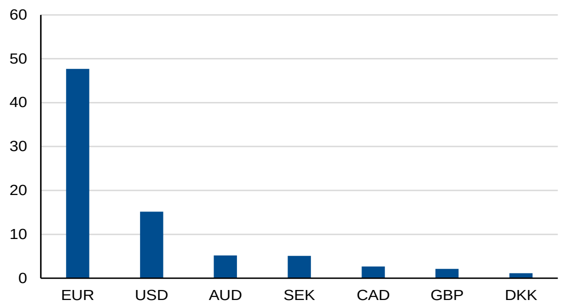
Green & ESG-labelled bond issuance

In line with its target to fund 30% of NGEU via green bonds, the EU is set to become the world's largest green bond issuer. With its AAA-rated, long-maturity bonds, the EU is supplying euro-denominated safe-assets, boosting the euros global standing and facilitating investors' and central banks' ambitions of 'greening' their portfolios.

NGEU issuance will depend on Member States using NGEU loans in the context of the REPowerEU Plan to finance the phasing out of Russian fossil fuel imports. Loan requests can be made until August 2023.

Still, we expect the global green bond market to continue the rapid growth of the past 15 years, with market worth around USD 500bn in 2021. The arrival of the EU as quasi-sovereign issuer will set a new global standard and, in the absence of green US Treasuries, underline the dominance of the euro as the main funding currency of green activities.

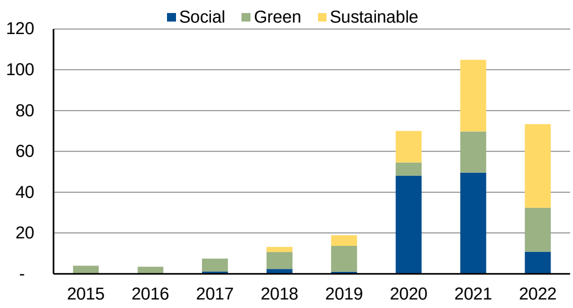
Currencies of supranational green bonds
EUR bn, cumulative 2015 to Oct 2022



Source: Bloomberg, Scope Ratings

In addition to climate finance, social and sustainability aspects and funding are also growing in importance. Social bond issuance accelerated markedly over 2020/21, mainly driven by the EU's SURE programme, which was fully funded via social bonds. The uptick in sustainability bond issuance over the same period was mainly due to the IBRD's activities, but also the EIB's, IADB's and AIIB's.

Supranational ESG-labelled bond issuance
EUR bn, 2022 YTD until end-October



Source: Bloomberg, Scope Ratings

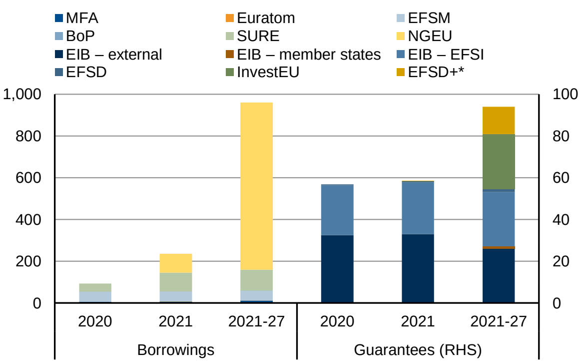
Summary of individual profiles

European Union (AAA/Stable)

The EU benefits from the largest European economies being its highly rated key Member States, with a weighted average rating of AA-, a track record of and solid legal basis for receiving timely financial support, extraordinary support mechanisms, ensuring de facto joint and several support, and a legally enshrined debt service priority combined with significant budgetary flexibility.

The EU's response to the Covid-19 pandemic is visible via the significant issuance by the European Commission to fund the 'Next Generation EU' (NGEU) recovery plan (EUR 750bn) and the 'Support to mitigate Unemployment Risks in an Emergency' (SURE) unemployment scheme (EUR 100bn).

Total exposure including guarantees
EUR bn



*EFSD+ excludes EIB external action window.

Source: European Commission, Scope Ratings

Despite the expected almost 10-fold increase in liabilities over the coming years, our AAA/Stable rating on the EU reflects its 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 over the coming years, which will result in higher debt repayments going forward. In addition, we expect the EU to play critical role in financing the reconstruction of Ukraine beyond the direct financial support provided in the context of the MFA programmes.

EIB (AAA/Stable)

The EIB has a proven track record of excellent governance and an irreplaceable mandate for its EU members. It has been critical for supporting EU policies, including its response to the Covid-19 crisis, 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.

The EIB has generated capital every year since 1958, including during the Covid-19 crisis in 2020-21. 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, albeit rising, liquidity buffers compared to peers.

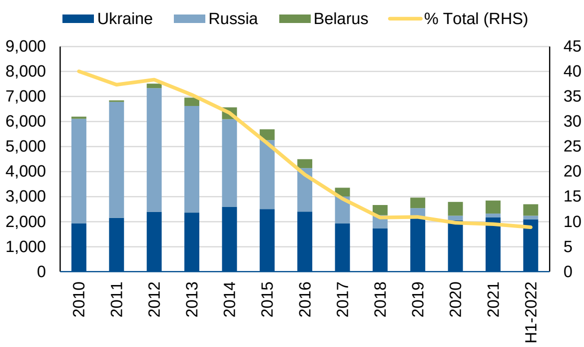
EBRD (AAA/Stable)

The EBRD's AAA rating reflects its excellent intrinsic strength shareholder support. The bank has a proven track record of excellent governance and a very strong mandate from its shareholders, being at the forefront of facilitating the transition to market and sustainable economies in its countries of operation.

The 2021 record profit of EUR 2.5bn fully offsets the loss of EUR 2.2bn as of Q2 2022, driven by the war in Ukraine, while NPLs increased to 6.6% of total exposure in Q2 2022 from 4.9% as of end-2021, and are likely to increase further until year end. Still, at around 50%, they are well provisioned for. The bank's diversified portfolio across geographies, sectors and counterparties further mitigates asset quality risks.

The overall loan exposure to Ukraine, Russia and Belarus has declined by more than half to around EUR 2.7bn as of H1-2022 from about EUR 6.2bn in 2010. Loans to the countries make up around 9% of the bank's total lending, down from 40% in 2010. The bank has not signed new projects in Russia since 2014 and more recently stopped new signatures in Belarus.

EBRD's exposure to Ukraine, Russia and Belarus
EUR m; % of total exposure



Source: EBRD, Scope Ratings

CEB (AAA/Stable)

The CEB benefits from the increasingly strategic role it plays for its shareholder governments and excellent governance. The bank's social mandate – unique among European supranational institutions – has served shareholders well in helping finance their responses to the 2015 refugee crisis, the Covid-19 pandemic, and Russia's war in Ukraine.

The CEB benefits from excellent asset quality with no non-performing loans and high average borrower quality. It also benefits from preferred creditor status for its sovereign exposure and good geographical diversification, including towards Central and Eastern Europe. The CEB's liquidity profile is exceptionally strong, and its funding profile benefits from strong market access, especially for social inclusion bond issuance. Despite a modest decrease in net profitability over the first half of 2022, the bank reports broadly stable annual net profit, allowing it to strengthen its capital base with retained earnings. The main rating challenge is the CEB's high leverage.

Following the agreement on Ukraine's accession as the 43rd member in July 2022, the CEB Governing Board approved in December 2022 i) the bank's 2023-2027 Strategic Framework, with an average annual volume of loan approvals set at EUR 4.3bn over the period, and ii) an overall capital increase of up to EUR 4.25bn, among which EUR 1.2bn paid-in, demonstrating strong shareholder support. The capital increase subscription period is set to run until end-December 2023.

ESM (AAA/Stable)

The ESM has a record of excellent governance and a very strong mandate for its shareholders, occupying a key position within the euro area institutional framework as a financial backstop to safeguard financial stability.

The ESM is highly capitalised, with the highest paid-in capital of any supranational globally of EUR 80.5bn and benefits from prudent risk management. Its liquid assets ratio of 195% stands out as one of the highest among rated peers, shielding it from refinancing risk.

The ESM's mandate to provide support to member states undergoing severe funding crises results in a highly concentrated borrower base and weak profitability. It benefits from strong risk mitigants, however, including its preferred creditor status.

EFSF (AA+/Stable)

Scope's AA+ rating of the EFSF reflects the supranational's highly rated key shareholders, strong guarantee mechanism and excellent capital market access. However, the EFSF's mandate to lend to crisis-hit countries and its lack of preferred creditor status result in moderate asset quality, and its shareholder base is highly concentrated.

BSTDB (A-/Negative)

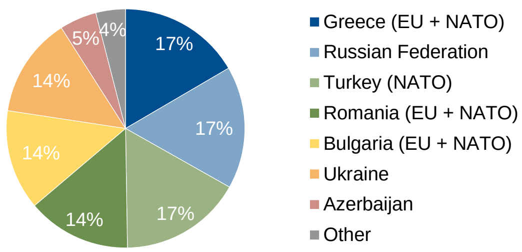
The BSTDB's credit profile benefits from very high capitalisation levels, a well diversified loan book, which also benefits from credit protections. Liquidity and funding profiles are adequate. Challenges include a difficult operating environment, and particularly its elevated exposures to Russia and Ukraine which constitute about 30% of its outstanding loans.

In addition, the bank's shareholder composition raises difficult questions about its future in the context of the war and different post-war scenarios. Can Russia and Ukraine, which are de-facto equals based on their respective voting powers, continue to effectively cooperate in the BSTDB's decision-making bodies? Will Russia continue its support for the BSTDB when about 44% of the bank's votes is held by EU member states and about 60% by NATO members?

The continued support and preferential treatment of all its shareholder governments, including Russia, where about 20% of the bank's loans are disbursed, remain critical for the bank's credit rating.

The Negative Outlook reflects uncertainty surrounding the final impact of the Russia-Ukraine war on the balance sheet, strategy and shareholder relations.

BSTDB subscriptions
% voting share



*Other: Albania (2%), Armenia (1%), Georgia (0.5%), Moldova (0.5%).
Source: BSTDB, Scope Ratings

Annex I: Scope's supranational rating scorecard

	Risk factors	Variables		EU	EFSF	ESM	EIB	EBRD	CEB	BSTDB
Intrinsic Strength / Institutional Profile	Mandate & ESG (-2; +2)	Mandate	Importance of mandate	Very High	High	Very High	Very High	Very High	Very High	High
			Social factors	Strong	Strong	Strong	Strong	Strong	Strong	Strong
			Environmental factors	Strong	Medium/ N/A	Medium/ N/A	Strong	Strong	Medium/NA	Medium/NA
		Governance	Shareholder concentration	1100.0	3200.0	1700.0	1300.0	600.0	1100.0	1400.0
			Shareholder control	21.0	29.0	27.0	19.0	10.0	17.0	17.0
			Strategy and internal controls	Strong	Strong	Strong	Strong	Strong	Strong	Strong
	Institutional Profile			Very Strong	Moderate	Strong	Very Strong	Very Strong	Very Strong	Strong
Intrinsic Strength / Financial Profile	Capitalisation (-3; +6)	Capital/ Potential assets		N/A	N/A	17.0	10.0	50.0	16.0	35.0
		Capital/ Actual assets*		N/A	N/A	93.0	17.0	59.0	17.0	39.0
		Profitability (Return on equity)		N/A	N/A	0.0	3.0	8.0	3.0	4.0
	Trend (-1; +1)							0	0	0
	Asset quality (-3; +5)	Portfolio quality	Incl. risk mitigants	Very Strong	Adequate	Very Strong	Very Strong	Adequate	Very Strong	Adequate
		Asset performance	NPLs	0.0	0.0	0.0	0.0	5.0	0.0	1.3
	Trend (-1; +1)			0				-1	0	0
	Liquidity & funding (-4; +8)	Liquid assets ratio		120.0	25.0	195.0	75.0	145.0	105.0	70.0
		Funding	Maturity gap	0.9	0.2	0.5	0.8	0.9	0.7	0.7
			Funding volume	100.0	20.0	9.0	59.0	11.0	5.0	1.0
			Currency diversification	100.0	100.0	93.0	56.0	47.0	42.0	49.0
	Trend (-1; +1)			1				0	0	0
	Financial Profile			**Very Strong**	**Moderate**	**Very Strong (+)**	**Very Strong (+)**	**Very Strong**	**Excellent**	**Strong**
	Intrinsic Strength			**Excellent**	**Moderate**	**Excellent**	**Excellent**	**Excellent**	**Excellent**	**Strong (+)**
Shareholder Support	Shareholder strength (0; +3)	Weighted average rating of key shareholders		AA-	AA-	AA-	AA-	AA-	A	B+
		Share of portfolio related to key shareholders		44.0	0.0	26.0	26.0	0.0	24.0	88.0
		Adjusted key shareholder rating		AA-	AA-	AA-	AA-	AA-	A	B
	Extraordinary Support (0; +2)	Callable capital [rated ≥ AA-]/ Actual assets		N/A	N/A	436.0	30.0	43.0	13.0	0.0
		Additional support mechanisms		Very Strong	Strong	N/A	N/A	N/A	N/A	N/A
	Shareholder Support			**AA+**	**AA**	**Excellent**	**Excellent**	**Excellent**	**Very High**	**Moderate**
		Indicative Rating		**AAA**	**AAA/AA+**	**AAA**	**AAA**	**AAA**	**AAA**	**A/BBB+**
	Additional considerations (-1; +1)			Neutral	Neutral	Neutral	Positive	Neutral	Neutral	Neutral
		Final Rating		**AAA**	**AA+**	**AAA**	**AAA**	**AAA**	**AAA**	**A-**

N.B. Overview of scorecards as published in latest rating announcements. Categorisation of 'Shareholder Support' according to Rating Methodology dated 11 August 2022. Financial profile based on weighted 2019-21 figures.

Source: Scope Ratings

Annex II: Statistics

Rated entities	EU (AAA/Sta)*	EFSF (AA+/Sta)	EIB (AAA/Sta)	ESM (AAA/Sta)	EBRD (AAA/Sta)	CEB (AAA/Sta)	BSTDB (A-/Neg)
Total assets (EUR bn)	414.1	188.5	565.4	202.8	74.7	29.7	3.2
Capitalisation (EUR bn)							
Mandated potential assets	N/A	N/A	756.7	500.0	42.5	20.5	2.5
Mandated (disbursed) assets	N/A	N/A	448.8	89.9	36.0	19.0	2.4
Capitalisation ratio, potential (%)	N/A	N/A	10.1	16.7	53.6	15.8	35.6
Capitalisation ratio, actual (%)	N/A	N/A	17.0	93.0	63.3	17.0	37.3
Profitability (EUR m)							
Net income	N/A	N/A	2,600.0	311.0	2,422.0	94.8	43.9
Return on equity (%)	N/A	N/A	3.5	0.4	11.9	2.9	5.0
Asset quality							
Non-performing loans / Gross loans (%)	-	-	-	-	4.9	-	1.4
Average borrower quality, before credit protection	a	bbb	bbb	bbb	b/ccc	bbb	b/ccc
Average borrower quality, after credit protection	aa/aaa	bbb	aa/aaa	aa/aaa	bbb	aa/aaa	bbb
Liquidity (EUR bn)							
Liquid assets	127.7	2.6	107.3	69.9	32.1	9.2	0.7
Liabilities maturing within 12 months and disbursements	147.2	16.6	136.4	38.0	20.0	8.8	0.7
Liabilities ≤ 12 months	23.8	16.6	90.1	38.0	12.0	5.2	0.4
Disbursements over the next 12 months	123.4	-	46.3	-	8.0	3.6	0.3
Liquid assets ratio (%)	86.8	15.6	78.7	184.1	160.8	104.3	95.8
Funding (EUR bn)							
Volume	157.0	19.5	55.3	8.0	9.6	4.6	1.7
USD-denominated share of borrowings (%)	-	-	23.9	92.5	50.1	27.0	43.7
EUR-denominated share of borrowings (%)	100.0	100.0	56.1	7.5	12.9	45.5	19.4
Equity (EUR bn)							
Paid-in capital	N/A	N/A	22.2	80.5	6.2	0.6	0.7
Reserves	N/A	N/A	51.3	3.0	14.1	2.6	0.2
Total equity and reserves	N/A	N/A	73.5	83.6	20.3	3.4	0.9
Key shareholders							
Adjusted average capital-key weighted rating	AA-	AA-	AA-	AA-	AA-	A	BB
Shareholders rated at least AA- (%)	58.1	66.3	59.9	62.8	64.3	50.6	-
Callable capital [rated ≥ AA-] / Mandated assets (%)	N/A	N/A	30.0	435.9	42.1	12.9	-

N.B. * Total assets as per latest annual account. These are predominantly financial assets related to the EU's lending programmes. Refers to the latest fiscal years with full data availability, usually end-2021.
Source: Issuers, Scope Ratings

Non-rated entities	IBRD	IFC	EUROFIMA	EIF	NIB	AFREXIM	IADB	CDB	AIIB
Total assets (EUR bn)	267.0	88.6	15.9	5.2	37.6	19.3	134.0	2.0	35.5
Capitalisation (EUR bn)									
Mandated potential assets	276.5	105.2	14.5	21.9	28.4	19.3	168.9	2.1	77.9
Mandated (disbursed) assets	188.2	37.9	10.1	2.0	22.0	16.0	91.6	1.2	9.8
Capitalisation ratio, potential (%)	14.6	25.0	10.7	18.1	13.5	18.2	22.1	40.8	22.9
Capitalisation ratio, actual (%)	21.5	69.5	15.3	203.0	17.5	21.8	40.9	71.2	182.3
Profitability (EUR m)									
Net income	1,715.8	720.3	22.0	564.4	159.2	331.8	958.0	(13.5)	48.5
Return on equity (%)	4.2	2.7	1.4	14.2	4.0	9.5	3.1	(1.6)	0.3
Asset quality									
Non-performing loans / Gross loans (%)	0.2	5.8	-	0.1	-	3.4	2.2	-	-
Average borrower quality, before credit protection	b/ccc	b/ccc	aa/aaa	bb	bbb	b/ccc	b/ccc	b/ccc	bb
Liquidity (EUR bn)									
Liquid assets	57.1	35.6	3.3	1.0	7.6	20.4	35.4	0.6	12.2
Liabilities maturing within 12 months and disbursements	61.8	17.4	5.8	0.7	11.0	30.0	27.5	0.3	3.9
Liabilities ≤ 12 months	38.1	9.6	3.3	0.6	8.6	8.0	16.6	0.1	0.4
Disbursements over the next 12 months	23.7	7.8	2.5	0.1	2.4	22.0	11.0	0.2	3.6
Liquid assets ratio (%)	92.4	204.7	56.5	143.8	68.7	68.2	128.4	207.9	311.8
Funding (EUR bn)									
Volume	56.8	47.3	0.8	-	6.9	8.4	27.9	1.0	7.5
USD-denominated share of borrowings (%)	68.0	43.2	72.0	-	33.7	-	77.4	50.4	77.4
EUR-denominated share of borrowings (%)	12.0	2.0	-	-	-	82.3		23.8	
Equity (EUR bn)									
Paid-in capital	16.2	17.5	0.5	1.5	0.8	0.2	10.5	0.3	17.1
Reserves	26.1	9.6	1.1	2.5	3.0	1.7	20.5	0.5	0.7
Total equity and reserves	40.5	26.3	1.6	4.0	4.0	3.5	31.0	0.8	17.8
Key shareholders									
Adjusted average capital-key weighted rating	A+	A+	AA-	AAA	AAA	BB	A-	BBB+	A
Shareholders rated at least AA- (%)	39.4	26.3	53.0	100.0	100.0	-	41.4	23.8	26.5
Callable capital [rated ≥ AA-] / Mandated assets (%)	55.8	-	13.8	266.7	32.8	-	6.5	24.6	165.1

N.B. Refers to the latest fiscal years with full data availability, usually end-2021.

Source: Issuers, Scope Ratings

Annex III: Scope's 2022 supranational rating actions

Date	Supranational	Rating action	Rating & Outlook	Rating Report
1 Apr	BSTDB	Downgrade	A-/Negative	Available here
24 Jun	CEB	Affirmation	AAA/Stable	Available here
22 Jul	EFSF	Affirmation	AA+/Stable	Available here
22 Jul	ESM	Affirmation	AAA/Stable	Available here
29 Jul	EIB	Affirmation	AAA/Stable	Available here
9 Sep	EU	Affirmation	AAA/Stable	Available here
14 Oct	EBRD	Affirmation	AAA/Stable	Available here

Annex IV: Scope's sovereign ratings

Scope's global long-term foreign-currency issuer ratings, as of 2 December 2022

Europe						Other countries	
EU				EFTA			
Euro area		Non-euro area					
Austria	AAA/Stable	Bulgaria	BBB+/Stable	Norway	AAA/Stable	China	A+/Negative
Belgium	AA-/Stable	Croatia	BBB+/Stable	Switzerland	AAA/Stable	Georgia	BB/Stable
Cyprus	BBB-/Positive	Czech R.	AA/Negative			Japan	A/Negative
Estonia	AA-/Stable	Denmark	AAA/Stable			Serbia	BB+/Stable
Finland	AA+/Stable	Hungary	BBB+/Negative			Turkey	B-/Negative
France	AA/Stable	Poland	A+/Negative			Ukraine	CC/Negative
Germany	AAA/Stable	Romania	BBB-/Stable			USA	AA/Stable
Greece	BB+/Positive	Sweden	AAA/Stable				
Ireland	AA-/Stable	UK	AA/Stable				
Italy	BBB+/Stable						
Latvia	A-/Positive						
Lithuania	A/Positive						
Luxembourg	AAA/Stable						
Malta	A+/Stable						
Netherlands	AAA/Stable						
Portugal	BBB+/Positive						
Slovakia	A+/Negative						
Slovenia	A/Stable						
Spain	A-/Stable						

Annex V: Related research

Research & Outlooks

"Ukraine: European multilateral banks need guarantees to play key role in funding reconstruction", November 2022, available here

"Europe and Ukraine: how much financial support can the EU offer for rebuilding the country?", October 2022, available here

"EU retains multibillion-euro spare funding capacity to further support member states, Ukraine", May 2022, available here

"Russia's war in Ukraine tests governance of some of Europe's multilateral development banks", April 4, available here

"EBRD faces limited credit risk from reduced exposure to Russia, Ukraine as crisis worsens", March 2022, available here

"Supranational climate risks: European lenders have best country-risk profiles", January 2022, available here

Methodology

"Supranational Rating Methodology", updated August 2022, available here

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