European Union and Euratom

AAA STABLE OUTLOOK

Credit strengths

- Highly-rated shareholders
- Strong institutional setup providing *de facto* joint and several support, debt service priority and budget flexibility
- Very high liquidity buffers

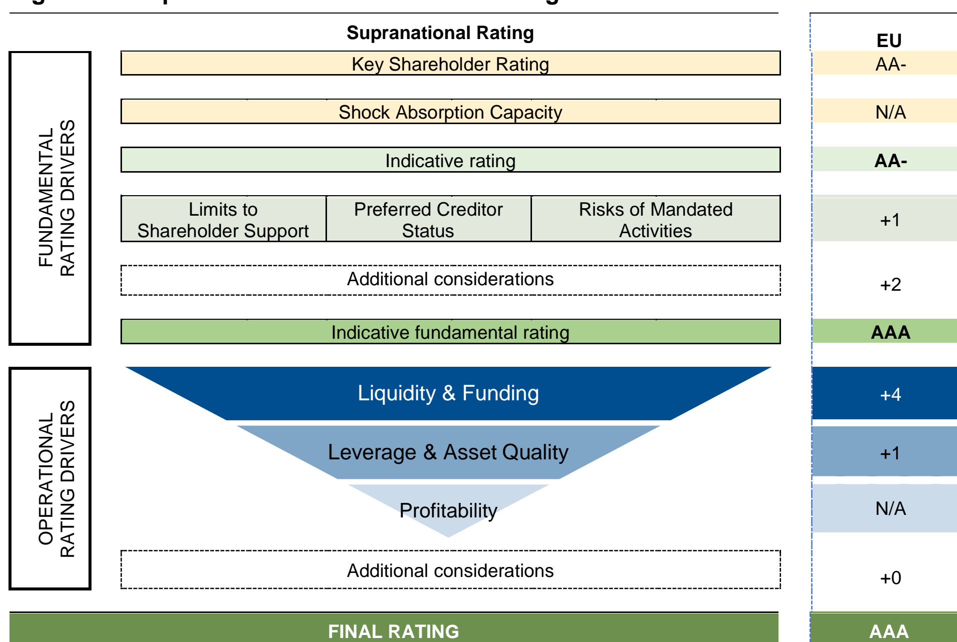
Credit weaknesses

- Crisis-country exposure and concentrated loan portfolio
- High guarantees to EIB operations
- Brexit-related uncertainties

Rating rationale and Outlook:

Scope's assignment of the European Union's and Euratom's AAA rating reflects the supranational's highly-rated key shareholders, its strong institutional setup ensuring *de facto* joint and several support, a legally enshrined debt service priority combined with significant budgetary flexibility as well as its conservative cash management resulting in very high liquidity buffers. Given its mandate to lend to crisis countries, the EU's asset portfolio is usually weak and highly concentrated. In addition, the EU is also exposed to the risk that its guarantees to the EIB's external (non-EU) and riskier (EFSI) activities will be drawn. Finally, Brexit may result in higher dependence on fewer strong shareholders for budgetary contributions. The Stable Outlook reflects Scope's assessment of the EU's inherent buffers to withstand external shocks, including a 'hard' Brexit.

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



Positive rating-change drivers

- Not applicable.

Negative rating-change drivers

- Downgrades of key shareholders
- Change in institutional setup
- Reduction in liquidity buffers

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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Fundamental rating drivers

Given supranationals' policy-oriented mandates, Scope's assessment places a significant weight on the supranational's shareholders. Highly-rated shareholders signal to market participants that, so long as the institution operates on a going concern basis, the supranational's debt securities are likely to benefit from an institutional framework ensuring their liquidity and market acceptance. In addition, in case of financial distress, the supranational's ultimate recourse to honour its obligations is not its own balance sheet but rather the ability and willingness of its shareholders to provide additional resources. Scope determines an indicative rating by assessing quantitatively the supranational's key shareholder rating, which can then be adjusted by up to +2 notches or -1 notch, depending on the institution's shock-absorption capacity.

Key shareholders

Scope defines the key shareholders as those who own and control the institution and specifically, whose cumulative capital share, starting with the largest shareholder, comprises at least 75% of the supranational's capital. The average capital-weighted rating of the key shareholders indicates the strength of the institution's shareholders.

EU budgetary contributions as proxy for ownership and control

Scope notes that in the case of the European Union (EU) and Euratom[1], which does not have paid-in or callable capital from its shareholders, the EU's borrowings are ultimately backed by the EU budget. While the European Commission (EC) which administers the EU-budget has a direct taxing authority, the majority of the budget revenues, around 75%, are provided by GNI-based transfers from the member states. As the EU budget must not run a deficit, the GNI-based resource plays the budget-balancing role, financing the annual expenditure not covered by all other revenues.

Highly-rated key shareholders

Formally, the adoption of the EU budget requires a proposal from the EC, a qualified majority from the member states – 16 of the still 28 member states representing at least 65% of the EU population – and a majority of the European Parliament. The budgetary contributions[2], which are based on member states' gross national incomes, are thus a good proxy for the ownership and control of the institution. On this basis, the seven largest European economies constitute the EU's key shareholders with a weighted-average rating of AA- as per the below table.

Figure 2: Key shareholders

Key Shareholders	Rating	Budget Contribution (%)	
		Original	Adjusted
Germany	AAA/ Stable	21.3	27.4
France	AA/ Stable	17.1	21.9
Italy	BBB+/ Stable	13.0	16.7
United Kingdom	AA/ Negative	10.7	13.7
Spain	A-/ Stable	8.4	10.8
Netherlands	AAA/ Stable	4.1	5.3
Belgium	AA/ Stable	3.2	4.1
		77.9	**100.0**
Key Shareholder Rating			**AA-**

Source: EC, Scope Ratings

[1] The European Atomic Energy Community (Euratom) is a separate legal entity but its credit profile is identical to the EU's. The European Commission borrows on behalf of Euratom and any debt repayment obligations are backed by the EU's budgetary resources and the EC's right to call for additional resources from member states if needed. As a result, its rating is aligned with that of the EU.

[2] In line with the duration of the EU's multi-annual financial framework (MFF), Scope calculates a seven-year average of the member states GNI-based budgetary contributions, adjusted for VAT-based contributions and applicable corrections, including the UK correction.

No Brexit implications on key shareholder rating

Scope notes that, at the time of writing this report, there was no clarity as regards the final outcome of the Brexit negotiations. However, even in the worst case, which is not Scope's baseline, assuming a complete removal of budgetary contributions by the UK without a compensation from the other shareholders, the relative weights of the remaining 27 members would adjust such that key shareholder rating would still remain AA-.

Shock absorption capacity

Scope's shock absorption capacity calculates an institution's capitalisation level on the assumption of operating at the maximum leverage as allowed by its statutes. For the numerator of the ratio, Scope adds the supranational's equity, comprising the paid-in capital and accumulated reserves, and in addition, accounts for the callable capital of shareholders who are rated AA- or above (ability to honour a capital call) and who can, as per the mandate and statute of institution, directly benefit from its activities (willingness to honour a capital call). For supranational entities without meaningful paid-in capital relative to potential liabilities[3], Scope does not adjust the key shareholder rating.

Shock absorption capacity does not apply

In the case of the European Union, Scope notes that this ratio does not apply as the EU does not have any equity.

Indicative rating

Scope determines the indicative fundamental rating by mapping i) the key shareholder rating constituting at least 75% of the supranational's capital share to ii) the institution's shock-absorption capacity. This mapping is shown in the below matrix.

Figure 3: Mapping the key shareholder rating to the shock-absorption capacity

Indicative Rating	Shock Absorption Capacity			
Key Shareholder Rating	≥ 50% +2 Notches	≥ 20% +1 Notch	≥ 10% No adjustment*	< 10% -1 Notch
AAA	AAA	AAA	AAA	AA+
AA+	AAA	AAA	AA+	AA
AA	AAA	AA+	AA	AA-
AA-	AA+	AA	AA-	A+
A+	AA	AA-	A+	A
A	AA-	A+	A	A-
A-	A+	A	A-	BBB+
BBB+	A	A-	BBB+	BBB
BBB	A-	BBB+	BBB	BBB-
BBB-	BBB+	BBB	BBB-	BB+
BB+	BBB	BBB-	BB+	BB
BB	BBB-	BB+	BB	BB-
BB-	BB+	BB	BB-	B+
B+	BB	BB-	B+	B
B	BB-	B+	B	B-
B-	B+	B	B-	CCC
≤ CCC	B	B-	CCC	CCC

NB. *No adjustment is made for supranationals without meaningful capital. Source: Scope Ratings GmbH

Indicative rating of AA- driven by the EU's highly-rated key shareholders

In the case of the European Union, the key shareholder rating of AA- is not adjusted as the shock absorption capacity does not apply. Consequently, the EU's indicative rating is that of its key shareholders at AA-.

[3] Defined as having at least 1% paid-in capital of the subscribed capital.

To determine the fundamental rating, Scope adjusts this indicative rating by assessing i) the limits to shareholder support, ii) the likelihood of the supranational benefiting from preferred creditor status, and iii) the degree to which the institution's asset quality is likely to be more (less) risky compared to that of peers, as indicated by its mandate to operate in countries with low (high) credit quality, and the extent to which it can directly invest in equity. This combined assessment can result in a positive or negative adjustment of up to two rating notches.

Limits to shareholder support

To assess possible limits to shareholder support, Scope adjusts negatively the indicative rating depending on its assessment of i) the shareholder concentration of those rated AA- or above, and ii) the institution's share of paid-in to callable capital. Scope will deduct 1-notch from the indicative rating if at least one of the criteria is assessed as 'Medium/High'.

Diversified shareholders rated AA- or above

Scope notes that 11 of the EU's 28 shareholders are rated AA- or above, constituting around 70% of the EU's total budget contribution. While the relative shares of Germany (21.3%), France (17.1%) and the United Kingdom (10.7%) are high, Scope's calculation of the shareholder concentration indicates a broadly diversified shareholder base.

Specifically, Scope's calculation of the Herfindahl-Hirschman index (HHI), a commonly used concentration measure, results in a value of 2,000, and thus just at the threshold at which Scope does not apply a negative adjustment. This also reflects Scope's consideration that in the context of the EU, this calculation is conservative, given the EU's proven track record of receiving budgetary contributions from all member states, not just those rated AA- or above.

Brexit may increase dependence on fewer shareholders

Scope notes that in the event of the UK not providing any budgetary contributions anymore, the EU would have to rely on fewer shareholders rated AA- or above for budgetary support, which would result in a weaker assessment of the shareholder concentration.

No paid-in capital therefore no adjustment

As the EU does not have paid-in capital the assessment of the EU's share of paid-in to callable capital does not apply and therefore no adjustment is made.

Preferred Creditor Status

While there is no legal basis for preferred creditor status (PCS), it constitutes a market practice attributable to the incentives faced by distressed sovereign borrowers. As sovereigns have generally granted supranationals PCS, Scope assesses the likelihood of the institution benefitting from PCS, first and foremost on its historical track record. Absent a clear track record, Scope assesses the institution's i) mandate and systemic importance, ii) exposure to its own shareholders, and iii) the degree of its private sector engagement. This assessment can only positively affect the rating by up to 1-notch.

EU has clear track-record benefiting from PCS

In the case of the EU, which lends counter-cyclically during crises as a lender of last resort, Scope acknowledges the clear historical track record of the institution's loans being exempt from any debt restructurings. Despite lending to crisis countries, the EU's loans have always been exempted from debt restructuring operations; however, for completion, Scope notes that the EU's loans have been extended in the past.

Mandated activities

Mandates of supranationals are very diverse and can lead to inherently risky and weak asset qualities. Still, risks from mandated activities can vary by geography, sector and instrument. To assess the likely asset quality of the supranational, Scope calculates the risk of country exposure by using the credit ratings of the sovereigns comprising the Top

10 country exposures. In addition, Scope also assesses whether and to what extent equity investments are allowed by the institution's mandate, to reflect the fact that investing directly in equity carries greater risks than providing loans. The combined assessment can result in a 1-notch adjustment which is further refined in Scope's analysis of the operational rating drivers.

Mandate is to lend counter-cyclically to crisis countries

The EU budget guarantees the borrowings of the European Commission to finance lending to member and non-member States in back-to-back transactions. Specifically, the EU's borrowing is only permitted to finance loans to i) its members states, via the European Financial Stabilisation Mechanism (EFSM)[4] and Balance-of-Payments (BoP)[5] financial assistance programmes, and to ii) non-EU countries benefiting from an IMF programme through its Macro-Financial Assistance (MFA)[6]. However, MFA loans are firstly guaranteed by the Guarantee Fund for External Actions and then by the EU budget.

In addition, borrowings are also used for the European Atomic Energy Community (Euratom) which lends to EU member states and non-member states, and to entities of both, to finance projects relating to energy installations. However, guarantees from third-parties are the first cover for the entire amounts of the outstanding Euratom loans while the Guarantee Fund would cover the external lending amounts should the third party guarantees not provide for them. Finally, for completion, Scope notes that the European Coal and Steel Community (ECSC) in Liquidation loans[7] are not covered by an EU budgetary guarantee but by the financial assets of the ECSC in Liquidation.

Direct loan exposure mostly to Ireland and Portugal

Scope notes that the EU's main exposure for honouring its borrowings is related to financial assistance provided to Ireland (A+/Stable) and Portugal (BBB/Stable) under the EFSM, which, given their combined share of around 90% of the EU's total exposure, drives the weighted-average country risk to around BBB+. In Scope's assessment this corresponds to a 'Medium' risk.

Indirect guarantee exposure to EIB's non-EU and riskier activities

However, Scope is mindful that the EU's ultimate credit risk also includes the guarantees provided to the European Investment Bank (EIB), in the context of the EIB's activities outside of the EU as well as those classified under the European Fund for Strategic Investments (EFSI). Crucially, these contingent liabilities are not funded by the EU on the capital markets. Still, they are ultimately backed by the EU budget and thus an important and growing part of the EU's overall credit risk, which is explained in greater detail under the operational rating drivers.

No risks from equity participations in EIF and EBRD

Finally, aside from its equity holdings of the European Bank for Reconstruction and Development (capital subscription of 3%, paid-in capital of EUR 187mn) and the European Investment Fund (capital subscription of 20%, paid-in capital of EUR 267.4mn), the EU is not allowed to invest directly in equity. In Scope's assessment this corresponds to a 'Low' risk from equity participations. The combined assessment from a 'Medium' risk of country exposure and a 'Low' risk from equity investments, results in no adjustment to the risks from mandated activities.

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[4] EFSM enables the granting of financial assistance to a Member State in difficulties or seriously threatened with severe difficulties caused by exceptional circumstances beyond its control. The assistance may take the form of a loan or credit line. The ECOFIN Council conclusions of 9 May 2010 restrict the facility to EUR 60 billion but the legal limit restricts the outstanding amount of loans or credit lines to the margin available under the own resources ceiling. Borrowings related to loans disbursed under the EFSM are guaranteed by the EU budget. It is not foreseen that the EFSM will engage in new financing programmes or enter into new loan facility agreements.

[5] The BOP facility, a policy-based financial instrument, provides medium-term financial assistance to Member States of the EU that have not adopted the Euro. It enables the granting of loans to Member States who are experiencing, or are seriously threatened with, difficulties in their balance of payments or capital movements. The maximum outstanding amount of loans granted under the instrument is limited to EUR 50 billion.

[6] MFA is a policy-based financial instrument of untied and undesignated balance of payment and/or budget support to partner countries currently following an IMF programme. It takes the form of medium/long term loans or grants or an appropriate combination of both and generally complements financing provided in the context of an IMF-supported adjustment and reform program. These loans are guaranteed by the Guarantee Fund for external actions and have no official ceiling.

[7] ECSC in Liquidation loans are not loans for financial assistance but promissory notes in order to keep the cash flows in parallel with the borrowings.

Figure 4: Country exposure chart: Borrowings

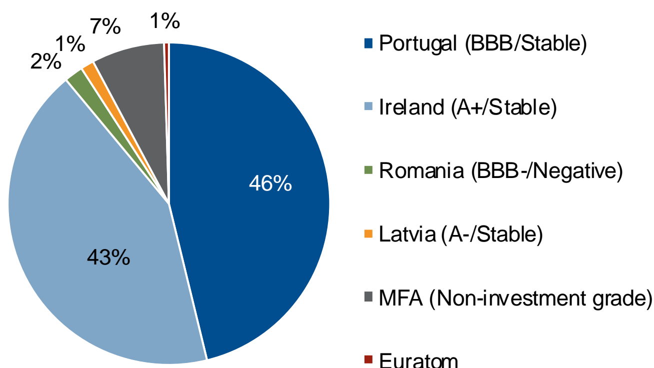
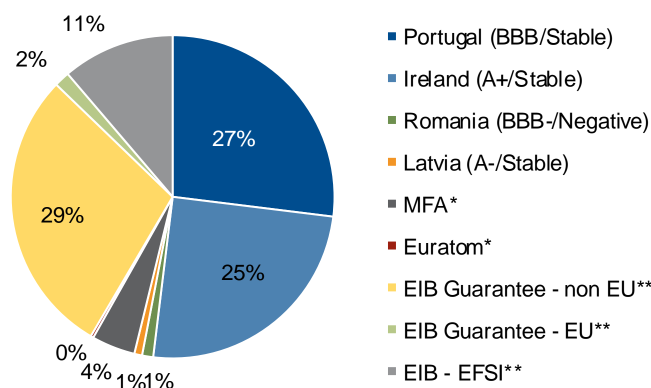


Figure 5: Total risk including guarantees to EIB



Source: EC, Scope Ratings
*Potential losses related to Euratom and Macro-Financial Assistance are first covered by the Guarantee Fund for External Actions.
** Potential losses for the EIB's non-EU operations are first covered by the Guarantee Fund for External Actions. Potential losses related to the EIB's EFSI operations are first covered by the EFSI Guarantee Fund. EFSI figure relates to December 2017 signed projects of EUR 10.1bn.

Additional considerations

Scope acknowledges the heterogeneity of supranationals and includes idiosyncratic factors in its assessment which may affect the creditworthiness of the supranational.

1-notch for legal debt service priority and budgetary flexibility

In the case of the European Union, Scope highlights that the EU's debt service ability benefits from multiple layers of protection: First, debt repayments are met using the proceeds of repayments from borrowing countries which received back-to-back financing of loans. However, in case a borrowing country fails to repay its loan to the EU on time, '*the European Parliament, the Council and the Commission shall ensure that the financial means are made available to allow the Union to fulfil its legal obligations in respect of third parties*'[8]. Scope acknowledges this legal debt service priority to third-parties with a 1-notch positive adjustment, taking into account the actual budgetary flexibility of the European Commission to delay significant amounts of the EU's annual expenditure of about EUR 60 to 40bn from the European structural and investment funds[9].

1-notch for *de facto* joint and several guarantee mechanism and 3-day payment horizon

In addition, in case the EU's available cash resources were to be insufficient to cover debt service payments, the European Commission has the legal right to draw funds from all member states[10]. In such an adverse event, the additionally required funds '*shall be divided among the Member States, as far as possible, in proportion to the estimated budget revenue from each of them*'[11]. Specifically, member states are legally obliged to '*execute the Commission's payment orders following the Commission's instructions and within not more than three working days of receipt*'[12]. In Scope's opinion, this is an exceptionally strong and timely guarantee mechanism with a *de facto* joint and several support framework which Scope assesses positively with a 1-notch adjustment.

[8] Treaty on the Functioning of the European Union. Article 323.
[9] The EU has five main funds to support economic development across all EU countries: European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF). For 2017, Scope includes the expenditure amounts under the budgetary headings 'economic, social and territorial cohesion' (EUR 29.6bn), the European Agricultural Fund for Rural Development (EUR 10.9bn) and the European Maritime and Fisheries Fund (EUR 0.4bn) to determine the budgetary flexibility.
[10] Article 14 of the Council Regulation (EU, Euratom) No. 609/2014.
[11] Article 14 (4) of the Council Regulation (EU, Euratom) No. 609/2014.
[12] Article 15 (1) of the Council Regulation (EU, Euratom) No. 609/2014.

Operational rating drivers

In this part of the analysis, Scope assesses the intrinsic strength of the institution[13] along three categories, which capture distinct operational aspects: i) liquidity and funding, which can increase (decrease) the assessment by seven (two) notches, ii) leverage and asset quality, which can increase (decrease) the assessment by four (two) notches, and iii) profitability, which can increase (decrease) the assessment by one notch.

Liquidity and funding

Liquidity and funding are the primary drivers of Scope's operational assessment as supranationals need large pools of liquidity to fulfil their mandates without deposits or (usually) access to central bank facilities. Scope thus focuses its analysis on i) whether the supranational has enough liquid assets to meet financial obligations and expected disbursements over an extended period, and ii) the institution's funding operations.

Liquidity

Scope's liquid assets ratio assesses the supranational's survivability period, that is, the time period that the supranational can honour debt repayments and maintain operations without access to financial markets. This assessment can result in a four (one) notch positive (negative) adjustment.

Very high cash balances throughout the year

In the case of the European Union, Scope notes its conservative liquidity management and budgetary practices which take into account that most expenditures take place during the first quarter of each year while debt redemptions usually follow thereafter and at the beginning of each month when cash balances are highest. The EU's cash balances are very high throughout the year and easily cover debt payment obligations even at their peak. Looking at the EU's liquid assets, Scope notes the cyclical nature of the EU's cash balances. During 2018, the average cash balance until November was EUR 20.2bn while the lowest balance was recorded in May at EUR 11.8bn. As of November 2018, the cash balance was up again at EUR 32.2bn. Scope notes that over the past three years the cash balance never dropped below EUR 10bn, and over the past nine years, the lowest cash balance recorded was in June 2010 at EUR 6.2bn.

Significant additional liquidity buffer given budgetary margin

In addition to the cash balance, Scope also includes the budgetary margin as part of the EU's liquid assets. Specifically, the EU's total own resources ceiling, which refers to the maximum resources the EU can draw on from its member states without the need for any subsequent decision by national authorities, is 1.20% of the EU's estimated GNI. Crucially, this ceiling has no time horizon.

Conversely, from an expenditure point of view, Scope notes two types of expenditure ceilings for budgetary planning purposes: the commitment appropriations that is, the maximum legally binding promises to spend money on the EU's six policy areas[14], and the total payment appropriations, that is, the actual amounts authorized for disbursement in a given year[15]. The EC's annual accounts however show the actual expenditure disbursed. Given the seven-year horizon budgetary process under the EU's multiannual financial framework, authorized commitments and payments as well as actual expenditures vary from year to year.

[13] For institutions without a clear capital structure, the assessment is conducted only for the relevant elements of the analysis.
[14] Smart and inclusive growth; Sustainable growth: natural resources; Security and citizenship; Global Europe; Administration; Compensations.
[15] Appropriations for commitments and payments often differ because multiannual programmes and projects are usually committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses.

Budgetary margin adjusted for pro-rata share of highly-rated shareholders

In line with the EU's seven-year budgetary horizon, Scope takes the seven-year average of the margin between the own resources ceiling and the actual expenditure into account as liquid assets. However, while the own resources ceiling is legally binding, it has never been used, and thus, Scope's conservative approach adjusts this margin for the pro-rata budgetary contributions of those member states rated AA- or above[16]. Based on Scope's sovereign ratings, this share is currently 67%[17]. On this basis, the margin between the potential maximum member state contribution of the EU's highly-rated shareholders and the actual payments for 2018 stood at around EUR 30bn which, together with the average monthly cash balance of EUR 20.2bn results in liquid assets of around EUR 50bn for 2018.

Figure 6: Budgetary margin and potential additional liquidity buffers[18]

EUR bn	2013	2014	2015	2016	2017	2018E	2019F	2020F
Own resources ceiling	167.0	168.2	176.5	178.1	183.4	189.0	197.4	204.5
Total expenditure	148.5	142.5	145.3	138.3	139.1	144.8	148.2	--
Margin: Ceiling less payment appropriations	18.5	25.7	31.2	39.7	44.3	44.2	49.2	--
of which pro-rata rated ≥ AA-	12.4	17.2	20.9	26.6	29.6	29.6	32.9	--
7Y moving average	22.5	20.7	19.8	20.1	21.0	22.0	24.2	
% of EU GNI								
Own resources ceiling	1.23	1.23	1.23	1.23	1.23	1.20	1.20	1.20
Total commitment appropriations	1.15	0.90	1.17	1.05	1.04	1.02	1.00	0.99
Total payment appropriations	1.08	1.01	1.01	0.88	0.84	0.98	1.01	1.01
Margin: Ceiling less payment appropriations	0.15	0.22	0.22	0.35	0.39	0.22	0.19	0.19
of which pro-rata rated ≥ AA-	0.10	0.15	0.15	0.23	0.26	0.15	0.13	0.13
EU GNI (EUR trn)	13.6	14.1	14.8	14.9	15.4	15.9	16.5	17.0

Source: European Commission. Pro-rata budgetary contributions of highly-rated shareholders is 67%. Data presented in % of EU GNI have a series break in 2017, following the entry into force of the Own Resources Decision 2014/335 on 1 October 2016. Given an upward revision of the GNI level based on the revised ESA 2010 accounting system (from the ESA 95 system), the own resources ceiling for payments of 1.20% of GNI corresponds to the previous level of 1.23%. As a result, the absolute amounts of the own resource ceilings remained unchanged. Data for the years prior to 2017 based on ESA 2010 are not available.

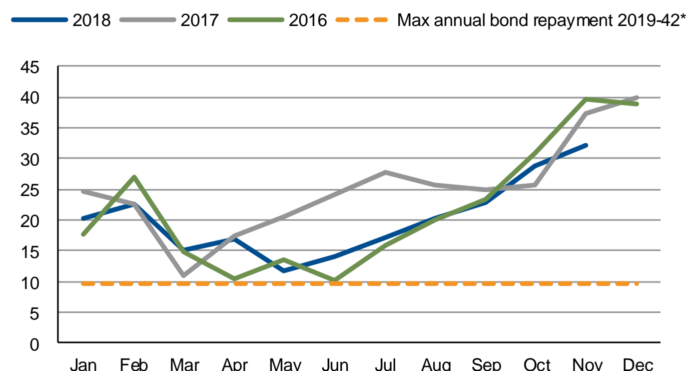
Modest liabilities due within next 12 months

Conversely, the EU's total liabilities maturing within 12 months amounted to around 45.9bn (2016: EUR 42.3bn) at end 2017, of which EUR 6.7bn was related to borrowings and EUR 39.0bn for payables. Scope notes that the possible liquidity risk that arises from borrowings is offset by equivalent loan repayments from member states under the EFSM and BOP back-to-back operations[19] while for MFA and Euratom loans, the Guarantee Fund for External Actions serves as a first liquidity reserve in case of a missed payment by its borrowers. As of December 2017, the net assets in the fund stood at EUR 2.6bn.

Contrary to its liquidity assessment of supranationals using a pooled funding strategy to finance (pre-committed) project disbursements, Scope does not include past disbursements as a proxy for future disbursements, as the EU's financial assistance consists of back-to-back operations and is thus only executed with future issuances.

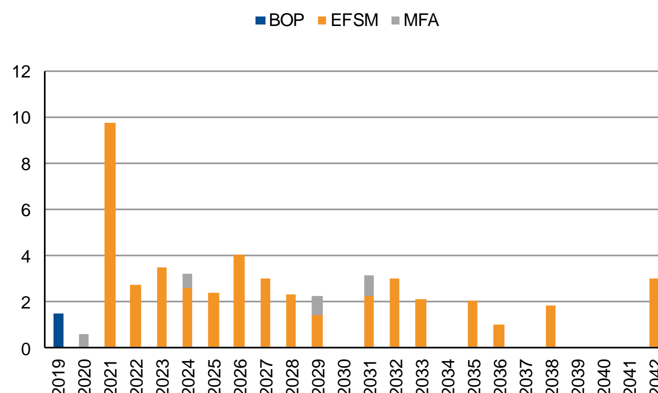
[16] This adjustment is in line with Scope's methodology of only using assets that are rated AA- or above for the calculation of liquid assets.
[17] In case of a 'hard' Brexit, that is, the loss of the UK's budgetary contributions, this margin would, ceteris paribus, be lower.
[18] These figures are based on the premise that the UK will continue to contribute to and participate in the implementation of EU budgets until the end of 2020 in line with the draft Withdrawal Agreement negotiated between the UK and the EU.
[19] Under the EFSM (BOP) borrowers are required to transfer the amounts due 14 (seven) business days in advance to the contractual due date.

Figure 7: Monthly cash balances vs max annual bond repayment EUR bn



*Refers to maximum annual amount outstanding of EU benchmark bonds.

Figure 8: EU outstanding amounts of benchmark bonds EUR bn



Source: European Commission.

NB. The 2021 bond repayment will be re-scheduled. It is not expected that Portugal (Ireland) will have to refinance any of its EFSM loans before 2026 (2027).

Very high liquid assets coverage

On this basis, Scope's three-year weighted average liquid assets ratio, for the years 2015-17, is around 100% which is one of the highest coverage ratios among supranationals. This ratio implies that liabilities due within one year can be financed easily with the available cash balances and the conservatively adjusted budgetary margin, which Scope acknowledges with a 3-notch positive adjustment per its methodology.

In Scope's view, the high liquidity buffer, comprising the cash balances and the potential resources the EU can draw from member states without requiring additional decision-making processes, is essential given the EU's counter-cyclical lending nature and its associated need to raise funds precisely at the most financially distressed times. In this context, Scope will monitor closely the negotiations regarding the next multiannual financial framework for the 2021-27 period and its implications for the budgetary margin.

Funding

In Scope's view, a benchmark issuer with an ability to issue long-term and to a highly diversified investor base across currencies, markets[20] and investors[21] is more likely to sustain regular capital market access, thus enabling the institution to honour its financial obligations and continue disbursing funds during stressed economic and financial times. This assessment can result in a three (one) notch positive (negative) adjustment.

Ability to issue very long-term; Broadly diversified investor base; issuance only in euro

In the case of the European Union, Scope notes that the EU's weighted average maturity of issuance during 2016-18 was around 14 years, one of the longest maturities among supranationals which Scope assesses positively with 1-notch. Conversely, the EU's funding currency is exclusively the euro. While this eliminates currency risks it may also reduce the appeal to non-euro investors. Still, Scope notes that the EU benefits from a broad and diversified investor base, particularly by investor type.

Funding depends on financial assistance provided

Finally, the EU's funding volume is contingent on the requested financial assistance programmes. As such, the funding activities are infrequent compared to other supranationals. In 2018, funding amounted to EUR 5.2bn, mostly driven by the objective to lengthen the maturities of the financial assistance programmes of Ireland and Portugal. As a result, EUR 3.9bn were re-financed for Ireland and EUR 600mn for Portugal, raising the average maturity of their EFSM loans to 17.1 and 15.3 years respectively. For 2019,

[20] The split between, or dependence on geographies: Europe/ EMEA, the Americas and Asia.
[21] The split between, or dependence on investor types: central banks, pension and insurance funds and financial institutions.

funding is estimated to amount to EUR 830mn, with the funds raised related to the disbursements under the MFA programmes for the Ukraine (EUR 500mn), Tunisia (EUR 150mn), Jordan (EUR 100mn), Moldova (EUR 60mn) and Georgia (EUR 20mn).

Figure 9: Investor distribution by type

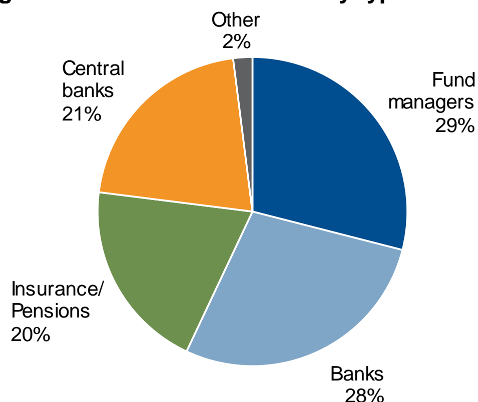
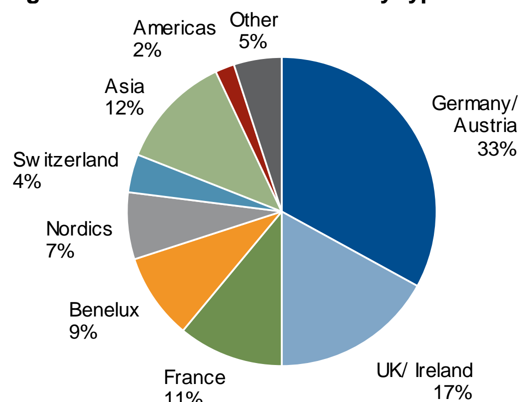


Figure 10: Investor distribution by type



Source: EC, Scope Ratings

Additional considerations

Scope acknowledges the heterogeneity of supranationals and includes idiosyncratic factors in its assessment which may affect the creditworthiness of the supranational.

Meaningful EIB-related guarantees

In the case of the EU, Scope notes that the EU's budget is exposed to a meaningful degree from contingent liabilities, and specifically, from its guarantees to the European Investment Bank (EIB). The EU budget guarantees the EIB's operations outside of the EU and those classified under the European Fund for Strategic Investment (EFSI).

1. Guarantee for EIB's external (non-EU) activities

Fund covers EIB's non-EU operations, MFA and Euratom loans to third countries

Under the External Lending Mandate, the EU budget guarantees EIB activities outside the EU of an amount up to EUR 32.3bn for the 2014-20 period[22] via the so-called 'Guarantee Fund for External Actions'. Overall, the ceiling varies from year to year given that the guarantee to the EIB depends on the mandate and timing under which the loans were granted. The overall ceiling as of December 2017 stood at EUR 37.5bn.

This Guarantee Fund covers potential losses from the EIB's external financing activities, MFA and Euratom loans to third countries and is provisioned by the EU budget at a minimum 9% rate of the outstanding amount of the loans and guarantees covered by the fund. If resources of the fund are not sufficient, the EU budget will provide the necessary funds. Scope notes that as of December 2017 about 90% of the amount covered by the Fund are guarantees issued with respect to EIB loans.

The Guarantee Fund covers the default within three months of the EIB's request[23], while it is the EIB which undertakes the recovery proceedings on behalf of the EU in respect of the defaulted payments. As of December 2017, the net assets of the fund amounted to EUR 2.6bn (of which around 80% of the bond portfolio were held in assets rated at least AA-)[24] while outstanding capital liabilities stood at EUR 29.6bn leading to a provision of EUR 103.2mn in 2019 (EUR 137.8mn in 2018 and EUR 240.5mn in 2016) to ensure the 9% minimum rate.

[22] On 14 March 2018 the ceiling was increased from EUR 27bn to EUR 32.3bn.
[23] For Euratom and MFA loans, the EC draws on the fund to cover the default and to replenish its treasury resources.
[24] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018SC0369&from=EN P11.

Growing exposure to high-risk countries…

Scope notes that the total risk borne by the Guarantee Fund based on the amounts due under the MFA, Euratom and EIB operations disbursed at the end of 2017, stood at around EUR 33.4bn[25]. Of this total, in 2018 the fund was exposed to a maximum annual risk related to third countries of about EUR 2.5bn, with about 25% of that exposure coming from Turkey (BB-/Negative). Looking at the total annual risk borne by the Guarantee Fund over the coming years, the main exposure is related to high-risk countries, including Turkey (EUR 8.9bn), Ukraine (4.6bn), Morocco (EUR 3.5bn), Tunisia (EUR 2.9bn) and Egypt (EUR 2.5bn).

Scope thus notes negatively that the proportion of the loans guaranteed by the Fund that relate to investment-grade borrowers has decreased markedly over time, particularly due to the developments in and exposure to Turkey (BB-/Negative) and the Ukraine. Back in 2014, the EC itself noted that a share of about 50% investment-grade credit exposure justified the adequacy of the 9% target rate[26]. In light of the deteriorating asset quality of the Fund, Scope assesses this adverse development as a growing potential liquidity risk.

…but low guarantee calls to date

Scope notes that since November 2011, the EIB has experienced defaults on payments from the Syrian Government and called on the Guarantee Fund to cover those defaults 51 times since May 2012 for a total amount of EUR 365.3mn. Similarly, the EIB called on the Guarantee Fund four times in 2016 and 2017 for a total amount of EUR 33.4mn to cover missed amounts due from TAV Tunisie S.A. (Enfidha airport), of which EUR 0.14mn was subsequently recovered in January 2018. These loans have been fully impaired for an amount of EUR 432 million (2016: EUR 332 million) and are classified as subrogated loans[27]. From a liquidity perspective Scope notes positively that the Fund is usually called to compensate for the amount of a missed payment, not the full amount of future payments (accelerated loss) which smoothens the payments of the Fund over time.

Figure 11: Total repayments covered by Guarantee Fund

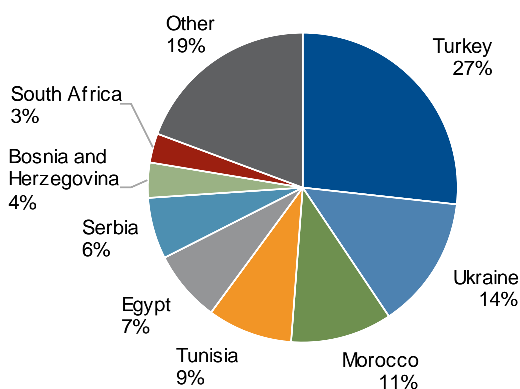
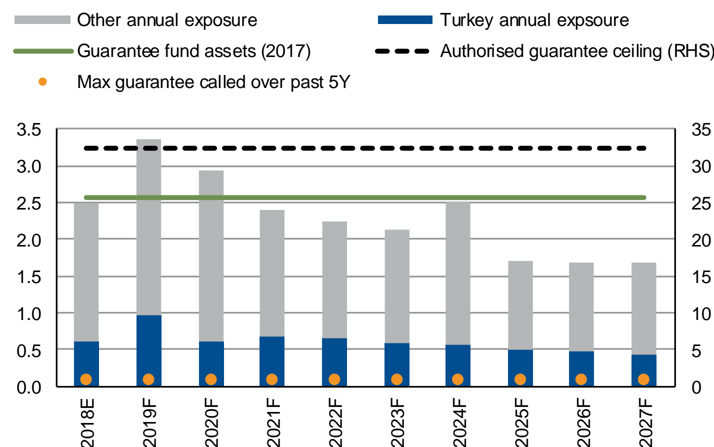


Figure 12: Guarantee Fund ceilings, assets and exposure



Source: European Commission, Scope Ratings

2. Guarantee for EFSI activities

The EU budget also guarantees a part of the signed investments under the European Fund for Strategic Investments (EFSI), which is implemented by the EIB and the EIF via the respective Infrastructure and Innovation Window and the SME Window. The EFSI

[25] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018SC0397&from=EN Based on the exposure to non-member states as per Table A4.
[26] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014SC0129&from=EN P6.
[27] These are defaulted loans which were granted by the EIB and guaranteed by EU budget, for which all rights have been subrogated to the EU following the payment from the Guarantee Fund for external actions. Under an agreement between the EU and the EIB, recovery proceedings are undertaken by the EIB on behalf of the EU with an aim to recover any sums due.

Guarantee Fund is provisioned progressively taking into account the increase in exposure borne by the EU guarantee and thus constitutes a liquidity cushion from which the EIB is paid in the event of a call on the EU guarantee.

EUR 26bn EFSI guarantee

Following EFSI's extension in 2017, the EU budget now provides a EUR 26bn guarantee ceiling on the EIB's related investments which are, on average, riskier than the traditional risk profile of the EIB's portfolio. Scope notes that the first-loss coverage would not necessarily affect the EU's budget balance as called guarantees would be covered by the EU's EFSI Guarantee Fund, which at the end of 2017 had assets of EUR 3.5bn.

EFSI Guarantee Fund to gradually reach EUR 9.1bn to cover 35% of EFSI guarantee

The EFSI Guarantee Fund started its activities in April 2016 and was originally foreseen to gradually reach EUR 8bn by 2022, thus provisioning 50% of the maximum exposure of the original EU guarantee of EUR 16bn. Following EFSI's extension, the Fund is now expected to gradually reach EUR 9.1 billion, i.e. 35 % of the total EU EFSI guarantee obligations. As of end December 2017, the assets of the EFSI Guarantee Fund covered 34.6% of the actual disbursements of the EIB.

Figure 13: EFSI Fund guarantees and assets

EFSI (EUR bn)	2015	2016	2017	2018E	Target
Guarantee ceiling	16.0	16.0	16.0	26.0	26.0
Signed	1.3	11.2	13.5	--	--
Disbursed	0.2	4.4	10.1	--	--
Financial assets	0.0	1.0	3.5	--	9.1
Coverage of guarantee ceiling (%)	0.0	6.3	21.9	--	35.0
Coverage of disbursed funds (%)	0.0	22.8	34.6	--	

Source: EC Financial accounts

EFSI operations carry higher risks compared to normal EIB activities; limited track record

Contrary to the liabilities guaranteed under the Guarantee Fund for External Actions, the EFSI operations are relatively recent and there is thus no track record with regard to the calls made by the EIB. In addition, to prove their additionality, the asset quality of EFSI operations is riskier compared to other EIB operations and classified as 'Special Activities'[28], and consequently around 75% of clients benefiting from the EFSI are new[29]. In fact, the January 2019 report of the European Court of Auditors confirmed that *'the aggregated risk profile of the EFSI portfolio was higher than the risk profile of the EIB's non-EFSI portfolio'* for the period 2015-June 2018.

Still, Scope notes positively that all operations are within the EU, and, based on end-2017 data, more than half of the exposure is in Spain (17%, A-/Stable), France (17%, AA/Stable), Italy (13%, BBB+/Stable) and Germany (9%, AAA/Stable). From a sectoral perspective, RDI constitutes the highest share (35%), followed by energy (20%) and smaller companies (15%)[30].

Two specific risks from guarantees to EIB operations…

Overall, assessing the EU's contingent liabilities, Scope highlights two specific risks to the EU budget: i) the deterioration in the asset quality of the operations covered by the Guarantee Fund for External Actions, in particular, the meaningful exposure to Turkey (BB-/Negative) and ii) the potential risks covered by the EFSI Guarantee Fund, including the relatively gradual increase of its assets in relation to the increase in the overall ceiling of the EU's guarantee, and the lack of track record of operations with a comparatively new client base.

[28] The level of risk is an essential element in assessing the additionality of projects supported by the EFSI guarantee, and Article 5 of the EFSI Regulation refers to the 'Special Activity' high risk category for these purposes.
[29] http://europa.eu/rapid/press-release_IP-18-4469_en.htm
[30] http://www.eib.org/attachments/strategies/efsi_2017_report_ep_council_en.pdf

…mitigated by liquid assets, a track record of low defaults and conservative financial management

At the same time, Scope notes that the risk borne by the EU budget is significantly curtailed by i) the assets of the Guarantee Fund for External Actions and the EFSI Guarantee Fund, which, as of December 2017 amounted to EUR 2.5bn and EUR 3.5bn respectively, which would absorb any losses before resources would need to be drawn from the EU budget, ii) the track record of very low defaults, which to date, has been in the magnitude of around EUR 50mn per year, and iii) the EU's conservative financial management, including ample liquidity buffers and upfront provisioning of the Funds.

Looking ahead, Scope could adjust negatively the liquidity assessment by 1-notch if i) the credit quality of the largest exposures under the EIB's external lending mandate deteriorated further, ii) the magnitude of the guarantee calls increased meaningfully, and/or iii) the overall size of the EU's guarantees to the EIB (or any other entity) increased further without a commensurate increase in liquid assets.

3. Any other consideration

Other considerations, including interest rate risks, foreign exchange rate risks, derivatives and collateral management practices result in no adjustment to the liquidity and funding assessment. Lending and borrowing activities match the loans in terms of maturity, interest payments and currency.

Leverage and asset quality

To take into account that for some institutions i) the actual leverage could be significantly lower than its potential leverage as calculated under Scope's shock absorption capacity, and ii) the actual risk on its balance sheet could be significantly lower compared to the risk Scope assigned in its risk assessment of the institution's mandated activities, Scope may positively adjust this part of the assessment. Conversely, to account for the fact that i) an institution's high shock absorption capacity may depend primarily on highly-rated callable as opposed to paid-in capital and reserves, and ii) an institution may conduct most of its operations in relatively creditworthy countries but still have a poor actual asset quality, Scope may negatively adjust this part of the assessment.

Leverage

To calculate the leverage ratio, Scope uses the supranational's liabilities, as measured by outstanding debt securities, relative to its paid-in capital and accumulated reserves. This assessment can result in a two (one) notch positive (negative) adjustment.

Leverage ratio does not apply

As the European Union has no paid-in capital, this ratio does not apply. Still, Scope notes that the EU's total borrowings stood at around EUR to 54 bn as of December 2017.

Asset quality

To assess the riskiness of assets, Scope uses the historic non-performing loan (NPL) ratio, calculated by standardising the numerator to loans with interest or principal payments overdue by 90+ days, adjusted for provisions. In a second step, Scope assesses the extent of the supranational's actual direct equity participations in private sector entities. To avoid double-counting, Scope takes the assessment of the institution's risk of its mandated activities into account when determining the appropriate notching. Depending on the interaction with the assessment of 'risk of mandated activities' this can result in a 1-notch (positive or negative) adjustment.

No losses on EU loan portfolio funded by borrowings on markets

Scope notes that despite lending counter-cyclically to countries experiencing economic crises and having a highly concentrated portfolio, the EU has, to date, never suffered a loss on its loan portfolio. This reflects the fact that its loan disbursements depend on the

governments' compliance with the policy conditionality agreed with, and subsequently monitored by, the European Commission in the context of the financial assistance programmes. In addition, as the EU has no actual direct equity participations in private sector entities, Scope assesses the EU's risks from its actual asset quality as 'Low'.

Portfolio concentration

Scope assesses a supranational's portfolio concentration by evaluating the concentration by geographies and sectors based on the Herfindahl-Hirschman Index (HHI). For consistency, to assess the sectoral concentration across institutions, Scope maps the sectors in which the supranational operates to the UN's International Standard Industrial Classification. All else equal, a concentrated portfolio is riskier than a diversified one. This assessment can result in a 1-notch positive adjustment.

Highly concentrated loan portfolio in line with mandate

Given its mandate to lend to sovereigns that require financial assistance, the EU has a highly concentrated portfolio compared to other supranationals. Scope therefore does not adjust this assessment positively.

Additional considerations

Scope acknowledges the heterogeneity of supranationals and includes idiosyncratic factors in its assessment which may affect the creditworthiness of the supranational.

In the case of the EU, no additional considerations to the asset quality apply.

Profitability

Despite the non-profit-maximising nature of most supranationals, above-average profitability is still beneficial because it helps to generate internal capital buffers, which enhances the institution's shock-absorption capacity. Conversely, sustained periods of losses will lead to lower capital levels. Scope assesses a supranational's return on equity, after distribution of dividends to shareholders and possible transfers to concessional arms, to measure capital ultimately retained within the institution.

Surpluses are carried forward to next year's budget

In the case of the EU, Scope notes that profitability does not apply as the institution has no equity. The EU's conservative budget practices ensure revenues exceed expenditures and thus annual surpluses are carried forward to the next year's budget.

Additional considerations

Scope acknowledges the heterogeneity of supranationals and includes idiosyncratic factors in its assessment which may affect the creditworthiness of the supranational. Scope could negatively adjust the overall rating if the institution has serious governance flaws or is facing operational risks that could impede the institution from pursuing its mandate. Risks include but are not limited to reputational damage resulting from inadequate or failed internal processes, people and systems, or external events.

In the case of the EU, Scope sees no reason to adjust its assessment based on operational or governance issues.

Methodology

The methodology applicable for this rating and/or rating outlook 'Supranational Entities' is available on www.scoperatings.com.

Historical default rates of Scope Ratings can be viewed in the rating performance report on https://www.scoperatings.com/governance-and-policies/regulatory/esma-registration. Please also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

A comprehensive clarification of Scope's definition of default, definitions of rating notations can be found in Scope's public credit rating methodologies at www.scoperatings.com.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

Rating History

Date	Rating Action	Outlook
1 February 2019	AAA	Stable

Source: Scope Ratings GmbH

Rating committee

The main points discussed by the rating committee were: i) key shareholders and institutional setup; ii) preferred creditor status and mandated activities; iii) joint and several support mechanism; iv) debt payment priority; v) liquidity management and buffers; vi) contingent liabilities; vii) asset quality; viii) consideration of peers.

I Scope's supranational scorecard: European Union and Euratom

Drivers	Risk Factors	Variables	Unit	Risk Assessment Low (+1)	Risk Assessment Medium (0)	Risk Assessment High (-1)	Supranational Value	Supranational Risk Assessment	Supranational Notches
Fundamental rating drivers	Key Shareholder Rating	Weighted average rating of key shareholders	Avg. rating				AA-	--	--
	Shock Absorption Capacity (-1; +2)	Equity + Callable Capital/ Potential Liabilities*	%	≥ 20	< 20; ≥ 10	< 10	--	--	--
	Indicative rating						**AA-**		
	Credibility of Shareholder Support (-1; 0)	Shareholder concentration	HHI	--	--	> 2,000	2000.0	Low	0.0
		Paid-in/ Callable Capital	%	--	--	< 10	N/A	Low	
	Preferred Creditor Status (0; +1)	Mandate	Description	LOLR	--	--	LOLR	Medium/High	1.0
		Exposure to own shareholders	% total loans	≥ 75	--	--	93.4	Low	
		Private sector exposure	% total loans	≤ 25	--	--	0.0	Low	
		History/ track record		--	--	--	Yes	1	
	Risks from Mandated Activities (+/- 1)	Weighted average borrower quality (Top 10)	Rating	≥ A-	≥ BBB-	< BBB-	BBB+	Medium	0.0
		Max equity investments	% equity	≤ 50	--	--	0.0	Low	
	Additional considerations						2.0		2.0
	Indicative fundamental rating						**AAA**		
Operational rating drivers	Liquidity & Funding (-2; +7)	Liquid assets ratio**	%	≥ 30	< 30; ≥ 20	< 20	99.3	Very Low	3.0
		WAM issuance (latest)	Years	≥ 5	< 5; ≥ 2	< 2	15.0	Low	1.0
		Funding volume	EUR or USD bn	≥ 10	--	--	3.4	Medium/High	0.0
		Currency diversification	Top 1 Share	≤ 70	--	--	100.0	Medium/High	
		ESG issuance	% issuance	≥ 15	--	--	0.0	Medium/High	0.0
		Adjustments					0.0		0.0
	Leverage & Asset Quality (-2; +4)	Leverage ratio***	% equity	≤ 300	> 300; ≤ 600	> 600	N/A	--	--
		NPLs****	% total loans	≤ 2	> 2; ≤ 4	> 4	0.0	Low	1.0
		Actual equity participation****	% equity	≤ 50	--	--	N/A	--	
		Portfolio concentration**** Geographical concentration	HHI	≤ 2,000	--	--	3800.0	Medium/High	0.0
		Industry concentration	HHI	≤ 2,000	--	--	N/A	--	
	Profitability (+/- 1)	Return on equity	%	≥ 3	< 3; ≥ 0	< 0	N/A	--	--
	Additional considerations						0.0		0.0
FINAL RATING							**AAA**		

*Callable capital of potentially borrowing/ benefiting shareholders rated ≥ AA-. If the value is above 50, Scope adjusts the assessment positively by 2-notches.
**If the value is above 50 (80), Scope adjusts the assessment positively by 2 (3) notches. Ratios above 120 receive a 4-notch adjustment.
***If the value is below 100, Scope adjusts the assessment positively by 2-notches.
****Adjusted taking 'risks from mandated activities' into account.
*****If either geographical or industry concentration are assessed as 'Low' risk, Scope will adjust positively by 1-notch.
LOLR stands for lender of last resort. HHI refers to the Herfindahl-Hirschman Index.
Operational rating drivers are calculated using a weighted three-year average.

II Shareholders: European Union

EUR mn

EU Shareholders	7Y-average budget contribution*	Key (%)	Rating	Shareholder Concentration Capital key ≥ AA-	HHI**
Germany	20,424.77	21.31	AAA	21.31	0.101
France	16,375.52	17.08	AA	17.08	0.065
Italy	12,499.47	13.04	BBB+		
United Kingdom	10,258.79	10.70	AA	10.70	0.026
Spain	8,070.04	8.42	A-		
Netherlands	3,950.70	4.12	AAA	4.12	0.004
Belgium	3,087.87	3.22	AA	3.22	0.002
Poland	2,988.87	3.12	A+		
Sweden	2,896.86	3.02	AAA	3.02	0.002
Austria	2,291.51	2.39	AAA	2.39	0.001
Denmark	1,916.66	2.00	AAA	2.00	0.001
Ireland	1,282.71	1.34	A+		
Finland	1,548.89	1.62	AA+	1.62	0.001
Portugal	1,329.15	1.39	BBB		
Czech Republic	1,182.80	1.23	AA	1.23	0.000
Greece	1,355.05	1.41	B+		
Romania	1,143.23	1.19	BBB-		
Hungary	767.04	0.80	BBB		
Slovakia	558.43	0.58	A+		
Bulgaria	331.80	0.35	BBB		
Croatia	287.50	0.30	BB+		
Luxembourg	245.12	0.26	AAA	0.26	0.000
Slovenia	281.70	0.29	A-		
Lithuania	264.86	0.28	A-		
Latvia	183.22	0.19	A-		
Estonia	142.58	0.15	A+		
Cyprus	137.02	0.14	BBB-		
Malta	61.44	0.06	A+		
Total (All Member States)	**95,863.59**	**100.00**		**66.95**	**2,000.00**

*Source: Refers to the years 2011 to 2017. Data taken from: http://ec.europa.eu/budget/library/figures/internet-tables-all.xls

** Herfindahl-Hirschmann Index, rounded to nearest 100.

NB. In line with the duration of the EU's multi-annual financial framework (MFF), Scope calculates a seven-year average of the member states GNI-based budgetary contributions, adjusted for VAT-based contributions and several corrections, including the UK correction. This reflects Scope's view that, in case VAT-based own resources were to drop significantly (as is the case during an economic downturn), the loss in revenues would have to be compensated with higher GNI-based own resources from the member states. As a result, the GNI-based contributions are determined each year such that the EU's budget is in balance, taking VAT-own resources and additionally pre-determined adjustments, including the UK correction, into account. The GNI-based contributions thus guarantee the EU's budget balance.

III Statistical tables

	2015	2016	2017	2018E
Key Shareholders				
Average budgetary-key weighted rating	AA	AA	AA	AA-
Share of shareholders rated ≥ AA- (%)	66.9	66.9	66.9	66.9
Liquidity (EUR mn)				
Liquid assets with maturity ≤ 12 months				
Cash & cash equivalents*	16,750.0	21,883.3	25,150.0	20,209.1
Own resources ceiling	176,497.0	178,056.0	183,421.0	188,972.0
Total expenditures	145,276.0	138,312.0	139,136.0	144,812.0
Margin: Own resources ceiling less total expenditures	31,221.0	39,744.0	44,285.0	44,160.0
Adjusted for pro-rata share of shareholders rated AA-	20,902.1	26,608.1	29,648.3	29,564.6
7Y moving average of adj. margin	19,795.6	20,088.5	21,043.0	22,035.7
Total liquid assets (cash + 7Y adj. budgetary margin)	36,545.6	41,971.8	46,193.0	42,244.8
Liabilities with maturity ≤ 12 months	40,130.0	42,288.0	45,898.0	--
Liquidity-coverage ratio (12-month)	91.1	99.3	100.6	--
Funding				
Volume (EUR mn)	13,405.0	4,760.0	1,063.0	5,015.0
Share of total (%)				
Euro	100.0	100.0	100.0	100.0
Other currencies	-	-	-	-
ESG issuance	-	-	-	-
Leverage (EUR mn)				
Debts evidenced by certificates	56,656.00	54,951	54,674	--
Leverage ratio	N/A	N/A	N/A	N/A
Asset quality (EUR mn)				
Total loans	57,251.0	55,478.0	54,981.0	--
EFSM	47,509.0	47,456.0	47,456.0	--
BOP	5,811.0	4,272.0	3,114.0	--
MFA	3,024.0	2,964.0	3,924.0	--
Euratom	301.0	252.0	250.0	--
ESCS in liquidation	229.0	191.0	100.0	--
Other	377.0	343.0	137.0	--
Impaired loans**	13.0	7.0	8.0	--
NPL ratio	0.0	0.0	0.0	--
Profitability (EUR mn)				
Total revenues	146,624.0	144,717.0	139,691.0	--
of which GNI-based own resource	94,009.0	95,578.0	78,279.0	--
of which VAT-based own resource	18,269.0	15,935.0	16,584.0	--
Total expenditures	145,276.0	138,312.0	139,136.0	--
Budget surplus	1,348.0	6,405.0	555.0	--
Return on equity	N/A	N/A	N/A	N/A

* Average of monthly cash balances. **Refers to loans with special conditions; not related to financial assistance.

European Union and Euratom

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