

# European Union and Euratom



### Credit strengths

- Highly rated member states providing de facto joint and several support
- High liquidity buffers, excellent market access, budgetary flexibility
- Preferred creditor status

### Credit challenges

- Significant increase in debt
- High guarantees, mostly to the European Investment Bank

### Ratings and Outlook

#### Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

### Rating rationale and Outlook:

The AAA rating of the European Union (EU) reflects its 'excellent' member support and 'excellent' intrinsic strength. In detail:

- **Shareholder support:** The EU benefits from: i) the largest European economies being its highly rated key member states, with a weighted average rating of AA-; ii) a track record of and solid legal basis for receiving timely financial support; iii) extraordinary support mechanisms ensuring de facto joint and several support; and iv) a legally enshrined debt service priority combined with significant budgetary flexibility.
- **Institutional profile:** The EU has a proven record of excellent governance and an irreplaceable mandate for its member states, having been at the heart of Europe's Covid-19 response via the SURE and NGEU programmes as well as leading the continent's transition towards a carbon-neutral and climate-resilient economy.
- **Financial profile:** The EU benefits from a very strong liquidity profile, driven by high, prudently managed liquid assets, excellent market access given its global benchmark issuer status, and a diversified funding base. The EU's excellent asset quality reflects its preferred creditor status. Challenges relate to the almost tenfold increase expected in its outstanding liabilities over the coming years, which will result in higher debt repayments.
- **Outlook and triggers:** The Stable Outlook reflects our assessment of the EU's financial buffers to withstand shocks. The rating could be downgraded if: i) highly rated key member states were downgraded; ii) the EU's institutional setup weakened; and/or iii) the EU's liquidity buffers declined.

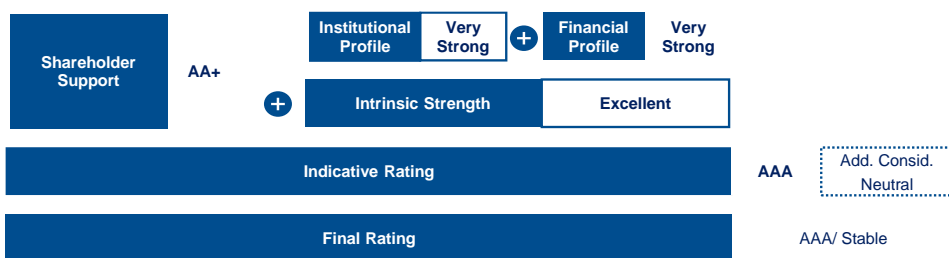
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Figure 1: Scope's assessment of the EU's rating drivers



Source: Scope Ratings

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### Outlook and rating triggers

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

#### Positive rating-change drivers

- Not applicable

#### Negative rating-change drivers

- Downgrades of key member states
- Weakening in institutional setup
- Reduction in liquidity buffers

## I Indicative Rating: European Union

### Indicative rating: AAA

We map our assessments of the institution's shareholder support, which ranges from AAA to CCC, against its intrinsic strength, which is driven by its institutional and financial profiles, and assessed on a seven-point scale ranging from Excellent to Very Weak.

#### Intrinsic Strength: Mapping institutional and financial profiles for the EU

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

#### Indicative Rating: Mapping intrinsic strength and shareholder support for the EU

Indicative Rating		Intrinsic Strength						
		Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak
Shareholder Support	AAA	AAA	AAA	AAA	AAA	AAA	AAA / AA+	AA+ / A+
	AA+	AAA	AAA	AAA	AAA	AAA	AAA / AA	AA / A
	AA	AAA	AAA	AAA	AAA	AAA / AA+	AA+ / AA-	AA- / A-
	AA-	AAA	AAA	AAA	AAA	AAA / AA	AA / A+	A+ / BBB+
	A+	AAA	AAA	AAA	AAA / AA+	AA+ / AA-	AA- / A	A / BBB
	A	AAA	AAA	AAA	AAA / AA	AA / A+	A+ / A-	A- / BBB-
	A-	AAA	AAA	AAA / AA+	AA+ / AA-	AA- / A	A / BBB+	BBB+ / BB+
	BBB+	AAA	AAA	AAA / AA	AA / A+	A+ / A-	A- / BBB	BBB / BB
	BBB	AAA	AAA / AA+	AA+ / AA-	AA- / A	A / BBB+	BBB+ / BBB-	BBB- / BB-
	BBB-	AAA	AAA / AA	AA / A+	A+ / A-	A- / BBB	BBB / BB+	BB+ / B+
	BB+	AAA / AA+	AA+ / AA-	AA- / A	A / BBB+	BBB+ / BBB-	BBB- / BB	BB / B
	BB	AAA / AA	AA / A+	A+ / A-	A- / BBB	BBB / BB+	BB+ / BB-	BB- / B-
	BB-	AA+ / AA-	AA- / A	A / BBB+	BBB+ / BBB-	BBB- / BB	BB / B+	B+ / CCC
	B+	AA / A+	A+ / A-	A- / BBB	BBB / BB+	BB+ / BB-	BB- / B	B / CCC
	B	AA- / A	A / BBB+	BBB+ / BBB-	BBB- / BB	BB / B+	B+ / B-	B- / CCC
	B-	A+ / A-	A- / BBB	BBB / BB+	BB+ / BB-	BB- / B	B / CCC	CCC
	CCC	A / BBB+	BBB+ / BBB-	BBB- / BB	BB / B+	B+ / B-	B- / CCC	CCC

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

Source: Scope Ratings

## II Members: European Union

EU member states	Population (m)*	GDP (EUR bn)*	2023 budgetary contribution (EUR bn)**	ECB capital key (%)***	Rating (latest)	Share ≥ AA- (%)
Germany	83.2	3,601.8	36.6	21.4	AAA	21.4
France	67.8	2,500.9	27.2	16.6	AA	16.6
Italy	59.0	1,782.1	19.9	13.8	BBB+	
Spain	47.4	1,206.8	13.9	9.7	A-	
Poland	37.7	574.8	7.6	6.0	A+	
Netherlands	17.6	856.4	9.3	4.8	AAA	4.8
Sweden	10.5	537.1	4.6	3.0	AAA	3.0
Belgium	11.6	502.3	6.9	3.0	AA-	3.0
Romania	19.0	241.3	2.8	2.8	BBB-	
Austria	9.0	406.1	3.6	2.4	AAA	2.4
Greece	10.6	181.7	2.0	2.0	BB+	
Portugal	10.4	214.5	2.4	1.9	BBB+	
Czech Republic	10.5	238.2	2.8	1.9	AA	1.9
Denmark	5.9	336.7	3.2	1.8	AAA	1.8
Hungary	9.7	153.8	1.9	1.5	BBB	
Finland	5.5	251.5	2.5	1.5	AA+	1.5
Ireland	5.1	426.3	3.6	1.4	AA-	1.4
Bulgaria	6.8	71.1	0.9	1.0	BBB+	
Slovakia	5.4	98.5	1.1	0.9	A+	
Croatia	3.9	58.3	0.6	0.7	BBB+	
Lithuania	2.8	56.2	0.7	0.5	A	
Slovenia	2.1	52.2	0.7	0.4	A	
Latvia	1.9	33.7	0.4	0.3	A-	
Luxembourg	0.6	72.3	0.6	0.3	AAA	0.3
Estonia	1.3	31.4	0.4	0.2	AA-	0.2
Cyprus	0.9	24.0	0.3	0.2	BBB	
Malta	0.5	15.0	0.2	0.1	A+	
<b>Total</b>	<b>446.8</b>	<b>14,524.8</b>	<b>156.6</b>	<b>100.0</b>		<b>58.1</b>

\*Population statistics are as of 1 January 2022, GDP data refers to 2021 levels. \*\*Refers to total own resources contribution according to the initial adopted Budget of 2023. \*\*\*Weighted by GDP and population.

Source: Scope Ratings



# European Union and Euratom

## III Scope's supranational scorecard: European Union

	Risk factors	Variables	Unit								Value	EU	
				+4	+3	+2	+1	0	-1	-2		Assessment	Notches
Shareholder Support	Key shareholder rating	Weighted average rating of key shareholders	AAA - CCC	--	--	--	--	--	--	--	--	AA-	
	Key shareholders & exposures (-1; 0)	Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	48.0	Low	0
	Extraordinary Support (0; +2)	Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	--	Very Strong	2
<b>Shareholder Support</b>												<b>AA+</b>	
Institutional Profile	Mandate & ESG (-2; +2)	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High	
		Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	1
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	
	Governance risks	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1100.0	Strong	
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	21.0	Strong	1
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong	
<b>Institutional Profile</b>												<b>Very Strong</b>	
Financial Profile	Liquidity & funding (-4; +8)	Liquid assets ratio	%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	120.0	Excellent	4
		Maturity gap	Multiple	--	--	--	> 0.75	< 0.75; ≥ 0.5	< 0.5	--	0.9	Strong	1
		Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	100.0	Very Strong	2
	Currency diversification	Top 1 share	--	--	--	≤ 70	> 70	--	--	100.0	Adequate	0	
	Trend (-1; +1)												1
Asset quality (-3; +5)	Portfolio quality	Incl. risk mitigants	Qualitative	--	Very Strong	Strong	Adequate	Moderate	Weak	Very Strong	Very Strong	2	
	Asset performance	NPLs	% total loans	≤ 0.5	> 0.5; ≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5	--	0.0	Excellent	3	
	Trend (-1; +1)											0	
<b>Financial Profile</b>												<b>Very Strong</b>	
<b>Intrinsic Strength</b>												<b>Excellent</b>	
<b>Indicative Rating</b>												<b>AAA</b>	
Additional considerations (-1; +1)												Neutral	
<b>Final Rating</b>												<b>AAA</b>	

Source: Scope Ratings

## IV Asset quality assessment

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

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

Total points	+6
Adjustments	+2 categories

<b>Portfolio quality (final assessment)</b>	Very Strong	Strong	Adequate	Moderate	Weak
<b>Notches</b>	+2	+1	0	-1	-2

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

## V Statistical tables

	2017	2018	2019	2020	2021
<b>Shareholder support</b>					
Key shareholder rating	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated ≥ AA- (%)*	61.1	61.1	62.7	56.8	58.1
<b>Liquidity (EUR m)</b>					
Cash & cash equivalents	25,150.0	20,975.0	28,091.7	21,750.0	21,783.3
NGEU – cash account	-	-	-	-	18,000.0
Adj. budgetary margin**	48,311.5	33,636.3	39,985.0	23,019.1	87,933.1
Bond repayments within 12 months	6,700.0	2,350.0	1,273.0	10,410.0	23,769.0
Disbursements	1,063.0	565.0	420.0	41,275.0	123,502.0
Liquid assets ratio (%)	946.3	1,873.5	4,021.1	86.6	86.7
<b>Funding (EUR m)</b>					
Volume	1,063.0	5,065.0	420.0	41,275.0	157,599.0
<i>Share of total (%)</i>					
EUR	100.0	100.0	100.0	100.0	100.0
ESG issuance (SURE and green NGEU)	-	-	-	95.7	39.4
<b>Borrowings (EUR m)</b>					
Debts evidenced by certificates	54,674.0	53,725.0	52,433.0	93,192.0	236,720.0
% EU GDP	0.4	0.3	0.3	0.7	1.6
% Total budget revenue	40.1	33.0	32.7	41.6	132.3
<b>Loans (EUR m)</b>					
Debts evidenced by certificates	54,721.4	53,775.4	52,563.6	93,300.7	235,991.0
MFA	3,901.5	4,387.6	4,754.4	5,813.0	7,466.0
Euratom	249.8	253.9	213.7	392.2	350.0
EFSM	47,456.0	47,400.0	47,394.4	47,394.4	47,270.0
BoP	3,114.1	1,733.9	201.1	201.1	201.0
SURE	--	--	--	39,500.0	89,702.0
NGEU	--	--	--	--	91,002.0
<b>Guarantees (EUR m)</b>					
Total	53,479.0	66,315.0	63,776.0	62,285.0	60,243.0
EIB – external lending mandate	37,479.0	40,417.0	37,929.0	35,372.0	33,026.0
EIB – EFSI	16,000.0	25,898.0	25,797.0	25,543.0	25,826.0
EFSD	-	-	50.0	1,370.0	1,391.0
InvestEU	-	-	-	-	-
EFSD+	-	-	-	-	200.0
<b>Budget (EUR m)</b>					
Total revenues	136,183.0	162,932.0	160,289.0	224,028.0	178,946.0
of which, GNI-based own resource	78,620.0	105,780.0	108,820.0	125,393.0	115,955.0
Total expenditures	128,101.0	149,014.0	155,493.0	166,612.0	221,046.0
Budgetary surplus	6,405.0	555.0	1,803.0	3,218.0	1,769.0
<b>Other</b>					
EU GNI (EUR trn)	15.5	16.0	16.6	13.4	14.5
EU GDP (EUR trn)	15.4	16.0	16.5	13.4	14.5
EU population (m)	511.4	512.5	513.2	447.5	447.0

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



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