

RATING ACTION COMMENTARY

Fitch Affirms European Union and Euratom at 'AAA'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 30 Jan 2026: Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDR) of the European Union (EU) and European Atomic Energy Community (Euratom) at 'AAA' with Stable Outlooks. Fitch has also affirmed the entities' Short-Term IDRs at 'F1+'.

The affirmation and Stable Outlooks reflect EU member states' (MS) strong commitment to provide financial support to the EU. The 'AAA' ratings are primarily based on the capacity and propensity of 'AAA' rated MS (Germany, Netherlands, Sweden, Denmark and Luxembourg, together accounting for 37% of total 2026 EU gross national income (GNI)-based budget contributions) to provide additional funding to the EU budget, if needed to repay debt.

KEY RATING DRIVERS

Additional Contributions Cover Debt Service: The EU's 'AAA' rating is supported by the full coverage of debt service by the potential additional contributions from 'AAA' MS. The maximum amount that the EU could draw from MS every year to repay its debt, the 'own resources ceiling' (ORC), was increased to 2% of MS' GNI in 2021 from 1.2% in the previous budget cycle (2014-2020).

Current proposals for the 2028-2034 budget cycle include a further increase of the ORC to 2.35% of MS' GNI, EUR24 billion in each annual budget earmarked for debt service, a possible 0.25% "emergency contribution" and five new own resources, all of which would increase the EU's debt service capacity.

Resilient to Rising Debt: The EU's debt increased to EUR739 billion at end-2025 from EUR601 billion at end-2024. Outstanding debt could reach over EUR1 trillion by end-2027,

driven by the final Next Generation EU (NGEU) disbursements in 2026, disbursements under the EUR150 billion SAFE defence programme and an additional EUR90 billion of loans to Ukraine to be disbursed in 2026 and 2027. If there are no reparations to be paid to Ukraine, the repayment of the EUR90 billion loan to Ukraine is fully covered by EU budget headroom so it does not erode the free margin between debt service payments and potential additional contributions from 'AAA' rated MS.

Strong Propensity to Support Critical: Fitch assesses MS' propensity to provide financial support to the EU as strong. This is supported by the significant increase in resources that MS committed to the EU in the 2021-2027 budget cycle as well as the role that the EU is playing as the main channel of MS' multilateral financial support to Ukraine. Should MS agree on the current proposals for the 2028-2034 budget cycle, it would provide the EU with greater debt funding flexibility, which could also offset the growing need for additional defence spending and constitute further evidence of MS' propensity to support.

Diversified Funding Strategy: With the launch of NGEU, the EU now operates with a diversified funding strategy, combining short- and long-term funding programmes and holding a large liquidity buffer (covering at least all debt repayments and budget disbursement well in advance of the payment due date). The liquidity buffer is held in the form of deposits at the European Central Bank. This approach to managing liquidity differs from the previous back-to-back approach whereby each loan extended by the EU was funded by a corresponding bond with the same maturity.

Debt Repayments Evenly Spread: Fitch expects the EU will manage debt issuance under NGEU to spread repayments as evenly as possible over the 30-year repayment period (2028-2058). All debt issued under NGEU has to be repaid by 2058, but the EU has flexibility on the path of debt principal repayment and may roll over some of the upcoming maturities.

Credit and Concentration Risk: The average credit quality of the EU's loan portfolio improved to 'BBB' in 2025 from 'BBB-' in 2024 (2023: 'BBB'). This was mainly driven by the upgrade of the Ukraine sovereign rating to 'CCC'/Stable in December 2025 and other EU sovereigns being upgraded in 2025 offsetting the increasing exposure to the country. However, portfolio diversification weakened, with the largest five exposures amounting to 80% of total loans at end-2025, up from 75% at end-2024. Fitch expects the credit quality of the loan portfolio and diversification to weaken further due to additional lending to Ukraine.

EU Guarantees Growing: The EU's guarantee operations have expanded in recent years as it has used guarantees to provide development finance and mobilise private-sector capital. At end-2024, outstanding EU guarantees, signed by the implementing partners, stood at EUR72.5 billion, up from EUR66.2 billion at end-2023. The EU held EUR23.2 billion of provisions in the Common Provisioning Fund (CPF) at end-2024 to cover guarantee calls and the long-term budget foresees substantial resources allocated to the CPF.

Limited Guarantee Calls: In 2024, total guarantee calls were EUR249 million, mainly reflecting guarantee calls under the European Fund for Strategic Investments (EUR134 million), InvestEU (EUR58 million) and the EU's External Lending Mandate (EUR49 million). Fitch expects calls on EU guarantees to increase, reflecting the economic situation in beneficiary countries and the ongoing war in Ukraine.

Euratom Ratings Aligned with EU: The rating approach for Euratom, which represents less than 0.5% of the EU's total outstanding debt, is aligned with that of the EU. Euratom's 'AAA' Long-Term IDR reflects Fitch's expectation that Euratom's debt service would be fully covered by additional contributions from 'AAA' MS if needed.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Capacity to Support: An actual or projected decline in the additional contributions from 'AAA' rated MS below the level that fully covers annual debt service. This could result from a downgrade of Germany (accounting for 24% of EU27 GNI-based contributions for the EU's 2026 budget) or a combination of a downgrade of other 'AAA' rated MS sufficient to erode the free margin.

Propensity to Support: Weakening of our assessment of highly rated EU countries' propensity to support that affects our expectation of future EU contributions, and, in an emergency, 'AAA' rated MS' willingness to provide additional funding could lead to a downgrade.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The rating is at the highest level on Fitch's scale and cannot be upgraded.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Fitch does not provide ESG relevance scores for European Atomic Energy Community (Euratom), European Union.

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<https://www.fitchratings.com/topics/esg/products>

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
European Union	LT IDR	AAA Rating Outlook Stable		AAA Rating Outlook Stable
	Affirmed			
	ST IDR	F1+	Affirmed	F1+
senior unsecured	LT	AAA	Affirmed	AAA
senior unsecured	ST	F1+	Affirmed	F1+
European Atomic Energy Community (Euratom)	LT IDR	AAA Rating Outlook Stable		AAA Rating Outlook Stable
	Affirmed			
	ST IDR	F1+	Affirmed	F1+

senior unsecured

LT AAA Affirmed

AAA

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Supranationals Rating Criteria \(pub. 03 Oct 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

European Atomic Energy Community (Euratom)

EU Issued, UK Endorsed

European Union

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