EUROPEAN
COMMISSION

Brussels, 4.11.2026
COM(2026) 614 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on contingent liabilities arising from budgetary guarantees and financial assistance and the sustainability of those contingent liabilities

Situation at 31 December 2025

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1. Introduction

This report is issued annually in accordance with Article 256 of the Financial Regulation[1] and should be read in conjunction with:

- the consolidated annual accounts of the European Union (financial year 2025)[2];
- working document XI, which accompanies the draft EU budget for the 2027 financial year[3]; it outlines the implementation of budgetary guarantees and the assessment of the sustainability of the contingent liabilities arising from budgetary guarantees pursuant to Article 41(5) of the Financial Regulation and financial assistance; and
- the long-term forecast report on future inflows and outflows of the EU budget (2027-2034) pursuant to Article 253(1)(c) of the Financial Regulation, that forecasts revenues and expenditures for the current multiannual financial framework and for the future on the basis of the Commission proposal of 16 July 2025[4].

The report provides an overview of the amount and composition of contingent liabilities borne by the EU budget as of 31 December 2025[5] and an assessment of their sustainability. Contingent liabilities are potential financial liabilities that stem from existing binding commitments or previous contractual occurrences[6]. In the EU budget, these liabilities are either **provisioned**[7] or **backed by the headroom**[8].

Total contingent liabilities - comprising both budgetary guarantees and loans - rose to EUR 476 billion in 2025, up from EUR 410 billion in 2024, representing an increase of 16%. The bulk of this increase comes from additional loan disbursements to Member States under the Recovery and Resilience Facility (RRF)[9] and from financial assistance to Ukraine.

Contingent liabilities related to **loans** amounted to EUR 363 billion. This support was primarily directed towards Member States (EUR 286 billion). The remaining EUR 77 billion supported non-EU countries, with more than 90% attributable to loans taken by Ukraine. In addition, the EU budget continued to mobilise investments through **budgetary guarantees**, with related contingent liabilities increasing, similarly to past years, to reach EUR 113 billion.

The sustainability assessment in the report is performed through qualitative and quantitative methods, including stress-testing, by comparing provisioned and headroom-backed contingent liabilities respectively with:

- the market value of existing provisions held in the respective compartments of the Common Provisioning Fund (CPF)[10];

1 Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast) (OJ L, 2024/2509, 26.9.2024).
2 COM(2026) 336 of 24.6.2026.
3 COM(2026) 300 of 10.6.2026; Working Document Part XI
4 COM(2026) 365 final of 3.7.2026.
5 The cut-off date aligns with the consolidated accounts of the EU and the objective of this report is to assess the sustainability of incurred contingent liabilities borne by the EU budget. The report does not provide any forecasts on the dates of contingent liabilities, which will depend on requirements, market conditions and available liquidities.
6 Potential contingent liabilities related to 'legal risks' are not covered by this report.
7 The term *provisioning* is used within the meaning of the Financial Regulation. Notably, Article 214(2) indicates that the provisioning rate needs to cover net expected losses plus an adequate safety buffer for unexpected losses. In other circumstances (e.g. in an accounting context), the term might have a different meaning.
8 'Headroom-backed' means that the guarantee for related contingent liabilities is given by the EU budget headroom, which is the available fiscal space between the own resources ceiling and the expenditures from the EU budget in any given year.
9 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).
10 Report from the Commission to the European Parliament and the Council on the Common Provisioning Fund in 2025 (COM(2026) 543 final of 6.10.2026) and accompanying Staff Working Document (SWD(2026) 305 final of 6.10.2026).

- the limits of the own resources ceilings and the available headroom.

The report concludes that the EU budget has sufficient means to cope with a potential materialisation of contingent liabilities even under extreme scenarios:

- For contingent liabilities arising from budgetary guarantees and financial assistance to non-EU countries, the provisioning available at the end of 2025 is adequate considering the requirements of the respective legal frameworks.
- The EU's financial capacity under the existing legal framework for 2026 and 2027 (i.e. the Own Resources Decision (ORD)[11] and the 2021-2027 Multiannual Financial Framework (MFF) Regulation[12]) and as of 2028 under the future ORD and MFF Regulation as per the Commission proposal[13] is sufficient to cover all headroom-backed contingent liabilities incurred by the cut-off date of this report[14].

The risks arising from contingent liabilities are managed and monitored through a general cross-Commission framework including extensive measures and safeguards which the Commission can use to protect the EU budget from potential losses[15]. The framework was strengthened at the beginning of 2025 through Commission Decision (EU, Euratom) 2025/369[16], which expanded the role of the Chief Risk Officer (CRO). The CRO operates independently of the functions and tasks related to the design, planning, implementation or accounting performed by Commission DGs responsible for financial operations. They oversee the financial risks stemming from the EU's financial operations, namely:

- borrowing, debt, and the related liquidity management;
- lending operations and budgetary guarantees;
- asset management, including the management of the provisions of the Common Provisioning Fund which represent the reserves set aside to meet calls on EU budgetary guarantees.

2. Analysis of the different sources of contingent liabilities

2.1 Budgetary guarantees

These are guarantees provided by the EU budget to multiple implementing partners and counterparts[17] to deliver on the objectives of the European Fund for Strategic Investments (EFSI)[18],

11 Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

12 Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433 I, 22.12.2020, p. 11).

13 Proposal for a Council Regulation laying down the multiannual financial framework for the years 2028 to 2034 (COM(2025)571 final); Proposal for a Council Decision on the system of own resources of the European Union and repealing Decision (EU, Euratom) 2020/2053 (COM(2025)574 final).

14 If there is no agreement on the legislative proposals for 2028-2034, the current own resources ceiling of 1.4% of EU GNI will continue to apply and, the 'ceilings and other provisions corresponding to the last year of financial framework shall be extended', in accordance with the provisions of Article 312(4) TFEU. In such a scenario, the sustainability of the headroom under the permanent own resources ceiling will be assured albeit with a lesser policy expenditure capacity than proposed and than in the current MFF, taking into account NGEU repayment.

15 See paragraphs 3.2 and 4.2 of the report from the Commission to the European Parliament and the Council on financial instruments, budgetary guarantees, financial assistance and contingent liabilities - situation at 31 December 2020 (COM(2021) 676 final of 5.11.2021).

16 Commission Decision (EU, Euratom) 2025/369 of 21 February 2025 establishing the role of the Chief Risk Officer overseeing the financial risks arising from the Union's financial operations (OJ L, 2025/369, 25.2.2025).

17 In some cases, the guarantee can also cover additional items such as funding costs and other fees.

18 Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 (OJ L 169, 1.7.2015).

InvestEU[19], the External Lending Mandate (ELM)[20], the European Fund for Sustainable Development (EFSD)[21], the EFSD+[22], and the Ukraine Investment Framework (UIF) set up under the Ukraine Facility Regulation to support investment in Ukraine[23].

Differences in the geographical focus of these guarantee programmes influence the risks they bear, with external mandates covering non-EU countries generally facing higher risks, in particular for guarantees extended to private entities, due to greater political, economic and regulatory uncertainty compared to internal EU mandates. The EFSI and InvestEU help to overcome investment gaps within the European Union. The ELM, EFSD, and EFSD+ form part of the European Union's external policies and support financing and investment in non-EU countries. The ELM and EFSD+ Investment Window 1 focus on sovereign counterparts, while the EFSD and EFSD+ Open Architecture and Investment Window 4 mainly target private operations). The UIF supports investments in Ukraine's recovery and reconstruction by Ukrainian authorities, private sector companies, municipalities, state-owned enterprises, and other actors.

Table 1: State of play of budgetary guarantees(*) (as at 31 December 2025) (EUR million**)

	Maximum available guarantee signed with implementing partners/counterparts	Available guarantee related to operations signed by implementing partners/counterparts	Available guarantee related to operations signed by implementing partners/counterparts and disbursed
EFSI	25 119	21 449	19 982
EFSD	583	573	451
ELM	20 880	20 880	16 826
InvestEU	28 469	15 519	6 010
UIF	3 540	2 699	1 181
EFSD+	33 965	16 461	2 949
Total	**112 556**	**77 580**	**47 399**

(*) The first column represents the maximum amount of the guarantee granted to the implementing partners (IPs)/counterparts following the signature of guarantee agreements with the EC. The second column includes the total amount of the guarantee in all operations signed by the IPs/counterparts with the final recipients/financial intermediaries. The guarantee related to operations signed and disbursed includes the amounts of operations disbursed by the counterpart to the final recipient/the financial intermediaries. The difference between the second and third column is the amount of the guarantee still to be disbursed.

19 Regulation (EU) 2021/523 of the European Parliament and of the Council establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021).

20 An overview of the relevant legislative acts and corresponding guarantee agreements between the Commission and the European Investment Bank is available in the Definitive Adoption (EU, Euratom) 2021/417 of the European Union's general budget for the financial year 2021 (Section III – Commission, Remarks for Item 14 20 03 02 of the statement of expenditure 'External Action Guarantee for NDICI, EINS, IPA III and MFA') (OJ L 93, 17.3.2021, p. 959).

21 Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017).

22 Set up in Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021).

23 Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024).

(**) Totals may not tally due to rounding to the nearest EUR million.

a) Budgetary guarantees to support investment outside the EU

Established in 1977, the **ELM** is the oldest EU budgetary guarantee. It enables the European Investment Bank (EIB) to undertake financing operations in riskier environments outside the EU, in areas such as the development of socio-economic infrastructure.

The **EFSD** guarantee was set up in 2017 to support investment and improve access to finance - primarily in Africa and EU neighbourhood countries - and to help those countries meet the UN Sustainable Development Goals.

Building on the experience of the ELM and the EFSD, the **EFSD+** was set up for the current MFF as a common capacity to support sub-Saharan Africa, Asia, the Pacific region, Latin America, the Caribbean and the neighbourhood and enlargement countries. The EFSD+ contributes to investment that: (i) reduces socio-economic inequalities; (ii) promotes sustainable and inclusive growth; (iii) encourages climate change adaptation and mitigation; (iv) supports environmental protection and management; and (v) fosters job creation.

The **UIF** is part of the Ukraine Facility established in 2024 to bolster recovery, reconstruction and modernisation, mobilise investment, support Ukrainian society and Ukraine's path towards EU accession[24].

b) Budgetary guarantees to support investment within the EU

In 2015, the **EFSI** was launched to address the persistent weakness in private investment in the EU following the financial crisis. It provides for an EU budget guarantee of up to EUR 26 billion to the EIB Group, complemented by an additional EUR 7.5 billion from the EIB's own resources.

Launched under the 2021-2027 MFF, the **InvestEU** programme aims to give a further boost to investment supporting economic recovery, resilience, green growth and employment across the EU. It seeks to do so by mobilising public and private financing sources in order to provide long-term funding and support to companies and projects to deliver on the EU's policy priorities.

c) Comparative analysis of budgetary guarantees

The budgetary guarantee programmes are at different stages of implementation (see Table 1). The ELM has a long track record, while the constitution periods[25] for the EFSI and EFSD ended only in 2022 and 2024, respectively. At the same time, the investment phase of InvestEU, the EFSD+ and the UIF has started more recently.

For the ELM and EFSI, guarantee amounts have already been pledged to implementing partners, which have in turn committed to use those funds to support eligible operations. The EU's exposure under the ELM will naturally decline as the underlying portfolios are amortised. EFSI related EU exposure is also decreasing with the amortisation of underlying portfolios except for the parts of the EFSI guarantee that are the subject to combinations with InvestEU. By contrast, newer budgetary guarantees such as the EFSD+, InvestEU and the UIF remain at earlier stage of implementation. The gap between signed and disbursed operations under these programmes reflects the time needed to translate signed guarantee agreements into actual financing reaching final beneficiaries.

Newer guarantee programmes, such as InvestEU, the EFSD+ and the UIF, build on earlier experiences and features. They also contain novelties like involving a larger number of

24 Ukraine Investment Framework

25 I.e., the period during which the guarantees can be signed by the implementing partners/counterparts with the final recipients/financial intermediaries and disbursed.

implementing partners under an 'open architecture' model and offering a broader range of financial products.

2.2 Provisioned loans to non-EU countries

Provisioned contingent liabilities also arise from financial assistance provided in the form of **Macro-Financial Assistance** (MFA)[26] and **Euratom**[27] loans to non-EU countries as well as **loans for reforms and investment** provided under the Reforms and Growth Facility for Western Balkans (RGFWB)[28] and the Reform and Growth Facility for Moldova (RGFM)[29].

Financial support to non-EU countries in the form of bilateral loans from the EU has been granted mainly under the MFA instrument, which supports non-EU countries experiencing a balance-of-payments crisis. In 2025, the Commission disbursed the first instalment of EUR 250 million out of the EUR 500 million MFA for Jordan[30]. Moreover, EUR 300 million in Euratom loans to support Ukraine's nuclear energy programme remained outstanding at 31 December 2025.

More recently, loans have been used alongside non-repayable support to finance investment and reforms through policy-based facilities for the Western Balkans and Moldova. Adopted in 2024, the Reform and Growth Facility for the Western Balkans provides up to EUR 2 billion in non-repayable support and EUR 4 billion in loans to six enlargement candidates. By the end of 2025, EUR 184 million had been disbursed to four of the six beneficiaries: Albania, Montenegro, North Macedonia and Serbia. The Reform and Growth Facility for Moldova was adopted in 2025 with an overall financial package of EUR 1.8 billion, including EUR 1.5 billion in loans. Of this amount, EUR 289 million was disbursed in 2025. An overview of outstanding provisioned loans to non-EU countries is presented in Table 2.

It should be noted that the cost of borrowing (interest) is an estimate based on funding conditions (at 31 December 2025). It does not reflect the final cost, which is calculated and invoiced as per the Commission implementing decision C(2022)9701 final of 19.12.2022.

Table 2: Outstanding amounts in respect of provisioned loans to non-EU countries (as at 31 December 2025) (EUR million)

	Outstanding loans	Accrued interest	Total
MFA(*)	15 968	147	**16 115**
Euratom	300	1	**301**
RGFWB	184	3	**187**
RGFM	289	4	**293**
Total	**16 741**	**155**	**16 896**

(*) Excluding headroom-backed loans to Ukraine under the MFA+ operation, the Ukraine Facility, and the Extraordinary Revenue Acceleration (ERA) MFA loan for Ukraine which are described in Section 2.3.

26 The legal basis for MFA to non-EU countries other than developing countries is Article 212 of the Treaty on the Functioning of the European Union (TFEU). Article 213 TFEU may be used as a legal basis when a non-EU country requires urgent financial assistance.

27 The Euratom loan facility helps both Member States and non-EU countries finance investments in nuclear power stations and in industrial installations in the nuclear fuel cycle. See Council Decision 77/270/Euratom of 29 March 1977 empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations (OJ L 88, 6.4.1977, p. 9) as amended and supplemented.

28 Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans.

29 Regulation (EU) 2025/535 of the European Parliament and of the Council of 18 March 2025 establishing the Reform and Growth Facility for the Republic of Moldova.

30 For more information, including the outstanding amounts per country, see the report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to non-EU countries in 2025 (COM(2026) 294) and the accompanying Staff Working Document (SWD(2026) 160 final).

The liability for the EU is contingent because the beneficiary country is contractually obliged to provide the revenue flow to pay the EU bonds[31]. As a contingency against the eventuality that the beneficiary country does not pay the interest or principal due on the loan received, the EU budget sets aside provisions to cater for that risk. The existing legislation mandates that 9% of the value of the loans is held as provisions for MFA, policy-based facilities or Euratom loans to non-EU countries in dedicated compartments in the CPF. Section 3.2. provides a more detailed analysis.

The repayment amounts in Table 3 are to be seen as the maximum foreseeable amounts that could be called against provisions in the budget in the years 2026-2034. For the Western Balkans and Moldova Facilities, the figure shows interest payments only, as principal repayments are due after 2034, as per the repayment schedule.

Table 3: Yearly repayment schedule of outstanding provisioned loans to non-EU countries (principal and interest) for the years 2026-2034 (at 31 December 2025) (EUR million)

Year	Euratom	MFA (*)	RGFWB	RGFM	All programmes
2026	1	417	5	8	**431**
2027	51	450	5	8	**514**
2028	50	449	5	8	**512**
2029	0	1 192	5	8	**1 205**
2030	100	315	5	8	**428**
2031	100	1 423	5	8	**1 536**
2032	0	969	5	8	**982**
2033	0	764	5	8	**777**
2034	0	947	5	8	**960**
Total	**302**	**6 926**	**45**	**72**	**7 345**

(*) Excluding headroom-backed loans to Ukraine under the MFA+ operation, the Ukraine Facility, and the Extraordinary Revenue Acceleration (ERA) MFA loan for Ukraine which are described in Section 2.3.

2.3 Headroom-backed loans

The contingent liabilities under this heading arise from **loans to Member States** (i.e. under the Balance of Payments (BoP) Facility[32], the European Financial Stabilisation Mechanism (EFSM)[33], the European Instrument for temporary Support to mitigate Unemployment Risks in an Emergency

31 Prior to January 2023, loans were provided on the basis of 'back-to-back' borrowing operations, i.e. each loan was funded with a corresponding bond that fully matched the EU loan in terms of its maturity, interest rate, and repayment schedule. Since then, the unified funding approach has been established as the general borrowing method for programmes financed by EU borrowing (Regulation (EU, Euratom) 2022/2434 of the European Parliament and of the Council of 6 December 2022 amending Regulation (EU, Euratom) 2018/1046). Under this approach, the Commission collects all the proceeds from the issuance of single-labelled EU-Bonds in a centralised funding pool and allocates them to the different policy programmes according to their respective legal bases.

32 Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p. 1). The BoP Facility was created in 2002 to help EU countries outside the euro area that experience - or run the risk of experiencing - balance of payments difficulties.

33 Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (OJ L 118, 12.5.2010, p. 1). Council Regulation (EU) 2015/1360 of 4 August 2015 amending Regulation (EU) No 407/2010 establishing a European financial stabilisation mechanism (OJ L 210, 7.8.2015, p. 1).

(SURE)[34] and the Recovery and Resilience Facility (RRF)[35]). In addition, all **loans made to Ukraine** since 2023 under various programmes have also been backed by the headroom.

Contingent liabilities arising from loans to Member States and recent loans to Ukraine are not provisioned *ex ante from the EU budget*. Instead, they are backed by the EU's ability to call on additional own resources from Member States within the limits of the own resources ceiling, thereby using the budgetary 'headroom'[36].

This means that if a beneficiary failed to honour its obligations towards the EU, the EU could call on the Member States to cover the amount concerned, as a last resort and only after exhausting all other options available under the applicable multiannual financial framework. Any such calls would be made over and above the MFF expenditure ceilings, while remaining within the own resources ceiling.

More recent loans (RRF loans, SAFE loans and loans to Ukraine since 2023) are financed through the unified funding approach[37]. This involves granting loans to beneficiaries with long durations, typically including an extended period during which principal is not repaid, followed by a long reimbursement period with small annual principal amortisation.

In 2025, the Commission, acting on behalf of the EU, administrated four programmes under which it granted loans to Member States. No new loans were disbursed under the first three programmes during the year. Further details on the four programmes are provided below.

- The **BoP Facility** was created in 2002 to help EU countries outside the euro area that experience - or run the risk of experiencing – balance-of-payments difficulties. Latvia repaid the final EUR 200 million instalment of its 2009–2010 BoP support in October 2025. As a result, no loans remain outstanding.
- The **EFSM** was put in place in 2010 to provide financial support to Member States experiencing - or threatened by - severe financial difficulties caused by exceptional events beyond their control. The outstanding amount by the end of 2025 was EUR 37.1 billion.
- The **SURE** programme was agreed in June 2020 to help finance sudden and severe increases in national public expenditures related to national short-time work schemes and similar measures in response to the COVID-19 crisis. This emergency instrument was put in place before the Own Resources Decision which increased the own resources ceiling[38] entered into effect. All Member States have consequently agreed to provide irrevocable, unconditional and on-demand guarantees for 25% of the maximum amount of financial assistance[39]. Each Member State contributes to the overall amount of the guarantee proportionate to its relative share in the total GNI of the EU as specified for the 2020 EU budget. The outstanding amount by the end of 2025 was EUR 90.4 billion and the Member States started reimbursing in November 2025. The cumulative amount of reimbursements totalled EUR 8 billion in 2025 and EUR 8 billion in 2026.

34 Council Regulation (EU) No 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak (OJ L 159, 20.5.2020, p. 1).

35 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

36 Council Regulation (EU) 2026/469 of 23 April 2026 amending regulation (EU, Euratom) 2020/2093 laying down the multiannual framework for the years 2021 to 2027.

37 The BoP facility, the EFSM and SURE were still financed via 'Back to Back' borrowing operations.

38 The own resources ceiling under Decision 2014/335/EU was 1.20% of GNI and it was increased to 1.40% of EU GNI by Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom.

39 In addition to the guarantee provided by all Member States, there are a number of safeguards laid down in the SURE Regulation to mitigate the risk from SURE contingent liabilities. These include a concentration limit on the three largest loans of 60% of the maximum amount granted under SURE, a maximum annual exposure of 10% (i.e. payments due each year may not exceed EUR 10 billion), and the possibility for the Commission to roll over its borrowings if necessary.

- Set-up in 2020, the **RRF** is the largest programme under NextGenerationEU package (NGEU[40]). It provides repayable and non-repayable support to Member States to recover from the economic shock caused by the Covid-19 pandemic. Only loans to Member States give rise to contingent liabilities. Non-repayable support is to be covered from EU budget expenditures. Expenditures related to the interest cost and repayment of non-repayable NGEU support, as well as the guarantee of NGEU-related contingent liabilities, are covered via a dedicated ceiling of 0.6% of EU GNI under the Own Resources Decision[41]. By the end of 2025, outstanding repayable NGEU support amounted to EUR 155.9 billion, with Member States expected to begin repaying the principal from 2031 onwards.

At the end of 2025, the EU budget also carried contingent liabilities arising from three programmes supporting Ukraine, which were backed by the budgetary headroom:

- The **MFA+**, which was set up to provide support to Ukraine in 2023, and for which outstanding amounts were EUR 18 billion at end-2025. Repayment starts in May 2033 in 20 equal annual instalments up to 2054 for the last loan disbursed in the end of 2023.
- The **Ukraine Facility**, which was set up in 2024, and for which contingent liabilities amounting to EUR 23.2 billion (out of EUR 33 billion) were outstanding at the end of 2025. Repayment starts in May 2034 in equal annual instalments, after a 10-year grace period.
- The **Extraordinary Revenue Acceleration (ERA) MFA loan for Ukraine** was disbursed in 2025 (EUR 18.1 billion outstanding at the end of 2025) and regular repayment starts in May 2035 in equal annual instalments, after 10 years of grace period. The loan contract foresees early repayments to be executed from extraordinary revenues arising from the immobilised Russian central bank assets collected from central securities depositories. The revenues from the immobilised assets were used for early reimbursement of the ERA MFA loan for the first time in 2026 for a total amount of EUR 695.3 million.

Overall, total outstanding loans increased from EUR 280.4 billion at end-2024 to EUR 342.6 billion at end-2025, i.e. an increase of EUR 62.2 billion (+22.2%).

To provide additional relief to Ukraine's strained national budget, the European Union provides a subsidy for the costs of borrowing under these programmes, with different arrangements. Member States contribute to the interest costs of MFA+ loans through a direct contribution which constitutes external assigned revenue to the EU budget. The Ukraine Facility covers the costs of borrowing for the loan component, through budget appropriations. As for the Ukraine ERA MFA loan, the repayment of the principal and associated interest costs is covered by revenues generated from immobilised Russian central bank assets, via the Ukraine Loan Cooperation Mechanism.

Table 4: Disbursed loans backed by EU budget headroom (as at 31 December 2025) (EUR million)

	Outstanding loans	Accrued interest	Total
EFSM	37 100	367	**37 467**
SURE	90 355	104	**90 459**
RRF (loans)	155 904	2 310	**158 214**
MFA+	18 000	270	**18 270**
Ukraine Facility	23 163	309	**23 472**

40 Council Regulation (EU) 2020/2094 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433 I, 22.12.2020, p. 23).

41 Article 5 and 6 of Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom

ERA MFA	18 116	214	**18 330**
Total	**342 638**	**3 574**	**346 212**

Between end-2024 and end-2025, as implementation of the Ukraine Facility continued, corresponding outstanding contingent liabilities rose from EUR 13.3 billion to EUR 23.5 billion. Table 5 shows the total annual payments due by all loan beneficiaries until 2034.

Table 5: Annual repayment schedule for outstanding headroom-backed loans under existing programmes, for years 2026-2034 (principal and interest, as at 31 December 2025) (EUR million)

Year	EFSM	SURE	RRF loans (*)	MFA+ (**)	Ukraine Facility(***)	ERA	All programmes
2026	6 857	8 327	3 715	564	562	0	20 025
2027	3 531	327	4 205	567	673	461	9 764
2028	2 756	10 327	4 209	568	675	461	18 996
2029	1 790	8 464	4 209	568	674	462	16 167
2030	371	10 327	4 204	567	673	461	16 603
2031	6 921	327	4 204	567	673	461	13 153
2032	3 354	327	5 110	568	674	461	10 494
2033	2 353	327	6 464	568	674	462	10 848
2034	226	327	7 001	567	673	461	9 255
Total	**28 159**	**39 080**	**43 321**	**5 104**	**5 951**	**3 690**	**125 305**

(*) The cost of borrowing is an estimate based on current funding conditions (at 31 December 2025). It does not reflect the final cost which is calculated and invoiced as per the Commission implementing decision C(2022)9701 final of 19.12.2022).

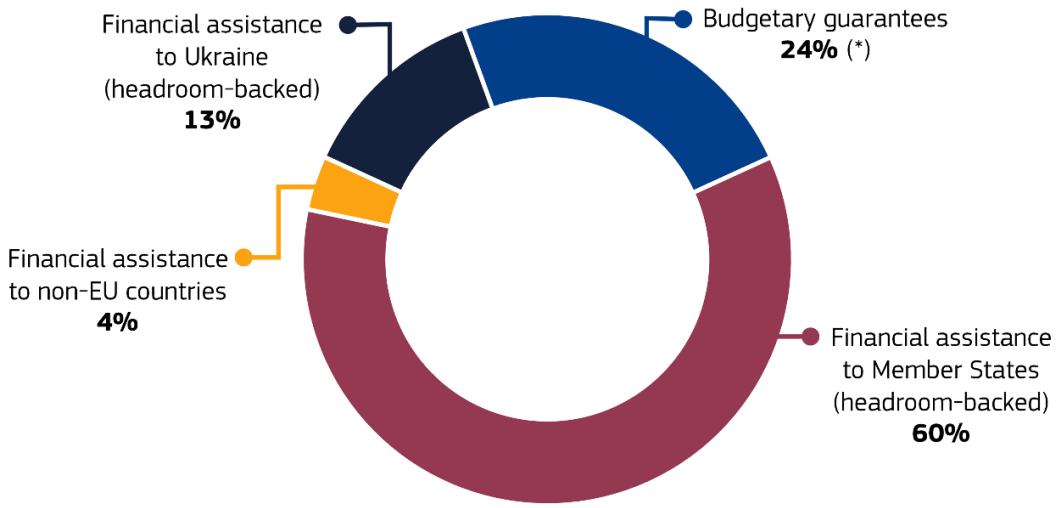
(**) In accordance with Article 17 of Regulation (EU) 2022/2463, each year, upon Ukraine's request, the EU may grant an interest rate subsidy to cover interest costs related to MFA+ loans.

(***) In accordance with Article 23 of Regulation (EU) 2024/792 Ukraine may request each year an interest rate subsidy to cover interest costs related to the loans granted under the Ukraine Facility.

2.4 Overview of contingent liabilities at the end of 2025

At the end of 2025, the EU budget had contingent liabilities amounting to a total of **EUR 476 billion**, broken down as follows: i) over **EUR 363 billion** related to loans to Member States and non-EU countries; and ii) **EUR 113 billion** related to guarantees. The largest share of these contingent liabilities arose from loan programmes to Member States.

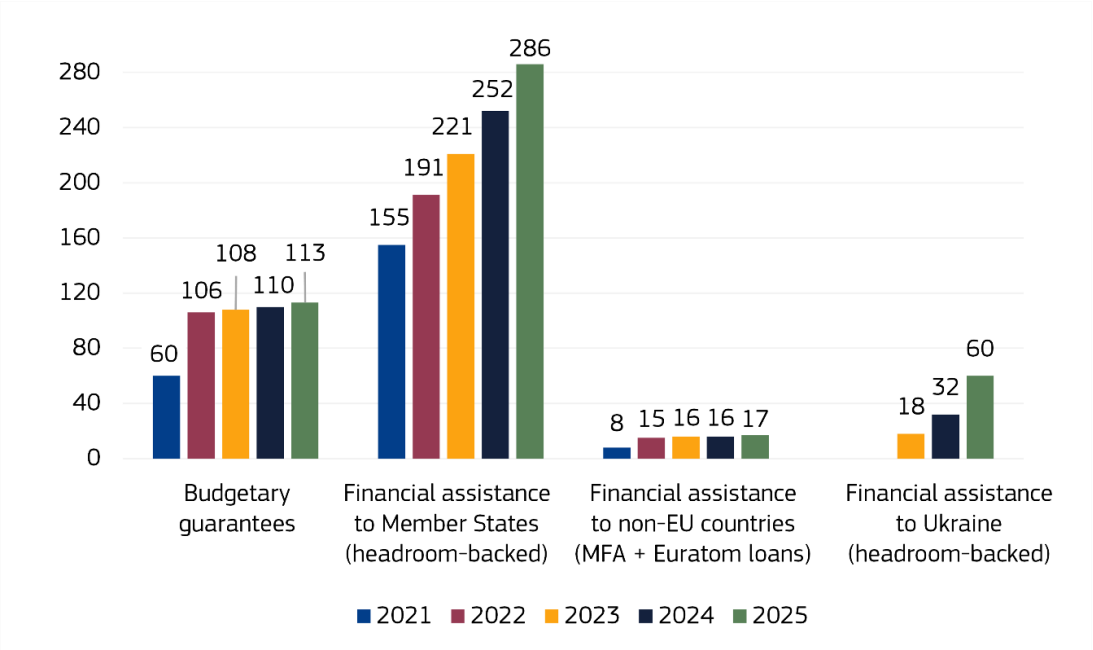
Figure 1: Composition of contingent liabilities by source (at 31 December 2025)



(*) Based on 'Maximum available guarantee signed with implementing partners' (Table 1). Totals may not tally due to rounding.

The growing importance of budgetary guarantees and financial assistance programmes in the implementation of EU policies is reflected in the steady upward trend observed over the period 2021-2025. The increase recorded in 2025 (+13% compared with the previous year) is equal to the rise registered between year-end 2023 and year-end 2024 (+13%).

Figure 2: Composition of outstanding contingent liabilities by source over the period 2021-2025 (EUR billion)



The bulk of the 2025 increase is driven by the loan disbursements under the RRF and financial assistance to Ukraine. Contingent liabilities stemming from budgetary guarantee programmes remained largely stable in 2025. The increase in liabilities arising from the start of the implementation phase for the InvestEU, EFSD+ and the UIF was almost entirely offset by maturing or cancelled exposures from the ELM, EFSI and EFSD.

Box 1: Looking ahead: an overview of future contingent liabilities

On 27 May 2025, the Council of the European Union adopted **SAFE (Security Action for Europe)**[42] to provide financial support of up to EUR 150 billion to Member States to speed up defence readiness by allowing urgent and major investment in support of the European defence industry. The first disbursements have taken place in 2026 (EUR 7.7 billion disbursed by 30 June 2026, availability until end-2030). Borrowing operations under this programme are integrated in the EU's unified funding approach. The issuances are backed by the EU budget via the permanent headroom. Loans and borrowing costs will be repaid by the borrowing Member States.

To address Ukraine's immediate needs for continued financing in 2026 and 2027, the 2021-2027 Multiannual Financial Framework (MFF) Regulation was amended in 2026 to enable the new **Ukraine Support Loan** of EUR 90 billion[43]. This will provide Ukraine with urgently needed military assistance to strengthen its defence capabilities (indicatively, EUR 60 billion) and budget support (indicatively, EUR 30 billion). The loan is backed by the permanent headroom of the EU budget. EUR 7.1 billion had been disbursed by 30 June 2026. Interest rate costs in 2027 related to this loan will be subsidised. The European Council agreed that this loan would be repaid by Ukraine only once reparations are received from Russia ('*limited recourse loan*'). The loan was adopted under enhanced cooperation (Article 20 TEU). Expenditure resulting from its implementation, other than administrative costs entailed for the institutions, will therefore not be borne by the non-participating Member States (Czechia, Hungary and Slovakia).

The sustainability of future contingent liabilities related to the implementation of those two instruments, as well as other instruments adopted or implemented in 2026 (such as the Ukraine Support Loan, the SAFE loans, the further implementation of the approved MFA programmes to Egypt[44] and Jordan[45], the implementation of budgetary guarantee programmes, and the completion of the RRF), will be presented in future editions of this report.

3. Assessing the sustainability of EU contingent liabilities

3.1 Assessment framework

Article 213(3) of the Financial Regulation stipulates that '*contingent liabilities arising from budgetary guarantees or financial assistance borne by the budget shall be deemed sustainable if their forecast multiannual evolution is compatible*' with the ceilings established in the MFF Regulation and the ORD. This is without prejudice to the assessment of provisioning of certain financial liabilities over their entire lifetime that is required when liabilities are incurred.

In particular, any possible payments related to **provisioned contingent liabilities** for budgetary guarantees and loans to non-EU countries must be financed from existing or future provisions within the CPF. Section 3.2 of this report presents an assessment of the adequacy of the available provisions.

42 Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument.

43 Regulation (EU) 2026/467 of the European Parliament and of the Council of 24 February 2026 implementing enhanced cooperation on the establishment of the Ukraine Support Loan for 2026 and 2027.

44 Decision (EU) 2025/1267 of the European Parliament and of the Council of 24 June 2025 providing macro-financial assistance to the Arab Republic of Egypt.

45 Decision (EU) 2025/793 of the European Parliament and of the Council of 14 April 2025 providing macro-financial assistance to the Hashemite Kingdom of Jordan.

Payments related to **headroom-backed** contingent liabilities can be financed by calling on additional own resources from Member States up to the ceiling laid down by the ORD[46]. These resources are called over and above the MFF expenditure ceilings[47]. This is a last resort safeguard measure after having sought other means within the financial architecture of the EU budget, including possible re-profiling of contingent liabilities. which is made easier by the unified funding approach. The sustainability of headroom-backed liabilities is assessed in Section 3.3 under several stress scenarios.

3.2 Assessment of the sustainability of the provisioned contingent liabilities

a) Provisioning available at end of 2025

Contingent liabilities arising from budgetary guarantees, from financial assistance to non-EU countries, and from the facilities for the Western Balkans and Moldova are provisioned for in the EU budget based on a conservative assessment of the lifetime expected losses for each instrument plus an additional safety buffer (to cater for unexpected losses). The provisions protecting the EU budget against losses that may arise from budgetary guarantees and financial assistance to non-EU countries are held in the CPF.

On 31 December 2025, the market value of net assets in the CPF amounted to EUR 27.2 billion, up from EUR 23.2 billion at the end of 2024. In 2025, the CPF received EUR 3.1 billion of net contributions from the EU budget and participating Member States and countries in the European Free Trade Area (EFTA). The remainder of the increase comes from a higher market value of existing assets.

The CPF is expected to be endowed with further contributions from the EU budget and from contributing countries over the duration of the current MFF. These will notably be used to increase the provisioning for InvestEU, the EFSD+, the UIF and the Facilities for Western Balkans and Moldova.

The CPF maintains a liquid diversified portfolio. It invests in investment grade-rated debt instruments, such as bonds issued by governments, supra-nationals, state agencies and corporates with the aim of assuring capital preservation over its investment horizon. The CPF portfolio at year-end was well diversified across the different asset classes in the eligible fixed income universe, including some limited exposure to non-euro denominated securities, equity exchange-traded funds (ETFs) and cash or cash equivalents.

In 2025, the CPF achieved an annual return of +3.85%, exceeding its portfolio benchmark (+3.65%).

While the funds held in the CPF are managed in accordance with a single investment policy and using a common infrastructure, the provisions are earmarked as belonging to the programme (or Member State) that is the source of the budgetary provisioning.

On 31 December 2025, the CPF was composed of 19 compartments (17 of which were fully operational and contained funds)., This included the compartments for all the ongoing guarantee programmes and the Guarantee Fund for External Action (GFEA) compartment (that covers legacy ELM, Euratom and MFA loans) and those for the post-2020 MFA, Euratom loans and Facilities for Western Balkans and Moldova. Of the 19 compartments, 11 are EU level compartments and 8 are Member States compartments under InvestEU where the contributing Member State owns the provisions and is solely responsible for the associated contingent liabilities.

46 Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom.

47 Article 2 of Council Regulation (EU) 2026/469 of 23 April 2026 amending regulation (EU, Euratom) 2020/2093 laying down the multiannual framework for the years 2021 to 2027.

The provisions for the MFA and Euratom loans are spread over several CPF compartments at end 2025:

- the provisions for legacy exposures (EUR 7.3 billion of MFA pre-2020 loans and EUR 300 million of Euratom loans) are part of the GFEA compartment;
- the provisions for post-2020 MFA loans, including the 2022 EUR 1.2 billion emergency MFA loan to Ukraine, the MFA loans to Moldova, North Macedonia, Egypt and Jordan adopted since 2021, and the Facilities to the Western Balkans and Moldova, are in the post-2020 MFA compartment;
- the exceptional MFA loans to Ukraine of EUR 6 billion (exceptional MFA I and MFA II) adopted in 2022 are in a separate compartment given that these loans benefit from supplementary coverage of risks (i.e. for this exceptional MFA loans package to Ukraine, a coverage rate of 70% is required: 9% paid-in provisioning from the EU budget and 61% of callable guarantees from Member States).

Table 6: Common Provisioning Fund – CPF - compartments (as at 31 December 2025)

Compartment	Market value in EUR
Compartments opened in 2021	
EFSI	9 175 239 371
GFEA (*)	3 354 171 333
EFSD	792 918 308
InvestEU – EU compartment	7 124 578 871
Compartments opened in 2022	
EFSD+	3 582 508 961
Post-2020 MFA	228 000 668
Exceptional MFA Ukraine (**)	511 348 526
Post-2020 Euratom loans	
Repurposed ELM loans Ukraine	-
InvestEU Guarantee Romania	242 559 639
InvestEU Guarantee Czechia	60 345 721
InvestEU Guarantee Finland	51 912 990
InvestEU Guarantee Greece	379 824 566
InvestEU Blending Operations	710 676 831
Compartments opened in 2023	
InvestEU Guarantee Bulgaria	132 950 691
InvestEU Guarantee Malta	9 716 815
Compartments opened in 2024	
Ukraine Guarantee - UIF	613 877 445
InvestEU Guarantee Spain	144 964 526
Compartments opened in 2025	
InvestEU Guarantee Portugal	50 022 110

Compartment	Market value in EUR
TOTAL	**27 165 617 372**

(*) Provisions for pre-2020 loans provided under the ELM, MFA and Euratom programmes.
(**) Decision (EU) 2022/12018 and Decision (EU) 2022/1628 providing exceptional macro-financial assistance to Ukraine.

b) Assessment of sustainability of budgetary guarantees

Budgetary guarantees differ substantially in their policy objectives, risk-sharing arrangements, and the risk profiles of the underlying operations. Different provisioning rate are set for different programmes, based on a lifetime value-at-risk (VaR)[48] which ensures appropriate coverage of potential losses at a certain (predefined) confidence level.

The analysis published on 10 June 2026 in the report on Article 41(5) of the Financial Regulation confirms that the provisioning available in the relevant CPF compartments is consistent with the requirements laid down in the respective regulations. Surplus provisioning was identified for the GFEA, EFSI and EFSD programmes.

- The **EFSI** is a fully constituted budgetary guarantee for which the eligible signature period elapsed at the end of 2022. Therefore, in line with Article 216(4) of Financial Regulation, the Commission will carry out the surplus/replenishment assessment. The EFSI target provisioning rate of 35% seems appropriate (i.e. the risk assessment suggested a provisioning rate of 31.6%, down from 34% in the previous year). Current provisioning held behind EFSI exposures (37.2%) exceeds the target provisioning rate of 35%. In line with the EFSI Regulation (Article 12(10)), this excess EFSI provisioning, amounting to EUR 475 million (at end-2025) can be used to finance the provisioning of the EU guarantee under InvestEU. The remaining amount will finance the Public Sector Loan Facility.
- The **EFSD** was fully constituted at the end of 2024. The target provisioning rate of 50% is appropriate. The analysis also shows that there is excess provisioning of EUR 496 million compared to the relevant benchmark, which results in a surplus of EUR 519 million.
- The **GFEA**, has an effective provisioning rate of 11.4% (without considering the ELM repurposed loans to Ukraine), which compares with a target provisioning rate laid down in the GFEA Regulation of 9%. The GFEA Regulation stipulates that any provisioning in excess of 10% shall be returned to the EU budget. A regulatory surplus of EUR 447 million has been recorded at end-2025 and will be returned to the general budget of the European Union for the year 2027.
- For **ELM repurposed loans to Ukraine**, the Commission considers that a provisioning rate of 70% remains appropriate.
- **InvestEU**, the **EFSD+** and the **Ukraine Guarantee** are still in the ramp-up phase which means that the underlying portfolios and provisioning are not yet fully constituted. Therefore, it is too early to draw conclusions about the adequacy of the provisioning rates for these guarantees.

c) Assessment of sustainability of provisioned loans to non-EU countries

The composition of the outstanding MFA loan portfolio to non-EU countries comprises loans to a diversified set of: (i) EU candidate and potential candidate countries; (ii) countries and territories covered by the European Neighbourhood Policy; and (iii) other non-EU countries that play a

48 The VaR can be defined as the portfolio loss level which, statistically, over a certain time horizon, will not be exceeded with a certain confidence level. The respective confidence levels for internal programmes (EFSI, InvestEU) and external programmes (EFSD, EFSD+) are 95% and 90% respectively and take into account factors such as the different policy objectives and the respective legal frameworks.

determining role in regional stability and which are of strategic importance for the EU, and are politically, economically, and geographically close to the EU.

For **post-2020 Macro-Financial Assistance loans backed by the External Action Guarantee (EAG) and loans under the Reform and Growth Facilities for the Western Balkans and Moldova**, the portfolio is still in the ramp-up phase, which means that the underlying portfolios and provisioning are not fully constituted. Therefore, it is too early to draw final conclusions regarding the adequacy of the provisioning rates.

The 9% target provisioning rate for MFA loans, under provisioning assessment methodology applicable as at 31 December 2025, is considered appropriate due to:

- The nature of the countries benefiting from MFA, that are either EU candidate countries or neighbourhood countries with a Strategic and Comprehensive Partnership, ensuring close cooperation with the EU and strengthening incentives to repay the EU;
- The MFA operations' traditional direct link to and contingency on a satisfactory track record under an IMF disbursing programme, which provides additional assurance on the debt sustainability of the beneficiary country and, thus, on the capacity to repay Union funds, its commitment to reform, and the MFA/IMF requirements to implement strong macro-fiscal and structural conditionalities strengthening economic fundamentals and resilience;
- The economic standing of the MFA beneficiaries, taking into account factors such as GDP per capita, the relative maturity of the economy, proximity to the EU economy, etc.;
- The assessment of the economic situation of the MFA beneficiaries and the recent macroeconomic developments in partner countries;
- The repayment track record of MFA beneficiaries to the EU (with no default recorded since the existence of macro-financial assistance).

On liquidity risk, it should also be borne in mind that the current structure of MFA loans, maturities and repayments from beneficiaries are well spread out over several years well beyond the current MFF[49] thereby reducing the EU budget's exposure in a single year. Additionally, the liquidity held in the CPF serves as a buffer to absorb potential financial disruptions arising from delayed payments or defaults by beneficiaries. Furthermore, for loans funded under the unified funding approach the possibility to adjust the repayment structures of the underlying debt instruments provides additional relief to the EU budget.

Box 2: EU contingent liabilities arising from financial support to Ukraine – Main developments in 2025-2026

Since Russia's full-scale invasion of Ukraine in 2022, the EU has consistently provided strong political, economic, military, financial and humanitarian support to Ukraine. The full set of direct (under Commission direct management) and indirect financial exposures (via the implementing partners) to Ukraine under existing programmes at 30 June 2026 are presented in Table 7 below.

The main vehicles for delivering financial support to Ukraine for the period 2024-2027 are the **Ukraine Facility**, with an overall capacity of up to EUR 50 billion (EUR 17 billion in non-repayable support and EUR 33 billion in loans) for 2024-2027[50] and the **Ukraine Support Loan** of EUR 90 billion for 2026-2027.

49 European Commission: Directorate-General for Budget, *Consolidated annual accounts of the European Union for the financial year 2025*, Publications Office of the European Union, 2026, https://data.europa.eu/doi/10.2761/4333446 _en

50 See Box 1 in the 2024 Report for details.

In 2024, the EU committed itself to provide a further MFA loan of EUR 18.1 billion in the context of the **G7's 'Extraordinary Revenue Acceleration (ERA) Loans for Ukraine Initiative'**[51]. The loan, fully disbursed over the course of 2025, will be repaid with extraordinary revenues from immobilised Russian central bank assets immobilised in the EU through the **Ukraine Loan Cooperation Mechanism ('ULCM')**[52], which is administered by the European Commission. The revenues from the immobilised assets also cover the interest rate costs of these loans.

The Ukraine Facility loans (EUR 33 billion for 2024-2027), the Extraordinary Revenue Acceleration (ERA) MFA loan (EUR 18.1 billion for 2024-2027), and the Ukraine Support Loan (EUR 90 billion for 2026-2027) are provided with a high degree of concessionality, given the interest subsidy and the long repayment period of 35 years and 45 years respectively, including a 10-year grace period.

In February 2026, the co-legislators adopted the **Ukraine Support Loan (USL)**. It will provide up to EUR 90 billion as a limited recourse loan to support Ukraine's macro-financial stability and defence industrial capacities. The USL Regulation was adopted under enhanced cooperation and is guaranteed by the headroom of the EU budget (see Box 1).

The limited recourse nature of the USL effectively implies that the loan has no specific maturity.

The loans granted to Ukraine in late 2022 (Exceptional MFA to Ukraine worth EUR 6 billion MFA and EUR 1.6 billion in repurposed loans under the ELM) are financially covered by 70% provisioning[53]. In compliance with Article 13 of the MFA Decision (EU) 2022/1628, the Commission reviewed the adequacy of the 70% provisioning rate at the end of June 2026 as part of the report on Article 41(5) of the Financial Regulation.

Following this review, the Commission concluded that for the period under examination there were no new lasting and meaningful elements which would require changing the provisioning rate of 70%. The most recent developments, including the approval of the new IMF Extended Arrangement under the Extended Fund Facility (EFF) for Ukraine in February 2026 and the subsequent Staff-Level Agreement on its first review, continue to support the Commission's assessment that the 70% provisioning rate for the exposures following the start of the war, to this beneficiary, is still appropriate[54].

51 In October 2024, the G7 agreed to launch the *'Extraordinary Revenue Acceleration (ERA) Loans for Ukraine' initiative*' ('*ERA Loans for Ukraine Initiative*'), by which the G7 members agreed to provide Ukraine with loans of up to EUR 45 billion (approximately USD 50 billion) against non-repayable financial support out of the Ukraine Loan Cooperation Mechanism ('ULCM'). The funding leg of the initiative consists of individual bilateral loans from the US, the UK, Canada and Japan, as well as an exceptional macro-financial assistance loan facility provided by the EU. The ERA Loans for Ukraine Initiative has been designed so that these loans can be repaid without recourse to Ukraine, with funds for servicing and repaying the loans to be derived from the ULCM. The ULCM, administered by the European Commission, will itself be funded from extraordinary net profits generated by central securities depositaries in the European Union and (possibly) other G7 countries on Russian Central Bank assets and reserves which were immobilised in the international clearing systems shortly after Russia launched its illegal war of aggression.

52 Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine.

53 For the repurposed ELM loans the coverage will take the form of paid-in provisioning funded by the EU budget. The same effect is achieved for the exceptional MFA by supplementing the paid-in provisioning rate at the level of 9% with guarantees from Member States to cover a second loss piece of up to 61% of the loan exposures.

54 See https://www.imf.org/en/Publications/CR/Issues/2025/06/30/Ukraine-Eighth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-568152

Table 7: Outstanding direct and indirect exposures to Ukraine (capital) under the existing programmes (at 30 June 2026) (EUR million)

Direct exposures	Outstanding amount	Budgetary coverage
Legacy MFA (pre-2020 and COVID-19)	3 760	Provisioning 9%
Legacy Euratom loans (pre-2020)	300	Provisioning 9%
Emergency MFA	1 200	Provisioning 9%
Exceptional MFA I + II[55]	6 000	Provisioning 9% (+61% MS guarantees)
MFA+	18 000	Headroom
Ukraine Facility – Pillar I	25 606	Headroom
ERA MFA	17 947	Headroom
Ukraine Support Loan	7 076	Headroom
Total	**79 889**	
Indirect exposures		
EIB ELM loans	1 812	Provisioning 9%
EIB second package under ELM	1 573	Provisioning 70%
EFSD+ IW1	15	Provisioning 70%
Ukraine Guarantee - UIF	1 489	Provisioning 70%
Total	**4 889**	

3.3 Assessment of the sustainability of the headroom-backed contingent liabilities

The EU budget's capacity to cater for a situation where the exposures in respect of headroom-backed contingent liabilities at end-2025 materialise is assessed under several scenarios. Headroom-backed contingent liabilities include the EFSM, the SURE programme (to the extent not covered by national guarantees provided by Member States), and financial assistance programmes for Ukraine since 2023. More recent contingent liabilities such as those resulting from SAFE and the Ukraine Support Loan will start to be assessed in next year's report when liabilities have been incurred.

NGEU-related liabilities are covered by a dedicated exceptional and temporary ceiling of 0.6% of EU GNI. This ensures that the EU has the means to pay interest and the principal on debt issued to fund NGEU non-repayable support for all programmes and guarantee repayable support (RRF loans) to Member States. The interest costs and the repayment of the principal for non-repayable support represent costs for the EU budget and are included in future annual budgets. Within NGEU, therefore, only RRF loans represent, strictly speaking contingent liabilities to the budget. However, to apply a conservative approach that also caters for refinancing risk, all NGEU-related maturing bonds that are planned to be rolled over are counted as a contingent liability.

The first step is to draw up a central scenario (baseline) that corresponds to the expected evolution of EU spending and the financial capacity under the own resources ceilings in the coming years. To this end, this report takes as a basis the published draft budget for 2027 and the long-term forecast of future inflows and outflows of the EU budget[56], which forecasts the revenue and

55 See https://economy-finance.ec.europa.eu/international-economic-relations/candidate-and-neighbouring-countries/ukraine_en

56 COM (2026) 365 final.

expenditure stemming from the 2021-2027 MFF, NGEU and the next MFF and ORD as per the Commission's proposal.

In this central scenario, the permanent own resources ceiling is thus set at 1.4% of EU GNI in 2027, and 1.75% of EU GNI as of 2028[57]. The additional temporary ceiling of 0.6% of EU GNI dedicated to covering NGEU-related liabilities is maintained. For the NGEU, the central scenario assumes repayment starting in 2028 with a fixed annual amount of EUR 24 billion (covering both interest and principal), in line with the Commission's proposal for the next MFF.

This scenario provides a baseline headroom projection against which the sustainability of contingent liabilities incurred at 31 December 2025 is assessed.

Under this baseline scenario, the headroom available for covering existing and new contingent liabilities for the period 2028-2034 is on average **EUR 154.8 billion** per year in respect of the margin under the permanent own resources ceiling and **EUR 115.9 billion** per year for the temporary and exceptional ceiling of 0.6% of EU GNI.

Additional stress tests assess the sustainability of existing contingent liabilities under extreme scenarios for the period 2027-2034. The stress-testing comprises three types of stress test as described below.

1) **Stress test on the economy.** In the central scenario, EU GNI follows the projections for real growth and inflation set out in the Commission's Spring 2026 European Economic Forecast[58]. For the stress test, the projected nominal GNI growth rates are lower than the baseline by one percentage point for each year of the reporting period[59].

   This stress test reduces the nominal value of the own resources ceiling and therefore the available headroom by **EUR 19.7 billion** on average per year for headroom under the permanent own resources ceiling and by **EUR 6.8 billion** on average per year under the temporary ceiling for NGEU over the period 2028-2034.

2) **Stress test on the expenditure and revenue side of the budget.** Under this scenario, MFF expenditure is projected at its theoretical maximum following the Commission's proposal for the next MFF and updated based on the latest long-term forecast of inflows and outflows (i.e. the maximum possible ceilings for the MFF payments and each special instrument, including the Ukraine Reserve). It is important to underline that: (i) this does not reflect a bottom-up forecast and is unrelated to any current expectations as to the evolution of EU payments; and (ii) on the expenditure side of the budget, any decision to increase spending requires a proposal by the Commission and the approval of the European Parliament and the Council as budgetary authority.

   Specifically for the Ukraine Reserve, part of the maximum EUR 100 billion proposed for the next MFF would be in the form of loans, and part as non-repayable support. For the purpose of this assessment, however, we assume that the Reserve is mobilised fully in the form of non-repayable support, in seven equal annual tranches. This is a prudent approach, given the uncertainty in the pace and modality of future support: it implies that the own resources ceiling in 2028-2034 must always be able to cater for those amounts, should the need arise. Support provided in the form of loans, instead, only creates a contingent liability in the year that the corresponding bonds would mature. As these would be medium and long-term bonds, they would create a contingent liability in later years (i.e., mostly beyond 2034).

57 The Commission's proposal for the future own resources decision also includes the possibility for a temporary increase in the own resources ceiling of an additional 0.25% of EU GNI if the 'crisis mechanism' is activated. However, unless and until the mechanism is activated during the next MFF, this provision does not impact the assessment presented here.

58 European Commission, European Economic Forecast, Spring 2026. Institutional Paper 341, May 2026. https://economy-finance.ec.europa.eu/publications/european-economic-forecast-spring-2026_en

59 This is similar to the stress test on the 'adverse r-g scenario' performed in the Commission's Debt Sustainability Monitor: 2024. European Economy Institutional Paper 306, March 2025.

This extreme scenario also assesses whether the available headroom would be sufficient if all headroom-backed contingent liabilities were to materialise at the same time. In practical terms, this would mean that all countries benefiting from financial assistance programmes guaranteed by the headroom would simultaneously fail to honour their repayment obligations when they are due. For all programmes financed by the unified funding approach the assumption in this stress test is that all interest costs are borne by the budget and all issuances maturing in a given year are repaid. Planned debt roll-overs are thus not considered in this hypothetical situation.

This is an extremely unlikely scenario, which does not take into account all the measures that the Commission could take to avoid such a situation (e.g. debt rescheduling, active cash management and offsetting).

This stress test shows that the headroom is sufficient to cater for such expenditure and revenue shock. The resulting headroom under the permanent own resources ceiling is adequate in every year and would be **EUR 114.4 billion** on average per year over the period 2028-2034, i.e. **EUR 40.4 billion** less than in the baseline.

The headroom under the temporary own resources ceiling of 0.6% of EU GNI that guarantees NGEU issuances would be reduced by **EUR 39.8 billion** per year on average, to a level of **EUR 76 billion** on average per year over the period 2028-2034.

3) **A combined stress test on economic conditions, revenue and expenditure.** This is an extreme scenario that combines the unfavourable scenarios described in the two tests above. The headroom under the permanent ceiling would be adequate in every year although it would be reduced to **EUR 94.6 billion** on average per year over the period 2028-2034. For the temporary ceiling it would be adequate in every year and on average **EUR 69.3 billion**. These amounts appear to constitute a large safety buffer for the EU's financial capacity to cover its liabilities (stemming from both non-NGEU and NGEU operations).

It should be noted that these figures reflect contingent liabilities incurred at 31 December 2025. These mandates, together with the newly approved mandates in 2026: SAFE (up to EUR 150 billion in loans to be disbursed by 2030) and the Ukraine Support Loan (up to EUR 90 billion to be disbursed in 2026-2027) will continue to generate additional contingent liabilities for the EU budget, which will have to remain compatible with the headroom under the own resources ceiling in force.

The detailed results for the baseline and stress test scenarios are provided in the annex and summarised in Figures 3 and 4 below.

Figure 3: Own resources ceiling and own resources needs under a baseline and combined sensitivity tests for the permanent ceiling.

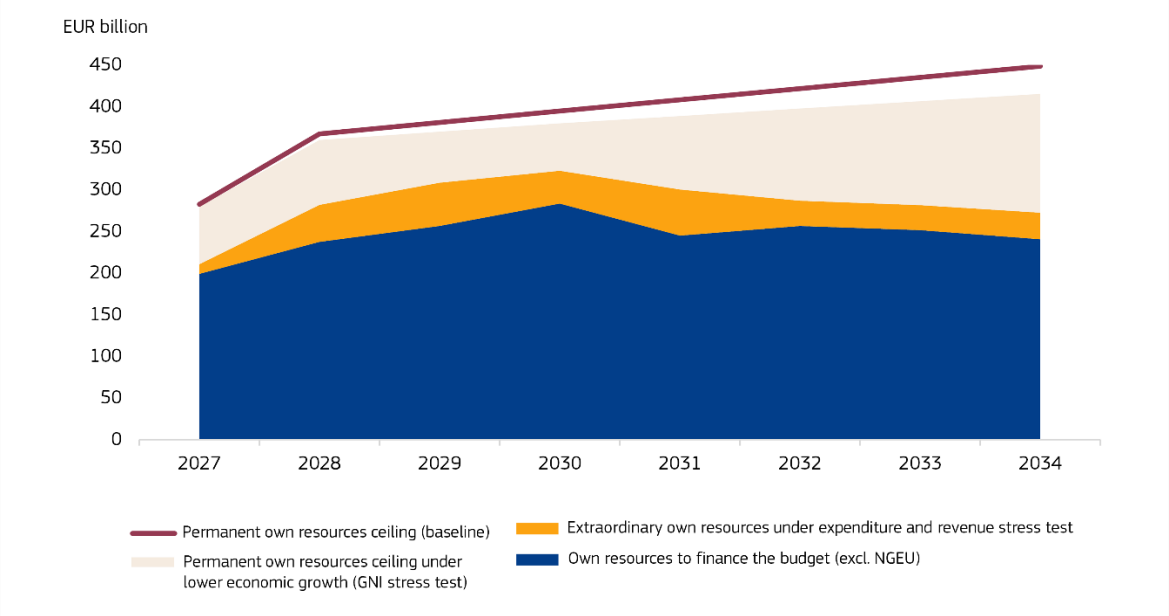
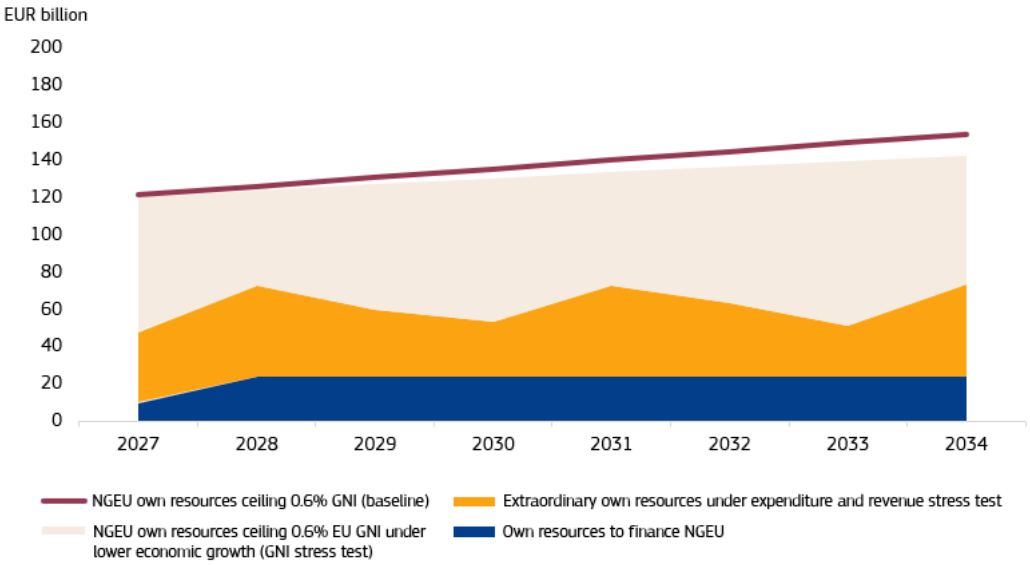


Figure 4: Own resources ceiling and own resources needs under a baseline and combined sensitivity tests for the temporary NGEU ceiling.



Box 3: Multiple sources of protection for the EU budget

For financial assistance to non-EU countries and budgetary guarantees covered by the Common Provisioning Fund, the EU budget operates through a layered protection structure which can be summarised as follows:

- **Provisioning:** resources initially held in the relevant CPF compartment to cover expected losses and provide an appropriate safety buffer.
- **Temporary liquidity measures:** transfers from other CPF compartments, where legally available, central treasury liquidity and available budgetary appropriations are held.
- **Additional *ad hoc* guarantees** from Member States under certain conditions (in the case of the exceptional MFAs to Ukraine of 2022).

- **Replenishment through the EU budget:** budgetary redeployments or transfers, an adjustment of the provisioning rate and, where necessary, a draft amending budget.

Similarly, for contingent liabilities backed by the headroom arising from financial assistance a layered protection structure is set up to ensure that, in all circumstances, the necessary resources can be mobilised to honour commitments to bond investors in a timely manner. The layered structure is built as follows:

- **Contractual obligations of the beneficiary** - Interest and principal repayments must be repaid to the EU budget by the beneficiaries in due time to allow the EU to meet its corresponding commitments to bond investors. To date, the EU has never experienced any instance of repayment failure by a Member State. Where interest costs are subsidised by the EU budget, the amounts are included in the annual budget.
- **Liquidity available** under the liquidity pool that can be mobilised in case of late payment by the beneficiary.
- **Additional *ad hoc* guarantees** from Member States under certain conditions (in the case of the SURE programme).
- **Exceptional call for resources** from the Member States under the headroom up to the own resources ceiling, which are later budgetised as part of the annual budget procedure.

4. Conclusions

At the end of 2025, the EU budget supported approximately **EUR 476 billion** in contingent liabilities, underlining its central role in backing the European Union's financial response to major policy priorities. This included **EUR 363 billion** in contingent liabilities arising from loans granted to Member States and non-EU countries, of which EUR 286 billion related to loans to Member States and EUR 77 billion to loans to non-Member States. In addition, the EU budget supported a further **EUR 113 billion** in contingent liabilities stemming from budgetary guarantees.

Taking into account the multiple safeguards provided in the EU framework for the monitoring and management of the risks linked to both provisioned and headroom-backed contingent liabilities and the sustainability assessment presented in this report, three main conclusions can be drawn:

- Risks arising from provisioned instruments (i.e. budgetary guarantees and financial assistance to non-EU countries) are carefully managed and adequately provisioned. This assessment takes into account: (i) data on past defaults and expected losses; (ii) the measures that are in place to ensure that losses do not exceed predefined tolerance levels, reflecting the maximum level of financial risk considered acceptable; and (iii) the budgetary provisions that are available to cover potential payments.
- The EU's financial capacity under the existing and proposed legal framework (i.e. the existing ORD and the MFF Regulation and the proposed MFF Regulation and ORD as of 2028) is largely sufficient to cater for the materialisation of losses that may arise in respect of headroom-backed loans between now and the end of 2034.
- The headroom is well-resourced to ensure the robustness of the EU's financial system and its credit worthiness even under an extreme negative scenario that combines adverse impacts in respect of the economic conditions, revenue and expenditure. In such an extreme scenario, the remaining headroom under the permanent own resources ceiling would amount to **EUR 94.6 billion** on average per year over the 2028-2034 period and to **EUR 69.3 billion** on average per year under the temporary NGEU ceiling of 0.6% of EU GNI over the same period. These amounts represent a safety buffer against further negative economic shocks, potential new needs and future contingent liabilities for both

non-NGEU and NGEU operations. This result is based on - and underlines the importance of - an increase of the own resources ceiling to 1.75%, as proposed by the Commission in the context of its MFF 2028-2034 package. Note that, as the data cover the period until 31 December 2025, the analysis does not include contingent liabilities arising from SAFE and the Ukraine Support Loan.

5. Annexes:

Sustainability and headroom in respect of the permanent own resources ceiling (EUR billion, current prices)

		2027	2028	2029	2030	2031	2032	2033	2034
Baseline									
Own resources ceiling (% of GNI)		1.40	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Own resources ceiling	a	282.7	367.1	380.9	394.8	408.1	421.5	435.0	448.5
Own resources to finance the budget (excl. NGEU)	b	199.0	238.2	257.0	283.6	245.0	256.5	251.6	240.6
Headroom under permanent ceiling	a-b	83.7	128.9	123.9	111.1	163.1	165.0	183.4	208.0
Stress tests									
1) Stress test on the economy									
Own resources ceiling	a	280.0	360.1	370.0	379.8	388.8	397.7	406.5	415.0
Own resources to finance the budget (excl. NGEU)	b	199.0	238.2	257.0	283.6	245.0	256.5	251.6	240.6
Headroom	a-b	81.0	121.8	113.0	96.1	143.8	141.2	154.8	174.5
2) Stress test on expenditure and revenue									
Own resources ceiling	a	282.7	367.1	380.9	394.8	408.1	421.5	435.0	448.5
Own resources to finance the budget (excl. NGEU)	b	199.0	238.2	257.0	283.6	245.0	256.5	251.6	240.6
Additional own resources (up to MFF ceiling maximum and special instruments' maximum) (*)	c	0.0	20.8	33.0	16.5	37.3	16.6	16.6	16.7
Extraordinary own resources to cover non-NGEU contingent liabilities (**)	d	11.8	22.9	18.7	22.9	18.0	13.9	13.4	15.3
Headroom	a-b-c-d	71.8	85.1	72.1	71.8	107.7	134.5	153.4	176.0
3) Combined adverse shock									
Own resources ceiling	a	280.0	360.1	370.0	379.8	388.8	397.7	406.5	415.0
Own resources to finance the budget (excl. NGEU)	b	199.0	238.2	257.0	283.6	245.0	256.5	251.6	240.6
Additional own resources (up to MFF ceiling maximum, and special instruments' maximum)	c	0.0	20.8	33.0	16.5	37.3	16.6	16.6	16.7
Extraordinary own resources to cover non-NGEU contingent liabilities	d	11.8	22.9	18.7	22.9	18.0	13.9	13.4	15.3
Headroom	a-b-c-d	69.1	78.1	61.2	56.8	88.4	110.7	124.8	142.5

(*) Expenditure is projected at the theoretical maximum for: the MFF payment ceiling as per the Commission's proposal for the next MFF and the full mobilisation of the Flexibility Instrument, and the Ukraine Reserve in form of grants).

(**) This includes borrowing for loan support through the EFSM, SURE, MFA+, ULCM and the Ukraine Facility. The risk assessment of the SURE Instrument takes into account the specific counter-guarantee provided by all Member States for 25% of the maximum amount of financial assistance.

Sustainability and headroom in respect of the temporary NGEU own resources ceiling (EUR billion, current prices)

		2027	2028	2029	2030	2031	2032	2033	2034
Baseline									
Own resources ceiling (0.6% GNI)	a	121.2	125.9	130.6	135.3	139.9	144.5	149.1	153.8
Own resources to finance NGEU(*)	b	9.9	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Headroom	a-b	111.2	101.9	106.6	111.3	115.9	120.5	125.1	129.8
Stress tests									
1) Stress test on the economy									
Own resources ceiling (0.6% GNI)	a	120.0	123.5	126.8	130.2	133.3	136.4	139.4	142.3
Own resources to finance NGEU	b	9.9	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Headroom	a-b	110.1	99.5	102.8	106.2	109.3	112.4	115.4	118.3
2) Stress test on expenditure and revenue									
Own resources ceiling (0.6% GNI)	a	121.2	125.9	130.6	135.3	139.9	144.5	149.1	153.8
Own resources to finance NGEU	b	9.9	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Additional extraordinary own resources for NGEU (cost overrun, contingent liabilities)	c	38.0	49.0	35.9	29.6	48.9	39.1	26.8	49.5
Headroom	a-b-c	73.3	52.8	70.7	81.7	67.0	81.4	98.3	80.3
3) Combined adverse shock									
Own resources ceiling (0.6% GNI)	a	120.0	123.5	126.8	130.2	133.3	136.4	139.4	142.3
Own resources to finance NGEU	b	9.9	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Additional extraordinary own resources for NGEU (cost overrun, contingent liabilities)	c	38.0	49.0	35.9	29.6	48.9	39.1	26.8	49.5
Headroom	a-b-c	72.1	50.4	66.9	76.6	60.4	73.3	88.5	68.8

(*) For 2027 the amount reflects the commitments appropriations in the draft budget 2027. The amounts for 2028 -2034 are based on the Commission's proposal for the next MFF and the long-term report on inflows and outflows of the budget (COM(2026) 365 final).