EUROPEAN
COMMISSION

Brussels, 6.10.2026
COM(2026) 543 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the Common Provisioning Fund in 2025

{SWD(2026) 305 final}

TABLE OF CONTENTS

INTRODUCTION 2

PART 1: KEY MILESTONES IN 2025 3

1.1. General overview 3

1.2. Compartment structure 4

1.3. Guarantee calls and payment claims 6

1.4. Effective provisioning rate 8

PART 2: INVESTMENT STRATEGY, PORTFOLIO COMPOSITION AND PERFORMANCE 9

2.1. Composition and characteristics of the portfolio 9

2.2. Environmental, social and governance (ESG) footprint 11

2.3. CPF performance in 2025 11

CONCLUSIONS 13

INTRODUCTION

This is the fifth annual report on the common provisioning fund (CPF) ([1]), covering the period from 1 January 2025 to 31 December 2025. It outlines the key developments related to the functioning of the CPF in 2025 and presents the main financial and risk parameters and the fund's annual performance. It also presents the results of the Commission's actions to enhance the fund's longer-term performance by introducing a diversified investment universe.

The CPF was established under Article 215(1) of 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).It holds all provisions set aside by the EU budget or contributed by participating Member States to cover the risk of losses on operations guaranteed by the internal ([2]) and external ([3]) guarantees implemented by the European Union. In addition to budgetary guarantees, provisions are held in the CPF in respect of most of the macro-financial assistance (MFA) loans to third counties ([4]). The provisions held in the CPF constitute the capital reserve from which funds are drawn to meet guarantee calls on supported operations and other outflows.

The CPF became operational in January 2021. At the end of 2025, its net assets value stood at EUR 27.2 billion, making it the largest investment portfolio directly managed by the Commission.

The CPF successfully navigated market volatility in 2025, maintaining balanced exposure across asset classes, while its diversification into equities further enhanced overall performance. Overall, the portfolio achieved an absolute return of 3.85%. Following the results recorded in 2023 (+5.21%) and 2024 (+3.57%), which had offset the losses incurred by the fund in 2022 (a year marked by the steepest global bond sell-off in half a century), the 2025 performance further strengthened the fund's loss-absorbing capacity.

Looking ahead, there is heightened uncertainty linked to geopolitical developments. Nevertheless, the current elevated level of yields provides a favourable foundation for medium-term performance.

This report focuses on issues related to the management of CPF assets. The evolution of contingent liabilities arising from budgetary guarantees and EU lending, against which CPF assets are held as provisions, is discussed in a separate report drawn up pursuant to Article 256 of the Financial Regulation.

([1]) Pursuant to Article 217(1) of 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) (the "Financial Regulation"), the Commission must report annually to the European Parliament and to the Council on the common provisioning fund. The asset management guidelines of the CPF (Commission Decision of 25 March 2020 on the asset management guidelines of the common provisioning fund (C(2020) 1896 final, OJ C 131, 22.4.2020, pp. 3–11)) provide further guidance on the contents of this report.

([2]) European Fund for Strategic Investments (EFSI) and InvestEU.

([3]) External lending mandate (ELM), European Fund for Sustainable Development (EFSD) and European Fund for Sustainable Development Plus (EFSD+).

([4]) Except MFA+ loans granted to Ukraine in 2023, and the Exceptional Revenue Acceleration (ERA) MFA loan granted to Ukraine as part of the G7 ERA initiative in 2024.

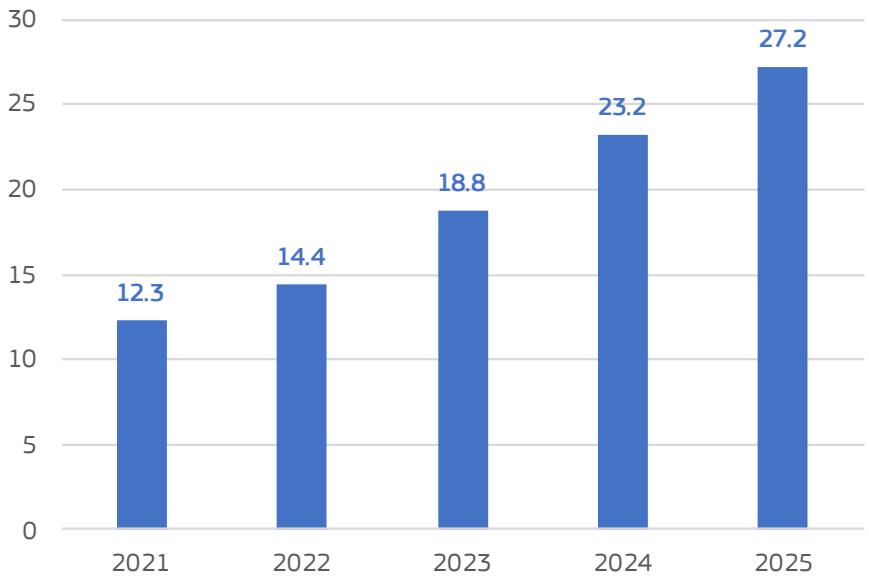
PART 1: KEY MILESTONES IN 2025

1.1. General overview

As in previous years, the fund was managed in line with its established governance structure ([5]) and procedures, without any operational incidents.

As at 31 December 2025, the value of net assets ([6]) was EUR 27.2 billion, representing an increase of EUR 4.0 billion since the end of 2024 (an increase of approx. 17% over the year). In 2025 the CPF received EUR 3.1 billion in net contributions from the EU budget or contributions from participating Member States and European Free Trade Association (EFTA) countries. The remainder of the increase in portfolio value (EUR 0.9 billion) mainly came from the increased market value of existing assets.

Figure 1: Evolution of the CPF's net asset value (EUR billion)



More information on the financial statements is available in the staff working document accompanying this report.

([5]) The governance structure was presented in the CPF annual report for 2021, EUR-Lex - 52022DC0213 - EN - EUR-Lex (europa.eu).
([6]) The net asset value (NAV) of the CPF is determined by the value of the total assets, less the liabilities, on the date on which the NAV is calculated.

1.2. Compartment structure

While the assets of the CPF are managed in a single portfolio in accordance with a common investment policy, these provisioning resources are accounted for in different compartments.

Specifically, the provisioning held by the CPF is earmarked per budgetary guarantee/financial assistance programme (or for the Member States that contribute the provisioning for their InvestEU compartment) in line with their respective legal frameworks ([7]). The amounts assigned to each budgetary guarantee are booked in distinct compartments to allow the tracking of provisioning levels against those set by the legal basis establishing the guarantee. If provisions fall below certain levels, replenishments can be funded from the budgets of the respective programmes.

In 2025, one new InvestEU Member State compartment ([8]) was added.

On 31 December 2025, the CPF was composed of 19 compartments, with 17 of them fully operational and containing funds. The remaining compartments will be activated on receipt of the first inflows.

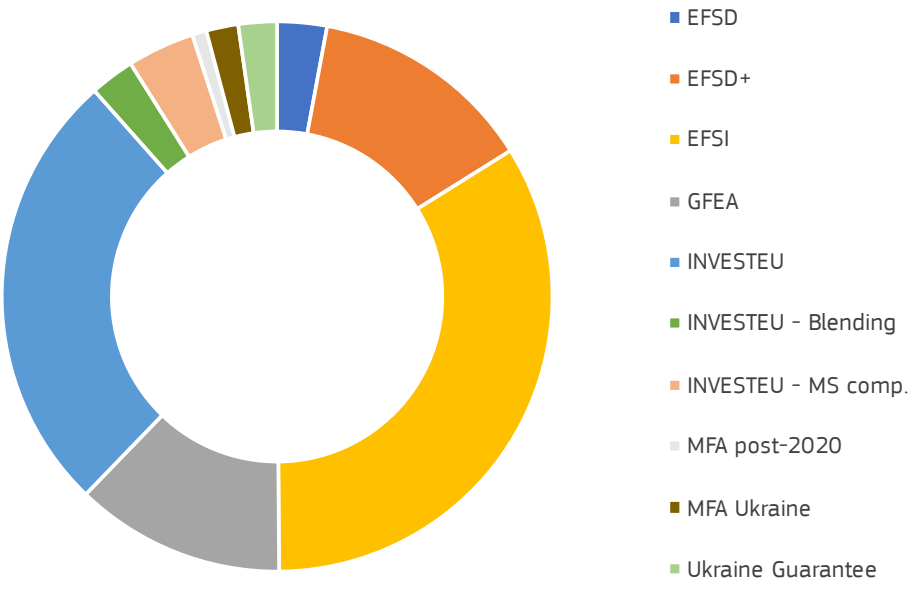
([7]) In line with, for example, Articles 215(2), 215(4), 216(1) and 216(4) of the Financial Regulation.
([8]) For Portugal.

Table 1: CPF compartments as at 31.12.2025

Compartment	Market value in EUR as of 31.12.2025
Compartments opened in 2021	
EFSI	9 175 239 371
GFEA ([9])	3 354 171 333
EFSD ([10])	792 918 308
InvestEU ([11])	7 124 578 871
Compartments opened in 2022	
EFSD+	3 582 508 961
Post-2020 MFA	228 000 668
Exceptional MFA Ukraine ([12])	511 348 526
Post-2020 Euratom loans	-
Repurposed ELM loans Ukraine	-
InvestEU Guarantee Romania	242 559 639
InvestEU Guarantee Czech Republic	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	613 877 445
InvestEU Guarantee Spain	144 964 526
Compartments opened in 2025	
InvestEU Guarantee Portugal	50 022 110
TOTAL	**27 165 617 372**

([9]) Guarantee Fund for external actions (GFEA), holding the provisions for the external lending mandate (ELM), legacy (macro-financial assistance - MFA) and Euratom programmes.
([10]) European Fund for Sustainable Development.
([11]) EU compartment.
([12]) Under Decision (EU) 2022/1201 and Decision (EU) 2022/1628 providing exceptional macro-financial assistance to Ukraine.

Figure 2: CPF compartments size as at 31.12.2025



1.3. Guarantee calls and payment claims

The payment of guarantee calls and other claims is facilitated by a separate liquidity buffer, as provided for in the CPF asset management guidelines (AMGs) ([13]). The liquidity buffer is made up of limited reserves of cash held at the Commission's Central Treasury to cover the cash outflows expected to materialise over a three-month period based on notifications from implementing partners.

At the start of 2025, the buffer had a balance of EUR 202 million. During the year it received inflows resulting from CPF redemptions amounting to EUR 569 million, while a net amount (guarantee calls net of recoveries) of nearly EUR 576 million was paid out in 2025 ([14]). As a result, at the end of 2025 the liquidity buffer's balance stood at EUR 195 million.

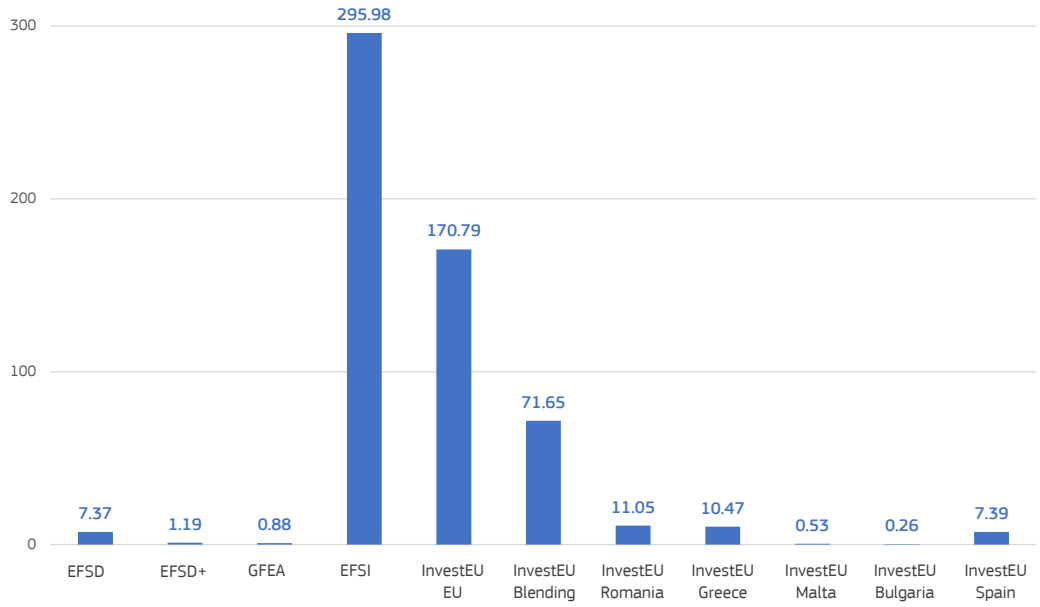
The 2025 guarantee calls ([15]) and other demands ([16]) on the provisioning resources held by the CPF compartments are summarised below:

([13]) Commission Decision of 25 March 2020 on the asset management guidelines of the common provisioning fund (C/2020/1896, OJ C 131, 22.4.2020, p. 3.
([14]) Compared to EUR 350 million in 2024.
([15]) Individual guarantee calls are dealt with in a separate report drawn up pursuant to Article 41(5), point (f), of the Financial Regulation.
([16]) Payments may arise in 2026 or later, which may require *ex post* adjustment of the 2025 accounts.

Table 2: CPF outflows in 2025, detailed overview (guarantee calls net of recoveries)

Compartment	in EUR million	Nature of outflow
EFSD	**7.37**	guarantee calls
EFSD+	**1.19**	guarantee calls
GFEA (Total: EUR -0.26 million)	**-1.13**	recoveries
	0.88	legal expenses
EFSI	**295.98**	guarantee calls, administrative fees, funding costs, recovery costs and value adjustments
InvestEU EU	**170.79**	guarantee calls, administrative fees, funding costs and value adjustments
InvestEU Blending	**71.65**	guarantee calls, administrative fees, funding costs and value adjustments
InvestEU Romania	**11.05**	guarantee calls, administrative fees
InvestEU Greece	**10.47**	guarantee calls, administrative fees
InvestEU Malta	**0.53**	administrative fees
InvestEU Bulgaria	**0.26**	guarantee calls
InvestEU Spain	**7.39**	administrative fees
Total outflows	**576.41**	

Figure 3: 2025 CPF outflows (EUR million)



1.4. Effective provisioning rate

Article 216 of the Financial Regulation provides that the provisioning of budgetary guarantees and financial assistance to third countries in the CPF will be based on the effective provisioning rate (EPR) as defined in that Article. The EPR takes account of the fact that the pooled management of the CPF – as opposed to the management of separate guarantee funds – could result in potential diversification, if calls on the different compartments are not correlated in time or intensity.

The EPR is the ratio between

- the required amount of cash and cash equivalents held by the CPF, taking account of diversification effects between compartments, and
- the sum of the required amounts of cash and cash equivalents if each compartment is managed separately.

By law, the EPR should be set at between 95% and 100%, with a figure below 100% reflecting some diversification effects. As a result of (i) calculations based on the established methodology ([17]), (ii) the prevailing macroeconomic and geopolitical uncertainties (some of the CPF compartments being highly dependent on the evolution of the situation in Ukraine), and (iii) the absence of any observed diversification between calls on the provisions of the different compartments, the Commission proposed that the EPR for 2025 remain at 100%. This approach was confirmed in the adopted 2025 Annual Budget.

([17]) Commission Delegated Decision (EU, Euratom) 2021/135 of 12 November 2020 with detailed conditions for the calculation of the effective provisioning rate of the common provisioning fund (OJ L 42, 5.2.2021, p. 12), read in conjunction with Article 216(2) and Article 279 of the Financial Regulation.

PART 2: INVESTMENT STRATEGY, PORTFOLIO COMPOSITION AND PERFORMANCE

The general principles and considerations informing the investment strategy are established by the CPF asset management guidelines and further described in the first annual report for 2021 ([18]). Based on the conservative approach enshrined in its asset management guidelines, the CPF is managed in a way that should, at a minimum, deliver capital preservation over its investment horizon (estimated at about 9 years) ([19]).

2.1. Composition and characteristics of the portfolio

Reflecting its prudent investment policy, the bulk of the assets in which the CPF invests are highly rated and liquid fixed-income securities, such as bonds and bills issued by governments, supranationals, state agencies and corporates. While most of these are euro-denominated, the portfolio also includes a small allocation to USD-denominated bonds (mostly US Treasuries); the related currency risk is hedged.

Following a modification of the asset management guidelines in 2022, the portfolio also holds a modest investment in exchange-traded funds tracking a broad index of European equities, to provide additional diversification and growth opportunities for the CPF.

As shown in Figure 4, at the end of 2025, the CPF portfolio was well diversified across the different asset classes.

The two biggest allocations were to bonds issued by sovereigns, supranationals and agencies (SSAs – 45%) and covered bonds (23%).

USD-denominated investments represented 4% of the portfolio's market value ([20]), with currency risk hedged using forward contracts[21].

The portfolio has multiple layers of liquidity, as the bulk of its assets across maturities can be readily liquidated if needed to meet guarantee calls. Moreover, as at December 2025, about 10% of the portfolio consisted of short-term liquid assets ([22]), providing an additional source of ready-to-hand liquidity, in addition to the abovementioned liquidity buffer that is held at the Commission's Central Treasury (see Section 1.3).

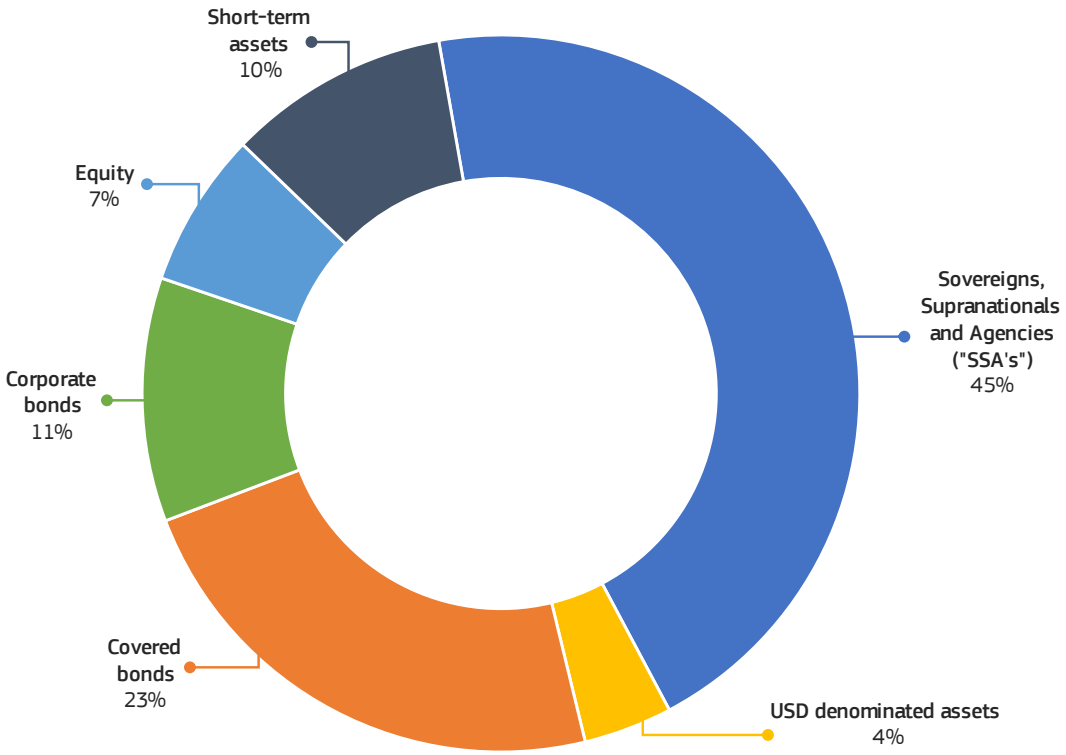
([18]) EUR-Lex - 52022DC0213 - EN - EUR-Lex (europa.eu)
([19]) Article 2(1) of the asset management guidelines.
([20]) Compared to 7% in 2024.
([21]) The assets of the CPF portfolio may be invested in currency-hedged highly liquid bonds denominated in US dollars and issued by sovereign and supranational entities, solely for the purposes of diversification and exposure to another interest-rate curve.
([22]) Compared to 11% in 2024.

The credit quality of the CPF portfolio was high, with an average rating of A[23], suggesting a negligible default probability ([24]). Over 37% of the portfolio was invested in AAA securities ([25]), with the rest distributed across the investment-grade scale.

Equity represented about 7% of the portfolio's market value at the end of 2025 ([26]). This allocation contributed significantly to the overall positive portfolio performance, accounting for 1.4%[27] of the total annual return of 3.85%.

([23]) The average rating is derived from the portfolio's average probability of default rather than from a simple arithmetic average of individual issuer ratings. Since default probabilities show a non-linear increase across rating categories, particularly from the A range to the BBB range, the implied average rating may be lower than a simple rating-based average. The reported average rating of A therefore reflects this methodology based on probability of default.
([24]) 0.04% default probability over a one-year horizon.
([25]) Compared to over 40% in 2024.
([26]) Compared to 7% in 2024.
([27]) Although equities represented only around 7-8% of the portfolio, they made a strong positive contribution to overall performance, reflecting the strong performance of the DJ STOXX in 2025.

Figure 4: CPF portfolio allocation at year-end (2025)



2.2. Environmental, social and governance (ESG) footprint

In 2025 the ESG footprint ([28]) of the portfolio increased further, with the share of ESG-labelled bonds ([29]) reaching 17%, compared to 16% in 2024. The proactive approach to ESG investing favours ESG-labelled bonds, provided they align with risk management criteria and overall investment strategy.

2.3. CPF performance in 2025

In 2025, trade negotiations, inflation dynamics and central bank actions were among the key drivers of market developments (see box below). Despite the market volatility induced mainly by trade negotiations, financial markets were supported by the gradual reduction in European Central Bank (ECB) rates, combined with robust economic growth and resilient labour markets, and this had a positive impact on the valuation of the CPF portfolio. Against this background, the CPF achieved an annual return of +3.85%, exceeding its portfolio benchmark ([30]) (+3.65%).

([28]) ESG footprint – a quick score showing the portfolio's overall impact on environmental, social, and governance issues.

([29]) In assessing whether bonds are classified as ESG-labelled for the purposes of CPF allocation, the Commission relies on the published assessment of the 'use of proceeds' of the asset in question by the analytics and data providers which the Commission uses for its asset management function.

([30]) As per the CPF asset management guidelines (Decision C/2020/1896), 'The assets should be managed by the financial manager on the basis of an investment strategy that is expressed in the form of a Strategic Asset Allocation, reflecting the investment objectives and the risk tolerance. The investment strategy should be reflected in a strategic benchmark (the 'benchmark'). The benchmark should be set in line with good industry practices.'

Market developments in 2025

Financial markets in 2025 were largely shaped by the trajectory of inflation, central bank policy decisions and geopolitical developments. Other major themes included the evolution and implementation of the US administration's foreign and trade policy agenda, as well as the reform of Germany's debt brake, which allowed higher borrowing.

In Europe, at the beginning of the year, markets were pricing between four and five interest-rate cuts by the ECB, as inflation was steadily moving towards the target level of 2%. The ECB followed through with a series of rate cuts, starting the year with four consecutive reductions that brought its key policy rates to around 2%. During this period, headline inflation fell from an annual high of 2.5% in January to a low of 1.9% in May, before stabilising close to 2% for the remainder of the year.

The German 10-year government bond yield (*Bund*) began the year at 2.37% (almost its lowest point of the year) and increased to the upper end of its range in March, reaching 2.89% following the announcement of reforms to Germany's debt brake. Defence spending above 1% of GDP and a EUR 500 billion infrastructure and climate fund were exempted from the rule, allowing the government to borrow significantly more. This sharp increase in *Bund* yields was partially reversed in April after the US administration announced new trade tariffs affecting several trading partners. The move unsettled markets and prompted a decline in *Bund* yields as investors sought the safety of assets. As the year progressed, tariffs affecting the EU and several other countries were subsequently negotiated down and economic data remained resilient. *Bund* yields gradually increased again, closing the year at 2.85%.

In the United States, headline inflation started the year at around 3%, before easing to 2.3% in April, as energy prices fell. During this period, the Federal Reserve left its policy rate unchanged at a target range of 4.25%–4.50%. The tariff announcements in April contributed to renewed inflation concerns. Energy prices increased, and services inflation remained elevated, pushing headline inflation back to around 3% by September. By that time, the labour market showed signs of softening, prompting the Federal Reserve to lower its policy rate by a cumulative 0.75 percentage points over the final three meetings of the year, bringing the target range to 3.50%–3.75%. By year-end, headline inflation had moderated to 2.7%. The yield on the 10-year US Treasury peaked in January 2025 at 4.80% before gradually decreasing to close the year at 4.14%.

Economic growth in both the United States and the European Union remained resilient, despite earlier inflationary pressures and elevated interest rates. The US economy maintained solid momentum, supported by consumer spending and investment, notably related to artificial intelligence, while the EU experienced a gradual recovery as energy pressures eased and domestic demand improved. Overall, both economies continued to expand, while inflation gradually moved closer to target levels.

Equity markets also performed strongly during the year, with several major indices reaching new all-time highs. The STOXX Europe 600 index rose by 16.7%, while the US S&P 500 index increased by 16.4%.

CONCLUSIONS

In 2025, the CPF posted a solid absolute return of +3.85% (2024: +3.57%), outperforming its benchmark which returned +3.65%. In absolute terms, the fund's return translated to an economic profit for 2025 of EUR 927 million (2024: EUR 755 million), further boosting its financial robustness and loss-absorption capacity. Although geopolitical uncertainties impact the outlook, the current level of yields offers a favourable foundation for returns over the medium term.

The CPF broadened its strategy in 2023 by progressively integrating a modest investment allocation to exchange-traded funds tracking pan-European equity indices. However, the bulk of the portfolio remains invested in highly rated and liquid fixed income investments.

Overall, the CPF remains strategically positioned to navigate volatility, meet any guarantee calls in full and in time, and pursue long-term stability, consistent with its investment objectives.