

European Financial Stability Facility



Credit strengths

- Highly rated shareholders
- Strong over-guarantee mechanism
- Excellent access to capital markets

Credit challenges

- Crisis-country exposure and concentrated loan portfolio
- Concentrated shareholder base

Ratings and Outlook

Foreign currency

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

Lead Analyst

Eiko Sievert
 +49 69 6677389-79
e.sievert@scoperatings.com

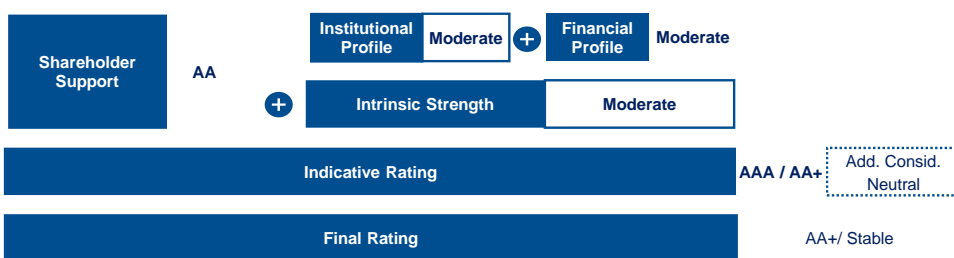
Team Leader

Alvise Lennkh-Yunus
 +49 69 6677389-85
a.lennkh@scoperatings.com

Rating rationale and Outlook: The AA+ rating of the European Financial Stability Facility (EFSF) reflects its strong shareholder support and ‘moderate’ intrinsic strength. In detail:

- **Shareholder support:** The EFSF benefits from having the largest European economies as its highly rated key shareholders and from a strong mechanism that provides guarantees and over-guarantees on its debt issuances.
- **Institutional profile:** While the EFSF no longer engages in new programmes, its mandate remains important to euro area member states given its focus on providing financial assistance to crisis-hit countries.
- **Financial profile:** The EFSF benefits from a conservative liquidity management policy, predictable funding needs, excellent market access and low funding costs.
- **Outlook and triggers:** The Stable Outlook reflects our assessment that risks are broadly balanced. The ratings/Outlooks could be downgraded if, individually or collectively: i) key shareholders were downgraded; ii) the cash buffer decreased significantly; and/or iii) access to capital markets were meaningfully impaired. The ratings/Outlooks could be upgraded if, individually or collectively: i) key shareholders were upgraded; and/or ii) the EFSF’s liquidity buffers increased significantly and permanently.

Figure 1: Scope’s assessment of the EFSF’s rating drivers



Positive rating-change drivers

- Upgrades of key shareholders
- Significant and permanent increase in cash buffers

Negative rating-change drivers

- Downgrades of key shareholders
- Significant reduction in cash buffers
- Reduced access to capital markets

Scope Ratings GmbH

Neue Mainzer Straße 66-68
 60311 Frankfurt am Main

Phone +49 69 6677389-0

Headquarters

Lennéstraße 5
 10785 Berlin

Phone +49 30 27891-0
 Fax +49 30 27891-100

info@scoperatings.com
www.scoperatings.com

Bloomberg: SCOP



I Shareholder support: European Financial Stability Facility

For non-capitalised institutions, we begin with a shareholder support assessment, which is then complemented by an assessment of intrinsic strength to determine the final rating.

Key shareholders

| Key shareholders | Rating | Relative relevance (%) | |
|-------------------------------|-------------|------------------------|--------------|
| | | Original | Adjusted |
| Germany | AAA/Stable | 29.1 | 35.1 |
| France | AA/Negative | 21.9 | 26.4 |
| Italy | BBB+/Stable | 19.2 | 23.2 |
| Spain | A-/Stable | 12.8 | 15.4 |
| | | 83.0 | 100.0 |
| Key shareholder rating | | AA- | |

Extraordinary support

The EFSF has a strong institutional setup with over-guarantees set at 165% of the maximum lending capacity of EUR 440bn. A one-notch positive adjustment is made to the key shareholder rating of AA- to reflect the strong over-guarantee mechanism.

Shareholder guarantees

EUR m, latest

| EFSF shareholders | Guarantees | Key (%) | Over-guarantees (%) | Rating | Guarantees ≥ AA- (%) | Over-guarantees ≥ AA (%) of maximum lending capacity |
|-------------------|------------------|--------------|---------------------|--------------|----------------------|--|
| Germany | 211,045.9 | 29.1 | 48.0 | AAA/Stable | 29.1 | 48.0 |
| France | 158,487.5 | 21.9 | 36.0 | AA/Negative | 21.9 | 36.0 |
| Italy | 139,267.8 | 19.2 | 31.7 | BBB+/Stable | - | - |
| Spain | 92,543.6 | 12.8 | 21.0 | A-/Stable | - | - |
| Netherlands | 44,446.3 | 6.1 | 10.1 | AAA/Stable | 6.1 | 10.1 |
| Belgium | 27,032.0 | 3.7 | 6.1 | AA-/Negative | 3.7 | - |
| Austria | 21,639.2 | 3.0 | 4.9 | AAA/Negative | 3.0 | 4.9 |
| Finland | 13,974.0 | 1.9 | 3.2 | AA+/Stable | 1.9 | 3.2 |
| Slovakia | 7,727.6 | 1.1 | 1.8 | A+/Negative | - | - |
| Slovenia | 3,664.3 | 0.5 | 0.8 | A/Stable | - | - |
| Estonia | 1,994.9 | 0.3 | 0.5 | AA-/Negative | 0.3 | - |
| Luxembourg | 1,946.9 | 0.3 | 0.4 | AAA/Stable | 0.3 | 0.4 |
| Malta | 704.3 | 0.1 | 0.2 | A+/Stable | - | - |
| Cyprus | - | - | - | BBB+/Stable | - | - |
| Ireland | - | - | - | AA-/Positive | - | - |
| Greece | - | - | - | BBB-/Stable | - | - |
| Portugal | - | - | - | A-/Stable | - | - |
| Total | 724,474.3 | 100.0 | 164.7 | | 66.3 | 102.6 |

Greece, Ireland, Portugal and Cyprus stepped out of the facility while Latvia and Lithuania never joined.

Source: EFSF, Scope Ratings

II Indicative rating: AAA/AA+

Mapping of institutional and financial profiles for non-capitalised institutions

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

Mapping of intrinsic strength and shareholder support for non-capitalised institutions

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

Source: Scope Ratings



European Financial Stability Facility

III Scope's supranational scorecard: European Financial Stability Facility

| Risk factors | Variables | Unit | | | | | | | | | EFSF | | | |
|------------------------------------|--------------------------------------|--|----------------------|---------------|-------------|-------------|------------|---------------|-------------|-------|------------------|---------------|-----------|---|
| | | | +4 | +3 | +2 | +1 | 0 | -1 | -2 | Value | Assessment | Notches | | |
| Shareholder Support | Key shareholder rating | Weighted average rating of key shareholders | AAA - CCC | -- | -- | -- | -- | -- | -- | -- | -- | AA- | | |
| | Key shareholders & exposures (-1; 0) | Share of portfolio related to key shareholders | % | -- | -- | -- | -- | ≤ 50 | > 50 | -- | 0.0 | Low | 0 | |
| | Extraordinary Support (0; +2) | Additional support mechanisms | Qualitative | -- | -- | Very Strong | Strong | N/A | -- | -- | -- | Strong | 1 | |
| Shareholder Support | | | | | | | | | | | AA | | | |
| Institutional Profile | Mandate & ESG (-2; +2) | Importance of mandate | Qualitative | -- | -- | -- | Very High | High | Declining | -- | -- | High | | |
| | | Mandate | Social factors | Qualitative | -- | -- | -- | Strong | Medium/ N/A | Weak | -- | -- | Strong | 0 |
| | | Environmental factors | Qualitative | -- | -- | -- | Strong | Medium/ N/A | Weak | -- | -- | Medium/ N/A | | |
| | Governance risks | Shareholder concentration | HHI | -- | -- | -- | -- | ≤ 1500 | > 1500 | -- | 3200.0 | Moderate/Weak | | |
| | | Shareholder control | % | -- | -- | -- | -- | ≤ 25 | > 25 | -- | 29.0 | Moderate/Weak | 0 | |
| | | Strategy and internal controls | Qualitative | -- | -- | -- | Strong | Medium | Weak | -- | -- | Strong | | |
| Institutional Profile | | | | | | | | | | | Moderate | | | |
| Intrinsic Strength | Liquidity & funding (-4; +8) | Liquid assets ratio | % | > 100 | ≤ 100; > 75 | ≤ 75; > 50 | ≤ 50; > 25 | ≤ 25; > 15 | ≤ 15; > 10 | ≤ 10 | 24.1 | Moderate | 0 | |
| | | Maturity gap | Multiple | -- | -- | -- | > 0.75 | < 0.75; ≥ 0.5 | < 0.5 | -- | 0.2 | Moderate/Weak | -1 | |
| | | Funding | Funding volume | EUR or USD bn | -- | ≥ 25 | < 25; ≥ 5 | < 5; ≥ 2 | < 2 | -- | 18.6 | Strong | 1 | |
| | | Currency diversification | Top 1 share | -- | -- | -- | ≤ 70 | > 70 | -- | -- | 100.0 | Adequate | 0 | |
| | Trend (-1; +1) | | | | | | | | | | | 0 | | |
| | Asset quality (-3; +5) | Portfolio quality | Incl. risk mitigants | Qualitative | -- | Very Strong | Strong | Adequate | Moderate | Weak | Adequate | Adequate | 0 | |
| | | Asset performance | NPLs | % total loans | -- | ≤ 0.5 | > 0.5; ≤ 1 | > 1; ≤ 3 | > 3; ≤ 5 | > 5 | -- | 0.0 | Excellent | 3 |
| Trend (-1; +1) | | | | | | | | | | | | 0 | | |
| Financial Profile | | | | | | | | | | | Moderate | | | |
| Intrinsic Strength | | | | | | | | | | | Moderate | | | |
| Indicative Rating | | | | | | | | | | | AAA / AA+ | | | |
| Additional considerations (-1; +1) | | | | | | | | | | | Neutral | | | |
| Final Rating | | | | | | | | | | | AA+ | | | |

Source: EFSF, Scope Ratings

IV Asset quality assessment

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

| Adjustments | | Indicator | Assessment/ Thresholds | | | | | | | | |
|--------------------------|------------------------|---------------------|------------------------|------|------|--------|--------|--------|------|------|------|
| Points | | | +5 | +4 | +3 | +2 | +1 | 0 | -1 | -2 | -3 |
| Credit Protection | Sovereign PCS | % of loan portfolio | 100 | ≥ 80 | ≥ 60 | ≥ 40 | ≥ 20 | < 20 | | | |
| | Private sector secured | | | | | | | | | | |
| Diversification | Geography | HHI | | | | ≤ 1000 | ≤ 2000 | > 2000 | | | |
| | Sector | HHI | | | | | ≤ 2000 | > 2000 | | | |
| | Top 10 exposures | % of loan portfolio | | | | ≤ 25 | ≤ 75 | > 75 | | | |
| Equity Exposure | | % of equity | | | | | | ≤ 25 | > 25 | > 50 | > 75 |

| | |
|--------------|---------------|
| Total points | +0 |
| Adjustments | +0 categories |

| | | | | | |
|---|-------------|--------|----------|----------|------|
| Portfolio quality (final assessment) | Very Strong | Strong | Adequate | Moderate | Weak |
| Notches | +2 | +1 | 0 | -1 | -2 |

Three points usually correspond to one assessment category. In the case of the EFSF, there are no changes from the initial portfolio quality assessment based on the estimated average borrower quality.

Source: Scope Ratings.



V Statistical tables

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Shareholder support | | | | | | | |
| Key shareholder rating | AA- | AA- | AA- | AA- | AA- | AA- | AA- |
| Share of shareholders rated ≥ AA- (%) | 66.1 | 66.1 | 66.1 | 66.1 | 66.3 | 66.3 | 66.3 |
| Liquidity (EUR bn) | | | | | | | |
| Cash and cash equivalents* | 4.5 | 5.2 | 8.0 | 10.2 | 8.6 | 2.6 | 6.1 |
| Liabilities maturing within 12 months | 28.7 | 24.4 | 22.3 | 24.6 | 24.1 | 16.6 | 23.2 |
| Disbursements over the next 12 months | - | - | - | - | - | - | - |
| Liquid assets ratio (%) | 15.8 | 21.5 | 35.8 | 41.4 | 35.7 | 15.6 | 26.4 |
| Funding (EUR bn) | | | | | | | |
| Volume | 14.0 | 49.0 | 28.0 | 20.0 | 19.5 | 16.5 | 19.5 |
| <i>Share of total (%)</i> | | | | | | | |
| EUR | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| USD | - | - | - | - | - | - | - |
| GBP | - | - | - | - | - | - | - |
| ESG issuance | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Maturity gap (EUR bn) | | | | | | | |
| Total financial assets (1-5 years) | 10.2 | 76.3 | 12.3 | 12.8 | 14.2 | 16.3 | 17.9 |
| Total financial liabilities (1-5 years) | 97.8 | 81.8 | 78.6 | 82.3 | 79.7 | 85.9 | 84.8 |
| Maturity gap | 0.10 | 0.93 | 0.16 | 0.16 | 0.18 | 0.19 | 0.21 |
| Asset quality (EUR bn) | | | | | | | |
| Total gross loans | 182.1 | 183.6 | 184.8 | 184.0 | 185.1 | 185.9 | 186.8 |
| Greece | 136.1 | 137.4 | 138.6 | 139.9 | 141.0 | 141.9 | 142.9 |
| Portugal | 27.5 | 27.5 | 27.5 | 25.5 | 25.5 | 25.4 | 25.4 |
| Ireland | 18.6 | 18.6 | 18.6 | 18.6 | 18.6 | 18.6 | 18.5 |
| Non-performing loans | - | - | - | - | - | - | - |
| % of total loans | - | - | - | - | - | - | - |
| Average borrower quality | - | B+ | BB | BB+ | BB+ | BBB- | BBB |

* Includes treasury assets with a maturity of less than 12 months.

Source: EFSF, Scope Ratings



Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 09 38 35

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Paris

10 Avenue de Messine
F-75008 Paris

Phone +33 6 62 89 35 12

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.