

## European Financial Stability Facility

### Rating report

The AA+/Stable 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. By end-May, the EFSF completed 75% of its EUR 20bn long-term funding programme for 2024. Repayments on outstanding loans by the EFSF’s three borrowers stretch over a long period with Portugal (A-/Stable) expected to make its scheduled repayments from 2025 to 2040, Ireland (AA-/Positive) from 2029 to 2042 and Greece (BBB-/Positive) from 2023 to 2070. The first scheduled repayment of EUR 1.7bn was received from Greece in 2023.
- **Outlook and triggers:** The Stable Outlook reflects our assessment that risks are broadly balanced.

The ratings/Outlooks could be downgraded if several key shareholders were downgraded.

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.

#### Foreign currency

Long-term issuer rating/Outlook

**AA+/Stable**

Senior unsecured debt

**AA+/Stable**

Short-term issuer rating/Outlook

**S-1+/Stable**

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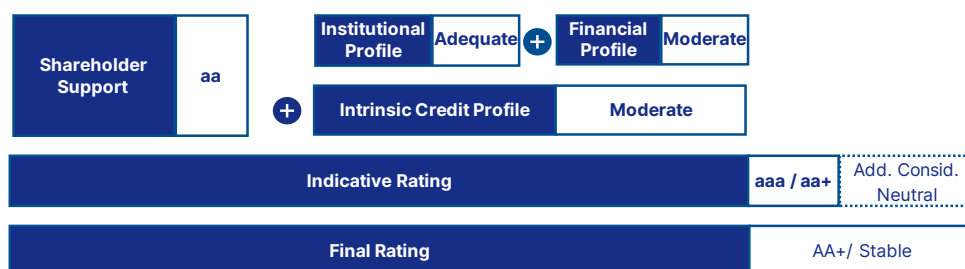
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**Figure 1: Scope’s assessment of the EFSF’s rating drivers**



## Credit strengths and challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Highly rated shareholders</li> <li>Strong over-guarantee mechanism</li> <li>Favourable access to capital markets</li> </ul>	<ul style="list-style-type: none"> <li>Crisis-country exposure and concentrated loan portfolio</li> <li>Concentrated shareholder base</li> </ul>

## Outlook and rating triggers

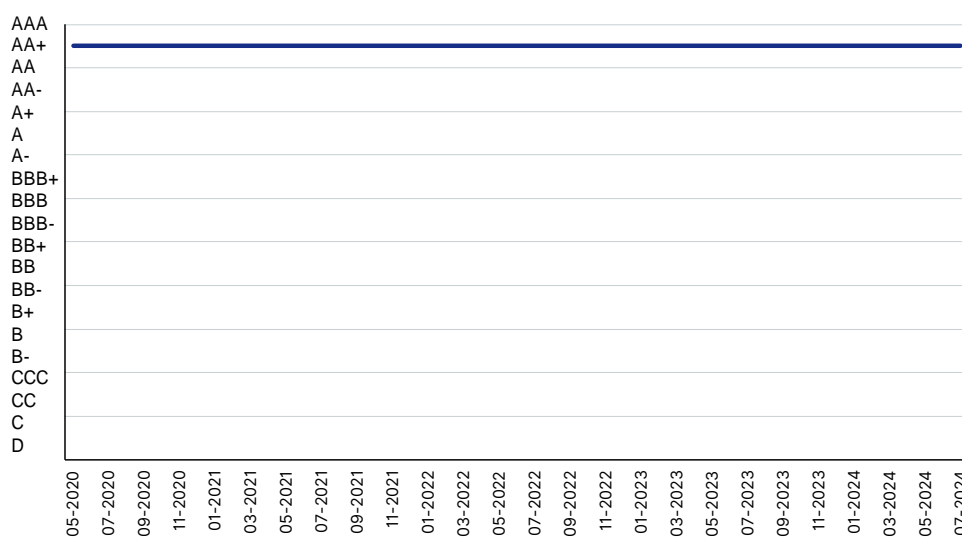
The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>Upgrades to key shareholders</li> <li>Significant and permanent increase in cash buffers</li> </ul>	<ul style="list-style-type: none"> <li>Downgrades of several key shareholders</li> </ul>

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Figure 2: Rating history



Note. Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings

## 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-/Positive	12.8	15.4
		<b>83.0</b>	<b>100.0</b>
<b>Key member rating</b>		<b>AA-</b>	

### Extraordinary support

The EFSF has a strong institutional setup with an over-guarantee of up to 165% of the maximum lending capacity of EUR 440bn. Shareholders rated AA or above cover more than 100% of the EFSF's outstanding liabilities, which we acknowledge with a one-notch positive adjustment to the key shareholder rating of AA-. In the case of a one-notch sovereign rating downgrade of France (AA/Negative), Scope's assessment of the strength of the EFSF's over-guarantee mechanism would weaken. In that case, Scope would no longer provide an uplift for the over-guarantee mechanism, which in itself would not change the rating of the EFSF.

However, if France were to be rated AA- and no benefit would apply to the over-guarantee mechanism, an additional one-notch downgrade of either Germany, Italy or France would lead, all other things equal, to a lower average key shareholder rating of A+ and therefore a one-notch downgrade of the EFSF's long-term rating.

### 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-/Positive	-	-
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	AA+/Stable	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/Stable	-	-
Slovenia	3,664.3	0.5	0.8	A/Stable	-	-
Estonia	1,994.9	0.3	0.5	A+/Stable	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-/Positive	-	-
Portugal	-	-	-	A-/Stable	-	-
<b>Total</b>	<b>724,474.3</b>	<b>100.0</b>	<b>164.7</b>		<b>66.3</b>	<b>102.6</b>

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+'

### Institutional and financial profiles for the EFSF

Intrinsic Credit Profile		Institutional Profile				
		Excellent	Strong	Adequate	Moderate	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 intrinsic credit profile and shareholder support for the EFSF

Indicative Rating		Intrinsic Credit Profile						
		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

### III. Climate risks

Average (initial) portfolio quality	% of total exposure		Before climate credit risk	Comment
	Sovereign	100%	BBB	Based on country exposures / sovereign ratings
	Public Sector	0%	N/A	Adjusted by 2 notches
	Financial Institutions	0%	N/A	Adjusted by 3 notches
	Non-financial corporates	0%	N/A	Adjusted by 6 notches
	<b>Total</b>	<b>100%</b>	<b>bbb</b>	

Legend:

Methodology input / assumptions

Supranational input

Output / calculations

1. Transition risks: NFC	% NFC Portfolio		Aligned with path towards Paris Agreement	High Risk (unmitigated)
	<b>Sectors with high transition risks</b>			
	Oil & Gas	0%	0%	0%
	Power Generation (oil, coal)	0%	0%	0%
	Metals & Mining (coal & steel)	0%	0%	0%
	Petrochemicals, cement & concrete manufacture	0%	0%	0%
	<b>Total</b>	<b>0%</b>	<b>0%</b>	<b>N/A</b>

2. Physical risks: NFC	ND-GAIN Percentile	Physical risk assessment	% portfolio in countries	% of NFC with high climate risks*	NFC portfolio with high climate risks
	0.00	Very High	0%	100%	0%
	0.10	High	0%	75%	0%
	0.25	Medium	0%	50%	0%
	0.50	Moderate	0%	25%	0%
	0.75	Low	0%	5%	0%
	0.90	Very Low	0%	0%	0%
*This share is assumed and fixed.		Portfolio coverage	N/A		N/A
					N/A

3. 'High' climate risks (NFC portfolio)	% NFC portfolio	
	Transition risks	0%
	Physical risks	0%
		<b>N/A</b>

4. Adjustment for maturity	Avg. Maturity of portfolio	Adjustment
	< 1Y	100%
	> 1Y; < 7Y	50%
	> 7Y	0%
	Maturity of NFC loan portfolio*	N/A
	*If unavailable, proxied with total loan portfolio.	
Adj. high climate risk exposure	<b>N/A</b>	

5. Notches adjustment to NFC borrower quality	Notches	% portfolio high climate risks
	0 notch adjustment	≤ 25%
	-1 notch adjustment	> 25%; ≤ 50%
	-2 notch adjustment	> 50%
<b>Adjustment (notches)</b>		<b>0</b>

6. Average portfolio quality (climate risk adjusted)	% of total exposure		Before climate credit risk	After climate credit risk	Comment
	Sovereign	100%	BBB	BBB	Climate risk incorporated via sovereign rating/estimates
	Public Sector	0%	N/A	N/A	Climate risk incorporated via sovereign rating (anchor for public sector)
	Financial Institutions	0%	N/A	N/A	Climate risk incorporated via sovereign rating and assumption of widely diversified portfolio
	Non-financial corporates	0%	N/A	N/A	No adjustment since share of physical and transition risks assessed as having 'high' climate risks ≤ 25%
	<b>Total</b>	<b>100%</b>	<b>bbb</b>	<b>bbb</b>	

Source: Scope Ratings

## VI. Scope's supranational scorecard: European Financial Stability Facility

Analytical Pillar	Variables	Unit									EFSF				
			+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches			
Shareholder Support (**)	Key shareholder rating (90%)	Weighted average rating of key shareholders	AAA - CCC	--	--	--	--	--	--	--	--	AA-			
	Key shareholders & exposures	Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	0.0	Low	0	aa	
	Extraordinary support (10%)	Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	--	Strong	1		
Shareholder Support (**)												aa			
Intrinsic Credit Profile (**)	Mandate & ESG	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	High			
		Mandate (50%)	Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	0	Medium
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Medium/ N/A			
	Governance (50%)	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	3200.0	Moderate/Weak			
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	29.0	Moderate/Weak	0	Medium	
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong			
	Institutional Profile (15%)												Adequate		
	Financial Profile (85%)	Liquidity & funding (55%)	Liquid assets ratio	%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	20.0	Moderate	0	
			Funding access, flexibility and profile	Qualitative	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak	Adequate	Adequate	1	Adequate
		Trend (-1; +1)												0	
Asset quality (45%)		Portfolio quality	Incl. risk mitigants	Qualitative	--	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Adequate	Adequate	0	
	Asset performance	NPLs	% total loans	--	≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5; ≤ 7	> 7; ≤ 10	> 10	0.0	Excellent	3	Strong	
Trend (-1; +1)												0			
Financial Profile (85%)												Moderate			
Intrinsic Credit Profile (**)												Moderate			
Indicative Rating												aaa / aa+			
Additional considerations (-1; +1)												Neutral			
Final Rating												AA+			

Source: Scope Ratings. Figures in the financial profile refer to three-year weighted averages for 2021-23.

\* The indicative rating from the 'Shareholder support' assessment ranging from aaa - ccc is mapped non-linearly to the intrinsic credit profile assessment.

\*\* Weights are approximated and for illustrative purposes.

## V. Asset quality assessment

Portfolio quality (initial assessment)	Excellent	Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality	aaa	aa	a	bbb	bb	b

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

<b>Total points</b>	+0
<b>Adjustments</b>	+0 categories

Portfolio quality (final assessment)	Excellent	Very Strong	Strong	Adequate	Moderate	Weak
<b>Notches</b>	3	2	1	0	-1	-2

Note: 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.

## VI. Statistical table

	2017	2018	2019	2020	2021	2022	2023
<b>Shareholder support</b>							
Key shareholder rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated $\geq$ AA- (%)	66.1	66.1	66.1	66.3	66.3	66.3	66.3
<b>Liquidity (EUR bn)</b>							
Cash and cash equivalents*	5.1	7.9	10.1	7.1	2.6	5.5	4.3
Treasury assets with a maturity of less than 12 months	0.0	0.0	0.0	1.5	0.0	0.6	1.2
Liabilities maturing within 12 months	24.4	22.3	24.6	24.1	16.6	23.7	26.5
Disbursements over the next 12 months	-	-	-	-	-	-	-
Liquid assets ratio (%)	21.5	35.8	41.4	35.7	15.6	25.8	20.6
<b>Funding (EUR bn)</b>							
Volume	49.0	28.0	20.0	19.5	16.5	19.5	20.0
Share of total (%)							
EUR	100	100	100	100	100	100	100
ESG issuance	-	-	-	-	-	-	-
<b>Maturity gap (EUR bn)</b>							
Total financial assets (1-5 years)	76.3	12.3	12.8	14.2	16.3	17.9	19.4
Total financial liabilities (1-5 years)	81.8	78.6	82.3	79.7	85.9	84.8	81.5
Maturity gap	0.93	0.16	0.16	0.18	0.19	0.21	0.24
<b>Asset quality (EUR bn)</b>							
Total gross loans	183.6	184.8	184.0	185.1	185.9	186.8	186.4
Greece	137.4	138.6	139.9	141.0	141.9	142.9	142.5
Portugal	27.5	27.5	25.5	25.5	25.4	25.4	25.5
Ireland	18.6	18.6	18.6	18.6	18.6	18.5	18.5
Non-performing loans	-	-	-	-	-	-	-
% of total loans	-	-	-	-	-	-	-
Average borrower quality	B+	BB	BB+	BB+	BBB-	BBB-	BBB

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

Source: EFSF, Scope Ratings



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## Applied methodology

[Supranational Rating Methodology](#), June 2024

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