

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

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 the largest European economies being its highly rated key shareholders and a strong mechanism providing 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 its conservative liquidity management policy, predictable funding needs, excellent market access and low funding costs.
- **Outlook and triggers:** The Stable Outlook reflects Scope’s assessment that risks are broadly balanced. The ratings/Outlooks could be downgraded if, individually or collectively: i) key shareholders are downgraded; ii) the cash buffer decreases significantly; and/or iii) access to capital markets is meaningfully impaired. The ratings/Outlooks could be upgraded if, individually or collectively: i) key shareholders are upgraded; and/or ii) the EFSF’s liquidity buffers increase significantly and permanently.

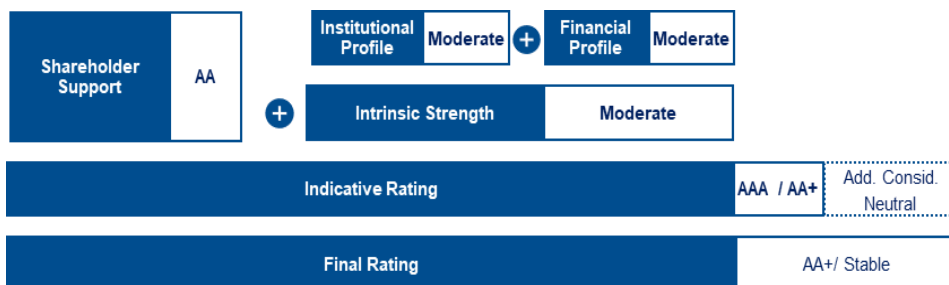
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Figure 1: Scope’s assessment of the EFSF’s rating drivers



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 buffer
- Reduced access to capital markets

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I Shareholder support: European Financial Stability Facility

For non-capitalised institutions, Scope begins with its shareholder support assessment, which is then complemented with the agency's 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/Stable	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. Scope acknowledges this strong over-guarantee mechanism and the differential with its key shareholder rating of AA- with a one-notch positive adjustment.

Shareholder guarantees

EUR m, latest

EFSF shareholders	Guarantees	Key (%)	Over-guarantees (%)	Rating	Guarantees ≥ AA- (%)	Over-guarantees ≥ AA (%)
Germany	211,045.9	29.1	48.0	AAA/ Stable	29.1	48.0
France	158,487.5	21.9	36.0	AA/ Stable	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-/ Stable	3.7	-
Austria	21,639.2	3.0	4.9	AAA/ 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	AA-/ 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-/ Stable	-	-
Greece	-	-	-	BB+/ Stable	-	-
Portugal	-	-	-	BBB+/ 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 GmbH.

II Indicative rating: AAA/AA+

Mapping 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

Source: Scope Ratings GmbH.

Mapping 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 GmbH.



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 / No adjustment	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	
		Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	3200.0	Moderate/Weak		
	Governance risks	Shareholder control	%	--	--	--	--	≤ 25	> 25	--	29.0	Moderate/Weak	0	
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong		
Institutional Profile												Moderate		
Financial Profile	Liquidity & funding (-4; +8)	Liquid assets ratio	%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	35.0	Adequate	1	
			Maturity gap	Multiple	--	--	> 0.75	< 0.75; ≥ 0.50	< 0.50	--	0.2	Moderate/Weak	-1	
		Funding	Funding volume	EUR or USD bn	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	21.0	Strong	1	
			Currency diversification	Top 1 share	--	--	≤ 70	> 70	--	--	100.0	Adequate	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		
Financial Profile												Moderate		
Intrinsic Strength												Moderate		
Indicative Rating												AAA / AA+		
Additional considerations (-1; +1)												Neutral		
Final Rating												AA+		

Source: EFSF, Scope Ratings GmbH.

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

Source: Scope Ratings GmbH. 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.

V Statistical tables

	2016	2017	2018	2019	2020
Shareholder support					
Key shareholder rating	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated \geq AA- (%)	66.1	66.1	66.1	66.1	66.3
Liquidity (EUR bn)					
Cash and cash equivalents*	4.5	5.2	8.0	10.2	8.6
Liabilities maturing within 12 months	28.7	24.4	22.3	24.6	24.1
Disbursements over the next 12 months	-	-	-	-	-
Liquid assets ratio (%)	15.8	21.5	35.8	41.4	35.7
Funding (EUR bn)					
Volume	14.0	49.0	28.0	20.0	19.5
<i>Share of total (%)</i>					
<i>EUR</i>	100.0	100.0	100.0	100.0	100.0
<i>USD</i>	-	-	-	-	-
<i>GBP</i>	-	-	-	-	-
<i>ESG issuance</i>	N/A	N/A	N/A	N/A	N/A
Maturity gap (EUR bn)					
Total financial assets (1-5 years)	10.3	76.3	12.3	12.8	14.2
Total financial liabilities (1-5 years)	97.8	81.8	78.6	82.3	79.7
Maturity gap	0.10	0.93	0.16	0.16	0.18
Asset quality (EUR bn)					
Total gross loans	182.1	183.6	184.8	184.0	185.1
Greece	136.1	137.4	138.6	139.9	141.0
Portugal	27.5	27.5	27.5	25.5	25.5
Ireland	18.6	18.6	18.6	18.6	18.6
Non-performing loans	-	-	-	-	-
% of total loans	-	-	-	-	-
Average borrower quality	-	B+	BB	BB+	BB+

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

Figures may not add up due to rounding. Source: EFSF, Scope Ratings GmbH



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