

European Financial Stability Facility



Credit strengths

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

Credit weaknesses

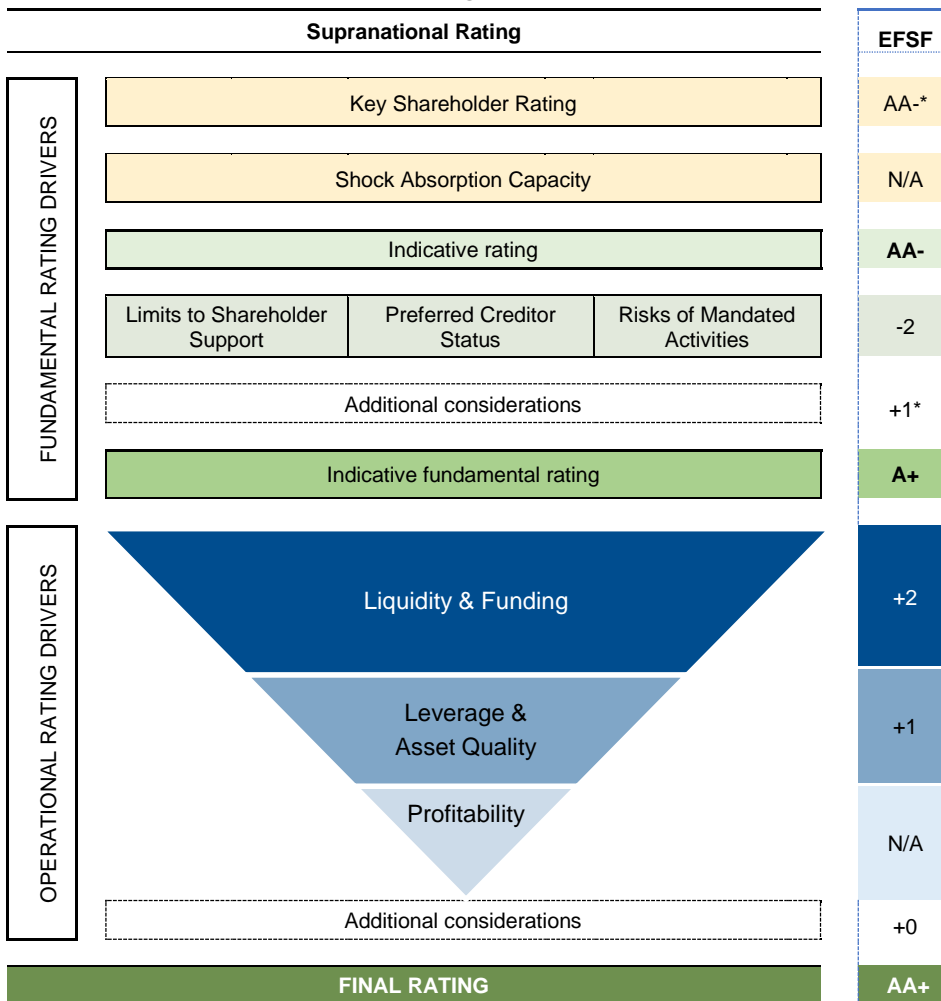
- Crisis-country exposure and concentrated loan portfolio
- Concentrated shareholder base

Ratings and Outlook

Foreign currency

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

Scope's assessment of the EFSF's rating drivers



* The adjustment under the 'additional considerations' captures the differential between the 'key shareholder rating' and the rating level which ensures 100% coverage of all EFSF liabilities taking the over-guarantee mechanism into account. Currently, sovereigns rated AAA to AA ensure 100% coverage, resulting in a one-notch differential to the 'key shareholder rating'. This is compensated with a one-notch positive adjustment. Should the differential increase (decrease), then the adjustment would also increase (decrease).

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Bloomberg: SCOP

Positive rating-change drivers

- Upgrades of key shareholders
- Higher and sustained liquidity buffers

Negative rating-change drivers

- Downgrades of key shareholders
- Permanently lower liquidity buffers
- Weaker market access



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Scope's supranational scorecard: European Financial Stability Facility

| Risk factors | Variables | Unit | Risk assessment | | | Supranational | | | |
|--|--|--------------------------------------|-----------------|------------|--------------|---------------|------------------|-------------|------|
| | | | Low (+1) | Medium (0) | High (-1) | Value | Risk assessment | Notches | |
| Key shareholder rating | Weighted average rating of key shareholders | Avg. rating | | | | AA- | -- | -- | |
| Shock-absorption capacity (-1; +2) | Equity + callable capital/potential liabilities* | % | ≥ 20 | < 20; ≥ 10 | < 10 | -- | -- | -- | |
| Indicative rating | | | | | | AA- | | | |
| Fundamental rating drivers | Limits to shareholder support (-1; 0) | Shareholder concentration | HHI | -- | -- | > 2,000 | 3200.0 | Medium/High | -1.0 |
| | | Paid-in/callable capital | % | -- | -- | < 10 | N/A | Low | |
| | Preferred creditor status (0; +1) | Mandate | Description | LOLR | -- | -- | LOLR, Pari Passu | -- | 0.0 |
| | | Exposure to own shareholders | % total loans | ≥ 75 | -- | -- | 100.0 | Low | |
| | | Private sector exposure | % total loans | ≤ 25 | -- | -- | 0.0 | Low | |
| | Risks from mandated activities (+/- 1) | History/track record | | -- | -- | -- | No | 0 | -1.0 |
| Weighted average borrower quality (top 10) | | Rating | ≥ A- | ≥ BBB- | < BBB- | B+ | High | | |
| | Max. equity investments | % equity | ≤ 50 | -- | -- | 0.0 | Low | 1.0 | |
| Additional considerations | | | | | | 1.0 | | 1.0 | |
| Indicative fundamental rating | | | | | | A+ | | | |
| Operational rating drivers | Liquidity & funding (-2; +7) | Liquid assets ratio** | % | ≥ 30 | < 30; ≥ 20 | < 20 | 35.6 | Moderate | 1.0 |
| | | WAM issuance (latest) | Years | ≥ 5 | < 5; ≥ 2 | < 2 | 10.8 | Low | 1.0 |
| | | Funding volume | EUR or USD bn | ≥ 10 | -- | -- | 32.9 | Low | 0.0 |
| | | Currency diversification | Top 1 share | ≤ 70 | -- | -- | 100.0 | Medium/High | |
| | | ESG issuance | % issuance | ≥ 15 | -- | -- | 0.0 | -- | 0.0 |
| | Leverage & asset quality (-2; +4) | Adjustments | | 0.0 | | | 0.0 | | 0.0 |
| | | Leverage ratio*** | % equity | ≤ 300 | > 300; ≤ 600 | > 600 | N/A | -- | -- |
| | | NPLs**** | % total loans | ≤ 2 | > 2; ≤ 4 | > 4 | 0.0 | Low | 1.0 |
| | | Actual equity participation**** | % equity | ≤ 50 | -- | -- | N/A | -- | |
| | | Portfolio Geographical concentration | HHI | ≤ 2,000 | -- | -- | 5900.0 | Medium/High | 0.0 |
| concentration**** Industry concentration | HHI | ≤ 2,000 | -- | -- | N/A | -- | | | |
| Profitability (+/- 1) | Return on equity | % | ≥ 3 | < 3; ≥ 0 | < 0 | N/A | -- | -- | |
| Additional considerations | | | | | | 0.0 | | 0.0 | |
| FINAL RATING | | | | | | AA+ | | | |

*Callable capital of potentially borrowing/benefiting shareholders rated ≥ AA-. If the value is above 50, we adjust the assessment positively by two notches.

**If the value is above 50 (80), we adjust the assessment positively by two (three) notches. Ratios above 120 receive a four-notch adjustment.

***If the value is below 100, we adjust the assessment positively by two notches.

****Adjusted taking 'risks from mandated activities' into account.

*****If either geographical or industry concentration is assessed as 'low' risk, we will adjust positively by one notch.

LOLR stands for lender of last resort. HHI refers to the Herfindahl-Hirschman Index. ESG-issuance can only provide positive uplift.

Operational rating drivers are calculated using a weighted three-year average.

NB. Given the lack of meaningful capital, Scope does not assess the EFSF's shock absorption capacity, leverage and return on equity ratios.

Source: Scope Ratings.



European Financial Stability Facility

II Shareholders: European Financial Stability Facility

EUR m, latest

| EFSF shareholders | Guarantees | Key (%) | Over-guaranteed key (%) | Rating | Guarantees ≥ AA- (%) | Over-guarantees ≥ AA (%) |
|-------------------|------------------|--------------|-------------------------|--------------|----------------------|--------------------------|
| Germany | 211,045.9 | 29.13 | 46.74 | AAA/ Stable | 29.13 | 46.74 |
| France | 158,487.5 | 21.88 | 35.10 | AA/ Stable | 21.88 | 35.10 |
| Italy | 139,267.8 | 19.22 | 30.84 | BBB+/ Stable | - | - |
| Spain | 92,543.6 | 12.77 | 20.50 | A-/ Stable | - | - |
| Netherlands | 44,446.3 | 6.13 | 9.84 | AAA/ Stable | 6.13 | 9.84 |
| Belgium | 27,032.0 | 3.73 | 5.99 | AA/ Negative | 3.73 | 5.99 |
| Austria | 21,639.2 | 2.99 | 4.79 | AAA/ Stable | 2.99 | 4.79 |
| Finland | 13,974.0 | 1.93 | 3.09 | AA+/ Stable | 1.93 | 3.09 |
| Slovakia | 7,727.6 | 1.07 | 1.71 | A+/ Stable | - | - |
| Slovenia | 3,664.3 | 0.51 | 0.81 | A/ Stable | - | - |
| Estonia | 1,994.9 | 0.28 | 0.44 | AA-/ Stable | 0.28 | - |
| Luxembourg | 1,946.9 | 0.27 | 0.43 | AAA/ Stable | 0.27 | 0.43 |
| Malta | 704.3 | 0.10 | 0.16 | A+/ Stable | - | - |
| Cyprus | - | - | - | BBB-/ Stable | - | - |
| Ireland | - | - | - | A+/ Positive | - | - |
| Greece | - | - | - | BB/ Positive | - | - |
| Portugal | - | - | - | BBB+/ Stable | - | - |
| Total | 724,474.3 | 100.0 | 160.5 | | 66.3 | 106.0 |

Greece, Ireland, Portugal and Cyprus stepped out of the facility while Latvia and Lithuania never joined. The currently applied over-guarantee key stands at 160.5%.

Source: EFSF, Scope Ratings.

III Statistical tables

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------|-------|-------|-------|-------|
| Key shareholders | | | | | |
| Average guarantee-key weighted rating | AA- | AA- | AA- | AA- | AA- |
| Shareholders rated at least AA- (%) | 66.1 | 66.1 | 66.1 | 66.1 | 66.1 |
| Liquidity (EUR bn) | | | | | |
| Cash & deposits | 3.0 | 3.7 | 4.5 | 5.2 | 7.9 |
| Liquid financial assets (rated at least AA-) | 4.9 | 3.9 | 1.6 | 1.6 | 1.4 |
| Liabilities ≤ 12 months | 14.6 | 17.3 | 28.7 | 24.4 | 22.3 |
| Disbursements | 9.5 | - | - | - | - |
| Liquid assets ratio (%) | 29.1 | 43.9 | 21.3 | 27.7 | 42.0 |
| Funding (EUR bn) | | | | | |
| Volume | 34.5 | 12.5 | 14.0 | 49.0 | 28.0 |
| <i>Share of total (%)</i> | | | | | |
| EUR | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| USD | - | - | - | - | - |
| GBP | - | - | - | - | - |
| ESG issuance | N/A | N/A | N/A | N/A | N/A |
| Leverage (EUR bn) | | | | | |
| Debts evidenced by certificates | 195.7 | 185.7 | 186.2 | 188.1 | 191.7 |
| Leverage ratio (%) | N/A | N/A | N/A | N/A | N/A |
| Asset quality (EUR bn) | | | | | |
| Total loans* | 190.4 | 180.9 | 182.1 | 183.6 | 184.8 |
| Greece | 144.4 | 134.8 | 136.1 | 137.4 | 138.6 |
| Portugal | 27.4 | 27.5 | 27.5 | 27.5 | 27.5 |
| Ireland | 18.5 | 18.6 | 18.6 | 18.6 | 18.6 |
| Non-performing loans (EUR m) | - | - | - | - | - |
| % of total loans | - | - | - | - | - |
| Profitability (EUR bn) | | | | | |
| Net income | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Return on equity (%) | N/A | N/A | N/A | N/A | N/A |
| Capital (EUR bn) | | | | | |
| Paid-in | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| Callable (shareholders rated at least AA-) | N/A | N/A | N/A | N/A | N/A |
| Retained earnings and reserves | 0.16 | 0.28 | 0.41 | 0.51 | 0.62 |
| Total | 0.19 | 0.31 | 0.44 | 0.54 | 0.65 |

* Based on net carrying amounts.

Source: EFSF, Scope Ratings