Sovereign & Public Sector

European Financial Stability Facility



STABLE OUTLOOK

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

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 \triangleright 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 \triangleright 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 \geq 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 •

Ratings and Outlook

Foreign currency

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

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in 🎐 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	Poting	Relative rele	evance (%)		
Rey Shareholders	Rating	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. 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 (%)
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+/Negative	_	-
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+/Positive -		-
Portugal	-	-	-	BBB+/Positive	-	-
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								
munisic Sue	angun	Very Strong	Strong	Moderate	Weak	Very Weak					
	Excellent	Excellent	Excellent	Excellent	Very Strong	Very Strong					
rofile	Very Strong	Excellent	Very Strong	Very Strong	Very Strong	Strong					
Pro	Strong Very Strong	Strong	Strong	Strong	Adequate						
cial	Adequate	Strong	Adequate	Adequate	Adequate	Moderate					
ē.	Moderate	Adequate	Moderate	Moderate	Moderate	Weak					
Finaı	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 R	ating			Intrinsic S	Strength		
		Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak
	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
Ę	А	AAA	AAA	AAA	AAA / AA	AA / A+	A+ / A-	A- / BBB-
odc	A-	AAA	AAA	AAA / AA+	AA+ / AA-	AA- / A	A / BBB+	BBB+ / BB+
Support	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-
Shareholder	BBB-	AAA	AAA / AA	AA / A+	A+ / A-	A- / BBB	BBB / BB+	BB+ / B+
reh	BB+	AAA / AA+	AA+ / AA-	AA- / A	A / BBB+	BBB+ / BBB-	BBB- / BB	BB / B
sha	BB	AAA / AA	AA / A+	A+ / A-	A- / BBB	BBB / BB+	BB+ / BB-	BB- / B-
0)	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
	В	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 Scope's supranational scorecard: European Financial Stability Facility

	Risk factors		Variables	Unit									EFSF	
	RISK TACIOTS		variables	Unit 2	+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches
*	Key shareholder rating	Weighted average ra	ating of key shareholders	AAA - CCC									AA-	
Shareholder Support	Key shareholders & exposures (-1; 0)	Share of portiolio rela		%			-	-	≤ 50	> 50	-	0.0	Low	0
Sup	Extraordinary Support (0; +2)	Additional support m	nechanisms	Qualitative			Very Strong	Strong	N/A			-	Strong	1
0	Shareholder Support												AA	
			Importance of mandate	Qualitative				Very High	High	Declining		-	High	
lie		Mandate	Social factors	Qualitative				Strong	Medium/ N/A	Weak			Strong	0
<mark>Institutional Profile</mark>	Mandate & ESG		Environmental factors	Qualitative				Strong	Medium/ N/A	Weak			Medium/ N/A	
onal	(-2; +2)		Shareholder concentration	НН					≤ 1500	> 1500		3200.0	Moderate/Weak	
tituti		Governance risks	Shareholder control	%					≤ 25	> 25		29.0	Moderate/Weak	0
lns			Strategy and internal controls	Qualitative				Strong	Medium	Weak			Strong	
£	Institutional Profile												Moderate	
Strength		Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	25.0	Moderate	0
ic St	Liquidity & funding		Maturity gap	Multiple				> 0.75	< 0.75; ≥ 0.5	< 0.5		0.2	Moderate/Weak	-1
Intrinsic file	(-4; +8)	Funding	Funding volume	EUR or USD bn			≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2		20.0	Strong	1
Intr Financial Profi <mark>le</mark>			Currency diversification	Top 1 share				≤ 70	> 70			100.0	Adequate	0
cial F	Trend (-1; +1)													0
nano	Asset quality	Portfolio quality	Incl. risk mitigants	Qualitative		-	Very Strong	Strong	Adequate	Moderate	Weak	Adequate	Adequate	0
Ē	(-3; +5)	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	а	bbb	bb	b/ccc
Notches	+2	+1	0	-1	-2

Adju	stments	Indicator	Assessment/ Thresholds								
Points			+5	+4	+3	+2	+1	0	-1	-2	-3
Credit Protection	Sovereign PCS Private sector secured	% of loan portfolio	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20			
	Geography	HHI				≤ 1000	≤ 2000	> 2000			
Diversification	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) categor	ies			
Portfolio quality	(final assessment)	Very Strong	Strong		Ade	quate		Moderate)	We	eak
No	tches	+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
Shareholder support						
Key shareholder rating	AA-	AA-	AA-	AA-	AA-	AA-
Share of shareholders rated \geq AA- (%)	66.1	66.1	66.1	66.1	66.3	66.3
Liquidity (EUR bn)				°		
Cash and cash equivalents*	4.5	5.2	8.0	10.2	8.6	2.6
Liabilities maturing within 12 months	28.7	24.4	22.3	24.6	24.1	16.6
Disbursements over the next 12 months	-	-	-	-	-	-
Liquid assets ratio (%)	15.8	21.5	35.8	41.4	35.7	15.6
Funding (EUR bn)						
Volume	14.0	49.0	28.0	20.0	19.5	19.5
Share of total (%)						
EUR	100	100	100	100	100	100
USD	-	-	-	-	-	-
GBP	-	-	-	-	-	-
ESG issuance	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
Total financial liabilities (1-5 years)	97.8	81.8	78.6	82.3	79.7	85.9
Maturity gap	0.10	0.93	0.16	0.16	0.18	0.19
Asset quality (EUR bn)						
Total gross loans	182.1	183.6	184.8	184.0	185.1	185.9
Greece	136.1	137.4	138.6	139.9	141.0	141.9
Portugal	27.5	27.5	27.5	25.5	25.5	25.4
Ireland	18.6	18.6	18.6	18.6	18.6	18.6
Non-performing loans	-	-	-	-	-	-
% of total loans	-	-	-	-	-	-
Average borrower quality	-	B+	BB	BB+	BB+	BBB-

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

Source: EFSF, Scope Ratings



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