

## CREDIT OPINION

2 November 2023

Update

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### RATINGS

#### Eurofima

	Rating	Outlook
Long-term Issuer	Aa2	STA
Short-term Issuer	P-1	--

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## Eurofima – Aa2 stable

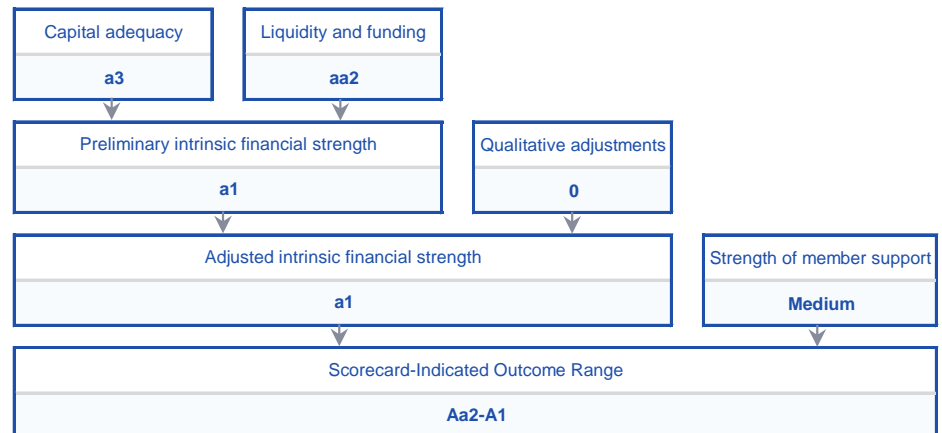
Regular update

### Summary

The credit profile of Eurofima (Aa2 stable) is supported by its strong asset quality and excellent asset performance, demonstrated by the absence of any credit losses since its inception in 1956, as well as by the strong support provided by its highly rated shareholders. Eurofima also has very strong liquidity buffers and solid access to funding on favourable terms from a diverse group of investors. These credit strengths are set against Eurofima's very high leverage ratio and the institution's low level of callable capital relative to its debt stock.

Exhibit 1

### Eurofima's credit profile is determined by three factors



Source: Moody's Investors Service

### Credit strengths

- » Eurofima's strong asset quality and excellent asset performance
- » The strong ability of Eurofima's highly rated shareholders to support the institution

### Credit challenges

- » Very high leverage relative to other MDBs
- » A low level of callable capital relative to other highly rated MDBs

## Rating outlook

The stable outlook reflects our expectation that Eurofima's very strong asset performance as well as its very strong liquidity and funding profile will remain essentially unchanged over the coming 12 to 18 months. It also reflects our expectation that Eurofima's leverage ratio, which has continued to decline from very elevated levels in recent years, will stabilize at around its current level, albeit still an elevated level. Furthermore, we expect the strength of shareholder support for Eurofima will remain essentially unchanged for the foreseeable future.

## Factors that could lead to an upgrade

A further, substantial decline in Eurofima's leverage ratio to levels closer to that of other highly rated MDBs would put upward pressure on the rating. An increase in the level of callable capital or an increase in the weighted-average shareholder rating, through rating upgrades or the addition of significant new, highly rated shareholders, would also be credit positive. Furthermore, the reinstatement across the balance sheet of protections consistent with those provided by Article 26 for bonds issued before 1 January 2018, would also exert upward rating pressure.

## Factors that could lead to a downgrade

A deterioration of Eurofima's very strong asset performance and quality, for instance resulting from a significant expansion of lending to low-rated borrowers, would put downward pressure on the rating. A renewed increase in leverage would similarly be credit negative. A downgrade of one or more of the sovereigns backing one of Eurofima's major shareholders would also put negative pressure on the ratings, although Eurofima's credit profile has a certain degree of resilience to such a scenario. A weakening of Eurofima's liquidity buffers or ability to access market funding would also be credit negative.

## Key indicators

Exhibit 2

Eurofima	2017	2018	2019	2020	2021	2022
Total Assets (USD million)	20,401.3	18,112.9	18,102.1	20,871.7	18,018.2	16,714.0
Development-related Assets (DRA) / Usable Equity [1]	841.4	686.9	666.2	705.2	651.5	594.5
Non-Performing Assets / DRA	0.0	0.0	0.0	0.0	0.0	0.0
Return on Average Assets	0.1	0.1	0.1	0.1	0.1	0.1
Liquid Assets / ST Debt + CMLTD	150.7	196.0	123.4	143.6	142.8	166.4
Liquid Assets / Total Assets	21.4	28.0	27.6	28.8	29.6	32.2
Callable Capital / Gross Debt	11.8	13.3	13.5	12.8	13.7	15.3

[1] Usable equity is total shareholder's equity and excludes callable capital

Source: Moody's Investors Service

### Profile

Eurofima is a supranational organisation established by an international treaty ratified by 25 European countries. It was established in 1956 with an intended life span of 50 years. However, its mandate was extended in 1984 to 100 years until 2056. Its mission is to provide railway companies in signatory countries with competitive funding to renew or modernise their rolling stock. Eurofima funds the acquisition of rolling stock by the railway companies of signatory countries through equipment financing contracts. It funds itself on the capital markets and advances these funds to railway companies. It does so while holding the title to the rolling stock until these companies have paid for the equipment in full. The title on the rolling stock only passes to the recipient company once the final contract instalment has been paid.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

## Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and funding and strength of member support. For Multilateral Development Banks, the first two factors combine to form the assessment of intrinsic financial strength, as shown on the cover page graphic. Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information please see our [Supranational Rating Methodology](#).

### FACTOR 1: Capital adequacy score: a3

We assess Eurofima's capital adequacy as "a3" in light of its strong asset quality and excellent asset performance, with not a single credit loss recorded since Eurofima's inception in 1956. These strengths balance the risks otherwise associated with Eurofima's very elevated leverage ratio, among the highest of rated MDBs.

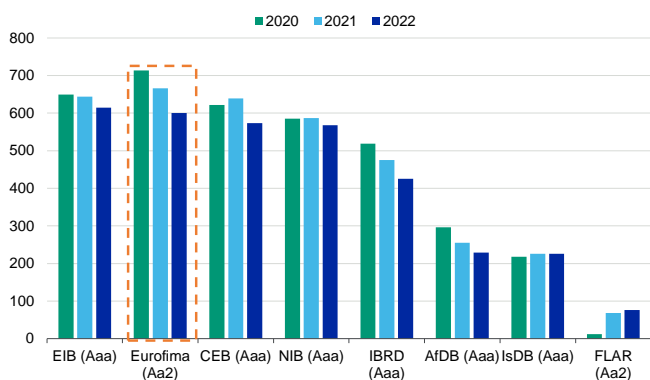
#### Eurofima's leverage is the among highest of all rated MDBs, but has declined considerably

Eurofima's assets as a percentage of usable equity,<sup>1</sup> our key measure of leverage, stood at 600% at the end of 2022, down from 666% at the end of 2021. Although leverage has more than halved over the past decade, Eurofima's leverage ratio remains among the highest of rated MDBs, somewhat above those of highly rated peers such as the [Council of Europe Development Bank](#) (Aaa stable) at 573%, and the [Nordic Investment Bank](#) (Aaa stable) at 568% (see Exhibit 3). We expect Eurofima's balance sheet and leverage ratio to remain roughly stable over the next few years, on the back of moderate growth of the loan portfolio and usable equity.

The considerable decline of Eurofima's leverage over the past decade has principally been driven by a decline in its loan book, reflecting the decision by Eurofima's board of directors to restrict new lending to only very highly rated borrowers in the wake of the euro area debt crisis, a restriction that has since been lifted. Although new lending reached a record level of €2.9 billion 2020 as Eurofima responded to the liquidity needs of railway companies hit hard by the impact of the coronavirus pandemic, the leverage ratio has remained on a declining trend in recent years. Eurofima's loan book declined to €9.2 billion in 2022 from €10.1 billion in 2021, as a result of fair value adjustments and maturing loans somewhat exceed new loans extended last year.

Exhibit 3

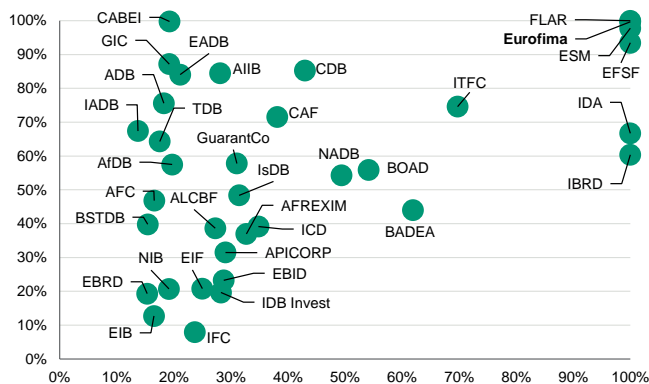
**Eurofima's leverage is among the highest of the MDBs we rate**  
Development-related assets plus treasury assets rated A3 or lower as % of usable equity



Sources: MDB financial statements and Moody's Investors Service

Exhibit 4

**Eurofima's policy mandate leads to high concentration**  
Sectoral concentration (x-axis), top 10 borrowers concentration (HHI<sup>[1]</sup>), 2022



[1] Herfindahl-Hirschman Index  
Sources: Moody's Investors Service

Eurofima's declining leverage also reflects an 11.3% increase in usable equity since 2017. Although Eurofima is not a profit maximising institution, with return on assets typically averaging around 0.1% and return on equity averaging 1.4% since 2020, the institution does generate steady if moderate profits (see Recent Developments section). While Eurofima resumed the paying of dividends in 2019, most of its annual profits are typically retained and added to its usable equity. Net profit stood at €16.8 million in 2022, down from €22 million the previous year principally due to a decline in net interest income (see Recent Developments section). However, we expect

that Eurofima's profitability will improve in 2023 and beyond as the higher global interest rate environment results in an increase in net interest income over time.

### High asset quality and a pristine asset performance track record balance risks from high leverage

The risks otherwise associated with Eurofima's high leverage are substantially mitigated by the high asset quality and excellent asset performance of Eurofima's loan book. We assess the credit quality of Eurofima's development assets as "a", mainly based on its weighted average borrower rating (WABR) of Baa1. Given that shareholding railway companies are required to hold a guarantee from their respective sovereign, we use the corresponding sovereign ratings to calculate the WABR. Consequently, the quality of Eurofima's loan book has improved substantially since the euro area debt crisis when the WABR reached a low of Ba3 in 2012. Eurofima's asset performance track record is pristine, with not a single credit loss recorded in the institution's 67-year history.

Our assessment of the credit risk present in Eurofima's portfolio also considers its high degree of concentration. Eurofima's strict mandate to provide financing to railway companies means that the potential for sectoral diversification is structurally limited, although risks are mitigated by the fact that the railway sector is typically not subject to significant cyclical swings. The geographic concentration of the portfolio and the fact that virtually its entire loan book is concentrated among its top 10 borrowers, leaves Eurofima with one of the most concentrated portfolios of the MDBs we rate (see Exhibit 4). However, under a strategy to diversify its loan portfolio, Eurofima has since 2018 reactivated lending relationships with inactive shareholders including [Italy](#) (Baa3 negative), [Spain](#) (Baa1 stable), [Portugal](#) (Baa2 positive) and [Croatia](#) (Baa2 stable), and has so far in 2023 also reactivated lending to the [Czech Republic](#) (Aa3 negative) and [Montenegro](#) (B1 stable).

### Strong protection mechanisms further mitigate risk of credit losses

All of Eurofima's loans are collateralised by the rolling stock it finances, which means that Eurofima holds the title to the equipment it finances until the financing is completely reimbursed. Although physical asset collateral is not asset quality-enhancing unless it has a liquid secondary market and its value is certified (which is not the case for rolling stock), Eurofima's ability to repossess the rolling stock increases the incentive for borrowers to honour their financial obligations. Moreover, while the liquidation of rolling stock by Eurofima remains untested, we assume that seizure of collateral would increase recovery rates, although it could take time to recover the assets.

While Eurofima's shareholders are railway companies, a sovereign guarantee is a prerequisite to becoming a member of the organisation, with the sovereign guaranteeing all the obligations of the shareholder. With the 2018 changes to Eurofima's statutes, regional and local governments or transport companies of the member states can now also become shareholders, provided they hold a guarantee from the relevant sub-sovereign government.

The 2018 statute changes also resulted in the so-called Subsidiary Shareholder Guarantee (SSG) being discontinued for equipment financing contracts entered after 1 January 2018. Contracts entered into before 2018 still benefit from this added layer of protection, which makes shareholders liable to cover for any shareholder that is unable to meet their financial commitments to Eurofima, up to the limit of their subscribed share capital. The share of loans still covered by the SSG stood at around 43% at the end of 2022, and will reach 0% by the early- to mid-2030s as the covered loans mature.

## FACTOR 2: Liquidity and funding score: aa2

Our "aa2" assessment of Eurofima's liquidity and funding reflects the organisation's prudent liquidity policy, the strict back-to-back asset liability management of its core lending businesses, and its highly liquid and highly rated treasury portfolio. In addition, Eurofima is a well-established issuer on the international markets, reflected in its diversified investor base by geography, currency and investor type, as well as its very low cost of funding.

### Prudent policies underpin robust liquidity metrics

Liquidity plays an important role in the credit assessment of MDBs because they are typically ineligible for emergency funding from a central bank. Eurofima's liquidity management policies are particularly strict given the organisation's reliance on market funding. According to these policies, Eurofima maintains sufficient liquidity to meet all its operating and refinancing requirements for the ensuing 12-month period. In doing so, it applies credit risk haircuts to all maturing assets, and liquidity risk haircuts to all securities that will be sold in a stressed scenario where it has no market access. In addition, all liquid assets must carry a minimum rating of A3/P-1 or equivalent credit quality at the time of purchase.

Eurofima also conducts a very strict back-to-back approach to asset/liability management for its core lending business. It has no maturity mismatches and thus no funding gap, assuming borrowers reimburse on time. Reflecting its predominant exposure to euro area railway companies, Eurofima changed its functional currency to the euro from the Swiss franc in 2019. While it continues to operate heavily in other currencies, including a large gross exposure to the Swiss franc, it uses natural and swap hedges in a systematic way. This means that foreign-currency risk is virtually non-existent on a net basis. Similarly, the organisation uses interest-rate swap transactions to hedge interest-rate risks.

Since January 2017, Eurofima has gradually amended its collateral arrangements for derivatives exposures to allow for daily valuation and bilateral exchange of collateral in the form of cash.

### Treasury portfolio is highly liquid and highly rated

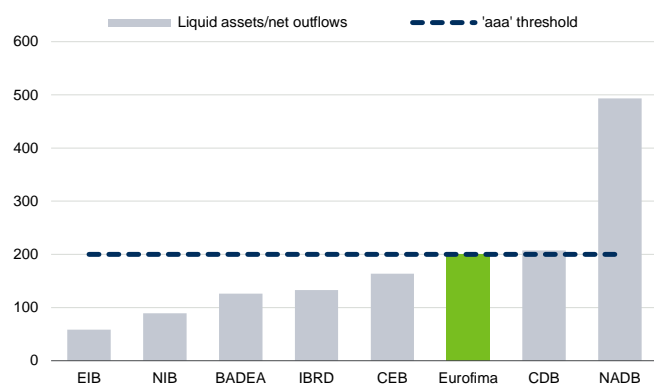
To assess the liquidity position of an MDB, we analyse the size of available liquid resources<sup>2</sup> relative to cash outflows in a stressed scenario over the coming 18 months in which the MDB has no access to markets but continues its normal business operations. Loan disbursements and debt maturities are Eurofima's main outflows, while repayments from previously disbursed loans are its main inflows. Eurofima's ratio of liquid assets to net outflows is robust at 201%, which results in a factor score of "aaa" (see Exhibit 5).

Eurofima's treasury portfolio is also very highly rated: 71% of its liquid assets are invested in Aaa-rated securities and 15% in Aa-rated securities (see Exhibit 6). The remaining 14% is allocated to the lower-than-Aa and nonrated category, down from 38.7% in 2019 because of the decrease of nonrated treasury assets to zero in 2022 from €1.6 billion in 2019.

Exhibit 5

#### Eurofima's credit profile is characterised by strong liquidity buffers

Liquid assets/net outflows (2022)

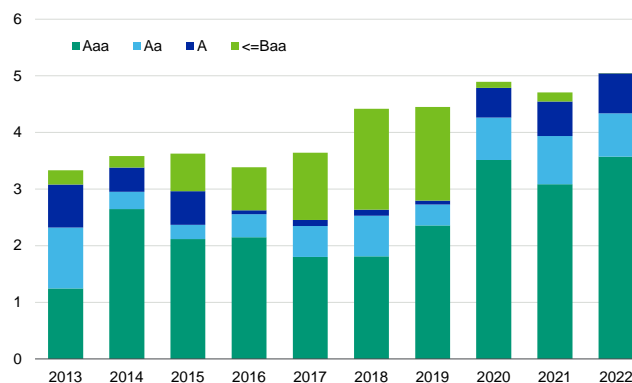


Sources: Eurofima and Moody's Investors Service

Exhibit 6

#### Eurofima's liquid assets are highly rated

€ billion



Restatement of CHF amounts to € before 2018 is based on Moody's exchange rates.  
Sources: Eurofima and Moody's Investors Service.

### Track record of international issuance reflects strong ability to raise funds

Despite being a relatively small MDB, Eurofima has been a well-recognised issuer in the global capital markets for many years and has consistently had access to a variety of markets in various currencies. These factors underlie our "aa" assessment of its quality of funding.

Eurofima raises funds on the international capital markets typically through public bond issuances under its debt issuance programme and commercial paper. Its funding strategy is based on three pillars: (1) euro-denominated funding in green bond format; (2) currency diversification and cost optimisation with transactions also conducted in US dollars, Swedish krona, Swiss francs and Australian dollars; and (3) commercial paper for short-term funding needs (up to 12 months).

Eurofima's frequent and regular issuance on those markets means it is able to maintain very low costs of financing and attract very high-quality investors, such as central banks and fund managers. In addition, Eurofima's securities are classified under the Basel III framework as high-quality liquid assets, supporting strong demand and low funding costs.

In 2022, Eurofima raised €9.9 billion of debt on the capital and money markets, with a primary focus on the USD and EUR markets. Following its first green bond issuance in 2018, it has become a regular issuer of green bonds, further diversifying its investor base. Eurofima had €4.9 billion-equivalent in green bond issuances outstanding at the end of 2021.

### Qualitative adjustments to intrinsic financial strength

#### Operating environment

We do not apply an adjustment for operating environment. Eurofima's narrow specialisation in providing financing for rolling stock protects it from fluctuations in the economic cycle, because the railway sector is less prone to cyclical swings. While Eurofima does not directly benefit from the Next Generation EU fund (the EU's recovery package to support member states hit by the pandemic), European governments' intention to promote the green economy over the next few years will support the railway industry in the bloc, strengthening demand for the rolling stock.

#### Quality of management

We do not apply an adjustment for quality of management. Eurofima's risk management policies are prudent and robust, and its governance principles are of a high standard, in line with our expectation at the Aa2 rating level.

In common with other supranational organisations, Eurofima is not subject to regulatory supervision. It observes a comprehensive risk management framework using best international practice, such as the Basel III framework and International Financial Reporting Standards. The organisation's general assembly approves annual accounts and sets an annual borrowing cap, while an independent external auditor audits its annual accounts.

Eurofima's board of directors, which meets quarterly, authorises the organisation's borrowing and lending activity, and maintains an internal control system for financial reporting. Eurofima's audit and risk committee supports the board in its comprehensive supervisory role in respect of financial control, risk control, audit and compliance management.

### FACTOR 3: Strength of member support score: Medium

Eurofima receives a score of "Medium" for strength of member support. The score balances the very high ability of Eurofima's shareholders to provide support, as reflected in a weighted average shareholder rating (WASR) of "a1", against the very limited size of callable capital relative to its debt obligations. Our assessment of non-contractual support is High, reflecting Eurofima's track record of expanding its membership and the alignment of its public mission with the EU's strategy to reduce CO2 emissions.

#### Eurofima's backing by highly rated sovereigns is a key credit strength

Although Eurofima's shareholders are the railway companies of member states, our assessment of the strength of member support is principally based on an assessment of the support provided by the sovereign, because the sovereigns are required to guarantee the liabilities of the railway companies.

Eurofima's WASR of "a1" is one of the highest of the MDBs we rate (see Exhibit 7). According to this metric, the credit quality of Eurofima's members was among the top of rated MDBs in 2022 and put it on par with supranationals such as the [European Stability Mechanism](#) (Aaa stable), the [European Bank for Reconstruction and Development](#) (Aaa stable) and [European Investment Bank](#) (Aaa stable). Aaa and Aa-rated sovereigns account for 73% of subscribed capital, whereas non-investment-grade and nonrated sovereigns represent less than 5%, reflecting shareholders' robust ability to provide financial assistance.

#### A low level of callable capital constrains the strength of contractual member support

The key metric used for assessing the strength of contractual member support is the ratio of callable capital to total outstanding debt obligations. While an MDB can, in most cases, only call capital to service debt, Eurofima can do so for other reasons, including advancing on its objectives or shoring up liquidity, following a decision by its board of directors.

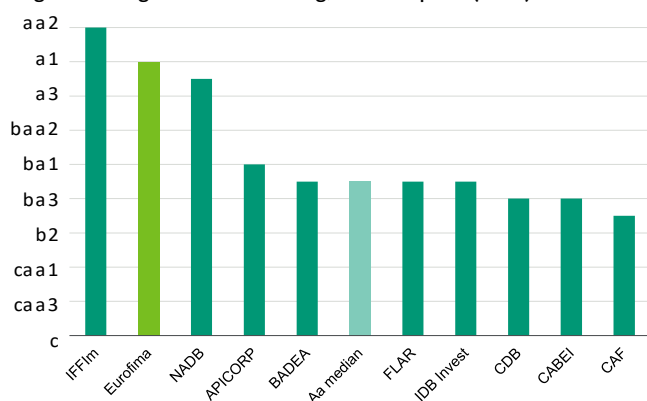
Eurofima's callable capital ratio stood at 15.3% at the end of 2022 and is one of the lowest of the MDBs we rate, after [African Export-Import Bank](#) (Baa1 stable) and [Corporacion Andina de Fomento](#) (Aa3 stable) (see Exhibit 8). This results in a low score for strength of contractual member support of "b1".

The low level of callable capital to debt mainly reflects Eurofima's very elevated leverage ratio (see Capital adequacy section above). Eurofima's deleveraging strategy has sharply reduced its level of outstanding debt and supported an increase in the ratio of callable capital to debt over the past decade. However, in the absence of a statutory increase in callable capital, we expect the callable capital ratio to remain broadly stable for the foreseeable future.

Exhibit 7

### Eurofima's shareholder base is among the highest rated of Aa-rated MDBs

Weighted average shareholder rating, Aa-rated peers (2022)

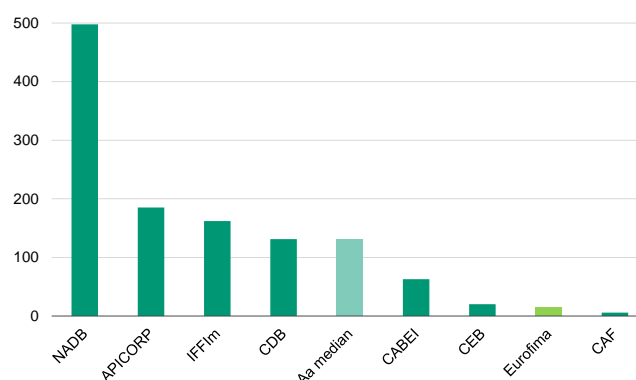


Sources: Eurofima and Moody's Investors Service

Exhibit 8

### Eurofima's ratio of callable capital to debt is low compared to peers

Callable capital, % of gross debt (2022)



Sources: Eurofima and Moody's Investors Service.

### High non-contractual support reflects stable membership and importance of mission

We assess strength of non-contractual support qualitatively based on several considerations, including the institution's track record of capital increases, whether shareholders have remained current on their capital payments and the importance of the institution's mandate to shareholders, as well as reputational risk in the event of the institution failing to repay its debt.

Eurofima has retained a core membership of railway companies backed by mostly highly rated western European sovereigns since the institution's founding in 1956. The addition of 11 new member states since then has expanded membership mainly to central, eastern and southeastern Europe, with Montenegro the most recent country to join in 2006. Eurofima's public policy mandate to support the development of passenger rail transport in Europe is well aligned with the key policy priority of its member states to reduce greenhouse gas emissions, supporting our assessment of member states' willingness to support the institution beyond their contractual commitments if needed.

The 2018 changes to Eurofima's statutes paved the way for the admission also of regional or local transport authorities in Eurofima's member states, provided that these hold a guarantee from the relevant sub-sovereign government. The increasing focus on subnational entities reflects a changing regulatory and operating landscape for the European railway sector with a move towards a more decentralised railway market. Eurofima has engaged in discussions principally with public transport authorities backed by highly-rated German sub-sovereigns, but so far no such entities have joined the institution as shareholders.

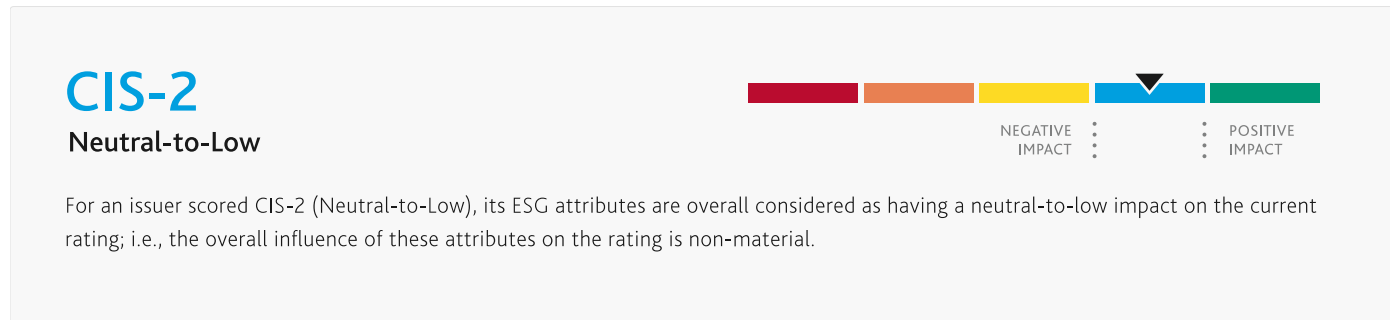
Our assessment of non-contractual support also incorporates the relatively high concentration of Eurofima's loan portfolio. Around half of Eurofima's member states have few or no loans outstanding with the organisation and its largest shareholders are in many cases not its largest beneficiaries. Despite efforts to diversify the loan portfolio, we do not expect this situation to change substantially because some railways, such as [Deutsche Bahn](#) (Aa1 stable) and [SNCF](#) (Aa3 stable), have shown a willingness to maintain their own presence on capital markets, as well as holding rights to the rolling stock during the financing period. That said, Eurofima's concentrated membership and small size compared with other supranational institutions is a relative advantage, as we would expect its shareholders to be able to coordinate and provide additional financial support beyond their contractual obligations at a limited absolute cost in an emergency.

## ESG considerations

### Eurofima's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 9

#### ESG Credit Impact Score

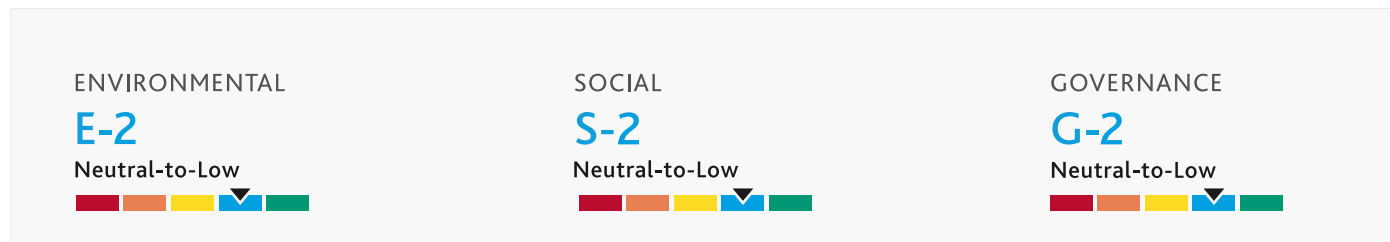


Source: Moody's Investors Service

Eurofima's credit impact score is neutral-to-low (**CIS-2**), reflecting neutral to low exposure to environmental and social risks. Resilience is supported by sound governance and strong member support, although some of the largest members have so far used the institution only rarely.

Exhibit 10

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

Eurofima's environmental issuer profile score is neutral-to-low (**E-2**), based on low exposure to most of the environmental risks Moody's considers. The railway sector, which Eurofima is exclusively focused on, stands to benefit from the fight against climate change and carbon transition process. Member states as well as many local and regional authorities are already actively promoting rail transport as an efficient way of greening both long-haul and urban transport. As a result, Moody's assigns a positive score to Eurofima's exposure to carbon transition risk.

### Social

Eurofima's social issuer profile score is neutral-to-low (**S-2**). Eurofima has a transparent and well-established framework for its lending activity that supports Moody's assessment of responsible production, and its issuer profile benefits from stable customer relations.

### Governance

The governance risk issuer profile score for Eurofima is neutral-to-low (**G-2**). Eurofima has a prudent approach to lending and a solid risk management strategy. The institution has not incurred a single credit loss since its inception in 1956.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#). Additional information about our rating approach is provided in our [Supranational Rating Methodology](#).



## Recent developments

### Leverage continued declining in 2022 - but is likely to stabilise around current levels in coming years

Eurofima's loan book shrank to €9.2 billion in 2022 from €10.1 billion in 2021, principally driven by IFRS fair value adjustments but also by maturing loans of €981 million exceeding the €732 million in new loans extended. Coupled with a continued decline of the value of treasury assets rated A3 or below (which also forms part of our assessment of leverage) this drove a decline of Eurofima's leverage ratio to 600% at the end of 2022, from 666% in 2021 and 714% 2020. That said, we expect new lending will pick up in 2023 and beyond to stand at around €1 billion per year, bringing the total loan book back to up to around €10 billion and contributing to stabilising the leverage ratio around current levels in coming years.

Our measure of Eurofima's usable equity, which constitutes the denominator of the leverage ratio, was essentially unchanged in 2022 compared to the previous year. Net profit, which constitutes a potential source for adding to the equity base through retained earnings, declined to €16.8 million in 2022 from €22 million in 2021. This was principally due to a decline in net interest income as rising revenues from reinvesting maturing bonds in the treasury portfolio in the rising yield environment was more than offset by rising costs for funding the liquidity portfolio last year.

That said, over time we expect that the positive effects of rising treasury portfolio income will dominate over time, bringing net profits back to around €20 million this year and potentially even higher in coming years. This will also contribute to a stabilisation of the leverage ratio broadly around current levels. While Eurofima's borrowing costs have naturally increased as a result of the shift to a higher global interest environment, spreads to similar supranational entities have not widened significantly.

### Eurofima continues extending new lending to previously inactive shareholders, diversifying portfolio

At the end of 2022, Eurofima had loans outstanding to only 11 of its 25 shareholding countries, with 87% of loans concentrated in the core customers of [Switzerland](#) (Aaa stable), Italy, [Belgium](#) (Aa3 stable) and Spain. As part of an effort to diversify its loan book, Eurofima has since January 2023, reactivated lending relationships with the Czech Republic and Montenegro, with transactions totaling €362 million (of which Montenegro represents €2 million). Croatia was reactivated as a borrower in 2021 with a second transaction completed earlier in 2023.

Eurofima's diversification strategy is supported by a 2018 board decision to allow below-Aa3 investment grade lending, and a subsequent decision in 2021 to allow non-investment grade lending, alongside credit risk insurance. In broadening its customer base, Eurofima aims to reduce its particularly high country concentration risk and develop a more steady pipeline of lending projects in order to maintain its portfolio size at around €10 billion over the coming years.

Despite the recent and upcoming transactions with non-investment grade members, including [Serbia](#) (Ba2 stable) and Montenegro, we expect that overall exposure to non-investment grade sovereigns will remain roughly stable over the coming year as an outstanding exposure to Greece matures.

## Rating methodology and scorecard factors: Eurofima - Aa2 stable

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
<b>Factor 1: Capital adequacy (50%)</b>			<b>a3</b>	<b>a3</b>
<b>Capital position (20%)</b>			<b>b1</b>	
	Leverage ratio	<b>b1</b>		
	Trend	0		
	Impact of profit and loss on leverage	0		
<b>Development asset credit quality (10%)</b>			<b>a</b>	
	DACQ assessment	<b>a</b>		
	Trend	0		
<b>Asset performance (20%)</b>			<b>aaa</b>	
	Non-performing assets	<b>aaa</b>		
	Trend	0		
	Excessive development asset growth	0		
<b>Factor 2: Liquidity and funding (50%)</b>			<b>aa2</b>	<b>aa2</b>
<b>Liquid resources (10%)</b>			<b>aaa</b>	
	Availability of liquid resources	<b>aaa</b>		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
<b>Quality of funding (40%)</b>			<b>aa</b>	
<b>Preliminary intrinsic financial strength</b>				<b>a1</b>
<b>Other adjustments</b>				<b>0</b>
<b>Operating environment</b>		0		
<b>Quality of management</b>		0		
<b>Adjusted intrinsic financial strength</b>				<b>a1</b>
<b>Factor 3: Strength of member support (+3,+2,+1,0)</b>			<b>Medium</b>	<b>Medium</b>
<b>Ability to support (50%)</b>			<b>a1</b>	
	Weighted average shareholder rating	<b>a1</b>		
<b>Willingness to support (50%)</b>				
	Contractual support (25%)	<b>b1</b>	<b>b1</b>	
	Strong enforcement mechanism	0		
	Payment enhancements	0		
	Non-contractual support (25%)		<b>High</b>	
<b>Scorecard-Indicated Outcome Range</b>				<b>Aa2-A1</b>
<b>Rating Assigned</b>				<b>Aa2</b>

**Note:** Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Development Banks and Other Supranational Entities rating methodology.

Source: Moody's Investors Service

## Related websites and information sources

- » [Moody's Supranational web page](#)
- » [Moody's Sovereign and supranational rating list](#)
- » [Eurofima's web page](#)

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## Endnotes

- 1 The numerator is development-related assets (gross loans, equity investments and guarantees extended as part of the policy mandate of a multilateral development bank) and treasury assets rated A3 and lower, and the denominator is usable equity.
- 2 Liquid assets include cash and cash equivalents, deposits with a term of less than one year held by financial institutions rated Baa3 or higher, treasury assets rated A2 or higher, and committed, unrestricted, and undrawn credit lines with prime lenders with a maturity greater than 18 months.

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