S&P Global
Ratings

Research

EUROFIMA's Debt Issuance Program Affirmed At 'AA+/A-1+'

Primary Credit Analyst:
Abril A Canizares, London (44) 20-7176-0161; abril.canizares@spglobal.com

Secondary Contact:
Alexander Ekbom, Stockholm (46) 8-440-5911; alexander.ekbom@spglobal.com

LONDON (S&P Global Ratings) Oct. 16, 2018--S&P Global Ratings today affirmed its 'AA+/A-1+' issue ratings on the €20 billion debt issuance program of supranational organization EUROFIMA European Co. for the Financing of Railroad Rolling Stock (AA+/Negative/A-1+) following changes to EUROFIMA's statutes.

Under the program EUROFIMA may, from time to time, issue debt instruments up to the maximum outstanding aggregate principal amount of €20 billion, including a pricing supplement. All notes issued under the program constitute direct, unsecured obligations of EUROFIMA, ranked pari passu with all its other unsecured and unsubordinated obligations. However, all issuance under the program after Jan. 1, 2018, will not be entitled to the proceeds recovered under the subsidiary shareholder guarantee as specified under Article 26 of EUROFIMA's statutes. We assess this exclusion from any shareholder guarantee proceeds as insufficient to differentiate between our issue ratings on existing notes and those on new notes.

The notes rank pari passu, and failure to repay both new and existing notes within the grace period would trigger a cross-default clause, leading to the liquidation of EUROFIMA. Furthermore, we expect proceeds from the subsidiary shareholder guarantee will be paid to EUROFIMA and not to noteholders directly. Therefore, we believe different recovery prospects on existing and new notes will materialize only in the event of a default by EUROFIRMA caused by nonpayment of one or several of its guaranteed exposures. Even in such a remote scenario, we think the additional recourse enjoyed by the existing notes is not material enough to differentiate them from any new notes issued.

Therefore, we have affirmed our rating on the program.

Our issuer credit ratings on EUROFIMA take into account that the benefit of the extraordinary support from the subsidiary shareholder guarantee will cease to exist after loans that were provided before Jan. 1, 2018, have matured. Therefore, the outstanding loan amounts covered by the guarantee will gradually tail off.

The ratings on EUROFIMA reflect our assumption that, on a stand-alone basis, EUROFIMA will maintain its strong business profile and very strong financial profile. Both assessments rely on our expectation that no major shareholder will withdraw from the company. Additionally, we consider that although EUROFIMA's new loans will no longer benefit from the subsidiary shareholder guarantee, the institution will continue to benefit from shareholder support in the form of callable capital if needed. We therefore factor into our assessment of the rating one notch of extraordinary shareholder support in the form of eligible callable capital, provided by 'AA+' and 'AAA' rated shareholders.

RELATED CRITERIA

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Governments - General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Nov. 26, 2012
- Criteria - Financial Institutions - Banks: Multilateral Lending Institutions Capital Methodology And Assumptions, Dec. 6, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Additional Contact:
Industrial Ratings Europe; Corporate_Admin_London@spglobal.com

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.