

CREDIT OPINION

1 October 2024

Update



RATINGS

Eurofima

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

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Eurofima – Aa2 stable

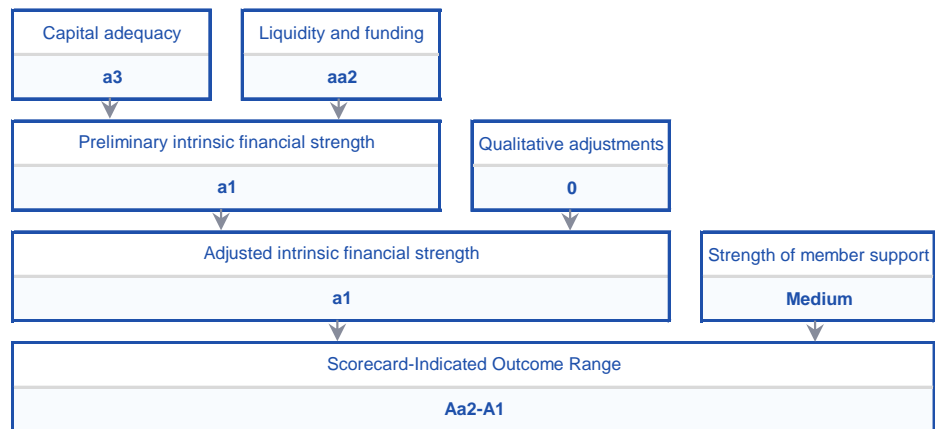
Update following rating affirmation, outlook unchanged

Summary

The credit profile of Eurofima (Aa2 stable) is supported by its strong asset quality and performance, demonstrated by the absence of any credit loss since its inception in 1956, as well as by its robust liquidity and funding profile. Extraordinary support from shareholders also provide credit support. These credit strengths are set against Eurofima's still highly leveraged balance sheet and low level of callable capital relative to debt.

Exhibit 1

Eurofima's credit profile is determined by three factors



Source: Moody's Ratings

Credit strengths

- » Strong asset quality and performance, supported by systematic credit protections
- » A robust liquidity and funding profile
- » Extraordinary support from shareholders provide credit support

Credit challenges

- » Leverage is amongst the highest of rated multilateral development banks
- » Low level of callable capital relative to debt

Rating outlook

The stable outlook primarily reflects our expectation that Eurofima's leverage ratio will remain stable, at high levels, over the next two to three years, while we expect its other credit fundamentals to remain well anchored. In particular, we expect Eurofima's asset quality and performance to remain strong, its liquidity and funding profile robust, and the extraordinary support from shareholders to provide credit support.

Factors that could lead to an upgrade

Material debt deleveraging, bringing Eurofima's leverage ratio closer to that of other highly rated multilateral development banks would exert upward pressure on its ratings. An increase in the level of callable capital as well as positive pressures on the credit profiles of shareholders, including through the addition of highly-rated new shareholders, could also have some positive implications for Eurofima's ratings.

Factors that could lead to a downgrade

A material deterioration of Eurofima's asset performance and quality, as well as a renewed increase in leverage, would put downward pressure on the ratings. A downgrade of one or more of the sovereigns backing one of Eurofima's major shareholders could 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 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------|----------|----------|----------|----------|----------|
| Total Assets (USD million) | 18,112.9 | 18,102.1 | 20,871.7 | 18,018.2 | 16,714.0 | 18,197.3 |
| Development-related Assets (DRA) / Usable Equity [1] | 686.9 | 666.2 | 705.2 | 651.5 | 594.5 | 600.2 |
| 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 | 0.2 |
| Liquid Assets / ST Debt + CMLTD | 196.0 | 123.4 | 143.6 | 142.8 | 166.4 | 186.0 |
| Liquid Assets / Total Assets | 28.0 | 27.6 | 28.8 | 29.6 | 32.2 | 33.5 |
| Callable Capital / Gross Debt | 13.3 | 13.5 | 12.8 | 13.7 | 15.3 | 14.7 |

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

Source: Moody's Ratings

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 (MDBs), 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", reflecting its strong asset quality and very strong asset performance, with not a single credit loss recorded since Eurofima's inception in 1956. These strengths balance Eurofima's very elevated leverage ratio, which is amongst the highest of rated MDBs.

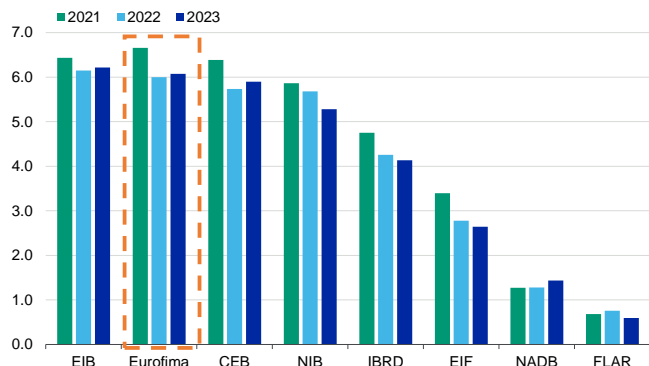
Eurofima's leverage is amongst the highest of all rated MDBs, but stable, after years of decline

Eurofima's assets as a percentage of usable equity,¹ our key measure of leverage, stood at 608% at the end of 2023, slightly up from 600% in 2022. Although leverage has more than halved over the past decade (from around 1,490% in 2012), at the end of 2023, Eurofima's leverage ratio remains amongst the highest of rated MDBs, somewhat above those of highly rated peers such as the [Council of Europe Development Bank](#) (Aaa stable) at 590%, and the [Nordic Investment Bank](#) (Aaa stable) at 530% (see Exhibit 3). 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 (from 2009 until the mid to late 2010s), a restriction that has since been lifted. Going forward, we expect Eurofima's balance sheet and leverage ratio to remain roughly stable over the next two to three years, on the back of moderate growth of the loan portfolio and usable equity.

In 2023, Eurofima's loan book increased by 3.5% to €9.6 billion, with the number of rolling stock finance transactions rising to eleven that year (against 4 to 7 over 2020-22). This growth is part of Eurofima's larger strategy to revitalize and strengthen their relationships with stakeholders across several countries (see 'Recent developments' section below). By the end of 2024, Eurofima expects its loan book to be slightly lower than at year-end 2023, mainly because of transaction timing moving volumes into 2025.

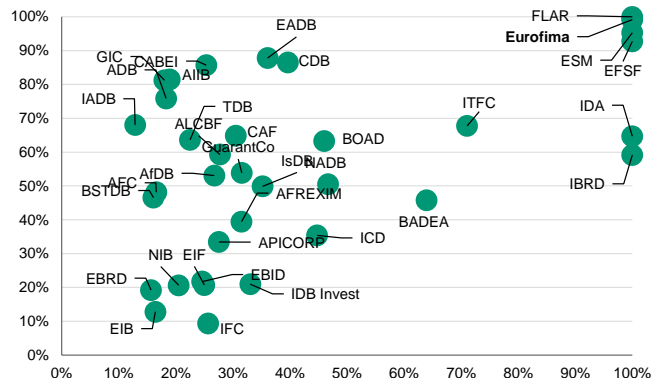
Eurofima's past debt deleveraging also reflects a consistent increase in usable equity over the past decade. Although Eurofima is not a profit maximizing institution, it does generate steady if moderate profits – with return on assets averaging around 0.1% and return on equity averaging 1.5% over the past decade. 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 €27.6 million in 2023, €10.8 million higher than in the previous year (€16.8 million), driven by an increase in net interest income thanks to the increased interest rate environment. In 2024, Eurofima expects net profit to remain relatively stable.

Exhibit 3
Eurofima's leverage is amongst the highest of the MDBs we rate
 Development-related assets plus treasury assets rated A3 or lower as % of usable equity



Source: MDB financial statements, Moody's Ratings

Exhibit 4
High concentration in Eurofima's loan book result from its railway-focused mandate
 Sectoral concentration (x-axis), top 10 borrowers concentration (y-axis), (HH[1]), 2023



Herfindahl-Hirschman Index
 Source: Moody's Ratings

Strong asset quality and a pristine track record of asset performance

The risks associated with Eurofima's still highly leveraged balance sheet are limited by the strong asset quality and very strong asset performance of its loan book. We assess the credit quality of Eurofima's development assets as "a", anchored by its Baa1 weighted average borrower rating (WABR). Given that shareholding railway companies are required to systematically hold a guarantee from their respective sovereigns, 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 68-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 stable), [Spain](#) (Baa1 positive), [Portugal](#) (A3 stable) and [Croatia](#) (Baa2 positive). In 2023, Eurofima also reactivated lending to the [Czech Republic](#) (Aa3 stable) and [Montenegro](#) (B1 stable) as well as with [Austria](#) (Aa1 stable).

Strong protection mechanisms further mitigate risk of credit losses

All of Eurofima's loans are collateralized 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 these strategic assets increases the incentive for borrowers to honor 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 to Eurofima. With the 2018 changes to Eurofima's statutes, sub-sovereign governments can now also become shareholders, provided the same prerequisites.

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 32% at the end of 2023 (against 43% in 2022), and will reach 0% by the mid-2030s as the covered loans mature. Because the SSG provides additional credit protection, the senior unsecured ratings of bonds issued prior to 2018 are rated at Aa1, one notch above Eurofima's Aa2 issuer rating.

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 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 even under stressed conditions. 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 would have 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 hedges foreign currency risks systematically. Similarly, the organisation uses interest-rate swaps 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.

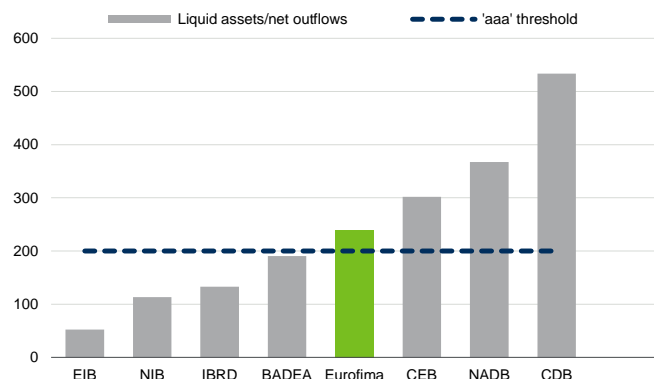
Treasury portfolio is highly liquid and highly rated

To assess the liquidity position of an MDB, we analyse the size of available liquid resources² 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 (calculated under no market access and over a 18-month period) was at 240% in 2023, a level that we score the best possible at "aaa" (see Exhibit 5). Eurofima's ratio rose from 201% in 2022, largely driven by an increase of collateral posted with derivative counterparties, after declining from 229% in 2021. The decline in recent years was attributed to the impact of the higher interest rate environment on asset valuations. It is expected that the liquidity ratio will remain around 240%, thereby keeping the ratio above Eurofima's internal target of 200%.

Eurofima's treasury portfolio is also very highly rated. In 2023, 71% of its liquid assets were invested in Aaa-rated securities and 16% in Aa-rated securities (see Exhibit 6). The remaining 13% 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

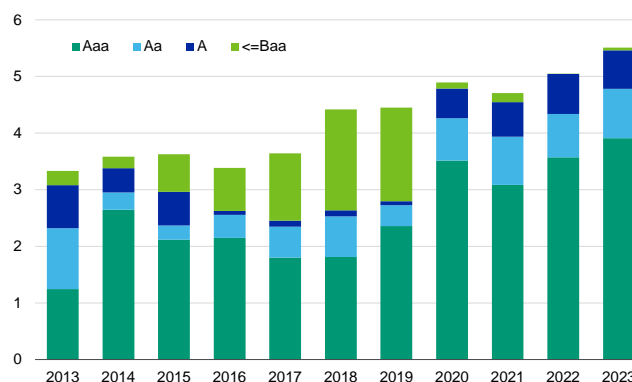
Eurofima's credit profile is characterised by strong liquidity buffers Liquid assets/ net outflows (2023)



Source: Eurofima, Moody's Ratings

Exhibit 6

Eurofima's liquid assets are highly rated € billion



Restatement of CHF amounts to € before 2018 is based on Moody's exchange rates.

Source: Eurofima, Moody's Ratings

Strong track record of funding on global capital markets in favorable terms from a diversified investor base

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) core euro-denominated green benchmark bond issuances; (2) diversification issuances in non-green euro or other currencies (including US dollars, Swedish krona, Swiss francs and Australian dollars), including private placements; 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, pension funds and asset managers.

In 2023, Eurofima raised €1.4 billion equivalent in debt capital markets and €10.7 billion equivalent in money markets, with a primary focus on the euro and Australian dollar markets for long-term funding while short-term issuances focused on the US dollar. Following its first green bond issuance in 2018, Eurofima has become a regular issuer, further diversifying its investor base. Eurofima had €5.3 billion-equivalent in green bond issuances outstanding at the end of 2023 (or 41% of total outstanding debt). In 2024, green euro issuance represented the bulk of long-term funding. In the first half of the year, Eurofima issued a volume of €175 million and expects total long-term funding to reach €1 billion over the year. In short-term funding a total volume of €6.8 billion in commercial papers was issued.

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 coronavirus pandemic), European governments' intention to promote the green economy over the next few years should support the railway industry in the bloc, strengthening demand for 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. Nevertheless, 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 2023 and put it on par with supranationals such as the [European Union](#) (Aaa stable), and the [European Financial Stability Facility](#) (Aaa stable). Aaa and Aa-rated sovereigns account for 72% of subscribed capital, whereas non-investment-grade and nonrated sovereigns represent less than 5%, reflecting shareholders' robust ability to provide financial assistance.

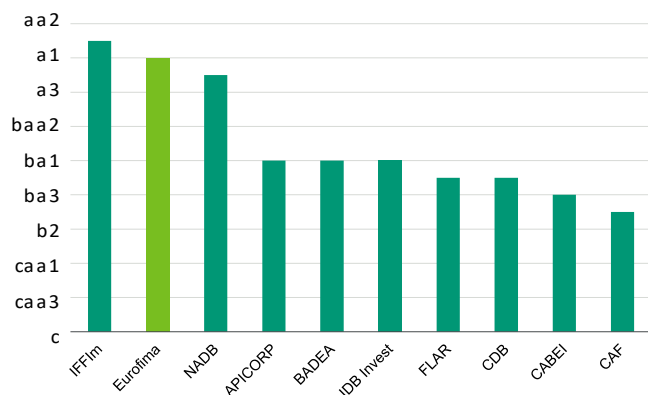
A low level of callable capital constrains the strength of contractual member support

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 14.7% at the end of 2023 and is one of the lowest of the MDBs we rate, after [African Export-Import Bank](#) (Baa1 negative) and [Corporacion Andina de Fomento](#) (Aa3 stable) (see Exhibit 8). This results in a low score for strength of contractual member support of "b1".

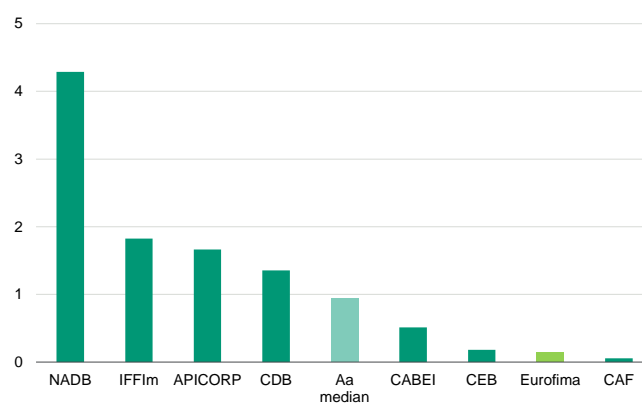
The low level of callable capital-to-debt ratio mainly reflects Eurofima's very elevated leverage ratio. Eurofima's deleveraging strategy over the past decade has sharply reduced its level of outstanding debt and supported an increase in the ratio of callable capital to debt. However, in the absence 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 of Aa-rated MDBs
 Weighted average shareholder rating, Aa-rated peers (2023)



Source: Eurofima, Moody's Ratings

Exhibit 8
Eurofima's ratio of callable capital to debt is low compared to peers
 Callable capital, % of gross debt (2023)



Source: Eurofima, Moody's Ratings

High non-contractual support reflects stable membership and Eurofimas' niche 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 sub-sovereign governments in Eurofima's member states, provided that they comply with Eurofima Statutes, including the guarantee protection. The increasing focus on sub-sovereign governments reflects a changing regulatory and operating landscape for the European railway sector with a move towards more decentralization. Eurofima has engaged in discussions principally with German landers and French regions. Following French central government's green light in August 2024 for its regions to become Eurofima shareholders, Eurofima strongly expects some French regions to join.

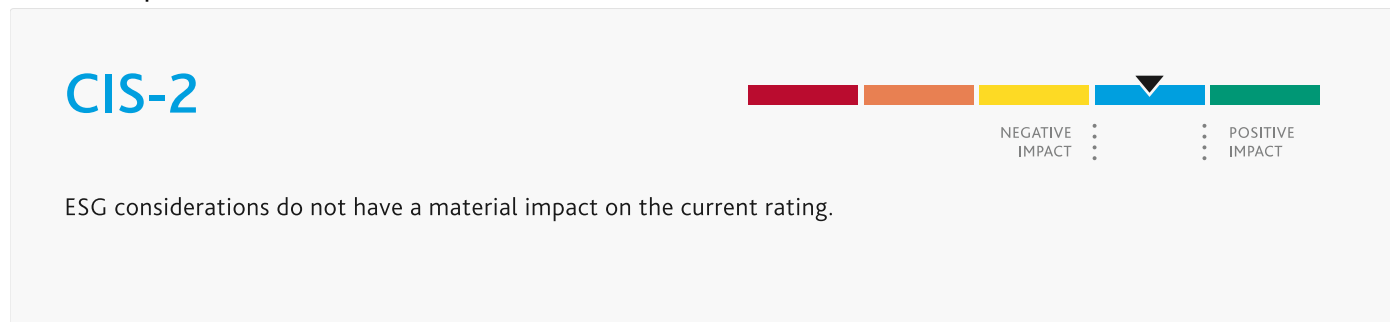
Our assessment of non-contractual support also incorporates the relatively high concentration of Eurofima's loan portfolio. Around half of Eurofima's member states have few or no loans outstanding with the organisation and its largest shareholders are in many cases not its largest beneficiaries. Despite 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 CIS-2

Exhibit 9

ESG credit impact score



Source: Moody's Ratings

Eurofima's credit impact score is **CIS-2**, reflecting 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 Ratings

Environmental

Eurofima's environmental issuer profile score is **E-2**. 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 sub-sovereign governments are already actively promoting rail transport as an efficient way of greening both long-haul and urban transport. As a result, we assign a positive score to Eurofima's exposure to carbon transition risk. We assess risks as low across all the other environmental categories we monitor.

Social

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

Governance

The governance issuer profile score for Eurofima is **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.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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 Environmental, Social and Governance Risks](#). Additional information about our rating approach is provided in our [Supranational Rating Methodology](#).

Recent developments

Eurofima continues diversifying its portfolio, lending to previously inactive shareholders and making efforts to increase its relevance by lending to creditworthy regional governments

While sectoral diversification is inherently limited by the bank's mandate, Eurofima has increased country-diversification while revitalizing and strengthening its relationships with stakeholders across several countries. In 2023, Eurofima reactivated lending relationships with Austria, the Czech Republic and Montenegro. 2023's total lending was €1.2 billion. Croatia was reactivated as a borrower in 2021 with a second transaction completed in February 2023 (€31 million). At the end of 2023, Eurofima had thus loans outstanding to 13 of its 25 shareholding countries (against 11 at the end of 2022), with still more than 80% of loans concentrated in the core customers of [Switzerland](#) (Aaa stable), Italy, [Belgium](#) (Aa3 stable) and Spain. In 2024, Eurofima has signed a second framework agreement with the Czech Republic, which will bring the Czech exposure to €1 billion over the next 2-3 years.

As part of this diversification strategy, Eurofima is discussing with other inactive members as well as potential new sub-sovereign shareholders as permitted by the 2018 change in Statutes. Eurofima's diversification strategy is also 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. As part of the strategy to reduce loan book concentration, Eurofima has introduced a premium in the pricing for inactive shareholders, but we expect concentration to remain high in the medium-term.

Eurofima's loan book increased by 3.5% in 2023 and its leverage ratio is stabilizing

Following continued debt deleveraging since 2012, Eurofima's leverage ratio is stabilizing around 600% (against around 1,490% in 2012). At the end of 2023, leverage slightly increased to 608% from 600% in 2022 and we expect the ratio to remain broadly stable over the two to three coming years.

Eurofima's loan book increased by 3.5%, at €9.6 billion at the end of 2023, with the number of rolling stock finance transactions rising to eleven (from 7 in 2022). By the end of 2024, Eurofima expects its loan book to remain relatively stable, slightly lower than at year-end 2023, mainly due to transaction timing moving volumes into 2025. On average, we expect new lending to stand at around €1 billion a year, bringing the total loan book back up to around €10 billion.

At the same time, our measure of Eurofima's usable equity, which constitutes the denominator of the leverage ratio, increased by 2.5% in 2023 compared to the previous year. Net profit, which constitutes a source for adding to the equity base through retained earnings, increased to €28 million in 2023 from €16.8 million in 2022, driven by treasury portfolio income in a higher interest rates environment. In 2024, profitability will remain relatively stable. Going forward and in line with our baseline scenario of higher for longer interest rates, we expect Eurofima to post consistent net profit, contributing to stabilizing the leverage ratio.

Rating methodology and scorecard factors: Eurofima - Aa2 stable

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

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.

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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