FitchRatings

Supranational
Switzerland

EUROFIMA European Company for the Financing of Railroad Rolling Stock

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

Outlooks

Long-Term Foreign-Currency IDR	Stable

Financial Data

	End-2022	End-2023
Total assets (EURbn)	15.7	16.5
Equity to assets (%)	11	11
Fitch's usable capital to risk-weighted assets (FRA, %)	72	73
Average rating of loans & guarantees	AA-	A+
Impaired loans (% of total loans)	0.0	0.0
Five largest exposures to total exposure (%)	95	90
Share of non-sovereign exposure (%)	0	0
Net income/equity (%)	1.1	1.6
Average rating of key shareholders	AA-	AA-

Source: Fitch Ratings, EUROFIMA

Applicable Criteria

Supranationals Rating Criteria (April 2023)

Related Research

Fitch Affirms EUROFIMA at 'AA'; Outlook Stable (June 2024)

Click here for more Fitch Ratings content on EUROFIMA European Company for the Financing of Railroad Rolling Stock

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Key Rating Drivers

Standalone Credit Profile Drives Ratings: EUROFIMA European Company for the Financing of Railroad Rolling Stock's ratings are driven by its Standalone Credit Profile (SCP) of 'aa', based on a 'aa-' solvency assessment reflecting 'Strong' capitalisation and 'Low' risk assessments, a 'aa+' liquidity assessment and a one-notch uplift over the lower of solvency and liquidity to reflect EUROFIMA's 'Low' risk business environment.

Fitch Ratings' assessment of extraordinary support from shareholders is 'a' and does not lead to an uplift to the rating.

Strong Capitalisation, High Leverage: EUROFIMA's strong capitalisation reflects its 'Excellent' Fitch usable capital-to-risk-weighted asset (FRA) ratio of 73% at end-2023, driven by the high credit quality of the multilateral development bank's (MDB) assets and callable capital. The equity-to-assets ratio of 11% at end-2023 was the lowest across Fitch-rated MDBs, reflecting EUROFIMA's high leverage.

Very Low Credit Risk: The average rating of loans was 'A+' at end-2023 (end-2022: AA-), based on the sovereign guarantors' ratings, which Fitch expects to remain stable. Fitch assesses EUROFIMA's preferred creditor status (PCS) as 'Excellent', leading to a three-notch uplift above the forecast average rating of loans to 'AA+'. The PCS assessment reflects the institution's 100% exposure to sovereigns and the record of loan performance, with no non-performing exposure since operations started in 1956.

High Concentration: Loan book concentration is the main weakness in EUROFIMA's risk profile. The five largest borrowers accounted for 90% of total loans at end-2023. EUROFIMA's concentration limits are based on risk-weighted measures that support high exposures towards high-rated borrowers. To reduce concentration, EUROFIMA has introduced a premium in the pricing of loans to borrowers with the largest exposures. Fitch expects concentration to remain very high in the medium term.

Low Risk Operating Environment: The 'Low' risk operating environment reflects the strong creditworthiness and high income per capita of EUROFIMA's 25 countries of operations (19 are high-income countries, six are upper-middle income). The World Bank Worldwide Governance Indicators of the countries of operations are also strong relative to those of rated peers. EUROFIMA's headquarters are in Switzerland (AAA/Stable).

Large Liquidity Buffers: EUROFIMA's liquid assets accounted for 167% of short-term debt at end-2023, up from 145% at end-2022. Fitch expects the ratio to remain at least in the 'Strong' range in the medium term. EUROFIMA must hold at least 12 months of coverage of net disbursements (after accounting for a haircut on the assets). Forty-seven percent of treasury assets were rated 'AAA' to 'AA' at end-2023 and 99% were investment grade; the remaining 1% were unrated.

EUROFIMA is a regular bond issuer in various currencies, primarily euros (48% of funding), Swiss francs (22%) and US dollars (17%). EUROFIMA is not eligible for the ECB's bond-buying programmes.

Rating Derivation Summary

	Standalone Credit Profile (SCP)					Support			
	Solvency	Liquidity	Lower of solvency and liquidity	Business environment (+3/-3 notches)	Final SCP	Capacity	Propensity (+1/-3 notches)	Support adjustment (up to 3 notches)	Final rating
EUROFIMA	aa-	aa+	aa-	+1	aa	AA-	-2	0	AA

Source: Fitch Ratings

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Solvency (Capitalisation): A deterioration in our assessment of capitalisation, for example, if the equity-to-assets ratio fell below the 8% threshold for a 'Moderate' assessment.

Solvency (Credit Risk): A deterioration in our assessment of credit risk due to a decline in the average rating of loans and/or a breach in EUROFIMA's PCS if an exposure covered by a sovereign guarantee became non-performing.

Business Environment (Business Profile): A deterioration in EUROFIMA's business profile driven by lower policy importance, which could stem from lower demand for EUROFIMA's financing by its shareholders.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Business Environment (Business Profile): A strengthening in our assessment of EUROFIMA's policy importance. This could arise if the gradual liberalisation of the railway markets in Europe supported demand for EUROFIMA's financing by a more diversified pool of borrowers.

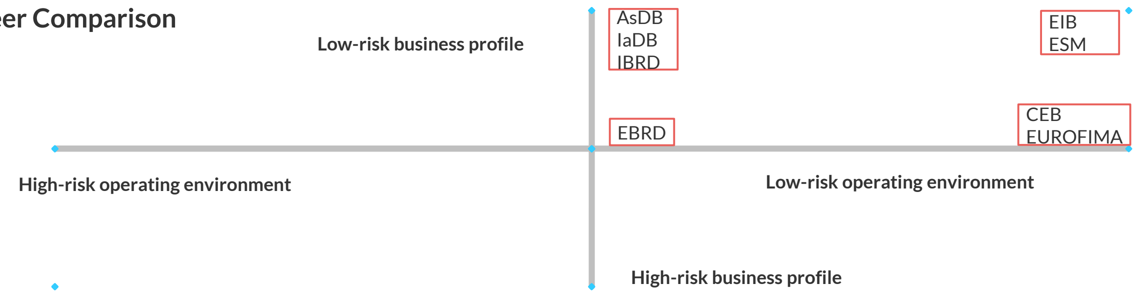
Solvency (Risk): Success in EUROFIMA's strategy to achieve stronger diversification of its loan book, as demonstrated by the share of loans to the five largest borrowers converging towards 60% of total loans from the current level of 90%.

Solvency (Capitalisation): Stronger capitalisation driven by a significant reduction in EUROFIMA's leverage, bringing the equity-to-assets ratio towards the 15% threshold for a 'Strong' assessment.

Business Environment

Fitch assesses EUROFIMA's business environment as 'Low' risk, leading to a one-notch uplift over the weaker of its solvency and liquidity assessments. The 'Low' risk business environment reflects a 'Medium' risk business profile and a 'Low' risk operating environment.

Business Environment: Peer Comparison



AsDB: Asian Dvt. Bank; CEB: Council of Europe Dvt. Bank.; EBRD: European Bank for Reconstruction and Dvt.; ESM: European Stability Mechanism; IaDB: Inter American Dvt. Bank; IBRD: International Bank for Reconstruction and Dvt.
Source: Fitch Ratings

Brief Issuer Profile

EUROFIMA's public mission is to support the development of public-service passenger rail transportation by providing railway companies with loans to renew and modernise their equipment – such as passenger carriages and locomotives.

The institution can extend loans only to its 26 shareholders, the national railway companies of its member countries, or to a railway company in one of its member countries that benefits from a guarantee from one of its shareholders. Under Article 5 of EUROFIMA's convention, all loans to shareholders (including their subsidiaries) currently have an explicit guarantee from the shareholder's respective sovereign. For example, the loan exposure to the Swiss national railway company is guaranteed by the Swiss sovereign.

An international treaty signed by its member countries, underpins EUROFIMA's status, as with other supranationals. The institution is not subject to banking regulation and supervision and benefits from various fiscal exemptions in Switzerland.

Business Profile

The 'Medium' risk business profile reflects the following factors:

EUROFIMA's loan book of EUR9.6 billion at end-2023, up from EUR9.2 billion at end-2022, increased above the threshold of USD10 billion for a 'Moderate' size under our criteria and we expect it to continue to exceed USD10 billion by the end of the forecast period.

EUROFIMA's quality of governance is a 'Low' risk. Although the national railway companies are both borrowers and shareholders, the most important decisions require the consent of the sovereign member states (rather than only the railway administration shareholders): this includes the overall objectives and the quorum applicable to important shareholders' resolutions, the admission of a new shareholder, and any decision regarding a shareholder's liabilities (for example the cross-shareholder guarantee that used to apply until 2018). In addition, the bulk of member states are from high-rated countries and are assigned strong World Bank Governance scores.

The governance structure comprises a general assembly (in charge of key decisions/approvals), a board of directors (that controls the operations of EUROFIMA and authorises all new loans and borrowings). Its management oversees the day-to-day operations. In total, the bank has 27 staff.

Strategy risk is a 'Medium Risk'. After the 2009 global financial crisis, EUROFIMA started to deleverage and reduce its exposures to non-investment grade (IG) sovereigns. The bank now expects to slightly increase its exposure to non-IG exposure. At end-1Q24 and end-2023, non-IG accounted for 0.02% (reflecting a EUR2 million loan to Montenegro disbursed in 2023), down from 1.2% of loans (reflecting a loan repayment from Greece, which was upgraded to 'BBB-' from 'BB+' in December 2023, in 1Q24) at end-2022. In 2021 the Board agreed to allow lending to non-IG borrowers for a gross exposure of up to EUR800 million (8% of current loans) and a net exposure, after accounting for credit insurance of EUR200 million (and EUR30 million net country exposure). The exposure would be to sovereigns only. The bank's management expects the size of the balance sheet to remain broadly stable in the medium term.

All EUROFIMA loans are backed by a sovereign guarantee and therefore, while the bank lends to non-sovereign entities, on an ultimate guarantor basis, the bank has no exposure to non-sovereign entities.

It would be possible for EUROFIMA to be exposed to sub-sovereign entities. In countries where the domestic passenger transport has been regionalised/decentralised, its political subdivisions could be admitted as shareholders and, possibly, guarantee loans to transport companies that have been awarded public service contracts by such regional transport authority. While this has not happened so far, EUROFIMA expects sub-sovereign exposures could increase to 5% of the total loan book in the medium term.

EUROFIMA's policy importance is assessed as 'High Risk'. This assessment is affected by EUROFIMA's 'moderate' size and the limited role of the supranational organisation for its shareholders overall, with a little more than half of them borrowing from it and EUROFIMA only achieving growth in the loan portfolio in 2023 after several years of a shrinking loan book. However, the assessment could benefit from the ongoing liberalisation of the railway market in Europe. The EU's fourth package on the railway market includes compulsory tendering and no direct awards of contracts. The legislation entered into force in 2017 with a six-year transition period. The opening of the rail passenger market to new entrants could support demand for EUROFIMA's financing. EUROFIMA's policy importance could also benefit from the increased importance of environmental issues given the 'greenness' of railway transport.

Operating Environment

The 'Low Risk' operating environment reflects the strong creditworthiness and high income per capita of EUROFIMA's 25 countries of operation – 19 of which are high-income countries, and the other six upper-middle income. World Bank Governance Indicators in the countries of operations are strong relative to rated peers'. EUROFIMA's headquarters are in Switzerland (AAA/Stable).

All 43 countries that form part of the European Conference of Ministries of Transport may join EUROFIMA. If a country is not part of the European Conference of Ministries of Transport, the unanimous consent of the existing member states is required. This will be based on a country's political and economic profiles and a minimum credit rating of 'BBB-'.

The average rating of EUROFIMA's countries of operations is 'A'. We expect this to remain unchanged as only two countries of operations currently have a Negative Sovereign Rating Outlook while two have a Positive Sovereign Rating Outlook.

The bulk of member states (19) are high-income countries, with six upper-middle income. All countries have high income per capita relative to other MDBs and strong World Bank Governance Indicators. The average GDP per capita amounted to USD39,049 as per World Bank data.

Fitch regards political risk and business climate in EUROFIMA's countries of operations as low-risk. EUROFIMA operates within Europe and predominantly lends to borrowers within the EU. World Bank Governance Indicators for its countries of operations compare favourably to most supranationals'.

EUROFIMA's head office is located in Switzerland, a country with low-risk assessment for political risk and business climate.

Fitch views operational support from member states as low risk. EUROFIMA has strong co-operation and relationships with all its shareholders as reflected by the sovereign guarantees provided for its borrowers. It also benefits from other support such as tax immunities.

Solvency

EUROFIMA's 'aa-' solvency reflects its 'Strong' capitalisation and 'Low' risk assessment.

EUROFIMA's main rating strength is the credit quality of its loan portfolio, the highest among all supranational peers'. By contrast, its main weaknesses are its leverage, the highest among peers', and concentration in its loan portfolio.

Capitalisation

EUROFIMA's strong capitalisation is primarily based on its 'Excellent' Fitch risk-weighted asset (FRA) ratio, which was stable at 73% at end-2023 (end-2022: 72%). This primarily reflects the high credit quality of its assets and callable capital – 73% of which is guaranteed by sovereigns rated in the 'AAA' and 'AA' categories.

The 'Excellent' FRA ratio is balanced against a 'Moderate' equity-to-assets ratio of 11% at end-2023, reflecting EUROFIMA's high leverage. Fitch expects the two ratios to remain on similar levels in the medium term, although the FRA ratio could be affected by increased exposure to non-IG borrowers.

The two main capital metrics used by EUROFIMA for its own capital adequacy management are a Basel III ratio (50% at end-2023) and a risk-adjusted capital ratio (in line with Standard & Poor's methodology). EUROFIMA also takes into account other capitalisation ratios used by rating agencies. It has no leverage limit, relying instead on maximum annual borrowing limits.

EUROFIMA's return on equity has been stable in recent years at 1%–2%. Dividends paid to shareholders accounted for 23% of net earnings during the last four years.

Peer Comparison: Capital Ratios and Profitability

	EUROFIMA (AA)		CEB (AAA)	EIB (AAA)	ESM (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-2022
Equity/adjusted assets (%)	11	10-12	12	14	43
Usable capital/risk-weighted assets (FRA, %)	73	50-70	39	42	284
Net income/average equity	1.6	1-2	2.4	3.1	-0.1

CEB: Council of Europe Development Bank, EIB: European Investment Bank, ESM: European Stability Mechanism
[a] Medium-term projections, forecast range
Source: Fitch Ratings, MDBs

Risks

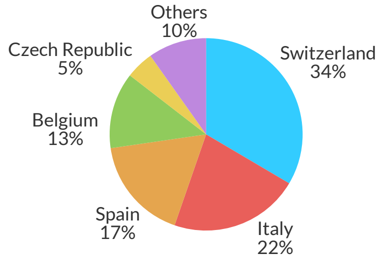
Risks Assessment

Indicative value	Risk level
Credit risk	Very low
Concentration	High
Equity risks	Very low
Market risks	Very low
Risk management policies	Strong

Source: Fitch Ratings

Loan Portfolio

Distribution by Borrower, End-2023



On an ultimate guarantor basis
Source: Fitch Ratings, EUROFIMA

The 'Low' overall risk assessment is primarily driven by a 'Very Low' assessment of credit risk.

The average rating of loans was 'A+' at end-2023, based on the sovereign guarantors' ratings, down from 'AA-' at end-2022 mainly reflecting the increased share of loans to Spain (A-/Stable), up to 17% from 15% a year prior, and reduced share of loans to Austria (AA+/Stable), down to 4% from 8%. Thirteen per cent of the loans are guaranteed by a sovereign on Negative Outlook (Belgium). A downgrade of the Belgian sovereign would not lead to a change in the average rating of loans of 'A+'. At end-1Q24, loans to non-IG countries accounted for only 0.02% of loans (reflecting a EUR2 million loan to Montenegro (B/Positive) disbursed in 2023), down from 1.2% of loans (reflecting a loan repayment from Greece (BBB-/Stable) in 1Q24) at end-2022 and end-2023. The loan to Montenegro is EUROFIMA's first new loan to a non-IG country since 2009. In 2021, the board approved a limited amount of lending to non-IG countries (EUR800 million gross exposure).

EUROFIMA has not recorded a non-performing exposure since its operations started in 1956 and has never called a sovereign guarantee.

In addition to sovereign guarantees, the rolling stock is used as collateral based on its market value. EUROFIMA loans require minimum loan-to-value ratios through the life of the financing (100% at drawdown).

Until 2018, EUROFIMA had benefitted from another layer of credit protection, in the form of a cross-shareholder guarantee, whereby each shareholder would guarantee all loans pro rata (based on its share in the capital) and up to a maximum amount equal to its participation in the bank's capital. This was terminated in 2018, although it remains in place for the loans extended before 2018, as the shareholders did not want to be liable for the debt of a railway in another country and this was seen as an obstacle to attracting new shareholders.

Provisions are very limited (EUR1.3 million at end-2023) and only cover assets recorded at amortised cost (EUR4.8 billion), all of which are classified as stage 1 under IFRS. In 2023, EUROFIMA reported a credit impairment loss of EUR0.1 million (2022: credit impairment gain of EUR0.1 million). Up to 2019, all loans were recorded at fair value rather than at amortised cost and any impairment was included in the fair value of the instruments.

EUROFIMA's 'Excellent' PCS leads to a three-notch uplift above the average rating of loans to 'AA+'. The PCS assessment reflects the institution's 100% exposure to sovereigns and its record of strong loan performance. The PCS was successfully tested with Greece in 2010 and in 1993 during the break-up of Yugoslavia.

Loan book concentration is the main weakness in EUROFIMA's risk profile. The five largest borrowers accounted for 90% of total loans at end-2023, which we deem 'High' risk. The concentration limits are based on risk-weighted measures that do not prevent high exposures towards high-rated borrowers. To reduce concentration, EUROFIMA has introduced a premium in the pricing of loans to borrowers with the largest exposures. In Fitch's view, it is unlikely that EUROFIMA will achieve a significant reduction in concentration towards high-rated counterparties ('AAA' rated counterparties have a 3% risk weight) and Fitch expects loan book concentration to remain very high.

Equity risk is very low reflecting that EUROFIMA does not invest in equity participations.

Market risk is very low. EUROFIMA match-funds its loans and passes on its funding costs to its borrowers. Residual currency and interest-rate risks are fully hedged through interest-rate and currency swaps.

EUROFIMA's risk management framework is 'Strong'. The very high credit quality of the loan portfolio (with nearly all loans guaranteed by an entity with a minimum rating of 'BBB-', except for a limited portion of non-investment-grade exposure) mitigates its very high concentration. Its liquidity management rules are in line with those of high-rated peers (see below).

Peer Comparison: Risks

	EUROFIMA (AA)		CEB (AAA)	EIB (AAA)	ESM (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-2022
Estimated average rating of loans & guarantees (after PCS)	AA+	AA+	A+	A	A-
Impaired loans/gross loans (%)	0.0	0.0	0.0	0.4	0.0
Five largest exposures/total banking exposure (%)	90	85-90	21	14	100
Equity stakes/total banking exposure (%)	0	0	0	2	0

CEB: Council of Europe Development Bank, EIB: European Investment Bank, ESM: European Stability Mechanism
[a] Medium-term projections, forecast range

Source: Fitch Ratings, MDBs

Liquidity Analysis

Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Strong
Quality of Treasury Assets	Strong
Access to capital markets & alternative sources of liquidity	Strong

Source: Fitch Ratings

Fitch assesses liquidity at 'aa+'.

Liquid Assets to Short-Term Debt

Liquid assets accounted for 167% of short term-debt at end-2023, a level we assess as 'Excellent', up from 145% at end-2022 ('Strong'). We expect this ratio to range between 130% and 170% in our forecast horizon. According to EUROFIMA's internal policies, it must hold at least 12 months of coverage of net disbursement, after accounting for a haircut on assets, and has always been in excess of its own limit. At end-2023 liquidity in excess of its policy was EUR543 million, down from EUR852 million at end-2022.

Quality of Treasury Assets

At end-2023, 47% of treasury assets were rated 'AAA' to 'AA' and 99% were investment grade (the 1% of non-investment-grade treasury assets were mainly exposures to Swiss local authorities that are not rated). Fifty-five percent of treasury assets were deposits maturing within 12 months, and the remaining assets were debt securities. Most treasury assets are denominated in euros (55%) and Swiss francs (39%).

For investments in securities with maturities greater than one year, the minimum rating at the time of purchase is 'A-'.

Access to Capital Market, Alternative Source of Liquidity

EUROFIMA is a regular bond issuer in various currencies, primarily euros (48% of funding), Swiss francs (22%) and US dollars (17%) with maturities of up to 20 years. Debt issues are assigned a 20% risk-weight under Basel III.

In addition to a EUR20 billion EMTN Programme, EUROFIMA also has a EUR2.5 billion ECP programme mainly for liquidity purposes.

In January 2023, Eurofima signed two back-up credit facility of CHF150 million each with two Swiss cantonal banks (both rated AAA/Stable) on a 360 days' rollover basis to expand its funding sources. In December 2023, EUROFIMA extended these two credit lines to EUR150 million each with a maturity of more than two years on a yearly revolving basis.

As a back-up for liquidity, EUROFIMA has a tri-party collateral agreement as collateral receiver and giver (CMSA). This umbrella agreement provides access to all tri-party services (e.g. tri-party repo) and the Clearstream repurchase conditions (CRC) network. Most of EUROFIMA's bond portfolio qualifies for the CRC framework.

Peer Comparison: Liquidity

	EUROFIMA (AA)		CEB (AAA)	EIB (AAA)	ESM (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-2022
Liquid assets/short-term debt (%)	168	130-170	238	102	391
Share of treasury assets rated AA- & above (%)	47	45-55	48	95	96

CEB: Council of Europe Development Bank, EIB: European Investment Bank, ESM: European Stability Mechanism
[a] Medium-term projections, forecast range

Source: Fitch Ratings, MDBs

Shareholder Support

Fitch assesses extraordinary support from shareholders at 'a', which results in no rating uplift to EUROFIMA's SCP.

Capacity to Provide Extraordinary Support

The shareholders' capacity to support is based on the average rating of key shareholders, i.e. the national railway companies from Germany, France and Italy, which total 59% of subscribed capital. The average rating of the key shareholders is 'AA-', after accounting for the guarantee of callable capital by their respective sovereigns.

Seventy-three percent of callable capital is from shareholders backed by sovereigns rated either 'AA' or 'AAA'.

Propensity to Provide Extraordinary Support

Fitch assesses the propensity of shareholders to support as 'Weak', leading to a two-notch negative adjustment to the capacity to support, to 'a'.

The 'Weak' propensity to support reflects callable capital not fully covering net debt and the termination of the cross-shareholders joint and several guarantee in 2018. The assessment also takes into account the payment of dividends to shareholders in recent years, which is unusual for a supranational institution.

Peer Comparison: Shareholder Support

	EUROFIMA (AA)		CEB (AAA)	EIB (AAA)	ESM (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-2022
Coverage of net debt by callable capital	NC	NC	NC	NC	AAA
Average rating of key shareholders	AA-	AA-	A+	A+	AA-
Propensity to support	-2	-2	-1	0	+1

CEB: Council of Europe Development Bank, EIB: European Investment Bank, ESM: European Stability Mechanism
[a] Medium-term projections
NC: not covered

Source: Fitch Ratings, MDBs

ESG Relevance Scores

FitchRatings

EUROFIMA European Company for the Financing of Railroad Rolling Stock

Supranational ESG Navigator
Supranational

Credit-Relevant ESG Derivation

EUROFIMA European Company for the Financing of Railroad Rolling Stock has 2 ESG rating drivers and 5 ESG potential rating drivers

- EUROFIMA European Company for the Financing of Railroad Rolling Stock has exposure to lack of supervision by an external authority and is not subject to banking regulation which, in combination with other factors, impacts the rating.
- EUROFIMA European Company for the Financing of Railroad Rolling Stock has exposure to obligor concentration; access to central bank refinancing; effectiveness of preferred creditor status which, in combination with other factors, impacts the rating.
- EUROFIMA European Company for the Financing of Railroad Rolling Stock has exposure to borrowers with limited access to external funding sources and/or extend concessional loans but this has very low impact on the rating.
- EUROFIMA European Company for the Financing of Railroad Rolling Stock has exposure to social pressure to provide support at times of crisis but this has very low impact on the rating.
- EUROFIMA European Company for the Financing of Railroad Rolling Stock has exposure to risk around the execution/predictability of its strategy but this has very low impact on the rating.
- EUROFIMA European Company for the Financing of Railroad Rolling Stock has exposure to board independence and effectiveness, ownership composition but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	2	issues	4
potential driver	5	issues	3
not a rating driver	2	issues	2
	6	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events and climate change on assets and corresponding risk appetite and management	Asset Quality; Risk Management	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Lending to borrowers with limited or no access to other external sources of finance; extension of concessional loans or grants; credit protection schemes	Importance of the Public Mandate; Credit Risk; Propensity to Support	5
Privacy & Data Security	1	n.a.	n.a.	4
Labour Relations & Practices	2	Restriction on recruitment based on nationality and quotas	Governance	3
Employee Well-being	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Counter-cyclical mandate and development role; social pressure to provide support at times of crisis	Credit Risk; NPLs; Capitalisation; Strategy	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy (Operational Execution)	3	Lack of predictability and/or risk around the execution of strategy	Business Profile; Strategy; Governance	5
Governance Structure	3	Board independence and effectiveness, ownership composition, degree of political or external influence, control of one member state over the management of the institution	Business Profile; Strategy; Governance	4
Rule of Law, Institutional & Regulatory Quality	4	Supranationals are neither subject to bank regulation nor supervised by an external authority; all supranationals attract a score of '4'	Risk Management Policies; Governance	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes, detail and scope of information, medium-term financial forecasts	Minimum Data Requirement	2
Policy Status and Mandate Effectiveness	4	Inherent obligor risk concentration; effectiveness of preferred creditor status; access to liquidity support from central bank	Concentration; Credit Risk; Access to Central Bank Refinancing	1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Data Tables

EUROFIMA European Company for the Financing of Railroad Rolling Stock Balance Sheet

	31 Dec 23		31 Dec 22		31 Dec 21	
	Year end (EUR 000) Original	As % of Assets Original	Year end (EUR 000) Original	As % of Assets Original	Year end (EUR 000) Original	As % of Assets Original
A. Loans						
1. To/guaranteed by sovereigns	9,550,986	58.0	9,232,131	58.9	10,139,611	63.7
2. To/guaranteed by public institutions	n.a.	-	n.a.	-	n.a.	-
3. To/guaranteed by private sector	n.a.	-	n.a.	-	n.a.	-
4. Trade financing loans (memo)	n.a.	-	n.a.	-	n.a.	-
5. Other loans	n.a.	-	n.a.	-	n.a.	-
6. Loan loss reserves (deducted)	n.a.	-	n.a.	-	n.a.	-
A. Loans, total	**9,550,986**	**58.0**	**9,232,131**	**58.9**	**10,139,611**	**63.7**
B. Other earning assets						
1. Deposits with banks	966,443	5.9	1,233,014	7.9	1,689,374	10.6
2. Securities held for sale & trading	n.a.	-	n.a.	-	n.a.	-
3. Investment debt securities (including other investments)	1,797,932	10.9	1,568,330	10.0	1,579,684	9.9
4. Equity investments	n.a.	-	n.a.	-	n.a.	-
5. Derivatives (including fair-value of guarantees)	1,381,144	8.4	1,377,167	8.8	1,048,121	6.6
B. Other earning assets, total	**4,145,519**	**25.2**	**4,178,511**	**26.7**	**4,317,179**	**27.1**
C. Total earning assets (A+B)	**13,696,505**	**83.2**	**13,410,642**	**85.6**	**14,456,790**	**90.9**
D. Fixed assets	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
E. Non-earning assets						
1. Cash and due from banks	2,745,304	16.7	2,245,274	14.3	1,439,837	9.1
2. Other	26,365	0.2	14,456	0.1	11,964	0.1
F. Total assets	**16,468,174**	**100.0**	**15,670,372**	**100.0**	**15,908,591**	**100.0**
G. Short-term funding						
1. Bank borrowings (< 1 year)	704,535.0	4.3	372,734	2.4	506,167	3.2
2. Securities issues (< 1 year)	1,801,231.0	10.9	3,032,056	19.3	3,296,443	20.7
3. Other (including deposits)	n.a.	-	n.a.	-	n.a.	-
G. Short-term funding, total	**2,505,766.0**	**15.2**	**3,404,790**	**21.7**	**3,802,610**	**23.9**
H. Other funding						
1. Bank borrowings (> 1 year)	n.a.	-	473,109	3.0	462,276	2.9
2. Other borrowings (including securities issues)	10,503,060	63.8	8,658,525	55.3	9,691,614	60.9
3. Subordinated debt	n.a.	-	n.a.	-	n.a.	-
4. Hybrid capital	n.a.	-	n.a.	-	n.a.	-
H. Other funding, total	**10,503,060**	**63.8**	**9,131,634**	**58.3**	**10,153,890**	**63.8**
I. Other (non-interest bearing)						
1. Derivatives (including fair value of guarantees)	1,539,535	9.3	1,503,737	9.6	369,889	2.3
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-
3. Other (non-interest bearing)	328,026	2.0	76,515	0.5	22,554	0.1
I. Other (non-interest bearing), total	**1,867,561**	**11.3**	**1,580,252**	**10.1**	**392,443**	**2.5**
J. General provisions & reserves	**395**	**0.0**	**878**	**0.0**	**3,307**	**0.0**
L. Equity						
1. Preference shares	n.a.	-	n.a.	-	n.a.	-
2. Subscribed capital	2,393,248	14.5	2,393,248	15.3	2,393,248	15.0
3. Callable capital	-1,914,598	-11.6	-1,914,598	-12.2	-1,914,598	-12.0

EUROFIMA European Company for the Financing of Railroad Rolling Stock Balance Sheet

	31 Dec 23		31 Dec 22		31 Dec 21	
	Year end (EUR 000) Original	As % of Assets Original	Year end (EUR 000) Original	As % of Assets Original	Year end (EUR 000) Original	As % of Assets Original
4. Arrears/advances on capital	0	0.0	0	0.0	0	0.0
5. Paid in capital (memo)	478,650	2.9	478,650	3.1	478,650	3.0
6. Reserves (including net income for the year)	1,117,057	6.8	1,082,684	6.9	1,078,166	6.8
7. Fair-value revaluation reserve	-4,315	-0.0	-8,516	-0.1	-475	-0.0
K. Equity, total	**1,591,392**	**9.7**	**1,552,816**	**9.9**	**1,556,341**	**9.8**
M. Total liabilities & equity	**16,468,174**	**100.0**	**15,670,372**	**100.0**	**15,908,591**	**100.0**

Source: Fitch Ratings, Fitch Solutions

EUROFIMA European Company for the Financing of Railroad Rolling Stock Income Statement

	31 Dec 23		31 Dec 22		31 Dec 21	
	Year end (EUR 000) Original	As % of Earning Assets	Year end (EUR 000) Original	As % of Earning Assets	Year end (EUR 000) Original	As % of Earning Assets
1. Interest received	499,491	3.6	271,881	2.0	315,578	2.2
2. Interest paid	473,600	3.5	260,187	1.9	298,281	2.1
3. Net interest revenue (1. - 2.)	**25,891**	**0.2**	**11,694**	**0.1**	**17,297**	**0.1**
4. Other operating income	11,429	0.1	13,360	0.1	14,626	0.1
5. Other income	-369	-0.0	-395	-0.0	-1,396	-0.0
6. Personnel expenses	5,757	0.0	5,475	0.0	5,241	0.0
7. Other non-interest expenses	3,495	0.0	2,530	0.0	2,688	0.0
8. Impairment charge	113	0.0	-123	-0.0	575	0.0
9. Other provisions	n.a.	-	n.a.	-	n.a.	-
10. Pre-derivative operating profit (3. + 4. + 5.) - (6. + 7. + 8. + 9.)	**27,586**	**0.2**	**16,777**	**0.1**	**22,023**	**0.2**
11. Net gains/(losses) on non-trading derivative instruments	n.a.	-	n.a.	-	n.a.	-
12. Post-derivative operating profit (10. + 11.)	**27,586**	**0.2**	**16,777**	**0.1**	**22,023**	**0.2**
13. Other income and expenses	n.a.	-	n.a.	-	n.a.	-
14. Net income (12. + 13.)	**27,586**	**0.2**	**16,777**	**0.1**	**22,023**	**0.2**
15. Fair value revaluations recognised in equity	12,790	0.1	-14,300	-0.1	-7,678	-0.1
16. Fitch's comprehensive net income (14. + 15.)	**40,376**	**0.3**	**2,477**	**0.0**	**14,345**	**0.1**

Source: Fitch Ratings, Fitch Solutions

EUROFIMA European Company for the Financing of Railroad Rolling Stock Ratio Analysis

(%)	31 Dec 23 Year end Original	31 Dec 22 Year end Original	31 Dec 21 Year end Original
I. Profitability level			
1. Net income/equity (average)	1.8	1.1	1.4
2. Cost/income ratio	24.8	32.0	25
II. Capital adequacy			
1. Usable capital/risk-weighted assets (FRA ratio)	73	72	60
2. Equity/adjusted total assets + guarantees	11	11	10
3. Paid-in capital/subscribed capital	20	20	20
4. Internal capital generation after distributions	n.a.	n.a.	n.a.
III. Liquidity			
1. Liquid assets/short-term debt	167	145	123
2. Share of treasury assets rated 'AAA' to 'AA'	47	48	55
3. Treasury assets/total assets	33	32	30
4. Liquid assets/total assets	33	31	29
IV. Asset quality			
1. Impaired loans/gross loans	0.0	0.0	0.0
2. Loan loss reserves/gross loans	0	0	0
3. Loan loss reserves/Impaired loans	n.a.	n.a.	n.a.
V. Leverage			
1. Debt/equity	817	807	897
2. Debt/callable capital	679	655	729

Source: Fitch Ratings, Fitch Solutions

EUROFIMA European Company for the Financing of Railroad Rolling Stock
Appendix

	31 Dec 23 (EUR 000) Original	31 Dec 22 (EUR 000) Original	31 Dec 21 (EUR 000) Original
1. Lending operations			
1. Loans outstanding	9,550,986	9,232,131	10,139,611
Memo: Loans to sovereigns	9,550,986	9,232,131	10,139,611
Memo: Loans to non-sovereigns	0	0	0
2. Other banking operations			
1. Equity participations	0	0	0
2. Guarantees (off-balance sheet)	0	0	0
Memo: Guarantees to sovereigns	0	0	0
Memo: Guarantees to non-sovereigns	0	0	0
3. Total banking exposure (balance sheet and off-balance sheet)			
1. Total banking exposure (loans + equity participations + guarantees (off-balance sheet))	9,550,986	9,232,131	10,139,611
2. Growth in total banking exposure	3	-9	-7
Memo: Non-sovereign exposure	0	0	0
4. Support			
1. Share of 'AAA'/'AA' shareholders in callable capital	73	73	73
2. Rating of callable capital ensuring full coverage of net debt	N.C.	N.C.	N.C.
3. Weighted average rating of key shareholders	AA-	AA-	AA-
5. Breakdown of banking portfolio			
1. Loans to sovereigns/total banking exposure	100	100	100
2. Loans to non-sovereigns total banking exposure	0	0	0
3. Equity participation/total banking exposure	0	0	0
4. Guarantees covering sovereign risks/total banking exposure	0	0	0
5. Guarantees covering non-sovereign risks/total banking exposure	0	0	0
Memo: Non-sovereign exposure (2. + 3. + 5.)/total banking exposure	0	0	0
6. Concentration measures			
1. Largest exposure/equity (%)	203	198	197
2. Five largest exposures/equity (%)	542	563	603
3. Largest exposure/total banking exposure (%)	34	33	30
4. Five largest exposures/total banking exposure (%)	90	95	93
7. Credit risk			
1. Average rating of loans & guarantees	A+	AA-	A+
2. Loans to investment-grade borrowers/gross loans	99	99	98
3. Loans to sub-investment grade borrowers/gross loans	1	1	2
8. Liquidity			
1. Treasury assets	5,509,679	5,046,618	4,708,895
2. Treasury assets of which investment grade + eligible non-investment grade	5,462,000	4,927,000	4,668,463
3. Liquid assets	5,462,000	4,927,000	4,668,463

Source: Fitch Ratings, Fitch Solutions

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