EUROFIMA European Co. for the Financing of Railroad Rolling Stock

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This report does not constitute a rating action.

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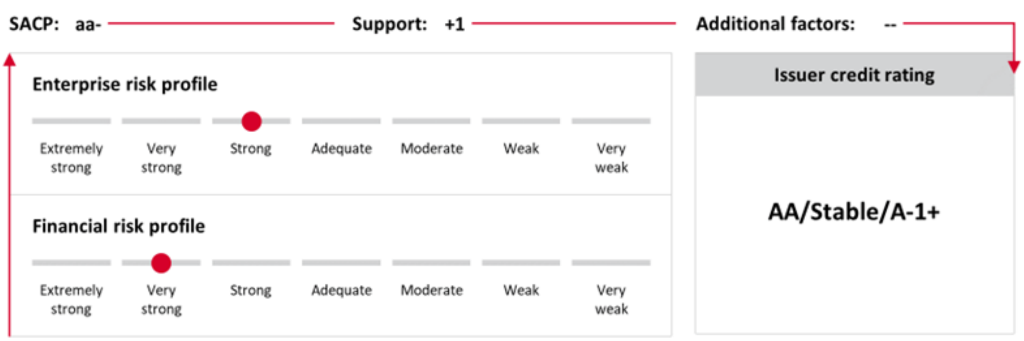
Ratings Score Snapshot



SACP--Stand-alone credit profile.

Overview

Enterprise risk profile	Financial risk profile
Mandate to support development of public passenger rail transportation across Europe.	Very strong financial risk profile due to prudent liquidity management and stabilizing capital ratios.
Loan book shrank by 5% last year as repayments to the entity outstripped loan disbursements.	Relatively concentrated portfolio, but diversification efforts in recent years have supported the risk adjusted capital ratio (RAC).
Reasonable business prospects, which should support a stabilization of the balance sheet.	Four sovereigns make up 84.6% of the loan book as of year-end 2024.
No losses incurred throughout EUROFIMA's history.	Very strong liquidity ratios due to conservative financial policies such as maturity matching of the loan book.

S&P Global ratings believes EUROFIMA will stabilize the concentration risk from its loan book, but will face ongoing challenges related to market competition. The company is facing intensified competition from banks and other multilateral lending institutions (MLIs), which has inhibited the growth of the entity's loan book. Nonetheless the concentration of the loan book, with 84.6% of loans tied to four major borrowers, has improved slightly in the past couple of years owing to diversification efforts--a trend we expect to continue in the coming years.

We view EUROFIMA's capital adequacy as strong, though high borrower concentration tempers its risk profile. Its RAC ratio after adjustments stabilized at 10.1% at year-end 2024--up from 9.3% in 2022--and it is expected to remain around this level over the next two years. The main drag on the ratio stems from high sovereign concentration, with 84.6% of loans held by four borrowers. While diversification progress has been modest, further lending to the Czech Republic and reduced exposure to Switzerland and Belgium support stability. However, expected growth in exposure to Italy may limit short-term diversification gains. EUROFIMA's capital strength is bolstered by solid risk management, including collateralized lending, high-quality borrowers, and the legacy subsidiary shareholder guarantee (SSG) scheme.

We see EUROFIMA's very strong funding and liquidity position as underpinned by prudent cash flow matching and a diversified investor base. The company uses interest rate and currency swaps to align the cash flows of its liabilities with those of its assets, minimizing currency and interest rate risks. Its funding sources span multiple major currencies, avoiding overreliance on any single market. Liquidity metrics have steadily improved, with a robust one-year funding gap of 1.68x and a six-month gap of 1.76x at year-end 2024--both reflecting solid buffers even under stressed conditions.

Outlook

The stable outlook reflects our expectation that EUROFIMA's capital adequacy will remain strong, and the company will preserve its relevance in the market, while funding and liquidity will remain robust.

Downside scenario

We could lower our long-term rating if the concentration of EUROFIMA's lending portfolio increases, which could stress the RAC ratio unless retained earnings or a capital injection mitigate the pressure.

Upside scenario

We could raise our long-term rating if EUROFIMA meaningfully expands its member base and disbursements to new borrowers, while retaining its strong capital adequacy position.

Enterprise Risk Profile

Policy importance:

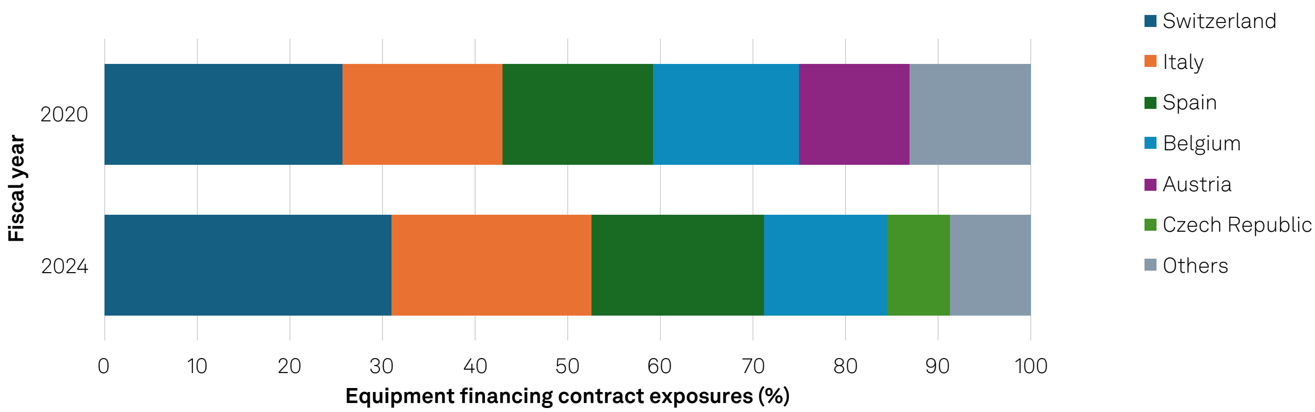
EUROFIMA is a Switzerland-based specialized supranational and a joint-stock company created in 1956 by an international treaty. Owned mostly by the national railways of 25 continental European countries, the company has a strong niche focusing solely on financing railway equipment under public service obligations for its members. As of December 2024, railways based in countries rated 'AAA' held roughly 36% of EUROFIMA's callable capital and outstanding shares, a level that has remained stable for a number of years. We do not expect any member to leave the company nor neglect any critical duties, such as answering a potential capital call if it were needed.

The entity last amended its statutes and strategy in 2018. The amendments intended to clarify the relevant conditions that public transport authorities and private transport operators must fulfil in order to be admitted as additional shareholders, with a view to expanding and diversifying EUROFIMA's shareholder base, most notably to include regional governments. While such diversification has proven to be a slow process, we broadly view EUROFIMA to be in a better position to attract new members and expand its balance sheet, which is positive for the entity's policy importance.

One other aspect of the changed statutes in 2018 has been the gradual removal of the SSG, which has been a unique feature of the entity. The SSG is a cross-guarantee scheme under which, if a defaulting railway's member state does not honor its obligations, and its obligations exceed EUROFIMA's guarantee reserve (€689 million as of December 2024), other shareholders guarantee these obligations. Before the amendments, the SSG covered the performance of all equipment finance contracts. After implementing the amended statutes, the SSG now only covers the performance of those loans provided by the entity before Jan. 1, 2018 (the existing loans). As of December 2024, the SSG covered about 30% of the loan book. The SSG will therefore cease to exist when all existing loans mature. Still, in our view, other layers of protection and the extraordinary shareholder support from callable capital continue to support the rating.

EUROFIMA's role has been under pressure in recent years since much of its lending is highly exposed to direct price competition from commercial banks and other MLIs. Some of the larger and more creditworthy shareholders finance themselves through established bond programs or with other banks, and some shareholders have not been able to borrow due to risk and capital constraints. While important diversification efforts have been underway in recent years, four borrowers--the state-owned railways of Switzerland, Belgium, Spain, and Italy--still make up the bulk of EUROFIMA's lending stock. Since 2023, new loans to a reactivated shareholder in the Czech Republic, along with net redemptions of Swiss and Belgian exposures, have contributed to a material increase in the portfolio's diversification, which we view as broadly positive for the entity's policy mandate. Over 2023-2024, Switzerland accounted for 71.9% of all new financing over this period, yet even larger redemptions have led to EUROFIMA's total Swiss exposure falling over the period to 31.1% from 33.1%. In contrast, new lending to the Czech Republic, which comprised 13.4% of total gross financing activity over the two years, has led to its Czech exposure increasing from 0% to 6.8% over the same period. Overall, the top four borrowers accounted for 84.6% of the loan portfolio at year-end 2024, down from 86.9% at the start of 2023.

EUROFIMA--Five largest countries equipment financing contract exposures in 2024 versus 2020



Source: S&P Global Ratings

EUROFIMA has traditionally enjoyed preferred creditor treatment (PCT), and we expect it will continue to benefit from this. The company has never experienced a loan loss or required immediate payment under a government guarantee. Our PCT assessment considers on a country-by-country basis whether, over the past 10 years, a borrowing country has been in arrears (having either interest or principal overdue by 180 days or more). Based on this definition of arrears, no country to which EUROFIMA lends has been in arrears over this period. As such, we consider the company's PCT assessment as very strong and all its borrowing members qualify in the strongest PCT category.

Even after the SSG ceases, EUROFIMA will benefit from other layers of protection, differentiating it from other MLIs we rate. In particular, physical collateral is attached to the equipment finance transactions in the form of the financed rolling stock.

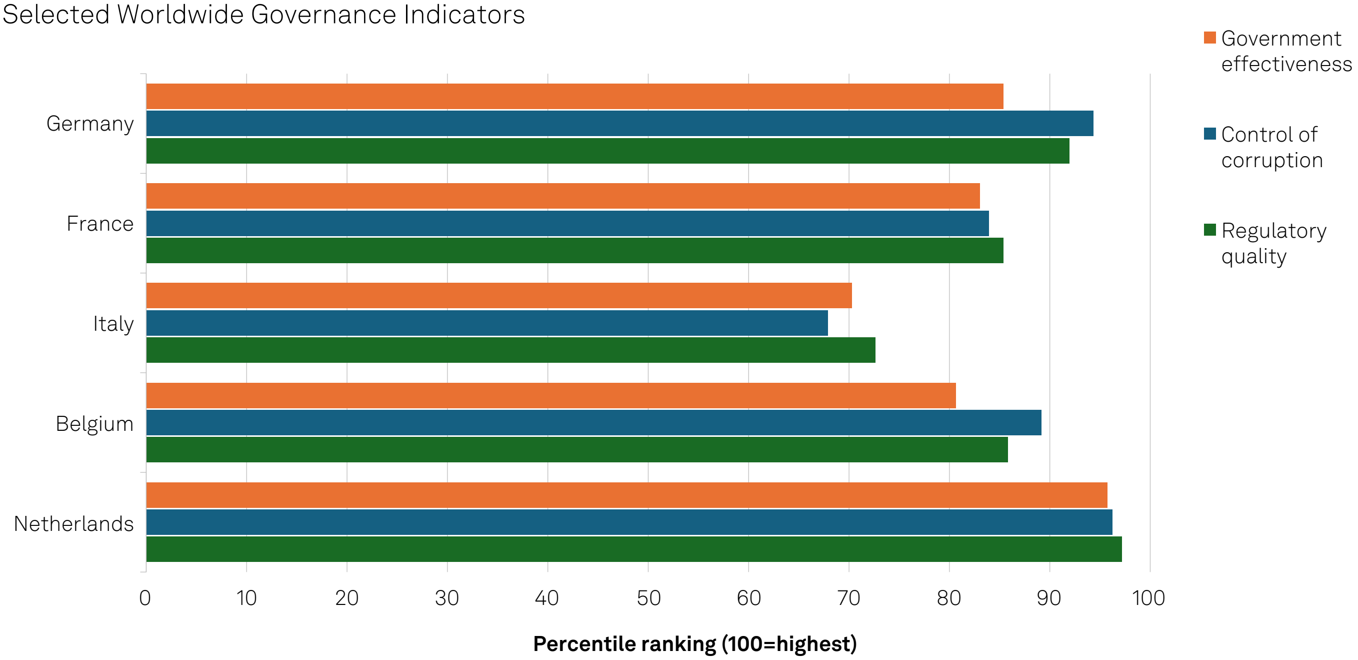
Governance and management expertise:

We assess EUROFIMA's governance and management expertise as strong due to its well-balanced shareholding structure, the high ranking of its members in World Bank governance indicators when compared with other MLIs, and the conservative risk management and liquidity policies in place.

Despite the prevalence in terms of percentage of share capital of Deutsche Bahn AG (Germany; 22.6%) and Société nationale SNCF S.A. (France; 22.6%), we do not believe that EUROFIMA is de facto controlled by these two shareholders, as for example these two countries are not among the largest borrowers. The composition of government shareholders is broadly diverse, with 26 shareholders representing 25 different countries.

EUROFIMA--Five largest shareholders

Selected Worldwide Governance Indicators



Worldwide Governance Indicators, 2024 Update, World Bank
Source: S&P Global Ratings

Financial Risk Profile

Capital adequacy:

Our view of EUROFIMA's very strong financial profile before extraordinary shareholder support incorporates an estimated RAC ratio after adjustments hovering above 10% over the coming two years. The adjusted ratio stabilized at 10.1% as of year-end 2024, similar to the level in 2023 but up from the 9.3% level recorded at year-end 2022. At the same time, the RAC ratio before adjustments remains extremely high. Our largest adjustment to the RAC calculation relates to sovereign single-name concentration, which captures the high concentration of EUROFIMA's lending book. We believe that the RAC ratio will stabilize at around 10% in the coming year, given our expectation that further diversification efforts are likely to be slow. We nonetheless do not expect an unwinding in recent diversification progress, particularly as we assume that additional financing to the Czech Republic will continue and net exposures to Switzerland and Belgium appear set to decline further. However, the key expansion in the balance sheet in 2025 appears likely to come from Italy, which given the high existing exposure at year-end 2024 (21.6% of loans), will allay near-term diversification efforts.

We view EUROFIMA as having strong risk management policies due to several layers of protection, such as the physical collateral attached to the rolling stock, lending to highly rated borrowers, and the SSG applicable to the pre-2018 loans.

Table 1

EUROFIMA--Risk-adjusted capital framework

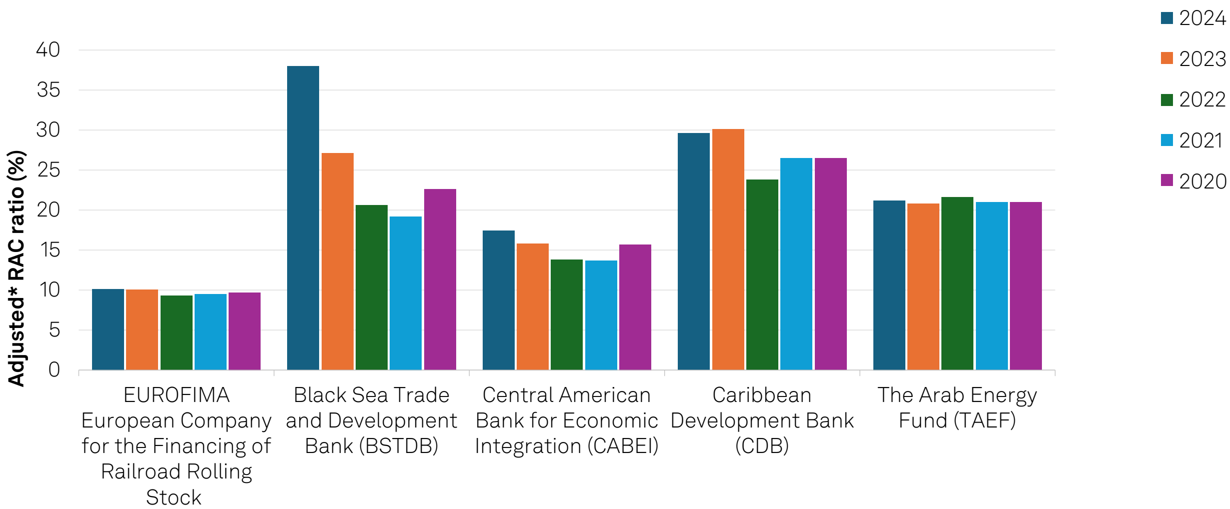
(Mil. EUR)	Exposure	S&P Global Ratings-adjusted RWA	Average S&P Global Ratings-adjusted RW (%)
Credit risk			
Government and central banks	11,424	921	8
Institutions	3,011	528	18
Corporate	278	223	80
Total credit risk	14,713	1,672	11
Operational risk			
Total operational risk		81	
Risk transfer mechanisms			
RWA before MLI adjustments		1,753	100
MLI adjustments			
Single name (on corporate exposures)		85	38
Sector (on corporate portfolio)		(22)	(7)
Geographic		(136)	(8)
Preferred creditor treatment (on sovereign exposures)		(565)	(61)
Preferential treatment (on FI and corporate exposures)		(8)	(1)
Single name (on sovereign exposures)		14,665	1,593
Total MLI adjustments		14,019	800
RWA after MLI adjustments		15,772	900

EUROFIMA--Risk-adjusted capital framework

	Total adjusted capital	S&P Global Ratings-adjusted RAC ratio (%)
Capital ratio before adjustments	1,598	91.2
Capital ratio after adjustments	1,598	10.1

Data: December 2024. MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

EUROFIMA--Risk-adjusted capital ratio versus peers



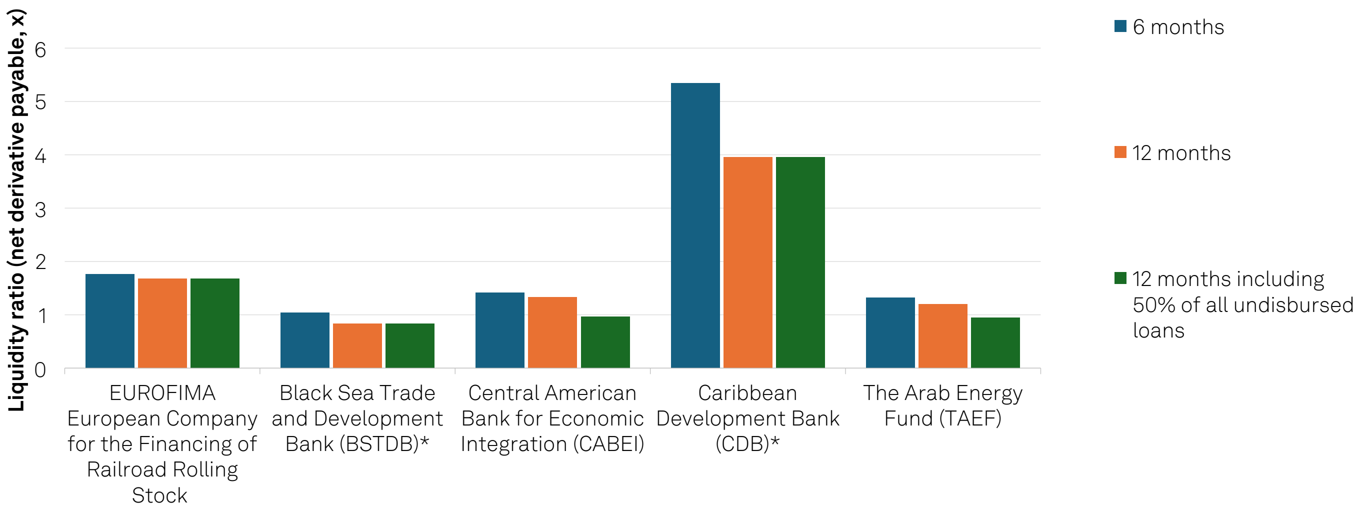
*S&P Global Ratings-adjusted.
EUROFIMA, CABEI and TAEF data as of December 2024. BSTDB and CDB data as of June 2024.
Source: S&P Global Ratings.

Funding and liquidity

EUROFIMA's funding strategy is based on a matching principle, by which it uses derivatives to match interest and principal cash flows on its obligations, with the proceeds received on the loan book. The company uses interest rate and currency swaps with cash flow, matching those of related assets and liabilities. As a result, the borrowing's currency and interest rate profile is matched with the profile of equipment financing contracts. This positively supports our assessment of funding and liquidity.

The company's investor base is well diversified and it regularly issues in the Australian dollar, Swiss franc, euro, and U.S. dollar markets. We believe the company does not overly rely on one market and regularly taps into the capital markets. EUROFIMA's one-year funding gap, calculated as maturing assets divided by maturing liabilities, was a very solid 1.68x at year-end 2024, while the same figure on a six-month basis was 1.76x. Our measure of the entity's liquidity has steadily been strengthening in recent years, with the one-year funding gap increasing from a low of 1.08x as recently as 2019. Our liquidity ratio factors in stressed market conditions, under which we assume that the company would not have access to the capital markets.

EUROFIMA--Liquidity stress test ratios versus peers

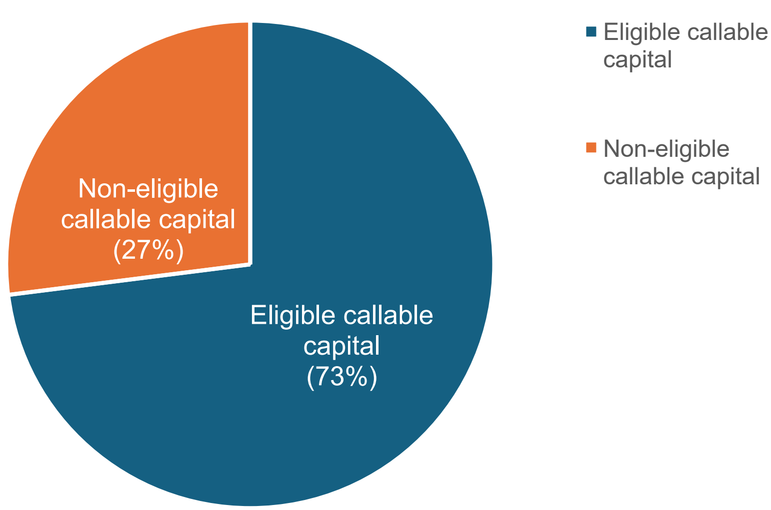


* Data as of June 2024. All other data as of December 2024.
Source: S&P Global Ratings.

Extraordinary Shareholder Support

The ratings on EUROFIMA include potential extraordinary support from shareholders rated above the company's stand-alone credit profile (SACP) of 'aa-'. While EUROFIMA has total callable capital of Swiss franc (CHF) 1.9 billion, we incorporate CHF1.52 billion eligible callable capital into our assessment, and arrived at our enhanced financial risk profile assessment of extremely strong, which provides a one-notch uplift to the rating.

EUROFIMA--Callable capital



Source: S&P Global Ratings.

Table 2

EUROFIMA--Selected Indicators

	2024	2023	2022	2021	2020
Enterprise profile					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. €)*	9,120	9,551	9,232	10,140	10,917
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	100	100	100	100	100
Private-sector loans/purpose-related exposures (%)	0	0	0	0	0
Gross loan growth (%)	(5)	4	(9)	(7)	7
Preferred creditor treatment ratio (%)	0.0	0.0	0.0	0.0	0.0
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	100	100	100	100	100
Concentration of top two shareholders (%)	45	45	45	45	45
Eligible callable capital (mil. €)	1,524	1,524	1,403	1,403	1,409
Financial risk profile					
Capital and earnings					
RAC ratio (%)	10.1	10.1	9.3	9.5	9.7
Net interest income/average net loans (%)	0.3	0.3	0.1	0.2	0.2
Net income/average shareholders' equity (%)	2.0	1.8	1.1	1.4	1.6
Liquidity ratios					
Liquid assets/adjusted total assets (%)	34.2	33.5	32.2	29.6	28.8
Liquid assets/gross debt (%)	44.4	44.8	43.2	36.3	35.0
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	1.8	1.4	1.7	1.2	1.4
12 months (net derivate payables) (x)	1.7	1.5	1.4	1.2	1.2
12 months (net derivate payables) including 50% of all undisbursed loans (x)	1.7	1.5	1.4	1.2	1.2
Funding ratios					
Gross debt/adjusted total assets (%)	77.0	74.7	74.6	81.6	82.3
Short-term debt (by remaining maturity)/gross debt (%)	15.1	14.6	13.8	16.2	26.3
Static funding gap (with planned disbursements)					
12 months (net derivate payables) (x)	1.5	1.5	1.3	1.2	1.3
Summary balance sheet					
Total assets (mil. €)	15,390	16,468	15,670	15,909	17,009
Total liabilities (mil. €)	13,770	14,877	14,118	14,352	15,461
Shareholders' equity (mil. €)	1,621	1,591	1,553	1,556	1,548

* Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

Table 3

EUROFIMA--Peer comparison

	EUROFIMA European Company for the Financing of Railroad Rolling Stock	Black Sea Trade And Development Bank (BSTDB)	Central American Bank for Economic Integration (CABEI)	Caribbean Development Bank (CDB)	The Arab Energy Fund (TAEF)
Issuer credit ratings	AA/Stable/A-1+	BBB/Stable/A-2	AA/Stable/A-1+	AA+/Stable/A-1+	AA-/Stable/A-1+
Total purpose-related exposure (mil. €)*	9,120	1,650	10,582	1,306	5,577
Preferred creditor treatment ratio (%)	0.0	N/A	0.0	0.0	0.0
Risk adjusted capital ratio (%)†	10.1	38	17.4	29.6	21.2
Liquidity ratio 12 months (net derivative payables; %)‡	1.7	0.8	1.3	4.0	1.2
Funding gap 12 months (net derivative payables; %)‡	1.5	6.9	1.6	3.0	1.1

Note: All data of EUROFIMA, CABEI and TAEF as of Dec. 2024. PRE and PCT data of CDB and BSTDB are as of Dec 2023. All other data as of June 2024.

Rating Component Scores

Enterprise Risk Profile	Extremely strong	Very strong	**Strong**	Adequate	Moderate	Weak	Very weak
Policy Importance	Very strong	Strong	**Adequate**	Moderate	Weak		
Governance and Management	**Strong**	Adequate	Weak				
Financial Risk Profile	Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak
Capital Adequacy	Extremely strong	Very strong	**Strong**	Adequate	Moderate	Weak	Very weak
Funding and Liquidity	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak	

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, July 26, 2024
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Supranationals Special Edition 2024, Oct. 31, 2024
- What's Behind The Proposed Criteria Change For Multilateral Lending Institutions And Other Supranational Institutions?, June 25, 2025

Ratings Detail (as of July 18, 2025)*

EUROFIMA European Co. for the Financing of Railroad Rolling Stock		
Issuer Credit Rating		
Foreign Currency		AA/Stable/A-1+
Commercial Paper		
Foreign Currency		A-1+
Senior Unsecured		AA
Short-Term Debt		A-1+
Issuer Credit Ratings History		
11-Jun-2024	*Foreign Currency*	AA/Stable/A-1+
30-Jun-2022		AA/Negative/A-1+
15-Jun-2020		AA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.