

# RatingsDirect®

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## Export Finance & Insurance Corp.

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# Export Finance & Insurance Corp.

## Major Rating Factors

### Strength:

- Legislative guarantee of all obligations as they come due by Efic's parent, 'AAA' rated Commonwealth of Australia.

### Counterparty Credit Rating

AAA/Stable/A-1+

## Outlook

The stable outlook on Export Finance & Insurance Corp. (Efic) reflects the outlook on its parent and guarantor, the Commonwealth of Australia (unsolicited ratings AAA/Stable/A-1+). We expect our ratings on Efic to remain unchanged in the next two years. The ratings on Efic remain equalized with those on its parent, reflecting the legislative guarantee of Efic's obligations. Therefore, a lowering of the ratings on the Commonwealth, or a weakening of the guarantee, would pressure our ratings on Efic.

## Rationale

We equalize the ratings on Efic with those on its parent entity, the Commonwealth of Australia. The rating incorporates our assessment of the legislative Commonwealth of Australia guarantee of Efic's obligations as they fall due.

We note that Efic's debt terms have defined grace periods. For example, in Efic's Programme For The Issuance of Debt Instruments (US\$2.5 billion), there are defined grace periods of 30 days on interest and 15 days on principal payments, in addition to a notice period of seven days.

We expect that the government support, if needed, will be made available within the above time frames, because:

- The Australian government budget explicitly states—within the list of its quantifiable contingent liabilities—that the Australian government guarantees the due payment of money that is, or may at any time become, payable by Efic to anybody other than the government;
- We believe that a parliamentary vote is not required for the timely release of funding support, if needed; and
- We believe that the government would receive timely information on any potential impediments in Efic's ability to meet its debt obligations in a timely manner because Efic's operations are overseen by an independent board that includes a government representative.

Efic remains well capitalized with over A\$400 million equity, and can access additional capital through a A\$200 million callable capital facility from its parent. As of March 31, 2016, Efic's total exposures of A\$3.5 billion accounted for around 0.9% of the Commonwealth of Australia's estimated revenue over fiscal 2016. Of these exposures, A\$2.9 billion (83%) relate to Efic's Commercial Account.

## Related Criteria And Research

### Related Criteria

- Criteria - Financial Institutions - Banks: Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks - May 04, 2010 Delete Criteria 1
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks - March 23, 2004
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria - Financial Institutions - General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies - December 09, 2014
- Criteria - Financial Institutions - General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- General Criteria: Rating Sovereign-Guaranteed Debt - April 06, 2009
- Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings," published Oct. 24, 2013
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

### Related Research

- Australia (Commonwealth Of), Aug. 4, 2015

**Table 1**

Export Finance & Insurance Corp. Key Figures					
	--Year ended June 30--				
	2015	2014	2013	2012	2011
Adjusted assets	3,178	2,631	2,707	3,274	3,036
Customer loans (gross)	1,932	1,575	1,589	1,380	1,219
Adjusted common equity	434	220	207	411	404
Operating revenues	43	48	60	62	57
Noninterest expenses	32	28	27	27	25
Core earnings	18	24	23	27	30
<b>Business Position</b>					
Total revenues from business line (currency in millions)	43	48	60	62	57
Commercial banking/total revenues from business line	100.00	100.00	100.00	100.00	100.00
Return on equity	5.49	10.95	7.12	6.49	7.40
<b>Capital And Earnings</b>					
Adjusted common equity/total adjusted capital	100.00	100.00	100.00	100.00	100.00
Net interest income/operating revenues	60.28	44.98	54.94	61.55	69.47
Fee income/operating revenues	46.96	50.21	44.05	54.77	42.63
Market-sensitive income/operating revenues	(13.08)	1.05	(3.69)	(21.32)	(17.37)
Noninterest expenses/operating revenues	73.60	58.37	45.06	43.13	42.98
Preprovision operating income/average assets	0.39	0.75	1.10	1.12	1.13
Core earnings/average managed assets	0.63	0.91	0.76	0.85	1.05

Table 1

Export Finance & Insurance Corp. Key Figures (cont.)					
	--Year ended June 30--				
	2015	2014	2013	2012	2011
<b>Risk Position</b>					
Growth in customer loans	22.67	(0.87)	15.13	13.24	(9.67)
Total managed assets/adjusted common equity (x)	7.33	11.96	13.08	7.96	7.52
New loan loss provisions/average customer loans	(0.39)	(0.27)	0.69	0.65	0.18
Gross nonperforming assets/customer loans + other real estate owned	0.79	1.30	4.15	2.18	2.82
Loan loss reserves/gross nonperforming assets	313.16	131.37	56.15	122.59	88.66
<b>Funding And Liquidity</b>					
Core deposits/funding base	0.00	0.00	0.00	0.00	0.00
Long term funding ratio	66.75	66.71	67.88	54.34	69.34
Stable funding ratio	84.76	89.70	90.48	99.95	122.25
Short-term wholesale funding/funding base	39.44	36.67	35.20	52.83	35.81
Broad liquid assets/short-term wholesale funding (x)	0.88	0.81	0.87	0.84	1.19
Short-term wholesale funding/total wholesale funding	39.44	36.67	35.20	52.83	35.81
Narrow liquid assets/3-month wholesale funding (x)	0.95	0.99	1.21	1.09	2.48

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### Ratings Detail (As Of June 13, 2016)

#### Export Finance & Insurance Corp.

Counterparty Credit Rating AAA/Stable/A-1+  
Senior Unsecured AAA

#### Counterparty Credit Ratings History

27-Apr-2004 AAA/Stable/A-1+

#### Sovereign Rating

Australia (Commonwealth of) AAA/Stable/A-1+

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