

Bulletin:

# French Development Bank SFIL Likely To Retain State Support After Takeover By CDC

October 10, 2019

PARIS (S&P Global Ratings) Oct. 10, 2019--S&P Global Ratings said today that French public bank SFIL would still benefit from almost certain likelihood of extraordinary support from the French government if it is taken over by Groupe Caisse des Depots et Consignations (CDC).

On Oct. 9, 2019, the French Ministry of Economy and Finance, CDC, and La Banque Postale (LBP) announced an in-principle agreement to transfer the majority of SFIL's capital to CDC. SFIL would remain 100% publicly owned and CDC would become the reference shareholder. It would have a 99.99% stake, while the French state would retain one ordinary share. Currently, 75% of SFIL is directly owned by the state, and CDC (20%) and LBP (5%) are the only other shareholders.

We understand that the transfer is scheduled to be completed during the first quarter of 2020. At this stage, the information available suggests that the channel of extraordinary support from the central government to SFIL in case of need would remain direct.

SFIL is expected to remain a development bank. In addition to retaining one ordinary share, the central government would continue to express its commitment to SFIL through a letter of support. Moreover, the state would have the right to appoint a censor to SFIL's board of directors.

This supports our view that, post-acquisition, SFIL will continue to benefit from an almost certain likelihood of extraordinary support from the French government. Similarly, we expect to maintain our view that CDC has an almost certain likelihood of extraordinary support from the French government. The consolidation of SFIL into CDC would likely strengthen CDC's importance in the funding of French local authorities and hospitals. SFIL/LBP is the first lender to French local and regional governments (LRGs), and accounted for more than 20% of new loans to French LRGs in 2018; CDC accounted for around 5%.

We will closely follow the implementation of the transfer, especially any factors that could affect the channel of extraordinary support from the central government to SFIL in case of need.

In our view, LBP's credit standing will not be affected by this takeover.

## Related Research

- Summary: Groupe Caisse des Depots et Consignations, May 15, 2019
- French Public Bank SFIL 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 25, 2019
- Summary: La Banque Postale, Dec. 18, 2018

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