

DBRS Morningstar Confirms SFIL's LT Ratings at AA (high) with a Stable Trend, Removes Ratings from Under Review with Negative Implications

BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) confirmed the Long-Term ratings of SFIL SA (SFIL or the Bank), including the Long-Term Issuer rating at AA (high) and changed the trend to Stable from Under Review with Negative Implications. The rating action concludes the rating review and reflects DBRS Morningstar's revision of its notching approach, now that Caisse des Dépôts et Consignations (CDC) is the sole reference shareholder. Concurrently, DBRS Morningstar confirmed SFIL's Short-Term ratings at R-1 (high) with a Stable Trend. The Support Assessment remains SA1. A full list of rating actions is included at the end of this press release.

KEY RATING CONSIDERATIONS

On 1 October 2020, CDC became SFIL's sole reference shareholder, with the French State retaining only one share in the Bank. Previously, SFIL was jointly owned by the French State (75%), CDC (20%) and La Banque Postale (LBP – 5%), the latter two being entirely State owned. DBRS Morningstar considers that this recent change in ownership reinforces the efficiency and timeliness of the support mechanisms between SFIL, its new reference shareholder CDC and ultimately the French State (AA (high), Stable). DBRS Morningstar views SFIL as a major subsidiary of CDC with a critical role in France given its public development bank mission.

DBRS Morningstar considers that CDC, given the size of its balance sheet (EUR 181 billion at end-2019, around 7 times that of SFIL), its sound and ample liquidity on the back of strong access to the market and the very large scale of its operations, has the financial strength to support SFIL, in case of need. This additional layer of support comes on top of the French government's support which could be provided to SFIL as a last resort.

DBRS Morningstar understands that the new reference shareholder has provided a letter of comfort to support SFIL's creditworthiness in addition to the letter of comfort provided by the Republic of France. As such, DBRS Morningstar considers that both CDC and the French State are committed to ensuring that SFIL is able to pursue its activities on an ongoing manner and to honour SFIL's financial commitments. The continuous presence of the French State in the Board of Directors of SFIL with a direct representative also confirms the remaining oversight from the national government over the Bank's operations.

RATING DRIVERS

An upgrade on the Republic of France's ratings would lead to an upgrade of SFIL's ratings.

Similarly, a downgrade on the Republic of France's ratings would lead to a downgrade of SFIL's ratings. The Long-Term and the Short-Term Ratings' Trends move in line with the Ratings' Trends of the Republic of France. Any indication of the weakening of the efficiency and timeliness of the support mechanisms between SFIL, CDC and the French State could also lead to a downgrade of SFIL's ratings.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (8 June 2020) <https://www.dbrsmorningstar.com/research/362170/global-methodology-for-rating-banks-and-banking-organisations>.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>.

The sources of information used for this rating include SFIL H1 2020, 2019 and H1 2019 Annual Reports, SFIL 2019 Pillar III Report, Company Documents and S&P Global Market Intelligence. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. DBRS Morningstar understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: <https://www.fca.org.uk/firms/credit-rating-agencies>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/373177>

This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

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Initial Rating Date: September 11, 2018

Last Rating Date: October 27, 2020

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For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

Ratings

SFIL SA

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
01-Feb-21	Long-Term Issuer Rating	Trend Change	AA (high)	Stb	EU U
01-Feb-21	Short-Term Issuer Rating	Confirmed	R-1 (high)	Stb	EU U
01-Feb-21	Short-Term Debt	Confirmed	R-1 (high)	Stb	EU U
01-Feb-21	Long-Term Senior Debt	Trend Change	AA (high)	Stb	EU U

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