

# DBRS Morningstar Confirms SFIL's LT Ratings at AA (high) with a Stable Trend

## BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) confirmed SFIL SA's (SFIL or the Bank) ratings, including the Long-Term Issuer Rating at AA (high) and the Short-Term Issuer Rating at R-1 (high). All ratings have a Stable Trend. SFIL's Support Assessment remains SA1. See a full list of ratings at the end of this press release.

## KEY RATING CONSIDERATIONS

The confirmation of SFIL's Long-Term Issuer Rating at AA (high) with a Stable trend reflects DBRS Morningstar's AA (high) Issuer Rating, with a Stable trend on the Republic of France. SFIL's ratings reflect its statutory ownership by Caisse des Dépôts et Consignations (CDC), which is entirely owned by the Republic of France. Moreover, both CDC and the Republic of France provide letters of comfort in support of SFIL's creditworthiness. As a result, DBRS Morningstar's support assessment for SFIL is SA1.

## RATING DRIVERS

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

Similarly, a downgrade of the Republic of France's ratings would lead to a downgrade of SFIL's ratings. The Long-Term and the Short-Term rating Trends move in line with the rating 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.

## RATING RATIONALE

SFIL was created in 2013. It is the 7th largest financial institution in France with total assets of EUR 69.1 billion at end-June 2022. Since October 1, 2020, SFIL is 100% indirectly owned by the French State (rated AA high, Stable Trend, by DBRS Morningstar) through CDC, with the French State retaining one share in the Bank. The new reference shareholder, CDC, has provided a letter of comfort to support SFIL's creditworthiness. In addition, the French Republic has also provided a letter of comfort by which it is committed to ensuring that SFIL is able to maintain the continuity of its activities and to honour its financial commitments at any point in time where CDC would fail to do so. This commitment is documented in a letter of comfort issued to the French financial supervisor ACPR. As such, DBRS Morningstar considers that both CDC and the French State are committed to ensuring that SFIL is able to pursue its activities in an ongoing manner and to honour SFIL's financial commitments. SFIL's profitability improved in H1 2022, with net income of EUR 46 million, up from EUR 28 million in H1 2021. This was driven by higher revenues, reversals of provisions and well-contained operating expenses.

SFIL's risk profile is mainly driven by its loan book which is very low risk due to the high proportion of French public sector lending. Reflecting the high quality of the portfolio, the non-performing loans (NPL) ratio was less than 1.0% at end-June 2022. DBRS Morningstar does not expect SFIL's risk profile to be materially affected by the current challenging environment and it has not shown signs of deterioration so far.

SFIL's funding structure is entirely reliant on wholesale funding. The Bank's main funding source consists of covered bonds issued by Caisse Française de Financement Local (CAFFIL). In addition, SFIL has diversified its funding sources, with an EMTN programme of up to EUR 15 billion. Under the programme, SFIL raised EUR 1 billion in H1-2022, bringing the total EMTN outstandings to EUR 9.2 billion and evidencing the Bank's good access to market funding. Covered bonds are expected to remain the main source of funding. SFIL also benefits from backup liquidity facilities provided by CDC and La Banque Postale (undrawn as of end-June 2022).

DBRS Morningstar views SFIL's capitalisation as solid given the Bank's low risk profile. At end-June 2022, the Bank reported a CET 1 ratio of 36.4% and Total Capital Ratio of 36.4%, up from 34.6% and 35.3% respectively. This was mostly driven by a decrease in risk-weighted assets (RWAs). The capital buffer is well above the requirements of the European Central Bank's Supervisory Evaluation Process (SREP) for 2023, set at 7.42% for Common Equity Tier 1 (CET1) and 11.25% for the total capital requirement. The Bank's phased-in leverage ratio was also well above the 3% minimum requirement, at around 10.2% at end-June 2022, including the amendment for public development banks.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Credit rating actions on the Republic of France are likely to have an impact on this credit rating.

There were no Environmental/ Social/ Governance factors that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>. (May 17, 2022).

### Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations <https://www.dbrsmorningstar.com/research/398692> (June 23, 2022). In addition DBRS Morningstar uses the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings, <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings> (May 17, 2022) in its consideration of ESG factors.

The sources of information used for this rating include Morningstar Inc. and Company Documents, SFIL 2021 Annual Report, SFIL 2021 Presentation and SFIL H1 2022 Semi-Annual Report. 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.

The conditions that lead to the assignment of a Negative or Positive trend are generally 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: <https://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/409176>

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

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Initial Rating Date: September 10, 2018

Last Rating Date: February 1, 2022

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For more information on this credit or on this industry, visit [www.dbrsmorningstar.com](http://www.dbrsmorningstar.com).

## Ratings

### SFIL SA

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
31-Jan-23	Long-Term Issuer Rating	Confirmed	AA (high)	Stb	<b>EU</b> <b>U</b>
31-Jan-23	Short-Term Issuer Rating	Confirmed	R-1 (high)	Stb	<b>EU</b> <b>U</b>
31-Jan-23	Short-Term Debt	Confirmed	R-1 (high)	Stb	<b>EU</b> <b>U</b>
31-Jan-23	Long-Term Senior Debt	Confirmed	AA (high)	Stb	<b>EU</b> <b>U</b>

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