

SFIL

Update

Ratings

Foreign Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+

Outlooks

Foreign Currency Long-Term IDR	Stable
Local Currency Long-Term IDR	Stable

Financial Data

SFIL (Standalone)

	31 Dec 2016	31 Dec 2015
Interest Revenue (EURm)	3,341.0	4,095.0
Net Operating Income (EURm)	31.0	-16.0
Loans (EURm)	59,682.0	63,209.0
Total Debt (EURm)	57681	57740
Total Assets (EURm)	78,937.0	83,683.0
Equity and Reserves (EURm)	1388	1385
Interest Rev. on Loans/Loans %	2.40	2.62
Net Interest Income/Earning Assets %	0.21	0.13
Impaired Loans/Total Loans %	0.93	1.06
Liquid Assets/Total Assets %	8.76	5.57

Related Research

[France \(December 2016\)](#)

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Key Rating Drivers

Policy Bank, Strong State Support: SFIL's ratings reflect the strong likelihood of support from the French state (AA/Stable/F1+) as its majority and reference shareholder (75% of capital), and SFIL's importance as a key funding source for the French public sector and export loans provider. The Stable Outlooks mirror those on France's ratings.

State-Owned Development Bank: The European Commission considers SFIL to be a development bank, as it addresses the needs of the French public sector. This status allows direct state capital intervention under European state aid regulations. Fitch believes it is likely that SFIL would not be subject to the Bank Recovery and Resolution Directive (BRRD) in the same way as European privately-owned and commercial banks, and that the state would provide the necessary support to prevent a resolution. SFIL is a strategic state asset.

Credit-Linked to France: Fitch views the French state as the only entity that would ensure the institution's capital needs are met, notably to cover potential losses stemming from the existing Caisse Francaise de Financement Local (CAFFIL French legislative covered bonds; AA/Stable) loan portfolio. We therefore view SFIL as a credit-linked entity to the state, but rate it one notch below the sovereign due to the lack of explicit first-demand guarantee and uncertainty over the timeliness of potential support.

Structured Loans Fully Restructured: SFIL's main mission is to address the funding needs of the French local government and public hospital sector. SFIL also aims to restructure the portfolio of structured loans included in CAFFIL's cover pool. Since its inception, SFIL has fully restructured structured loans of 546 borrowers. Sensitive loans in SFIL's balance sheet dropped to EUR1.8 billion at end-2016 from EUR8.5 billion in 2013 and we expect they will further reduce to EUR1.4 billion at end-2017.

Major Export Financing Provider: The French central government entrusted SFIL with the new mandate to provide long-term export financing, with full insurance from Bpifrance Assurance Export (EPIC BPI; AA/Stable/F1+), on behalf of the state. SFIL's refinancing export loans totalled EUR650 million in 2016. Fitch believes that this new activity will enhance SFIL's strategic importance to the state and improve SFIL's current low profitability.

Constrained Business Model: In 2016, SFIL originated through La Banque Postale (LBP; A-/Stable/F1) EUR4 billion of new loans to the local public sector (22% market share). Such loans must comply with terms agreed with the European Commission, notably on pricing. The credit quality of SFIL's loan portfolio is strong, as non-performing loans accounted for only 0.9% of total gross loans at end-2016.

Solid Capitalisation, Strong Funding: SFIL's Common Equity Tier 1 (CET1) ratio, consolidated with CAFFIL, was 24.2% at end-2016. SFIL's external funding is provided by two credit lines from Caisse des Depots et Consignations (CDC; AA/Stable/F1+) and LBP. SFIL has a EUR2 billion short-term programme and a EUR5 billion EMTN programme.

Rating Sensitivities

Weaker Sovereign Support: SFIL's ratings could be downgraded if state support weakened. A downgrade of France would also be reflected in the ratings.

Appendix A

SFIL (Standalone)

SFIL (Standalone)

(EURm)	2012	2013	2014	2015	2016
Profit and Loss					
Interest Revenue	-	85.8	88.5	52.0	29.0
Interest Expenditure	0.0	-106.3	-114.9	-75.0	-47.0
Net Interest Income	-	-20.5	-26.4	-23.0	-18.0
Net Fees and Commissions	-	19.2	24.3	23.0	7.0
Other Operating Income	-	35.7	45.0	87.0	90.0
Personal Expenses	9.0	-22.3	-27.7	-29.0	-31.0
Other Operating Expenses	0.0	-14.2	-17.4	-64.0	-67.0
Net Gains and Losses on Securities and Trading	-	0.1	-1.5	1.0	11.0
Net Operating Income/ (Loss)	9.0	-2.0	-3.7	-5.0	-8.0
Provisions	0.0	0.0	0.0	0.0	0.0
Operating Profit (loss) after Provisions	9.0	-2.0	-3.7	-5.0	-8.0
Other Non Operating Revenues/Expenses	-	-	-	-	-
Contributions from State Budgets	-	-	-	-	-
Profit (loss) Before tax	9.0	-2.0	-3.7	-5.0	-8.0
Taxation	0.0	0.0	0.0	1.0	2.0
Net Profit (Loss)	9.0	-2.0	-3.7	-4.0	-6.0
Balance Sheet					
Assets					
Cash and Cash Equivalents	-	453.1	357.9	865.0	1,194.0
Liquid Securities	-	3,337.3	3,648.3	3,726.0	2,390.0
Deposits with Banks	0.1	1.6	0.0	0.0	0.0
Loans	-	11,159.1	10,171.9	7,881.0	5,444.0
Other Earning Assets	-	825.2	924.9	1,030.0	559.0
Long-term Investments	-	0.0	0.0	0.0	0.0
Fixed Assets	-	0.1	7.9	8.0	7.0
Intangible	-	-	4.4	13.0	20.0
Other Long-term Assets	-	-	-	-	-
Total Assets	0.1	15,776.4	15,115.3	13,523.0	9,614.0
Liabilities & Equity					
Customer Deposits	-	-	-	-	-
Deposits from Banks	-	-	-	-	-
Short-term Borrowing	-	2,961.8	4,419.7	3,584.0	1,812.0
Other Short-term Liabilities	0.0	826.8	927.3	1,063.0	580.0
Debt Maturing after 1 year	-	11,856.8	9,290.8	7,601.0	4,912.0
Other Long-term Funding	-	-	347.4	1,150.0	2,191.0
Other Provisions and Reserves	-	3.0	5.7	5.0	5.0
Other Long-term Liabilities	-	-	-	-	-
Equity	0.1	130.0	130.0	130.0	130.0
Reserves	0.0	-2.0	-5.6	-10.0	-16.0
Total Liabilities & Equity	0.1	15,776.4	15,115.3	13,523.0	9,614.0
Memo:					
Guarantees and Other Contingent Liabilities	-	11,414.8	10,578.0	8,128.0	8,512.0

Source: Issuer and Fitch calculations

Related Criteria

[Rating of Public-Sector Entities – Outside the United States \(February 2016\)](#)

[International Local and Regional Governments Rating Criteria - Outside the United States \(April 2016\)](#)

	2012	2013	2014	2015	2016
Ratios					
Performance					
Interest Revenue on Loans/Loans (%)	-	0.62	0.87	0.66	0.53
Interest Expense/Borrowings and Deposits (%)	-	0.72	0.82	0.61	0.53
Net Interest Income /Earning Assets (%)	-	-0.13	-0.17	-0.17	-0.19
Net Operating Income/Net interest Income and Other Oper. Revenue (%)	-	-5.81	-8.62	-5.75	-10.13
Net Operating Income/ Equity and Reserves (%)	9000	-1.56	-2.97	-4.17	-7.02
Net Operating Income/ Total Assets (%)	9000	-0.01	-0.02	-0.04	-0.08
Credit					
Growth of Total Assets (%)	-	15776300	-4.19	-10.53	-28.91
Growth of Loans (%)	-	-	-8.85	-22.52	-30.92
Impaired Loans/Total Loans (%)	-	-	-	-	-
Reserves for Impaired Loans/ Impaired Loans (%)	-	-	-	-	-
Loan Impairment Charges/ Loans (%)	-	-	-	-	-
Liquidity and Funding					
Long term Debt/Total Equity and Reserves (%)	-	9263.13	7468.49	6334.17	4308.77
Liquid Assets/Total Assets (%)	-	24.03	26.5	33.95	37.28
Total Deposits and Debt/Total Assets (%)	-	93.93	93	91.21	92.73
Liquid Assets/Short term Deposits and Borrowing (%)	-	127.98	90.64	128.1	197.79
Capitalization					
Equity and Reserves/Total Assets (%)	100	0.81	0.82	0.89	1.19
Net profit/Total Equity and Reserves (%)	9000	-1.56	-2.97	-3.33	-5.26
Loans/Equity and Reserves (%)	-	8718.05	8176.77	6567.5	4775.44
Regulatory Capital Adequacy Ratio (%)	-	-	-	-	-
n.a.: not available					
Source: Issuer and Fitch calculations					

Appendix B

Appendix A

SFIL (Consolidated)

(EURm)	2012	2013	2014	2015	2016
Profit and Loss					
Interest Revenue	5,742.0	5,238.0	4,500.0	4,095.0	3,341.0
Interest Expenditure	-5,503.0	-5,118.0	-4,423.0	-4,006.0	-3,199.0
Net Interest Income	239.0	120.0	77.0	89.0	142.0
Net Fees and Commissions	-4.0	-4.0	-4.0	-4.0	0.0
Other Operating Income	21.0	13.0	14.0	-1.0	13.0
Personal Expenses	0.0	-34.0	-44.0	-47.0	-49.0
Other Operating Expenses	-91.0	-53.0	-55.0	-55.0	-59.0
Net Gains and Losses on Securities and Trading	1.0	26.0	-12.0	2.0	-16.0
Net Operating Income/ (Loss)	166.0	68.0	-24.0	-16.0	31.0
Provisions	-28.0	-178.0	-18.0	-14.0	18.0
Operating Profit (loss) after Provisions	138.0	-110.0	-42.0	-30.0	49.0
Other Non Operating Revenues/Expenses	-	-	-	-	-
Contributions from State Budgets	-	-	-	-	-
Profit (loss) Before tax	138.0	-110.0	-42.0	-30.0	49.0
Taxation	-47.0	41.0	8.0	-29.0	-31.0
Net Profit (Loss)	91.0	-69.0	-34.0	-59.0	18.0
Balance Sheet					
Assets					
Cash and Cash Equivalents	2,400.0	1,924.0	877.0	3,361.0	4,878.0
Liquid Securities	1,125.0	1,084.0	2,820.0	1,304.0	2,037.0
Deposits with Banks	3,741.0	2,948.0	2,847.0	2,530.0	390.0
Loans	71,996.0	66,315.0	66,175.0	63,209.0	59,682.0
Other Earning Assets	-	-	-	-	-
Long term Investments	12,814.0	7,781.0	11,545.0	9,823.0	9,494.0
Fixed Assets	-	0.0	8.0	8.0	7.0
Intangible	-	0.0	4.0	13.0	20.0
Other Long-term Assets	93.0	3,476.0	3,726.0	3,435.0	2,429.0
Total Assets	92,169.0	83,528.0	88,002.0	83,683.0	78,937.0
Liabilities & Equity					
Customer Deposits	-	-	-	-	-
Deposits from Banks	7,620.0	10,472.0	9,788.0	8,837.0	6,720.0
Short-term Borrowing	0.0	7,662.0	6,989.0	7,534.0	8,075.0
Other Short term Liabilities	-	-	-	-	-
Debt Maturing after 1 year	62,739.0	49,467.0	51,512.0	50,206.0	49,606.0
Other Long-term Funding	16,971.0	11,784.0	15,399.0	13,537.0	11,063.0
Other Provisions and Reserves	6.0	7.0	17.0	45.0	51.0
Other Long-term Liabilities	3,546.0	2,719.0	2,888.0	2,139.0	2,034.0
Equity	1,530.0	1,590.0	1,557.0	1,499.0	1,516.0
Reserves	-243.0	-173.0	-148.0	-114.0	-128.0
Total Liabilities & Equity	92,169.0	83,528.0	88,002.0	83,683.0	78,937.0
Memo:					
Guarantees and Other Contingent Liabilities	-	-	-	-	-

Source: Issuer and Fitch calculations

Appendix B

SFIL (Consolidated)

	2012	2013	2014	2015	2016
Ratios					
Performance					
Interest Revenue on Loans/Loans (%)	2.79	2.65	2.6	2.62	2.4
Interest Expense/Borrowings and Deposits (%)	6.3	6.45	5.29	5	4.24
Net Interest Income /Earning Assets (%)	0.3	0.17	0.11	0.13	0.21
Net Operating Income/Net interest Income and Other Oper. Revenue (%)	64.84	52.71	-27.59	-19.05	20
Net Operating Income/ Equity and Reserves (%)	12.9	4.8	-1.7	-1.16	2.23
Net Operating Income/ Total Assets (%)	0.18	0.08	-0.03	-0.02	0.04
Credit					
Growth of Total Assets (%)	-	-9.38	5.36	-4.91	-5.67
Growth of Loans (%)	-	-7.84	-0.17	-4.45	-5.6
Impaired Loans/Total Loans (%)	0.17	0.38	0.7	1.06	0.93
Reserves for Impaired Loans/ Impaired Loans (%)	42.62	33.07	23.76	19.17	19.03
Loan Impairment Charges/ Loans (%)	0.04	0.27	0.03	0.02	-0.03
Liquidity and Funding					
Long-term Debt/Total Equity and Reserves (%)	4874.83	3490.97	3655.93	3624.98	3573.92
Liquid Assets/Total Assets (%)	3.82	3.6	4.2	5.57	8.76
Total Deposits and Debt/Total Assets (%)	94.75	95.04	95.1	95.74	95.6
Liquid Assets/Short-term Deposits and Borrowing (%)	-	39.26	52.9	61.92	85.63
Capitalization					
Equity and Reserves/Total Assets (%)	1.4	1.7	1.6	1.66	1.76
Net profit/Total Equity and Reserves (%)	7.07	-4.87	-2.41	-4.26	1.3
Loans/Equity and Reserves (%)	5598.14	4685.89	4704.4	4573.14	4307.49
Regulatory Capital Adequacy Ratio (%)	-	-	23.9	25.51	24.22
n.a.: not available					
Source: Issuer and Fitch calculations					

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