SFIL

May 20, 2025

This report does not constitute a rating action.

Primary contact

Stephanie Mery
Paris
0033144207344
stephanie.mery
@spglobal.com

Secondary contact

Pierre Hollegien
Paris
33-14-075-2513
Pierre.Hollegien
@spglobal.com

Credit Highlights

Overview

Key strengths	Key risks
Integral link with the French government as a state-owned financial institution, fully owned by Caisse des Dépôts et Consignations (CDC).	A slow start to the year, especially due to the delayed adoption of France's 2025 finance law in February, and projected central government budget consolidation measures may lower demand from LRGs.
Critical role as the first financier of French local and regional governments (LRGs) and public hospitals; as a result, there is an almost certain likelihood of government support in the event of financial distress.	More challenging financing conditions may also hinder lending to local authorities.
Critical mission for the French government's economic policy as the main provider of refinancing for export credit.	The inherently low profitability of LRG lending, coupled with the potential risk posed by increased funding costs due to prevailing financial market conditions.

S&P Global Ratings expects SFIL (AA-/Negative/A-1+) would receive direct extraordinary support from the French government in case of financial distress. Although the state is not legally responsible for SFIL's solvency, we believe the French government is committed to providing the entity sufficient liquidity and capital support to operate, comply with regulatory requirements, and meet its financial obligations. In addition to the letter of comfort that the reference shareholder CDC has provided and by which it supports the society's creditworthiness, France has also provided a letter of comfort that shows it is committed to ensuring SFIL will be able to continue its activities and meet its financial obligations should CDC fail to do so.

Outlook

Our negative outlook on SFIL mirrors that on France. We believe that SFIL will retain its critical role for and integral link with the French government, and, therefore, expect the ratings to move in line with those on the sovereign.

Downside scenario

We would lower the ratings on SFIL following a similar rating action on France or if the central government were to change SFIL's full public sector entity status or if SFIL's role were to diminish.

Upside scenario

We would revise our outlook on SFIL to stable if we took the same action on France and if the likelihood of support for the entity remains almost certain.

Rationale

We equalize our ratings on SFIL with those on France (unsolicited; AA-/Negative/A-1+). This is because, based on our view of the entity's critical role for and integral link with the French government, we consider that there is an almost certain likelihood that the government would provide timely and sufficient extraordinary support to SFIL in the event of financial distress.

S&P Global Ratings considers that SFIL executes strategic government policies, and does not see the likelihood of government support being subject to transition risk. Therefore, we expect that the ratings and outlook on SFIL will move in line with those on France. We do not find the French government's general propensity to support government-related entities to be in doubt.

Our opinion of an almost certain likelihood of government support hinges on SFIL's:

- Integral link with the French government as a 100% public sector-owned financial institution that is fully owned by CDC and benefits from the state's strong commitment of support and its tight supervision; and
- Critical role for France as the first loan refinancer to French LRGs and public hospitals and the main liquidity provider of refinancing for export credit guarantees extended by the central government, with about 40% market share in 2024. The European Commission (EC) has recognized SFIL as a development bank, while acknowledging a structural market failure in the financing of LRGs in France. Financial access is key for LRGs, given they account for close to 70% of the civil public investments in the country. These investments are crucial for the maintenance and development of infrastructure in France and to support its ecological transition. Similarly, the EC has also validated an export mission, recognizing that SFIL responds to market failures and confirming that private institutions do not provide these services to a sufficient extent.

SFIL plays a crucial role in France's economic strategy as the leading loan refinancer to LRGs and public hospitals. Established in 2013, SFIL was designed to ensure stable and continuous access to long-term funding for French LRGs. The bank's primary mission is to refinance loans generated primarily by its partner, La Banque Postale (LBP), and to a less extent by Banque des Territoires (BDT), for French LRGs and public health institutions. Since its inception, SFIL has refinanced €54 billion in loans to the public sector. In 2024, lending to French LRGs reached a record high, with new loans totaling €5.8 billion--an increase of 45% from 2023. This surge can largely be attributed to the investment momentum of local authorities (5.7% in 2024) and a rise in borrowing. Additionally, there has been a decline in funding from other sources, such as grants and operating income.

Investments due to the accelerated execution of projects toward the end of the municipal mandate, coupled with strong demand from departments, regions, and metropolises with heightened financing needs, have contributed to the increase in lending. In 2024, LBP/SFIL captured the largest market share, accounting for an estimated 40% of the total borrowing contracted by banks (up from 33% in 2023), while still holding 20% of the outstanding loans issued to French LRGs. We anticipate that lending to the French public sector will remain resilient amid ongoing local investments in the final year of the municipal electoral cycle and increasing financing needs to address climate change challenges. However, competition from loans indexed to the Livret A rate, less favorable market conditions, and economic and geopolitical uncertainty may weigh on the lending activity of LRGs. SFIL's financing activity, which had been limited to local authorities and public hospitals in France, can now be extended to some other public entities, such as satellites or off-balance-sheet entities (including public transportation companies) of local authorities, which should further stimulate growth.

Lending to public hospitals remained modest in 2024 at €518 million, despite a 61% increase over 2023, due to the budgetary pressure the sector faces and limited investments. However, despite capacity constraints in project execution and funding, France's €19 billion investment plan, Segur Plan de la Santé, is expected to accelerate investments by hospitals. This will benefit SFIL given its position as the leading lender to French hospitals.

SFIL has expanded its scope since 2023 through its partnership with BDT. This collaboration has reinforced SFIL's position among public sector banks operating within the CDC, highlighting its significance for France. Within the CDC, several entities are engaged in banking activities. Bpifrance serves as a public bank that focuses on small and medium enterprises, and corporates. La Banque Postale (LBP) operates in the competitive sector, while BDT is dedicated solely to long-term financing focused on the public sector. LBP handles loans with maturities of less than 25 years issued to local authorities, while BDT specializes in loans with maturities exceeding 25 years. Similar to its collaboration with LBP, SFIL refinances new fixed-rate loans with long-term maturities of 30-40 years issued by BDT. The partnership enables SFIL to complement loan origination by LBP while maintaining its strong emphasis on green projects that French LRGs undertake. In 2024, only €200 million in loans issued by BDT were refinanced due to market conditions and rising funding costs, resulting in a slight decline in its market share compared to 2023. That said, SFIL’s management anticipates an additional €500 million in loans per year given the increased need for long-term financing focused on ecological transition.

SFIL remains the leading provider of large export credit, with a refinancing volume of over €18 billion as of year-end 2024, and a market share of more than 40%. In 2024, geopolitical uncertainty, tightening financing conditions, and a slowing economy made SFIL’s business line more attractive and relevant. Following a record year in 2023, during which SFIL signed six contracts for €5 billion, its export credit refinancing activity remained robust in 2024, with five contracts totaling €2.4 billion. A strong rebound in naval construction, a surge in global defense spending, the construction of nuclear power plants, and investments related to environmental regulations and energy transition are expected to bolster demand for export credit. In 2025, SFIL's expansion into operations supported by guarantees from European export credit agencies and multilateral lenders, in addition to Bpifrance Assurance Export, will bolster the bank’s growth.

SFIL boasts a robust financial profile. Much like other banks with large balance sheets comprising very low-risk assets, SFIL exhibits an exceptionally high common equity Tier 1 ratio of 42.2% at the end of 2024, significantly greater than that of commercial banks. The ratio is also well above the minimum requirement of 8.56% established by the European supervisor for development banks as part of the Supervisory Review and Evaluation Process. This is primarily due to SFIL's focus on low-risk lending to or guaranteed by public authorities. As of Dec. 31, 2024, the bank's nonperforming exposure was remarkably low at just 0.26% of total assets. Additionally, SFIL's risk-weighted assets reduced following the September 2024 decision of the ACPR (the French Prudential Supervision and Resolution Authority) College to classify exposures to most French local authorities in line with exposures to the French government. As a result, approximately 84% of SFIL's asset portfolio is now weighted at 0%.

SFIL's business model is built on its ability to access funding at very low costs, given its structurally low asset margins. The bank is entirely wholesale funded, in line with its public sector-focused peers. It secures almost two-thirds of its refinancing by issuing covered bonds with favorable financial terms, through its subsidiary CAFFIL. In 2024, one-third of the bonds issued were labeled as green, social, or sustainable, and this proportion is expected to be maintained through 2030. We believe the support SFIL receives from its public sector shareholders and partners, including LBP and CDC, helps mitigate funding risks. SFIL's capacity to use its public sector asset portfolio as collateral (more than €30 billion as of year-end 2024) for the lending facility at the Banque de France also bolsters its liquidity. We anticipate that SFIL will continue to enjoy strong liquidity and do not expect significant pressure on margins in the coming years, despite the recent rise in interest rates and related funding costs.

SFIL's profitability continued to improve in 2024. Despite persistent inflation, the bank managed to stabilize its operating expenses at 2023 levels, demonstrating effective control over general and administrative costs. As a result, its cost-to-income ratio improved by 6%, reaching 54%. Margins were largely stable in 2024 due to SFIL's business structure, and the bank recorded no cost of risk. This contributed to a 15% increase in recurring net income compared to 2023, pushing it up to €75 million.

Environmental, Social, And Governance

SFIL's mission defines environmental, social, and governance (ESG) factors as essential elements of its internal and external strategies. In 2024, two of the five export credit transactions directly contributed to one of the Sustainable Development Goals. Green and social loans, issued to LRGs with a pricing incentive, totaled almost €2 billion in 2024, representing one-third of SFIL's lending. We believe the bank's commitment to facilitating a green and socially responsible transition for the French economy reinforces our view of its critical role in France, as funding a sustainable future is a key strategic initiative of the central government.

S&P Global Ratings understands that the bank aims to actively contribute to decarbonization by providing €17.5 billion of green loans and €12 billion of social loans by 2030. Since October 2022, SFIL has offered thematic loans distributed to LRGs in France through LBP to finance initiatives related to health, sports, culture, development, and territorial cohesion. To align with France's National Low Carbon Strategy, the bank is committed to reducing the monetary intensity of its public sector financing by 42%, targeting 76 grams of carbon dioxide-equivalent per euro by 2030. SFIL has also developed a rating tool to assess climate and environmental risks in the French public sector, and has integrated it into financing processes since 2025. A similar tool has been implemented to evaluate the exposure of export credit projects to climate hazards and vulnerabilities based on location and sector. We also understand that the bank does not provide any new financing to coal, oil, and gas projects and adhered to the Poseidon Principles for the shipping sector in 2025.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: France 'AA-/A-1+' Ratings Affirmed; Outlook Revised To Negative On Weakening Public Finances, Feb. 28, 2025
- Seven French Government-Related Entities Outlooks Revised To Negative From Stable After Similar Action On France, March 4, 2025
- Full Analysis: Caisse des Dépôts et Consignations, March 27, 2025

Ratings Detail (as of May 20, 2025)*

SFIL	
Issuer Credit Rating	AA-/Negative/A-1+
Commercial Paper	
Local Currency	A-1+
Senior Unsecured	AA-
Issuer Credit Ratings History	
04-Mar-2025	AA-/Negative/A-1+
04-Jun-2024	AA-/Stable/A-1+
06-Dec-2022	AA/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.