

Societe Generale SFH (/gws/en/esp/issr/90486077)



Fitch Affirms Societe Generale SFH's OFH at 'AAA'; Outlook Stable

Fitch Ratings-Paris-23 June 2017: Fitch Ratings has affirmed Societe Generale SFH's (SG SFH) obligations de financement de l'habitat (OFH) at 'AAA' with a Stable Outlook.

The affirmation follows the addition of Boursorama Banque S.A. (Boursorama) as collateral provider under the programme, which took effect via a secured loan as per the provisions of article L-211-38 of the French Monetary and Financial Code. This collateral backs advances made by SG SFH to Societe Generale S.A. (SG), which then on-lends the proceeds to Boursorama. The new collateral represents about 6% of the cover pool and lead to a EUR2 billion OFH issuance.

KEY RATING DRIVERS

The OFH are rated 'AAA', above SG's Long-Term Issuer Default Rating (IDR) of 'A', which acts as the reference IDR for this programme. This rating is based on an IDR uplift of two notches, a payment continuity uplift (PCU) of four notches, a recovery uplift of two notches and the programme's 8.5% over-collateralisation (OC), which is the OC used for the purpose of the asset coverage test (ACT), which provides more protection than Fitch's 6.5% 'AAA' breakeven OC.

The Stable Outlook on the OFH reflects the significant buffer against a downgrade of SG's IDR due to the different uplift factors above the reference IDR and the available OC.

IDR Uplift

The programme's IDR uplift remains unchanged at two notches. This uplift relies on OFH's exemption from bail-in, Fitch's assessment that resolution of the issuer banking group will not result in the direct enforcement of recourse against the cover pool, and the low risk of under-collateralisation for OFH at the point of resolution, in Fitch's view (see Fitch's Jurisdictional Analysis of the Risk of Undercollateralisation of Covered Bonds - Excel file), and that SG's IDR is driven by the bank's 'a' Viability Rating.

PCU

Fitch has maintained the PCU of four notches based on the OFH principal and interest protection provided by a nine months pre-maturity reserve. Fitch has applied the PCU corresponding to weakest liquidity protection, as soft bullet issues, with a 12-month maturity extension, represent about 74% of the total outstanding covered bonds.

Recovery Uplift

The programme benefits from a two-notch recovery uplift, as the OC which Fitch relies upon in its analysis can cover credit losses in an 'AAA' rating scenario.

Breakeven Asset Percentage

Fitch's 'AAA' breakeven OC remains at 6.5%, driven by the 'AAA' credit loss. The credit loss has remained at roughly the same level given that there were no significant changes to the cover pool characteristics. The breakeven OC is based on the combination of a 'AA' probability of default basis and a two-notch uplift for recoveries given default.

RATING SENSITIVITIES

The 'AAA' rating of Societe Generale SFH's Obligations de Financement de l'Habitat would be vulnerable to a downgrade if any of the following occurs: (i) the bank's Long-Term Issuer Default Rating is downgraded by four notches to 'BBB-' or below; (ii) the relied upon over-collateralisation (OC), which is the contractual OC, decreases below Fitch's 'AAA' breakeven OC of 6.5%.

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Applicable Criteria

Covered Bonds Rating Criteria (pub. 26 Oct 2016) (<https://www.fitchratings.com/site/re/888874>)
Criteria Addendum: France - Residential Mortgage Assumptions (pub. 08 Dec 2016) (<https://www.fitchratings.com/site/re/891636>)
EMEA RMBS Rating Criteria (pub. 29 Nov 2016) (<https://www.fitchratings.com/site/re/891276>)
Fitch's Cover Assets Refinancing Spread Level (RSL) Assumptions - Excel file (pub. 20 Jan 2017) (<https://www.fitchratings.com/site/re/893377>)
Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/894478>)
Global Bank Rating Criteria (pub. 25 Nov 2016) (<https://www.fitchratings.com/site/re/891051>)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/893890>)

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