Creditreform Bank Rating
SFIL SA (Group)

Creditreform Rating

Rating Object	
SFIL SA (Group)	
Creditreform ID:	803073840
Incorporation:	2013
(Main-) Industry:	Banks
Management:	Philippe Mills (CEO) François Laugier (Deputy CEO) Florent Lecinq (CFO and COO)

Rating Information

Long Term Issuer Rating / Outlook:	Short Term:	Type:
AA / negative	**L1**	Update unsolicited

Rating of Bank Capital and Unsecured Debt Instruments:

Preferred Senior Unsecured:	Non-Preferred Senior Unsecured:	Tier 2:	Additional Tier 1:
AA	-	-	-

Rating Date:	**25 November 2020**
Monitoring until:	withdrawal of the rating
Rating Methodology:	CRA "Bank Ratings v.2.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" CRA "Government-Related Banks v.2.0"
Rating History:	www.creditreform-rating.de

Contents

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Key Rating Driver

Strengths

+ High probability of support by the French State
+ One of the major lenders to the French Public Sector
+ Very good asset quality, very high regulatory capital ratios

Weaknesses

- Low general capitalization
- Low profitability, but no profit motive

Opportunities / Threats

+ Increasing need for financial funding on part of public authorities, especially as source of liquidity

+/- Export financing taking off, but also introducing new risks, especially as COVID-19 wreaks havoc on the global economy.

- Dependency on public authorities in France

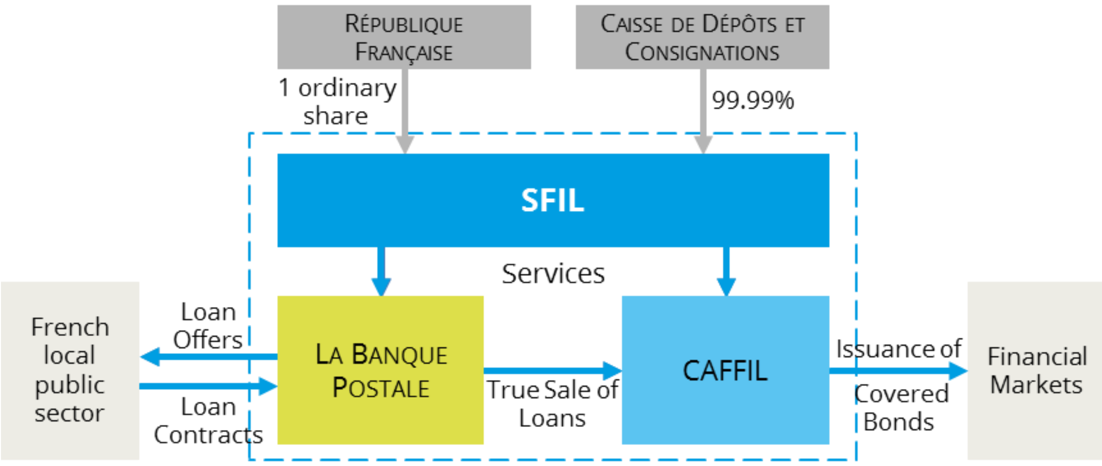
Company Overview

The Société de financement local SA (in the following SFIL SA or SFIL) was founded in 2013 as a government owned development bank in order to guarantee stability in local public sector financing in France. The bank refinances medium and long term loans to local governments and public hospitals and engages in refinancing of export loans guaranteed by the French State. It provides additional services in the areas of loan management, middle and back office management solutions, asset and liability management reporting, accounting and third party management. The customers benefit from low refinancing costs due to explicit state guarantees and risk control.

On 9 October 2019 it was agreed in principle that CDC (Caisse des dépôts et consignations), a state-owned group serving the public interest and France's economic development, was to become the reference shareholder with 99.99% of its capital (the French State retains a single ordinary share). On 30 September 2020, this deal was finalized. SFIL continues to be fully publicly owned, its shareholders will continue to ensure that its financial strength is preserved and its economic base is protected. The mission remains the same, financing the local public sector and the refinancing of large export contracts.

SFIL deployed two approaches to support its debtors during the COVID-19 crisis. In a proactive move towards all customers in the health sector, payment terms of 180 days were granted without late interest or penalties involved. The other approach was to aid local authorities with temporary cash flow problems on a case-by-case basis. Since SFIL is active in all cruise ship financing operations through French exports credits since 2016, it provided liquidity support for export credits for cruise companies, deferring the repayment of the principal for 18 months. During the first half of 2020, the crisis led to no new export credits contracts being signed, but it is indicated that SFIL could play a countercyclical role in the near future.

Chart 1: Ownership of SFIL and operational flow | Source: Website of Registration Document 2019, own illustration



Business Development

Profitability

The financial year 2019 ended with a net profit of €50m, down €13m from the previous year. The main staple of income for SFIL is interest income, accounting for almost 80% of the operating income in 2019. The second staple is net trading income, in 2019 through instruments measured at FVTPL. Net trading income decreased by €22m, accounting for the majority of the overall decrease in operating income of €19m to €166m. Operating expense decreased by €2m over the previous year. Personnel expense and other expense decreased by €8m in combination, while depreciation and amortization of tangible and intangible assets accounted for an increase of €6m. The IFRS16 implementation effect was €3m.

The operating result was €57m, down €17m from the previous year. Risk costs resulted in a net gain of €7m due to reversals, mainly through credit risk migration from Level 2 to Level 1. The pre-tax profit was €64m, and the net profit was €50m after tax.

Net profit was -€2m in the first half of 2020, primarily through the negative result of financial instruments measured at FVTPL (-€19m vs +€18m in the first half of 2019) and cost of risk of €9m, vs only €1m in H1 2019. According to SFIL, the impact of the crisis had been limited up until the first half of 2020 and confined to temporary and reversible effects. However, this judgement may have been premature given the size of the second wave and the renewed lockdown.

A detailed group income statement for the years of 2016 through 2019 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	142.000	174.000	129.000	+1,6	131.000
Net Fee & Commission Income	0	3.000	1.000	+100,0	2.000
Net Insurance Income	-	-	-	-	-
Net Trading Income	-4.000	7.000	55.000	-40,0	33.000
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	-	-	-	-	-
Operating Income	**138.000**	**184.000**	**185.000**	**-10,3**	**166.000**
Expenses (€000)					
Depreciation and Amortisation	5.000	6.000	10.000	+60,0	16.000
Personnel Expense	49.000	51.000	48.000	+2,1	49.000
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	53.000	56.000	53.000	-17,0	44.000
Operating Expense	**107.000**	**113.000**	**111.000**	**-1,8**	**109.000**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**31.000**	**71.000**	**74.000**	**-23,0**	**57.000**
Asset Writedowns	-18.000	-22.000	5.000	< -100	-7.000
Net Income (€000)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**49.000**	**93.000**	**69.000**	**-7,2**	**64.000**
Income Tax Expense	31.000	39.000	6.000	> +100	14.000
Discontinued Operations	-	-	-	-	-
Net Profit (€000)	**18.000**	**54.000**	**63.000**	**-20,6**	**50.000**
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	-	-	-	-	-

The earnings figures of SFIL are of secondary nature, as the primary raison d'être is not profit. Nonetheless, the owners have no interest in coming up for operational losses of SFIL. In 2019, the cost income ratio (CIR) stood at 65.7%, a good value given the non-profit motive of SFIL. Other ratios dependent on assets (0.07%) and equity (3.08%) were very low, however, but acceptable given the nature of the business.

A detailed overview of the income ratios for the years of 2016 through 2019 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	77,54	61,41	60,00	+5,66	65,66
Cost Income Ratio ex. Trading (CIRex)	75,35	63,84	85,38	-3,43	81,95
Return on Assets (ROA)	0,02	0,07	0,09	-0,02	0,07
Return on Equity (ROE)	1,30	3,68	4,03	-0,95	3,08
Return on Assets before Taxes (ROAbT)	0,06	0,13	0,09	-0,01	0,09
Return on Equity before Taxes (ROEbT)	3,53	6,33	4,41	-0,47	3,95
Return on Risk-Weighted Assets (RORWA)	0,33	0,94	1,15	-0,31	0,84
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,90	1,61	1,26	-0,18	1,08
Net Interest Margin (NIM)	0,18	0,26	0,26	-0,03	0,23
Pre-Impairment Operating Profit / Assets	0,04	0,10	0,10	-0,03	0,08
Cost of Funds (COF)	4,24	3,57	3,72	-0,16	3,56
Change in %Points					

Asset Situation and Asset Quality

In 2019, the balance sheet increased by the order of €2.07bn, predominantly through net loans to customers, which increased by €1.95bn. Securities decreased by €0.43bn. Among other, the bank purchased €4.2bn in loans from La Banque Postale (LBP) and granted €1.5b in export credits, while amortization of loans and securities reduced the specific line items by €4.3bn.

In the first half of 2020, total assets increased further to €77.8bn. Loans acquired from LBP were €2.9bn and no further export credit loans were transferred during the first half of 2020.

A detailed look at the development of the asset side of the balance sheet for the years of 2016 through 2019 can be taken in Figure 3 below:

Figure 3: Development of assets | Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	4.878.000	2.560.000	1.927.000	-38,2	1.191.000
Net Loans to Banks	390.000	295.000	239.000	+35,1	323.000
Net Loans to Customers	59.682.000	57.014.000	50.279.000	+3,9	52.226.000
Total Securities	2.037.000	2.790.000	10.947.000	-3,9	10.518.000
Total Derivative Assets	9.494.000	7.233.000	6.980.000	+14,1	7.963.000
Other Financial Assets	-	-	-	-	-
Financial Assets	**76.481.000**	**69.892.000**	**70.372.000**	**+2,6**	**72.221.000**
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	27.000	35.000	39.000	+20,5	47.000
Tax Assets	113.000	78.000	80.000	-2,5	78.000
Total Other Assets	2.316.000	2.427.000	2.231.000	+9,8	2.450.000
Total Assets	**78.937.000**	**72.432.000**	**72.722.000**	**+2,9**	**74.796.000**

The asset quality in 2019 did not significantly change in 2019 compared to the previous year. Net loans to assets accounted for almost 70% in 2019, while the NPL ratio (Stage 3 assets divided by net loans to customers) declined slightly to 2%, but only very little loan-loss provisions were made in total, leaving the reserves to NPL ratio very low. Cost of risk in 2019 was even negative, with net reversals of €7m in 2019. The potential problem loans ratio (Stage 2 assets divided by net loans to customers) was 5.75%, more than a percentage point down from the previous year due to transfers from Stage 2 to Stage 1.

As of the first half of 2020, COVID-19 had no noticeable increase in Stage 3 exposure, but Stage 2 exposure increased more than two-fold. The increases stemmed from the transfer of part of the export credit portfolio from Stage 1 to Stage 2. No significant cost of risk has yet been incurred.

A detailed overview of the asset quality for the years of 2016 through 2019 can be found in Figure 4 below:

Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	75,61	78,71	69,14	+0,69	69,82
Risk-weighted Assets/ Assets	6,87	7,97	7,52	+0,40	7,92
NPLs*/ Net Loans to Customers	0,93	0,98	2,17	-0,16	2,00
NPLs*/ Risk-weighted Assets	10,27	9,66	19,92	-2,25	17,67
Potential Problem Loans**/ Net Loans to Customers	0,00	0,00	6,85	-1,09	5,75
Reserves/ NPLs*	19,03	9,50	3,12	+0,32	3,44
Reserves/ Net Loans	0,18	0,09	0,07	+0,00	0,07
Net Write-offs/ Net Loans	-0,03	-0,04	0,01	-0,02	-0,01
Net Write-offs/ Risk-weighted Assets	-0,33	-0,38	0,09	-0,21	-0,12
Net Write-offs/ Total Assets	-0,02	-0,03	0,01	-0,02	-0,01
Level 3 Assets/ Total Assets	-	-	11,62	-1,94	9,68
Change in %Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Refinancing and Capital Quality

The increase of the balance sheet size was refinanced by a net increase of total debt to the order of €2.4bn in 2019. CAFFIL issued a €750m benchmark ESG issue in 2019, backed by public-sector assets. In the whole of 2019, CAFFIL raised €4bn in covered bonds and four tap transactions for a total of €600m, as well as private placements to the count of €440m in total. SFIL tapped the market twice for a total of €2.1bn. For 2020, SFIL plans to issue between €1–2bn in Benchmark issues, as well as €3.5-5.5bn by CAFFIL. At least one green or social transaction is planned for 2020.

Bonds issued in the first half of 2020 was a total of €3.9bn, of which about three fourths were covered bonds by CAFFIL and the other fourth were unsecured bonds by SFIL. Equity remained virtually unchanged compared to the previous year, as SFIL recorded a small loss of €2m in the first half of 2020.

A detailed overview of the development of liabilities for the years of 2016 through 2019 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	6.720.000	4.215.000	1.928.000	-80,3	379.000
Total Deposits from Customers	-	-	0	-	0
Total Debt	57.681.000	56.315.000	60.068.000	+4,0	62.466.000
Derivative Liabilities	11.063.000	8.950.000	7.706.000	+10,6	8.520.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-
Total Financial Liabilities	**75.464.000**	**69.480.000**	**69.702.000**	**+2,4**	**71.365.000**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	6.000	1.000	8.000	+0,0	8.000
Provisions	45.000	48.000	20.000	-30,0	14.000
Total Other Liabilities	2.034.000	1.434.000	1.429.000	+25,1	1.788.000
Total Liabilities	**77.549.000**	**70.963.000**	**71.159.000**	**+2,8**	**73.175.000**
Total Equity	**1.388.000**	**1.469.000**	**1.563.000**	**+3,7**	**1.621.000**
Total Liabilities and Equity	**78.937.000**	**72.432.000**	**72.722.000**	**+2,9**	**74.796.000**

Due to the exceptionally low RWA ratio of SFIL, the bank has very low own capital needs; hence, the equity ratio was at a perceptively low 2.17% in 2019, up very slightly from the previous year. Benefitting from the very low RWA ratio, the regulatory capital ratios were excellent, however, exceeding the SREP minimum ratios for CET1 (7.99%) and Total Capital (11.49%) handily with 24.4% and 25.2% each. The regulatory Leverage ratio jumped more than 6 percentage points due to amendment 876/2019 of Regulation 575/2013, where development loans and the export credit business is excluded from total risk exposure. Applicable starting from end-June 2021, the ratio would already easily exceed the regulatory minimum of 3%.

In the first half of 2020, CET1 increased to 30%. Since equity did not increase over 2019, the increased stemmed predominantly from the decrease of RWA related to changes in calculating regulatory equity requirements.

A detailed overview of the development of capital ratios for the years of 2016 through 2019 can be found in Figure 6 below:

Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	1,76	2,03	2,15	+0,02	2,17
Leverage Ratio	1,82	2,00	1,92	+6,68	8,60*
Phased-in: Common Equity Tier 1 Ratio (CET1)	24,22	23,06	25,10	-0,70	24,40
Phased-in: Tier 1 Ratio (CET1 + AT1)	24,70	23,51	25,60	-0,80	24,80
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	25,01	23,83	25,90	-0,70	25,20
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	22,75	22,61	24,80	-0,40	24,40
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	23,23	23,06	25,30	-0,50	24,80
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	23,55	23,38	25,60	-0,40	25,20
Change in %Points					

*According to Amendmend 576/2019 to Regulation 575/2013

Due to the very high likelyhood of State intervention in case of financial distress, the class of Preferred Senior Unsecured Bonds is not downgraded compared to the Long-Term Issuer Rating.

Liquidity

Many liquidity measures do not apply to SFIL due to the lack of customer deposits. Of the observable liquidity ratios, the interbank ratio increased drastically from 12.4% to 85.2%, but both loans to banks as well as deposits from banks did both decrease and also made up only a small portion of the balance sheet. The Liquidity Coverage Ratio changed a lot in recent years, but always remained well above the regulatory minimum of 100%. The liquidity situation of SFIL overall is satisfactory.

A detailed overview of the development of liquidity for the years of 2016 through 2019 can be found in Figure 7 below.

Figure 7: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Interbank Ratio	5,80	7,00	12,40	+72,83	85,22
Liquidity Coverage Ratio	182,00	725,00	422,00	-241,60	180,40
Change in %-Points					

Environmental, Social and Governance (ESG) Score Card

SFIL has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated neutral, as no major positive or negative drivers were identified.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating drivers. Green Financing / Promoting is rated positive due to the first Green Bond issue and SFIL's commitment for Green Bonds to become a regular source of refinancing. Coporate Behaviour is also rated positive, as no significant legal risks or otherwise unacceptable behavior could be identified.

ESG Score

3,6 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2020	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	4	( )
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Conclusion

The rating of SFIL SA (Group) is predominantly affected by our opinion that there is almost certain likelihood of support by the French Republic (CRA Rating: AA (negative) on 29 May 2020) in the event of financial distress. This owes to the fact that the bank benefits from explicit state guarantees by way of letter of support, even after the CDC has taken the French Republic's place as reference shareholder. Its shareholders will continue to ensure that its financial strength and economic base is protected.

Regardless of the implicit state support, SFIL can look back at a satisfactory year of operations. While the net profit declined significantly over the previous year, the main staple of income, net interest income, remained stable. Asset quality and capital quality remained stable. Amendment to EU regulation will further increase capital quality, as the Leverage ratio now sits comfortably above the minimum requirement of 3%.

The COVID-19 crisis has also affected SFIL's operations. As per half year 2020, no further export credits were signed. The bank assisted its clients in the affected health sector with repayment terms and public authorities in temporary cash flow and liquidity circumstances. Export credit clients were granted principal repayment deferrals. As of mid-2020, asset quality was not yet properly affected. Capital quality even improved, as the CET1 ratio increased to 30%, far above capital requirements set by the SREP.

Outlook

We revised the outlook of SFIL's long-term issuer rating and its bank capital and debt instruments to "negative" from "stable". The outlook was changed as CRA revised the outlook on the Long-term sovereign rating of the French Republic (Rating Renewal of 29 May 2020). Drivers of this change are predominantly the challenges brought forward by the COVID-19 crisis. For details, please refer to the rating report of the French Republic found on our website.

Scenario Analysis

Best-case scenario: AA

Worst-case scenario: BBB

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an 'AA' rating in the "best case" scenario and a 'BBB-' rating in the "worst case" scenario.

The "best case" scenario is upward-bounded by the rating of the French Republic. In a "worst case scenario", a loss of the implicit state guarantee might lead to a severe downgrade of the rating. A downgrade of the rating of the French Republic will most likely lead to downgrade of SFIL, an upgrade of the rating will also likely lead to an upgrade of SFIL.

The ratings of bank capital and (preferred) senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **AA / negative / L1**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **AA**
Non-Preferred Senior Unsecured Debt (NPS): **-**
Tier 2 (T2): **-**
Additional Tier 1 (AT1): **-**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 8: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	24.05.2018	AA- / stable / L1
Rating Update	31.08.2018	AA / stable / L1
Rating Update	10.12.2019	AA / stable / L1
Monitoring	29.05.2020	AA / watch unknown / L1
Rating Update	25.11.2020	AA / negative / L1
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	24.05.2018	AA- / - / -
Senior Unsecured / T2 / AT1	31.08.2018	AA / - / -
PSU / NPS / T2 / AT1	10.12.2019	AA / - / - / -
PSU / NPS / T2 / AT1	29.05.2020	AA (watch unknown) / - / - / -
PSU / NPS / T2 / AT1	25.11.2020	AA / - / - / -

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA. Subject to a peer group analysis were 46 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings as (Version 2.0), the methodology for the rating of bank capital and unsecured debt instruments (Version 2.0), the methodology for the rating of Government-Related Banks (Version 2.0), as well as the rating methodology for Environmental, Social and Governance Score for Banks (Version 1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (Version 1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (Version 1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 25 November 2020, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to SFIL SA, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Rating Endorsement Status: The rating of SFIL SA was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

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To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

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