



Paris, September 8, 2014

Press release

Very successful new public issue for Caisse Française de Financement Local

Caisse Française de Financement Local (Caffil) launched a new benchmark covered bond issue (*obligations foncières*) on September 8, 2014. This *obligations foncières* issue, which amounts to EUR 1.25 billion and carries a 5 year maturity, was remarkably successful. This new maturity will complete the previous issues launched since the creation of Caffil in the beginning of 2013, which had a maturity of 7, 10 and 15 years.

Current market conditions created a very favourable environment to price this deal; last week's announcement by the European Central Bank (ECB) of a decrease in interest rates and of a new covered bond purchase programme (CBPP) gave a boost to a market that was already supported by the decrease of outstanding amounts of covered bonds and by the preferential treatment expected for covered bonds in the framework of the new liquidity ratio for banks (LCR).

The transaction was announced to the market on September 5, 2014, which made a quick execution possible, with an order book that reached rapidly a size close to EUR 5 billion, i.e. an oversubscription of 4 times compared to the amount Caffil wished to raise, with a little bit more than 130 orders from buy and hold investors.

The transaction will pay a rate of interest of 0.375%, corresponding to a spread over 6 months swaps of -1 basis point (-0.01%) and 21 basis points over the reference OAT. These are the best conditions, for this maturity, obtained by a French covered bond issuer since the beginning of the financial crisis and this is the first covered bond issue priced under 0.50% in 2014.

The quality of the signature of Caffil, rated Aaa, AA+, AA+, combined with the safety of the legal statute of "société de crédit foncier" and the solidity of its shareholding, has attracted many institutional investors. The order book displays a large diversification with investors mainly located in Germany and Austria (38%) as well as in France (8%), but also with significant orders from Asia (17%) and the Middle East (7%); the remaining is well spread across Europe with the United Kingdom (7%), Scandinavia (6%), Benelux, Switzerland and Central & Eastern Europe (5% each). In terms of categories of investors, central banks and other government entities brought 47% of the orders, followed by asset managers (34%) and banks (17%). Insurance companies accounted for 2% only as the 5 year maturity does not fit their long term investment needs.

The share of central banks and other government entities in the book stood at an outstanding level of 47%, by far above their share in comparable issues from agencies or covered bond issuers in 2014, and above their share in previous issues from Caffil (11% for the 7 year issue from July 2013 and 22% for the 10 year issue from January 2014; it is worth to underscore that significant orders came from Asia (17%) and from the Middle East (7%).

Following this issue, Caisse Française de Financement Local (Caffil) has achieved 97% of its annual funding programme, which targeted EUR 4 billion for 2014 (compared to EUR 3 billion raised in 2013), taking into account public issues and private placements. The average maturity of the *obligations foncières* issued by Caffil in 2014 stand at 11.4 years, slightly above its initial expectations.

This issue is intended to finance loans to French local authorities and public hospitals within the structure put in place by the State in the beginning of the year 2013.

« The great success of this issue is a consecration of the intensive work realized since 2013 to meet investors and explain the new Caffil signature and the public organization of its business. This enabled Caffil to become rapidly a recognized borrower in the international bond market, with regular new public benchmark issues, but also an issuer which is mindful of the needs of its investors and able to propose private placements adapted to their needs. The quality of investors that have underwritten this issue and their diversity, especially geographic, and the number and size of the orders received, testify that Caffil's positioning as a lender to the French local public sector in a public business organization and shareholding, is particularly appreciated. » stresses Philippe Mills, CEO of Société de Financement Local (Sfil) and chairman of the supervisory board of Caisse Française de Financement Local.

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