



Paris, 3rd of May 2017

Press Release

Very high demand for CAFFIL's new public issue with a EUR 1.75 billion dual tranche transaction

Caisse Française de Financement Local (CAFFIL) executed today its second public covered bond issue of the year with a benchmark size (after a 10 year issue in January for EUR 1.5 billion). For this transaction, the subsidiary of the French State owned development bank SFIL has chosen to simultaneously offer two new bond issues with different maturities (7 and 15 years), corresponding to its asset-liability matching requirements, and meeting the needs of a diverse investor base.

The strong tightening of French sovereign bond (OAT) spreads following the first round of presidential elections, combined with an improvement of covered bond issuance conditions, lead to a favorable market context to launch this new issue. There has been a huge interest for the transaction, bringing together EUR 4 billion of orders from investors. This very strong and diversified investor demand, with more than 160 accounts, enabled a quick execution of the transaction.

The 7-year maturity tranche (May 2024) has a benchmark size of EUR 1.0 billion and carries a coupon of 0.375%, with the yield corresponding to a spread of -5 basis points (- 0.05%) above the 6-months swap curve and 15 basis points above the interpolated OAT yield. The order book of this tranche comprises more than 70 final investors. In terms of distribution, investors were mainly located in France (39%), in Germany and Austria (30%), but also in the UK (10%). By type of investor, the book is well diversified with 46% allocated to central banks and official institutions, 26% to bank treasuries, 20% to asset managers and 8% to insurers.

The 15-year maturity tranche (May 2032) has a size of EUR 0.75 billion, considered as benchmark for this type of very long maturity. It carries a coupon 1.250% with the yield corresponding to a spread of 20 basis points (+0.20%) over the 6-months mid-swap rate and 14 basis points over the interpolated OAT curve. The order book of this tranche is made up of more than 80 investors, mainly based in France (29%) and in Germany and Austria (38%). The order book was well diversified with insurance companies representing 47% and central banks, including the Eurosystem, representing 25% of allocations. Bank treasuries, with a share of 19%, and asset managers, with a share of 9%, also provided a good support to the transaction.

This issue is the second dual-tranche proposed by CAFFIL after the one launched in January 2016, and it is the largest offering since the creation of SFIL/CAFFIL. It creates two important new reference points on the CAFFIL issuance curve and it brings the total amount issued in 2017 to EUR 4.3 billion, with an average maturity above 11 years.

"The issue executed today by CAFFIL met a particularly strong and diverse demand of investors. The size of this dual-tranche issue and its outstanding financial conditions reflect the current investors appetite for French covered bonds and their confidence in CAFFIL's signature. Once again, the transaction confirms the unusual nature of CAFFIL, which is the specialist for the long maturity segment among the covered bond issuers. This particularity reflects the mission to provide long-term financing to the French public sector entrusted to CAFFIL and to its parent company SFIL. With a target of about EUR 6 billion to issue in 2017, CAFFIL is a regular and reference issuer on the European covered bond market." explains Philippe Mills, CEO of SFIL and Chairman of the Supervisory Board of CAFFIL.

About bonds issued by SFIL and CAFFIL

CAFFIL is the main European issuer of covered bonds secured by loans to public sector entities. Its bond issues provide the adequate funding to cover the needs associated with the two missions that SFIL group has been entrusted with by the French State: the refinancing of loans to French local authorities and public health care institutions originated by its partner La Banque Postale, and the refinancing of large French export loans benefitting from a State guarantee (“enhanced guarantee”), as a refinancing platform at the service of banks active in this sector.

Bonds issued by CAFFIL and SFIL are both eligible to the purchase programs from the European Central Bank (PSPP and CBPP), and are classified in the best liquidity categories for regulatory ratios. They benefit from the *Covered bond label* and only have a hard bullet structure.

CAFFIL :

« Best Euro Covered Bond Issuer » - *The Covered Bond Report* – June 2016.

« Best Euro Covered Bond Issuer » - *The Cover* - September 2016

« Best Covered Bond Issuer » - *CMD Portal* – December 2016

Investor relations:

Ralf Berninger – Tel.: +33 1 7328 8807
ralf.berninger@sfil.fr

Media relations:

Christine Lair – Tel.: + 33 1 7328 8736
christine.lair@sfil.fr