



SFIL – The French leading local Government and Export Agency

Investor Presentation – May 2016

www.sfil.fr

1. A public set up with two public policy missions
2. High quality assets and stringent financial policies
3. Funding strategy

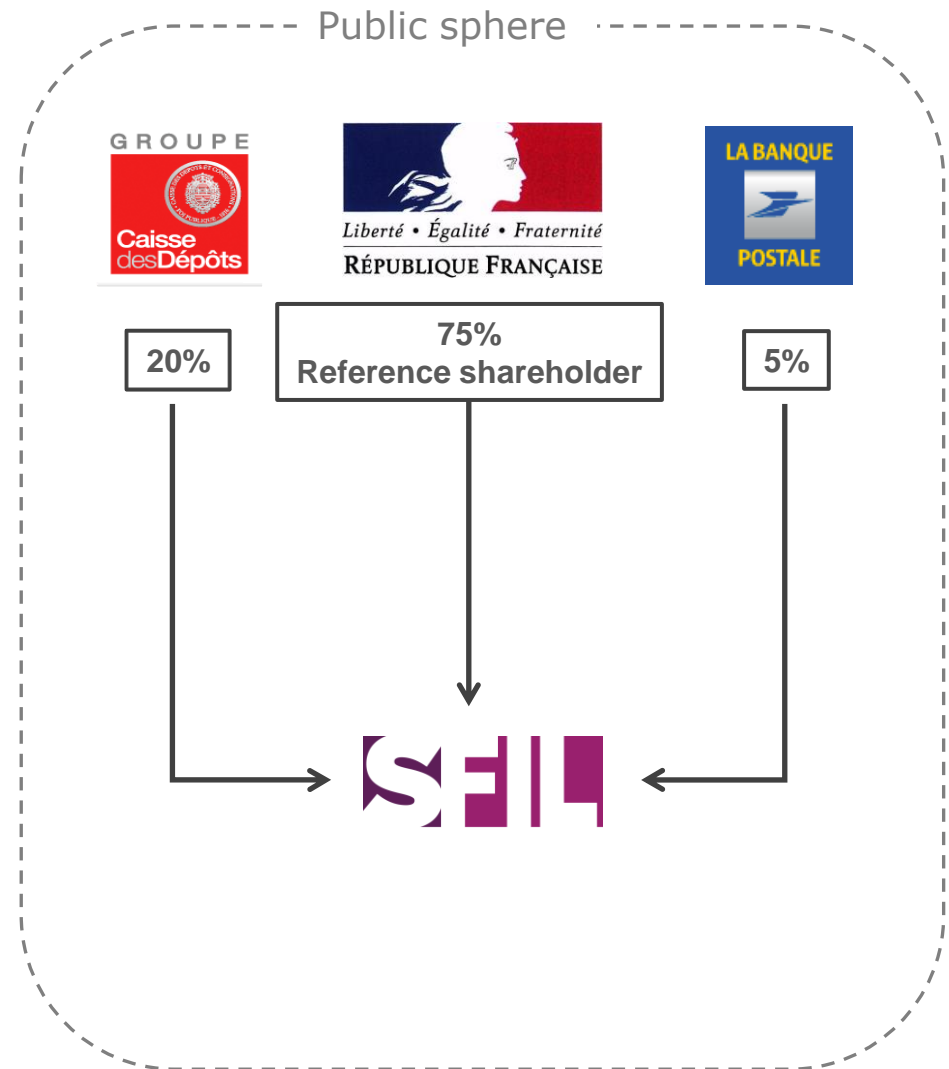
SFIL at the center of a public set up with two public policy missions

Two public policy missions

- Provide funding for French Local authority and hospital investments since 2013
- Provide funding for large export contracts as new mission since 2015

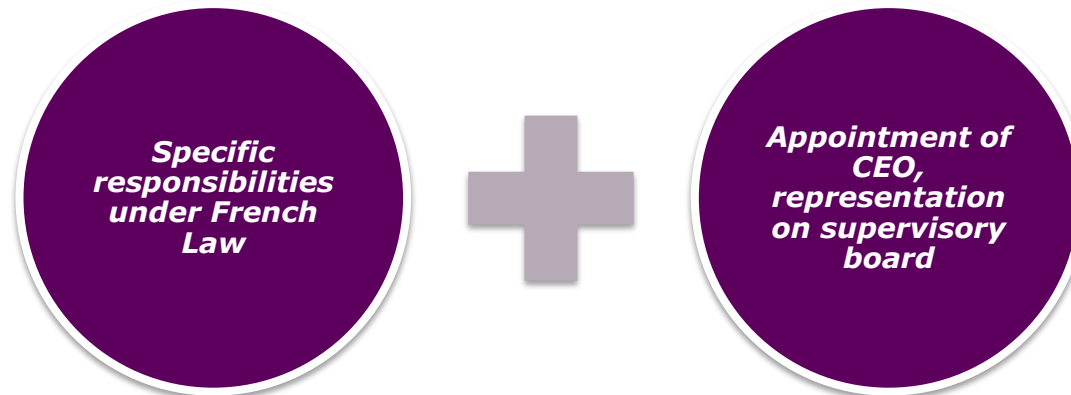
Public ownership and close links to the French State

- 100% publicly owned
- Fully regulated financial institution supervised by the ECB and ranked 7th credit institution in France by assets
- Debt issued by SFIL **classified Level 1** for LCR purposes based on the **legal obligation of the French government** to protect the economic basis of SFIL and maintain its financial viability, Article 10.1.(e)(i), LCR delegated Act, October 2014



Long run commitment by the French State as reference shareholder

- Specific responsibilities under French Law, including **obligation to recapitalize a financial institution** if needed:
 - Banque de France may ask reference shareholders of a credit institution to provide necessary support (Art. 511- 42 French Monetary and Financial Code)
 - Particular responsibilities in terms of financial support
- Strict supervision:
 - CEO and Chairman of SFIL appointed by **presidential decree**
 - French State represented on the **supervisory board**
 - Scope of business strictly limited to the **two public policy missions**
 - Direct supervision by the **European Central Bank**



Obligations of the reference shareholder are documented via a **letter of comfort** to the regulator, **clearly defining support and involvement**

The French State is the reference shareholder of SFIL and has the intention to remain reference shareholder in the long run

First public mission: refinance loans to the French local public sector

Situation:

Shortage of long term funding for French local authorities - necessity for a public set up to provide a **stable access to long dated funding for public investments**, confirmed by the European Commission decision dated December 28th 2012

Decision:

Creation of a new development bank as service provider and refinancing entity for public sector loans originated by La Banque Postale

February 2013

Creation of SFIL as the new bank for the French Local Public Sector

Set up established as **market leader** in French Local Public Sector lending

- **Creation of SFIL** at the center of a new public set up to finance the French Local Public Sector in February 2013
- ✓ ▪ La Banque Postale as **loan originator**
- SFIL takes full ownership of DEXMA, now **CAFFIL**, to refinance local authority and public hospital loans **via issuance of covered bonds**

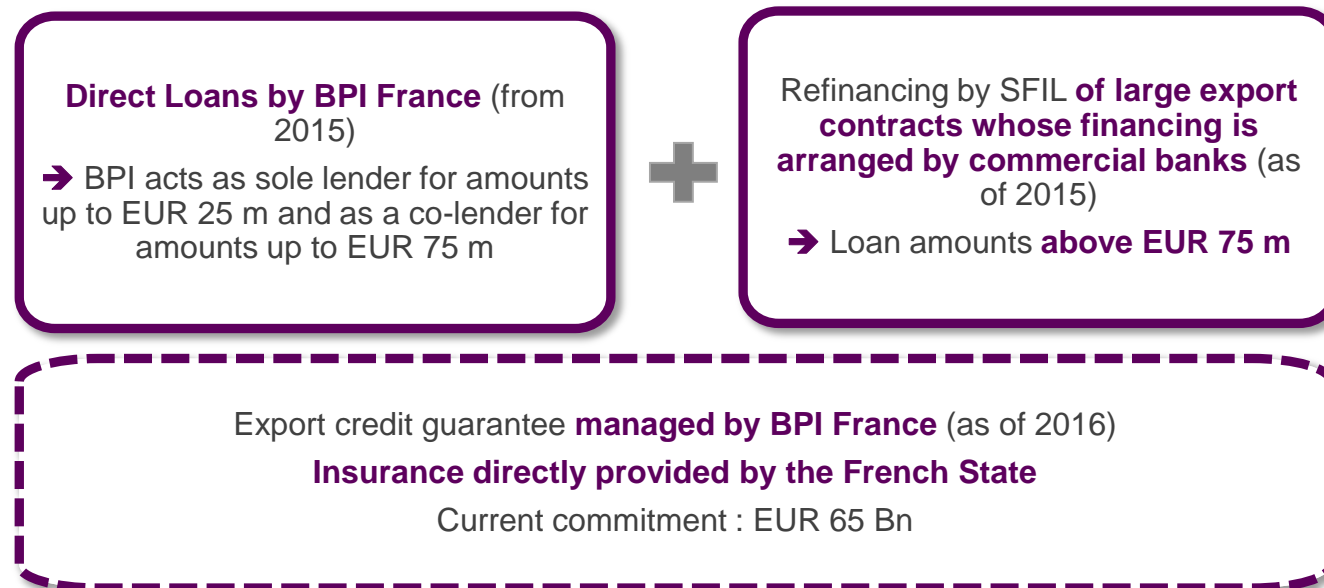
- **2013 and 2014: Second lender** to the French local public sector with respectively **EUR 3.3 billion and EUR 4.2 billion** in new lending
- **2015: First lender** to the local public sector with over **EUR 5 billion in new loans**

Second public mission: provide financing for large export credits

Exports: GDP growth potential considered as a priority by the French State

- Exports represent 21% of France's GDP, significantly below the EU average (33%)
- French know-how is however widely recognized, for both consumer goods (luxury, pharmaceuticals, agri-sector) and capital goods (10% of exports, mainly in the fields of energy, transportation, defense).
- Competitive sales finance appears to be a significant success factor

SFIL and BPI France are in charge of developing the French export credit scheme



Second public mission: provide financing for large export credits

Situation:

- French exporters **face difficulties** to finance large export contracts
- **Competitive disadvantage** vis-à-vis exporters with access to **export loans via public entities**
- More than **15 public schemes** in place within OECD countries

Decision:

Create a **French Export Refinancing** scheme on the same model as in Nordic countries (Sweden, Finland), which :

- avoids creating additional risk for public sector and
- allows deconsolidation for banks

"We have decided to create an export bank in France at the service of large international contracts." François Hollande, President of France, 6th of February 2015

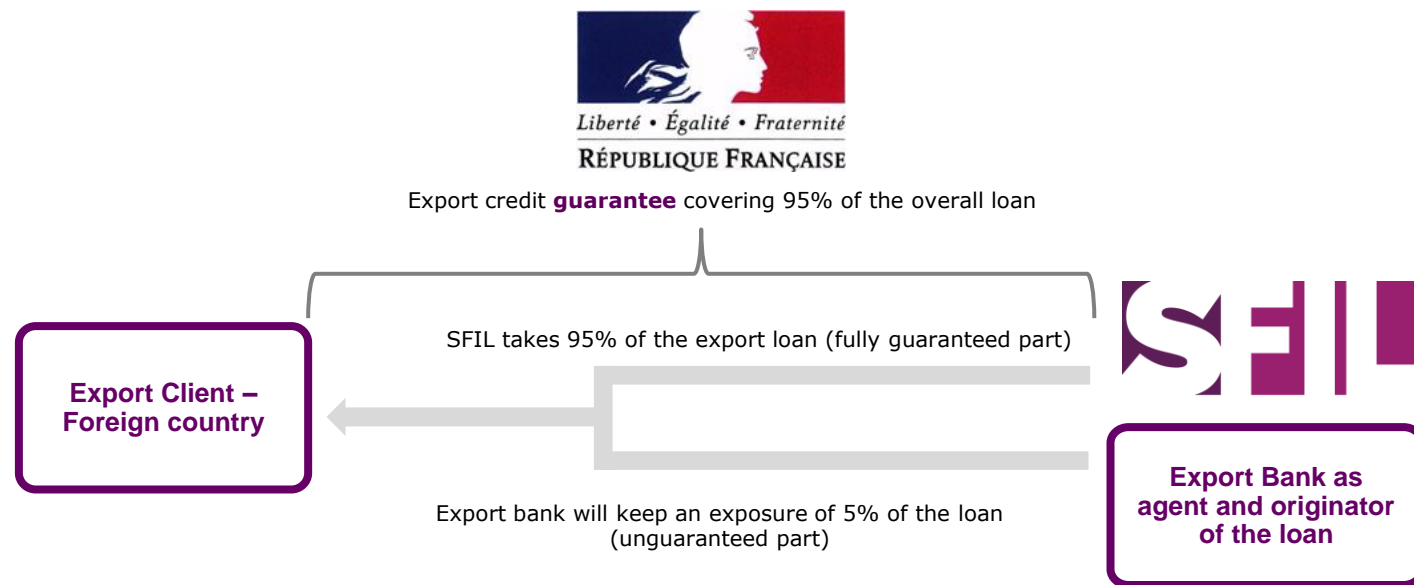


Second public mission: provide financing for large export credit

SFIL's set up: a refinancing platform open to all commercial banks

- The vast majority of OECD countries rely on a public set up for the refinancing of export loans through two different models:
 - **Public refinancing platform:** SFIL (France), SEK (Sweden), FEC (Finland), KfW (Germany), CDP (Italy)
 - **Direct public lender:** US EXIM (US), JBIC (Japan), KEXIM (Korea), EDC (Canada)

Exposures linked to the export credit activity constitute 100% French government exposures



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Strong credit ratings

SFIL reached high quality ratings on the basis of:

- High strategic importance for the French State as a key source of funding for the local public sector and French exports
- Status as a State owned development bank, French State as reference shareholder with specific responsibilities in terms of financial support without time limitation
- Close supervision by the French State as majority shareholder – all important decisions require approval by the French State
- Strong capital ratios with a CET1 ratio of **24.7%** and strong support in terms of liquidity from the shareholders

<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>
<i>SFIL – Long Term</i>	Aa3	AA	AA-
<i>SFIL – Short Term</i>	P-1	A-1+	F1+

	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>
<i>French State</i>	Aa2	AA	AA

Negative outlook by S&P on the ratings of SFIL reflecting the negative outlook on France

Simple and straightforward balance sheet, strong capitalization

Main balance sheet items of SFIL on a consolidated basis*

Simplified balance sheet December 31 st , 2015 - (IFRS in EUR billion)			
Loans and Securities	57.9	Covered Bonds	51.6
		Refinancing by Shareholders	8.8
Cash Assets	3.4	Commercial papers	0.6
		Equity	1.5
Cash Collateral Paid	3.3	Cash collateral received and other items	2.1
CET1 ratio: 24.7%			

- Simple and straightforward balance sheet, activity limited to the refinancing of public sector assets
- Long term refinancing mainly via issuance of covered bonds
- Liquidity lines provided by shareholders main source of unsecured liquidity
- Strong capitalization with a CET1 ratio of 24.7% (Basel III phased-in)

Key specialized financial institution

ACTIVITY

EUR 5 billion

New loans to the French local public sector in 2015 (LBP and SFIL)

Close to EUR 17 billion

Covered bonds issued since the creation of SFIL in 2013

401 Employees

31st December 2015

BALANCE SHEET

EUR 84 billion

SFIL consolidated balance sheet assets 31st December 2015

Over EUR 50 billion

Outstanding covered bonds

EUR 5.7 billion

Basel III RWA (SFIL consolidated)

RATIOS

24.7%

CET1 Ratio

31st December 2015 (Basel III phased-in)

20th out of 130 banks

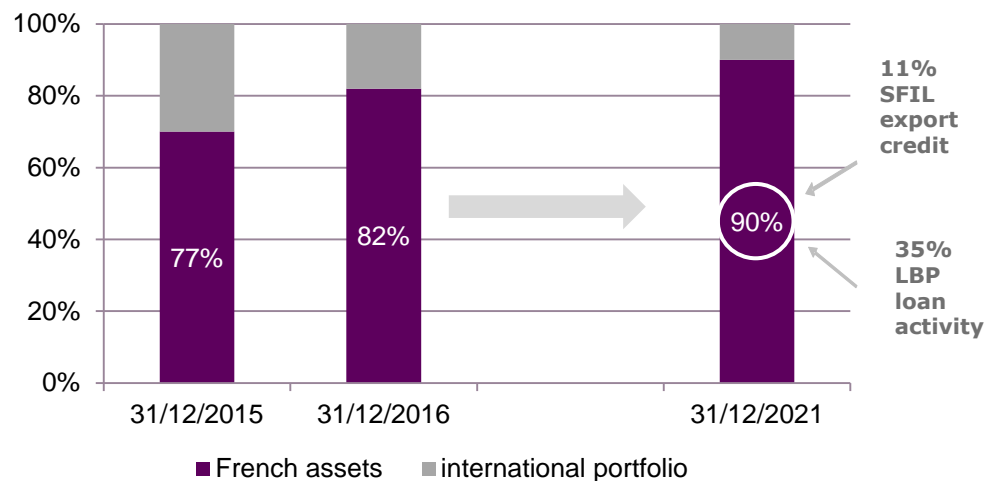
ECB stress test, equity October 2014

1.1% NPL

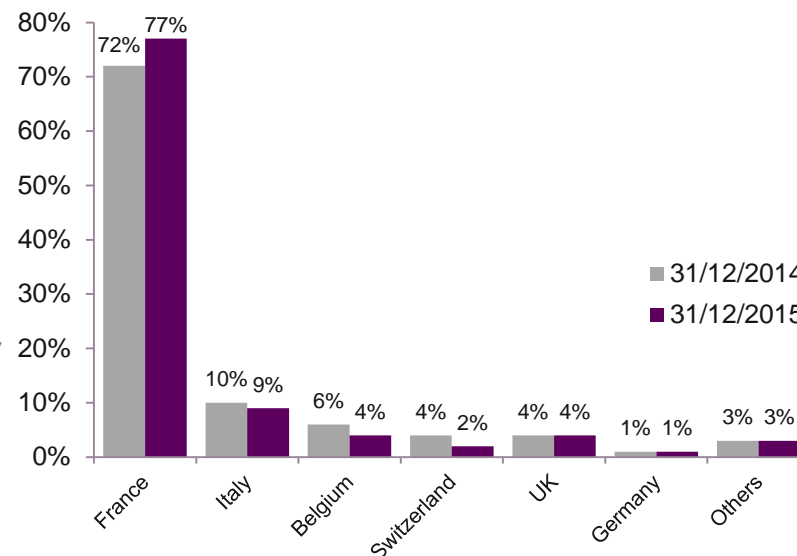
31st December 2015 (CAFFIL)

Geographic distribution of SFIL's assets

Expected Evolution of the share of French assets



SFIL's loans and securities portfolio as of 31st December 2015



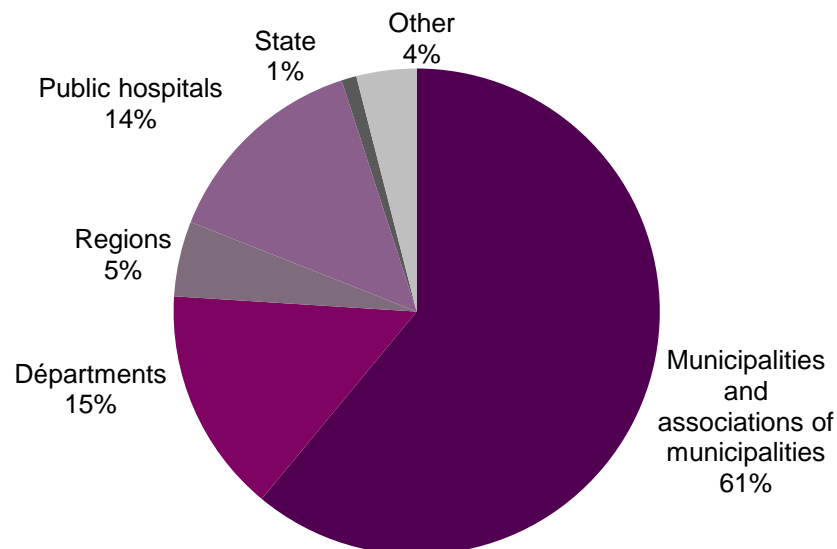
- New assets exclusively French :
 - local government and public hospital loans,
 - Export loans benefitting from a French State guarantee
- International legacy portfolio managed in runoff
- Expected evolution of total public sector portfolio over the coming 5 years :
 - Share of **French assets to increase to 90%**
 - Refinancing loans linked to the **export credit activity expected to reach 11%**
 - Expected share of loans to the French local public sector **originated since the creation of SFIL above 30%**

High granularity, low concentration, diversity of borrowers

High granularity, low concentration

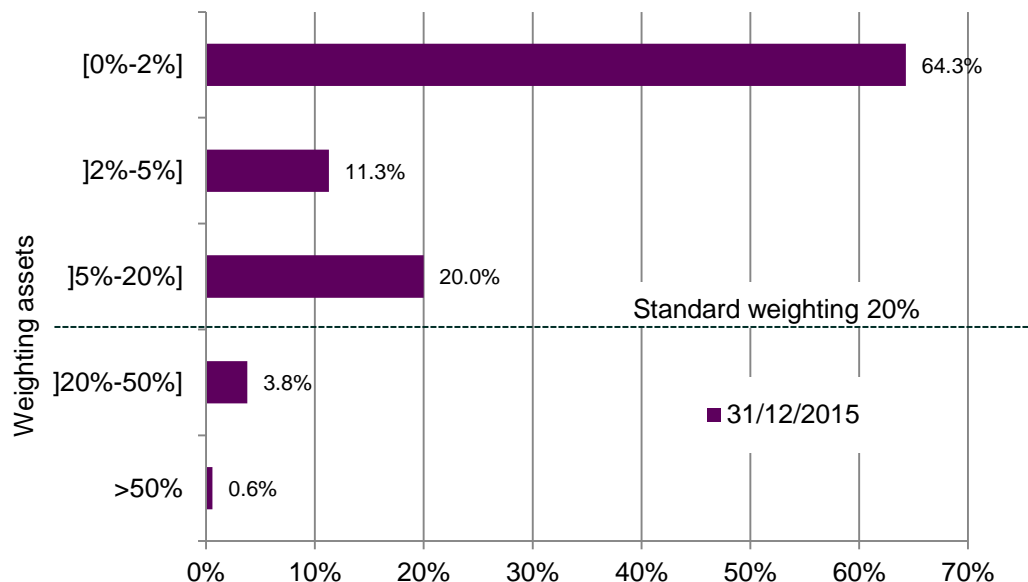
- Well over 17 000 different counterparties
- Low concentration risk:
 - Sum of 20 largest exposures = 13.6% of assets*
 - Largest single borrower exposure represents 1% of assets*
 - 20th largest exposure represents 0.4% of assets*

Diversity of borrowers - Breakdown by type of counterparty for French exposures as of December 31st, 2015



Strong asset quality reflected in portfolio risk weightings and comprehensive assessment results

Risk weighting of SFIL's portfolio – December 31st 2015 (Consolidated)



Low risk weightings under advanced internal model

- SFIL uses a Basel II advanced internal rating model approved by the regulator and based on over 10 years of default statistics, financial and fiscal data and 30 explanatory ratios and risk indicators
- The quality of SFIL's portfolio is reflected by an average risk weighting of only 6.5% versus a standard 20% weighting under Basel II
- Only 4.4% of the portfolio carry a weighting above 20%

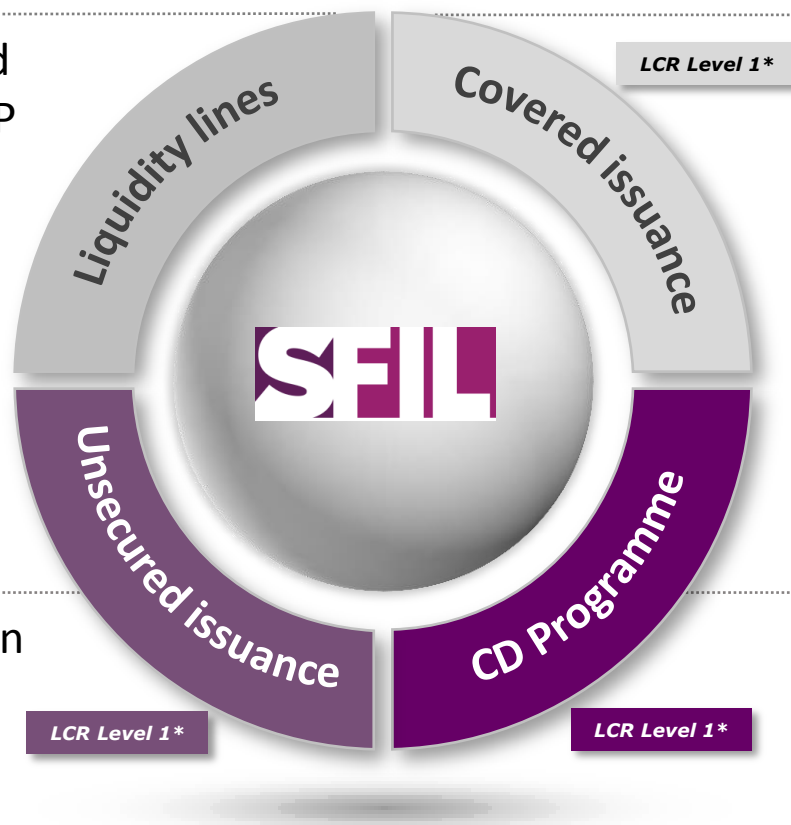
Comprehensive assessment of asset quality and stress scenarios in October 2014

- Minimal impact of AQR on prudential capital – high solvency ratio under adverse scenario
- Prudential adjustments under the AQR of EUR 48 million impact regulatory capital by around -3% and the CET1 ratio by -1%
- Solid CET1 ratio at 13.2% under the adverse scenario – SFIL ranked 20th out of 130 banks

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Unsecured liquidity provided by shareholders CDC and LBP to SFIL via liquidity lines

Unsecured issuance by SFIL in 2016 to further diversify sources of funding



Issuance of covered bonds via CAFFIL main funding tool

French CD Programme operational since August 2015 provides a source of diversification for short dated funding

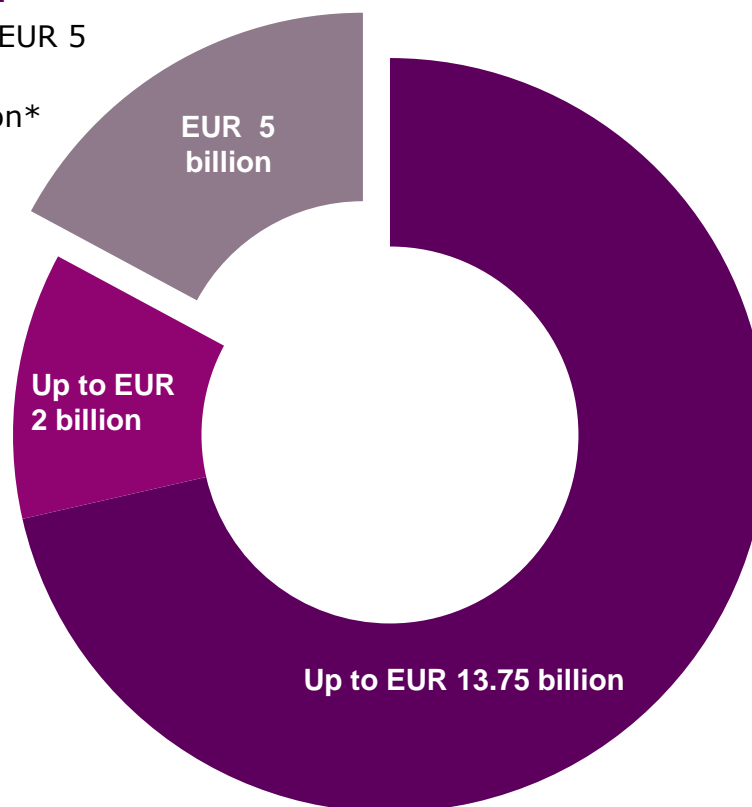
Unsecured issuance: flexibility and diversification

Planned EMTN Program

- Planned program size: EUR 5 billion
- LCR Level 1 classification*

French Short Term Program

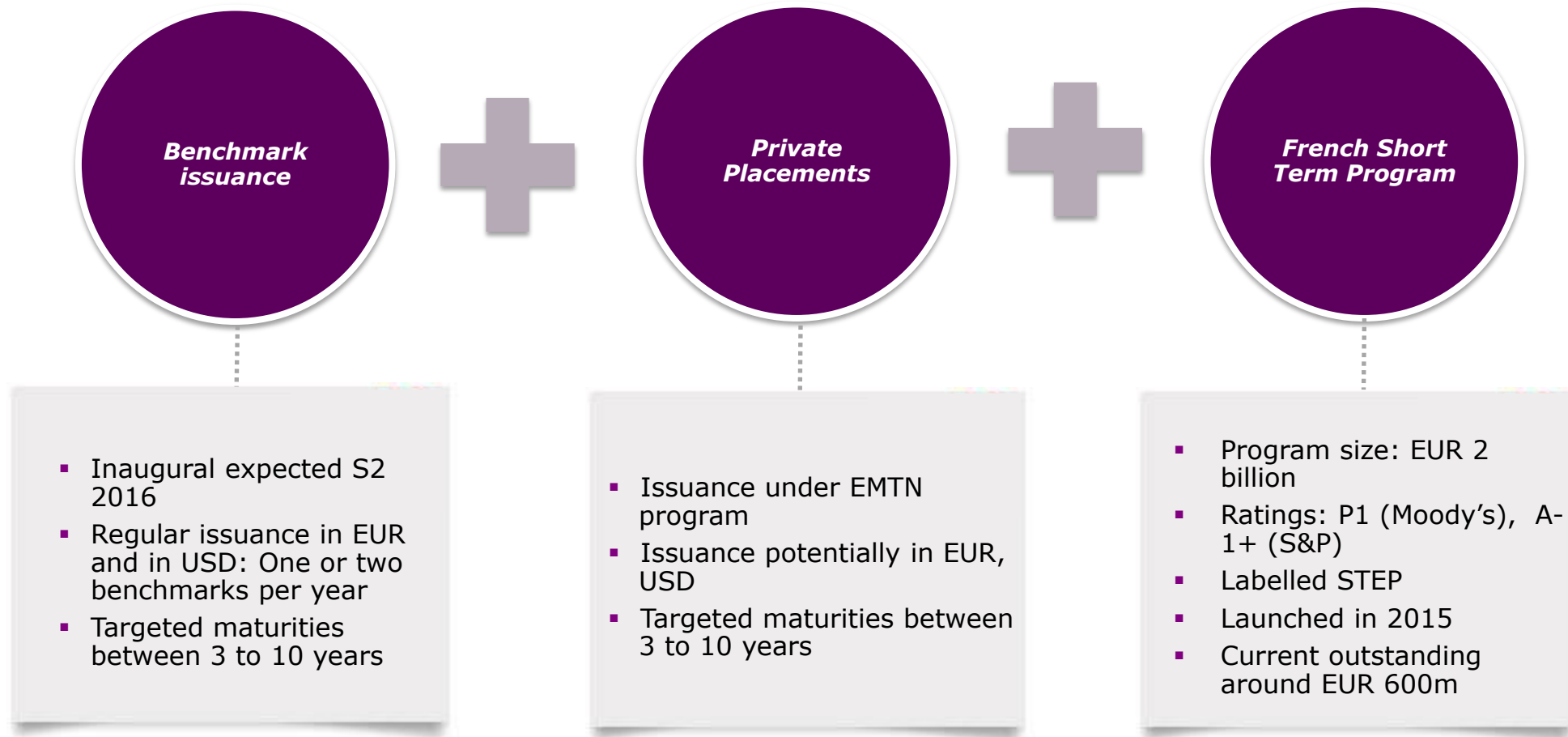
- Program size: EUR 2 billion
- Maximum maturity: 1 year
- Launched in 2015
- Outstanding amount: EUR 600 million as of 31st December 2015
- Ratings: P1 (Moody's), A-1+ (S&P)
- Labelled STEP under ID 2812
- LCR Level 1 classification*



CDC and LBP long term partnership

- Liquidity lines / back-up lines
- Currently drawn for an amount of EUR 8.8 billion
- Maximum amount: EUR 13.75 billion, of which up to EUR 12.5 billion provided by CDC

SFIL issuance programs



**Bloomberg ticker
SFILFR FFCD
(French short term
program)**

Website

www.sfil.fr

Issuer Ratings

Aa3/AA/AA-
(Moody's/S&P/Fitch)

Label STEP under ID 2812

ECB refinancing

Potential access to ECB
refinancing

LCR Level 1

European Commission
Delegated Act, October 2014

Key Take-Aways

- Two public policy missions:
 - financing tool for the French local public sector
 - Refinancing platform for export credit loans reinforces strategic role for the French State
- Strong credit ratings reflect strong support from the French State as reference shareholder
- Strong asset quality - French public sector assets to represent 90% of portfolio by 2021
- Status as public development bank reflected by LCR classification as HQLA Level 1 asset



"Société de Financement Local (SFIL) is a government-related entity ... and there is an almost certain likelihood that the French government would provide timely and sufficient extraordinary support to SFIL in the event of financial distress."

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