



THE LEADING FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



Investor Presentation

February 2017

1. A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

- A. FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR
- B. KEY ROLE FOR THE REFINANCING OF LARGE FRENCH EXPORT CONTRACTS

2. GROUP FUNDING STRATEGY

- A. CAFFIL - LEADING EUROPEAN PUBLIC SECTOR COVERED BOND ISSUER
- B. SFIL - NEW FRENCH AGENCY ISSUER

First mission: financing of French Local authority and public hospital investments

- Creation of SFIL in 2013 to ensure a **stable access to long dated funding** for the local public sector
- Leading loan provider to the French local public sector in partnership with La Banque Postale, **market share between 20% and 25%** and **4 billion new loans** in 2016

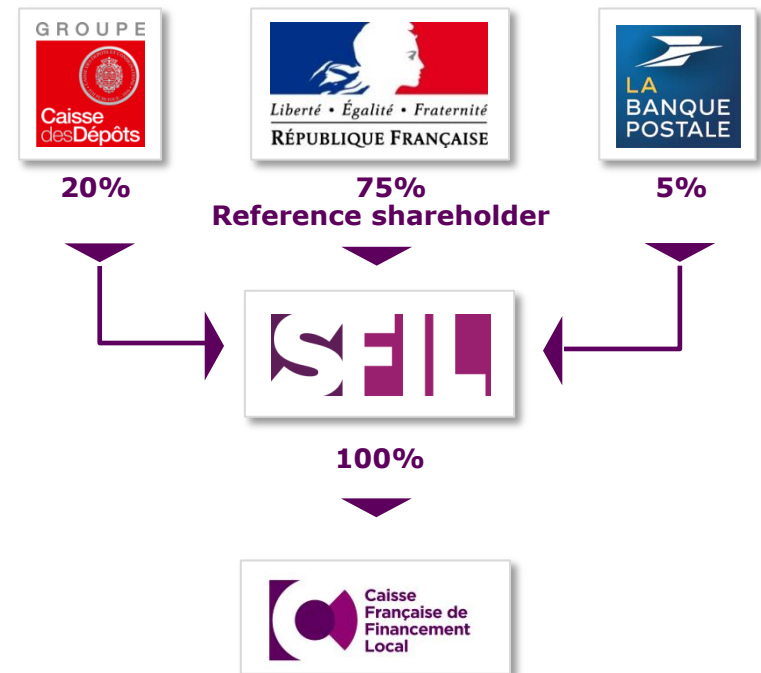
Second mission: provide financing for large export credits

- New public policy mission entrusted by the French State to SFIL in 2015 to **help enhance the competitiveness of French exporters**
- First refinancing transactions signed in June 2016, transactions with a total volume of EUR 645m in 2016, **EUR 3 billion** refinancing volume as **objective for 2017**



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 as LCR Level 1** based on the **legal obligation of the French government** to protect the economic basis of SFIL and maintain its financial viability (Art. 10.1.(e)(i), LCR delegated Act) and eligible for **asset purchases under PSPP**
- Covered bond issuance via CAFFIL, benchmark issuance classified as **LCR level 1** and eligible for **purchases under CBPP3**



*French State
support
documented via a
letter of comfort*

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

- Obligation to recapitalize a financial institution if needed: Banque de France may ask shareholders to provide necessary support under Art. 511- 42, French Monetary and Financial Code
- Strict supervision:
 - CEO and Chairman of SFIL appointed by **presidential decree**
 - French State represented on the **supervisory board**



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

*Credit ratings
reflect role as
public development
bank*

SFIL reached high quality ratings

- Public development bank status, French State as **reference shareholder with specific responsibilities** in terms of financial support
- Critical institution for **two key segments** of the French economy
- **Close supervision by the French State** as majority shareholder
- **Strong capital ratios** 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

Simple balance sheet, activity limited to the refinancing of public sector assets

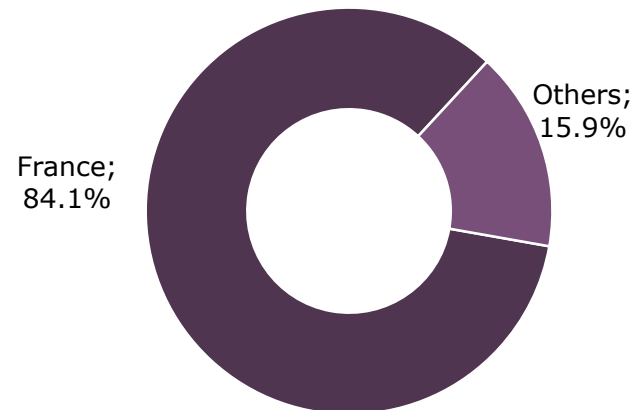
SFIL Group main balance sheet items

<i>Consolidated main balance sheet items (including CAFFIL) June 30th, 2016 - (EUR billion)</i>			
Loans and Securities	59.2	Covered Bonds	52.8
		Refinancing by Shareholders	7.7
Cash Assets	2.9	Commercial Paper	0.9
		Equity	1.4
Cash Collateral Paid	3.0	Cash Collateral Received	2.2
<i>CET1 ratio: 23.4% (Basel III phased in)</i>			

- Strong asset quality: average risk weighting under advanced internal rating model of 6.5%
- Strong capital basis with a **CET1 ratio of 23.4%**
- Long term refinancing mainly via issuance of covered bonds
- Additional liquidity needs provided by shareholders via liquidity lines

*New lending
activity limited to
French assets*

Public sector portfolio as of September 30th 2016



- Close to EUR 60 billion, high granularity with over 16,000 counterparties
- Origination activity limited to French assets :
 - 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 above 91%**
 - Exposures linked to **export credit activity expected to reach 12%**
 - Expected share of loans to the French local public sector **originated since the creation of SFIL around 38%**

(2016 figures based of CAFFIL cover pool data excluding replacement assets and treasury)

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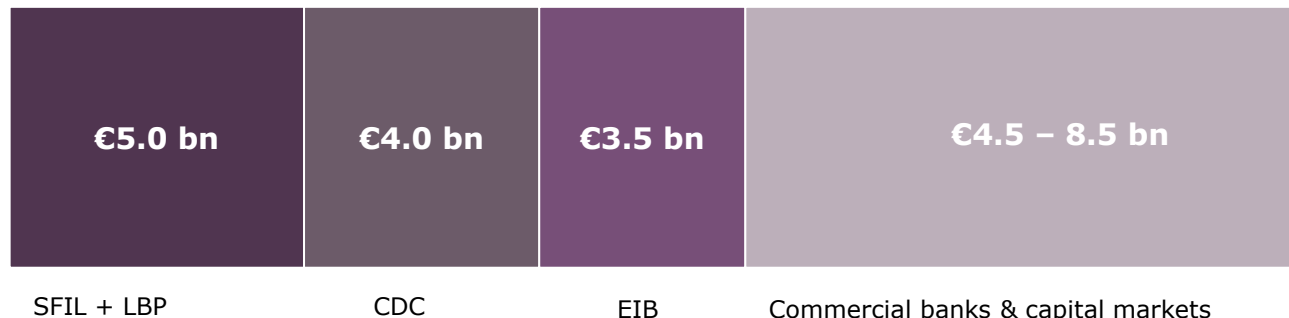
*Local authority
lending mainly
provided by public
agencies*

Strict framework under European Commission supervision

- Scope of lending business is limited to French local public sector
- Pricing at the going market rate, no subsidization – full control of credit risk
- **First lender** to the French local public sector, **market share between 20% and 25%**
- Commercial banks provide only about a third of French local authority funding needs underlining the need for a public set up

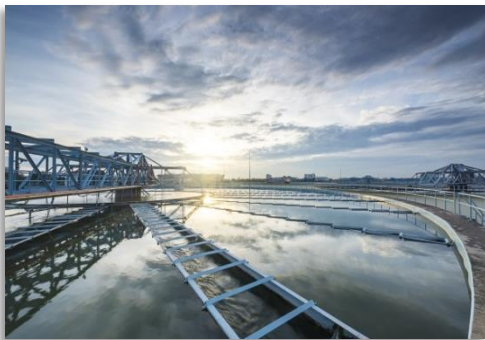
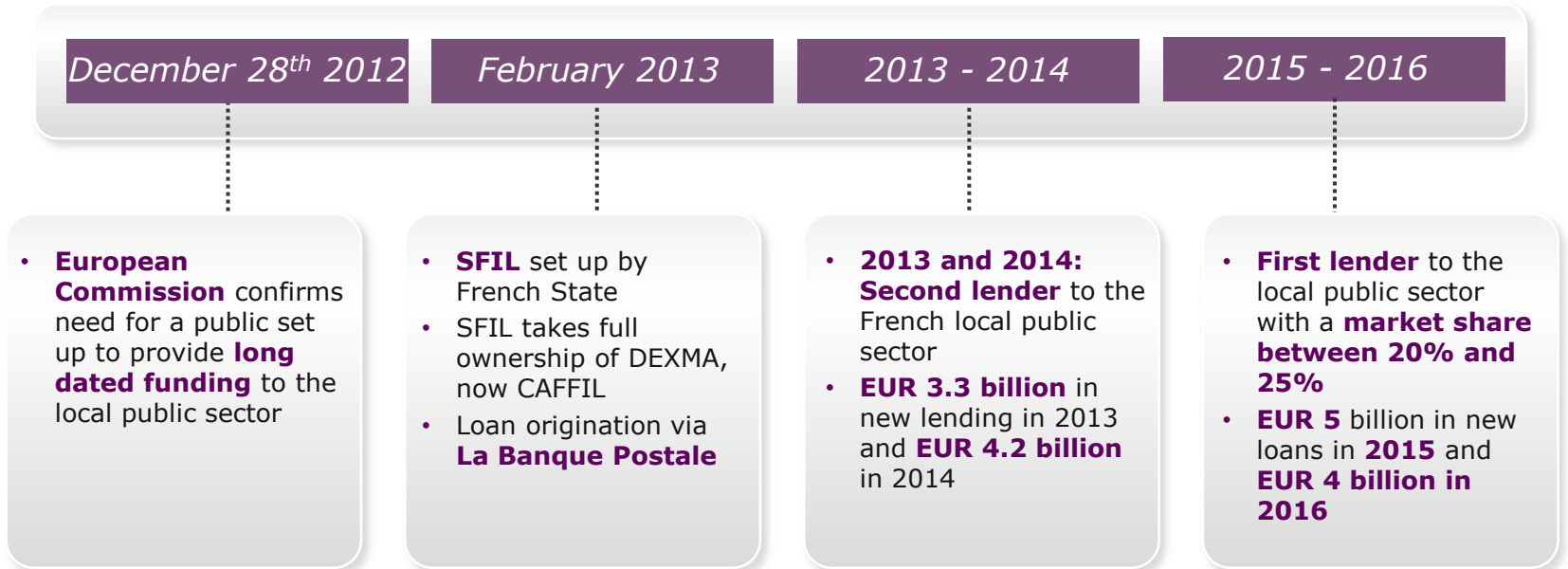


Estimate of annual public funding available



Source: Moody's Research Sector in depth 18-May 2015

FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR



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*Competitive export
financing to support
French exporters*

Exports sector a key priority for the French State to boost GDP growth

- French know-how for capital goods is widely recognized (energy, transportation, defense)
- However, exports represent only 21% of France's GDP, significantly below the EU average (33%)
- Competitive sales finance appears to be a significant success factor

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

BPI France

- BPI as sole lender **up to EUR 25 m**
- co-lender for **amounts up to EUR 75 m**



SFIL

- Refinancing by SFIL export contracts **above EUR 75 m**

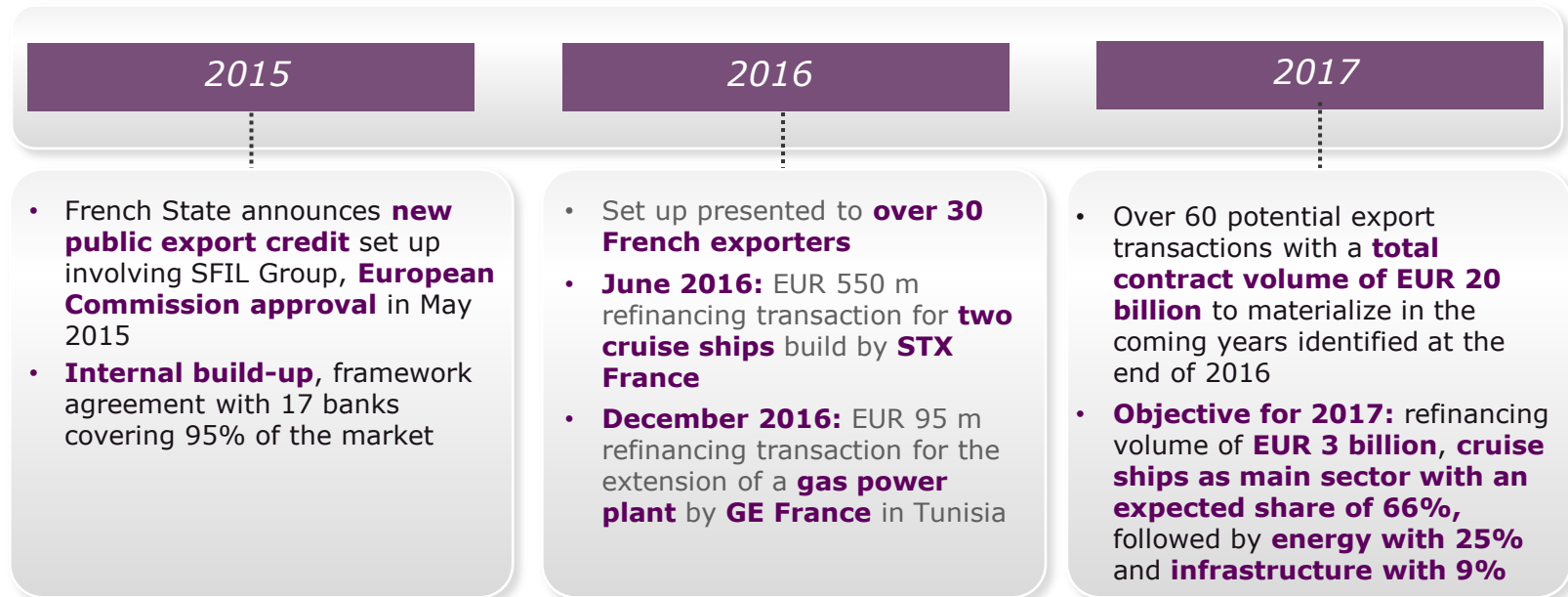
SFIL refinances loans with French public export credit agency guarantee

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
- SFIL acts as **public refinancing platform**, the export bank acts as agent and originator
- Mechanism is comparable to set ups in Sweden (SEK), Finland (FEC), Germany (KFW) and Italy (CDP)
- SFIL activity is limited to **100% French government exposures** - Export credit guarantee managed by Bpifrance Assurance Export, insurance directly provided by the French State



KEY ROLE FOR THE REFINANCING OF LARGE FRENCH EXPORT CONTRACTS



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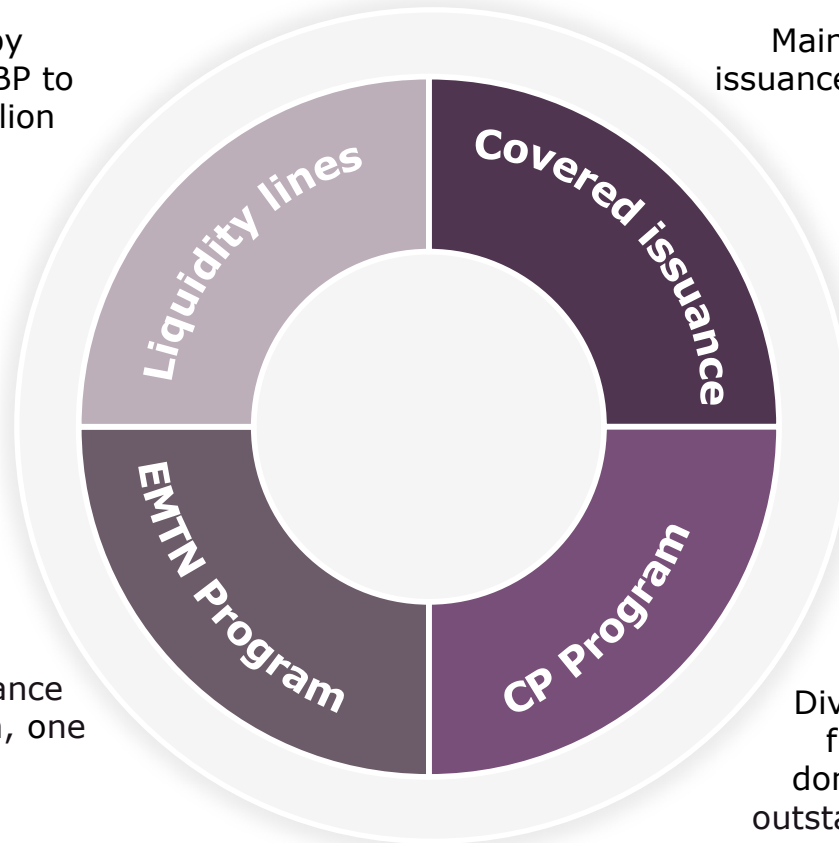
Four sources of liquidity for SFIL

Liquidity lines provided by shareholders CDC and LBP to SFIL up to EUR 13.75 billion

February 2013

Main source of funding, yearly issuance via CAFFIL between EUR 5 and 7 billion

July 2013



Regular benchmark issuance by SFIL as diversification, one or two benchmark transactions in 2017

October 2016

Diversification of short dated funding via issuance under domestic CP format, average outstanding around EUR 600 m

August 2015

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*Issuance under SCF
framework
CRR compliant and
hard bullet format*

Strong covered bond set up

- Cover pool limited to **public sector assets**
- CAFFIL cover bonds are **CRR and UCITS compliant, LCR level 1** classification
- Issuance under **hard bullet format**
- ECBC Covered Bond Label
- Comfortable level of regulatory **overcollateralization of 112.2%** (September 30th 2016)

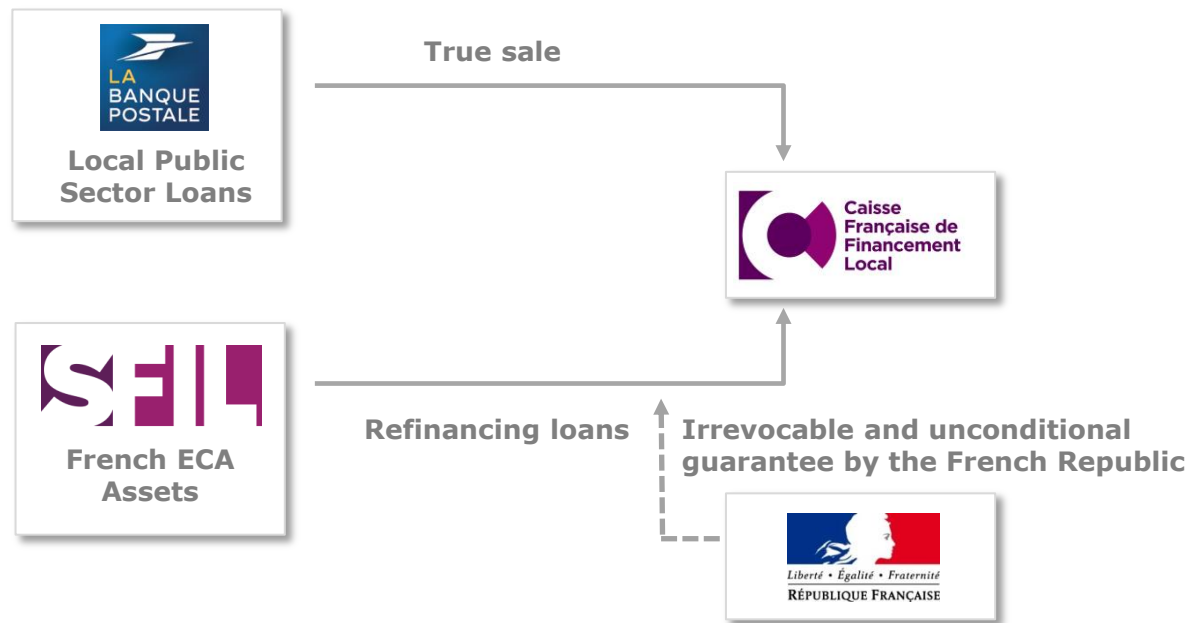
<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>
<i>CAFFIL</i>	Aaa	AA+	AA
<i>SFIL</i>	Aa3	AA	AA-

- Covered bond ratings of CAFFIL are capped one notch above SFIL (and the sovereign) for S&P and at the same level as the sovereign in the case of Fitch

One single cover pool – French local public sector loans and refinancing loans with French State guarantee

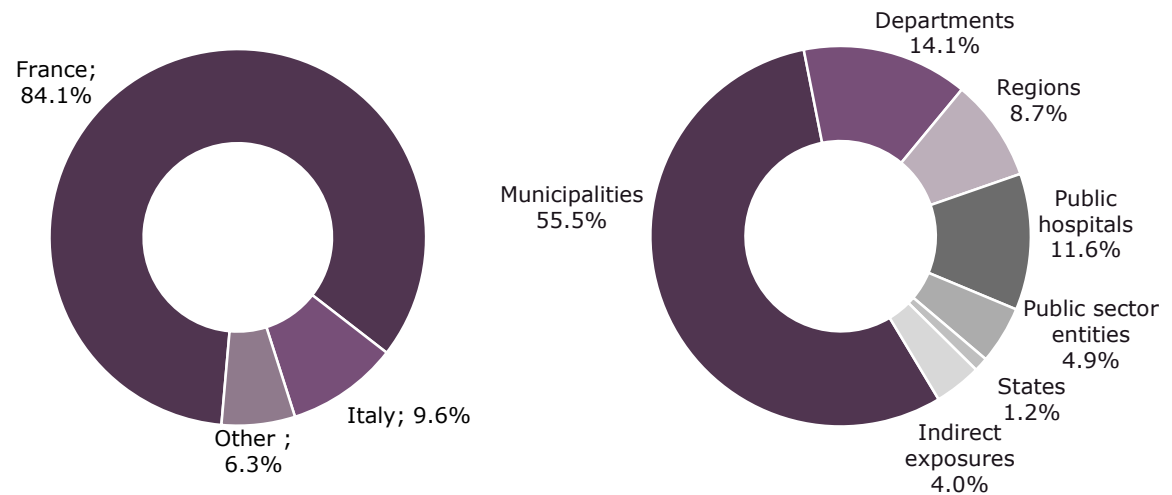
- Transfer of local public sector loans from La Banque Postale via true sale to CAFFIL
- Refinancing of export loans via a refinancing loan from CAFFIL to SFIL irrevocable and unconditional 100% guarantee by the French Republic (enhanced guarantee mechanism law n°2012-1510)

One single cover pool



*Close to 85%
French assets,
municipalities
represent over
55% of cover pool
assets*

Cover Pool as of September 30th 2016

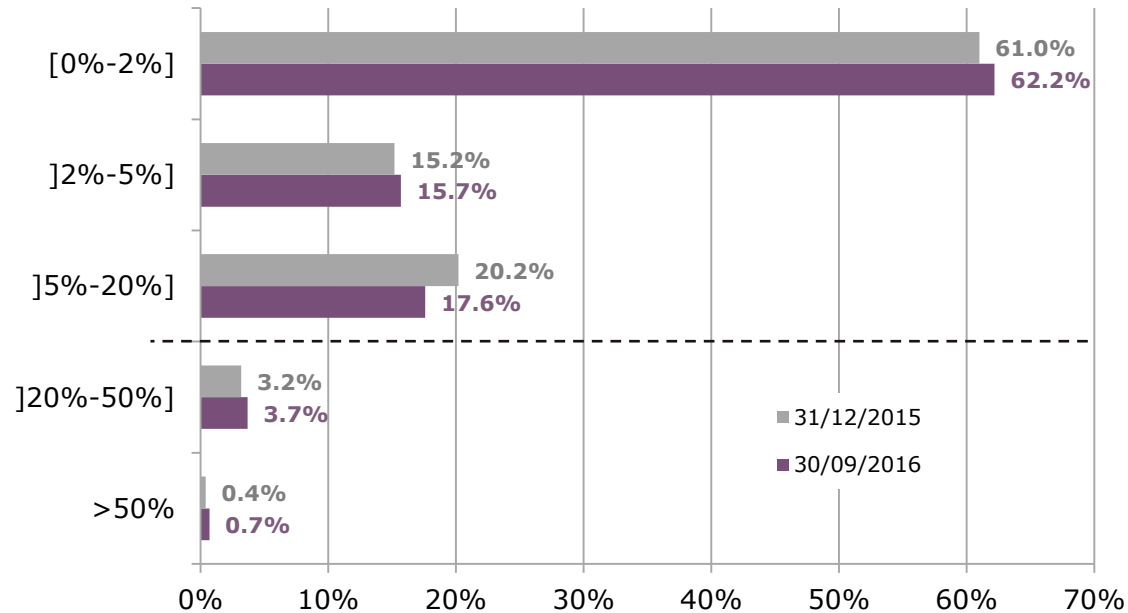


- Close to 85% French assets, new lending exclusively French
- Highly granular, over 16 000 different counterparties
- Low concentration risk:
 - Sum of 20 largest exposures = 14% of cover pool
 - Largest single borrower exposure represents 1.1% of cover pool
 - 20th largest exposure represents 0.5% of cover pool

(All figures based of CAFFIL cover pool data excluding replacement assets and treasury)

*Credit quality
reflected by low
risk weightings
under advanced
internal model*

Cover pool by risk weighting



- Use of an advanced internal rating model, over 10 years of default statistics, financial and fiscal data and 30 explanatory ratios and risk indicators
- Asset quality is reflected by an **average risk weighting of only 6.6%** versus a standard 20% weighting under Basel II
- **Stable evolution** of the average risk weighting: 6.5% as of 31st of December 2015 and 6.8% as of 31st of December 2014

*Leading issuer -
focus on long
maturities*

Highly regarded covered bond issuer

- 2017 expected issuance between EUR 5 and 7 billion
- Over EUR 50 billion outstanding public sector covered bonds
- A total of close to EUR 21 billion raised since 2013 with 12 benchmark transactions
- Leading benchmark issuer in the long maturity segment, 60% of issuance with a maturity above 10 years
- Regular private placement activity under RCB and EMTN format



**Best Euro Covered
Bond Issuer**

Covered Bond Report
Awards
2016



**Best Euro Covered
Bond Issuer**

The Cover Awards
2016

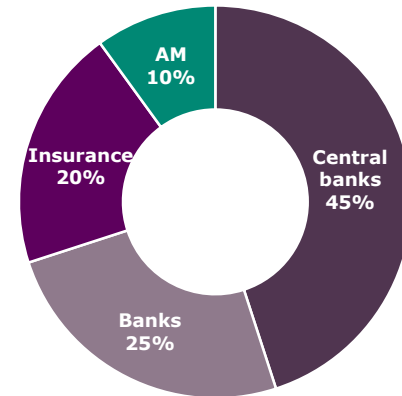
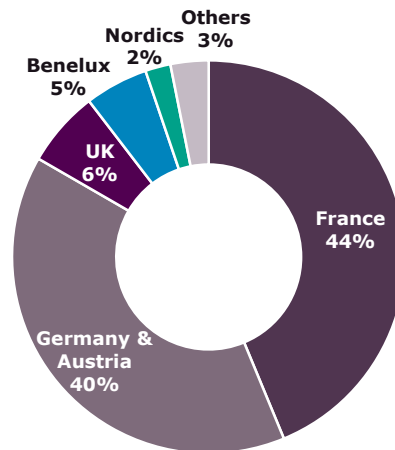


**Best Covered Bond
Issuer**

CMD Awards 2016

Four benchmark transactions, medium and long maturities

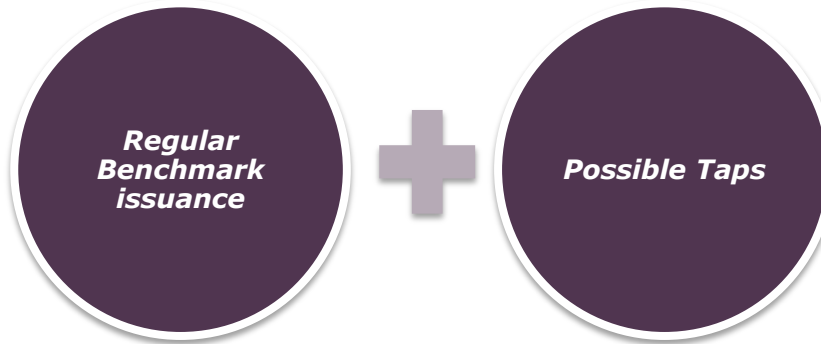
Investor breakdown of 2016 benchmark issuance



- **January:** First French dual tranche since 2011, first French covered 2016:
 - EUR 1 billion 6 year, MS+7 bps / OAT+ 25bps
 - EUR 500 million 15 year, MS+25 bps / OAT +8 bps
- **April:** EUR 1.25 billion 10 year benchmark at MS+14 bps / OAT +26 bps
- **June:** EUR 1 billion 9 year benchmark at MS+4 bps / OAT+14 bps
- **November:** EUR 500 million 15 year benchmark at MS+17 bps / OAT+1 bps
- Total covered bond issuance by CAFFIL in 2016 including PPs **close to EUR 6 billion, average maturity of 10.5 years**
- Good start to the year 2017 with **successful EUR 1.5 billion 10 year benchmark**

*Regular benchmark
issuance, tap
issuance up to EUR
2 billion issue size*

CAFFIL Funding Strategy - Public Issuance



- Regular on-the-run benchmark transactions:
 - interest for medium to long duration
 - benchmark size
 - A complete reference curve
- Possible taps:
 - with a minimum size of EUR 150m
 - maximum outstanding volume per bond of EUR 2 billion (tap included)

*Regular issuance on
RCB and EMTN
format – minimum
size EUR 10m*

Regular private placement issuer

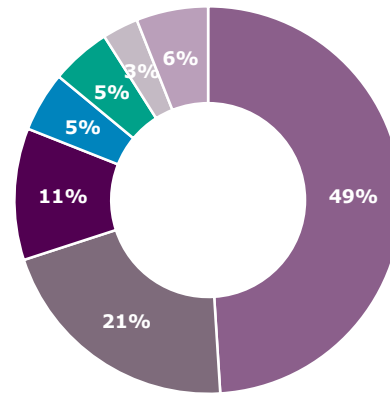


- Regular private placement activity to adapt to investors needs
- Focus on long maturities
- Possibility of lightly structured pay-off in EUR including single callable and CMS-linked issuance
- Currencies for transactions with vanilla pay-off: EUR, CHF, GBP, JPY, USD
- Minimum size: EUR 10m – No Maximum size
- RCB assignment flexibility: EUR 1m

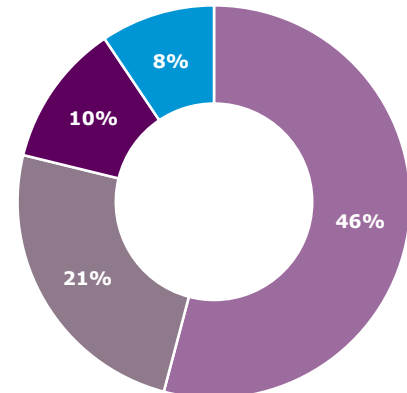
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Inaugural Euro benchmark in the French agency segment

Highly successful Inaugural issue in October 2016



■ France
■ Scandi
■ Asia
■ Others
■ Germany & Austria
■ UK
■ Italy



■ Asset Managers
■ Banks
■ CB & OI
■ Insurance

- Mid term maturity trade with 8y (October 2024)
- Jumbo size : €1billion with order book reaching EUR 2.2 billion
- Good geographic diversification with over 80 orders collected from 17 countries
- Strong domestic demand (49% placed in France)
- OAT+ 21bps / MS flat

Focus on EUR or USD benchmark issuance

 2017 Funding program	
<i>Issuer</i>	SFIL
<i>Rating</i>	Aa2 (stable) / AA (stable) / AA- (stable)
<i>Risk weighting</i>	20%
<i>PSPP eligible</i>	Yes
<i>Format</i>	EMTN Program Reg. S
<i>LCR Classification</i>	Level 1
<ul style="list-style-type: none">• <i>Regular benchmark issuer with one or two transactions per year</i>• <i>2017 funding plan around EUR 1 billion</i>• <i>EUR and USD issuance</i>• <i>Maturities between 3 and 10 years</i>	

- Status as public development bank of SFIL reflected by LCR classification as HQLA Level 1 asset and eligibility for the PSPP
- Two public policy missions:
 - Financing tool for French local public sector investments
 - 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 over 90% of portfolio by 2021



"We regard Société de Financement Local (SFIL) as a government-related entity, and we believe there is an almost certain likelihood that the French government would provide SFIL with extraordinary support if needed."

S&P Rating Report April 29th 2016

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