

# SUPPORTING LOCAL INVESTMENT AND EXPORTS CAPITAL MARKETS OVERVIEW





## A PUBLIC SETUP WITH TWO PUBLIC POLICY MISSIONS

### Two public policy missions

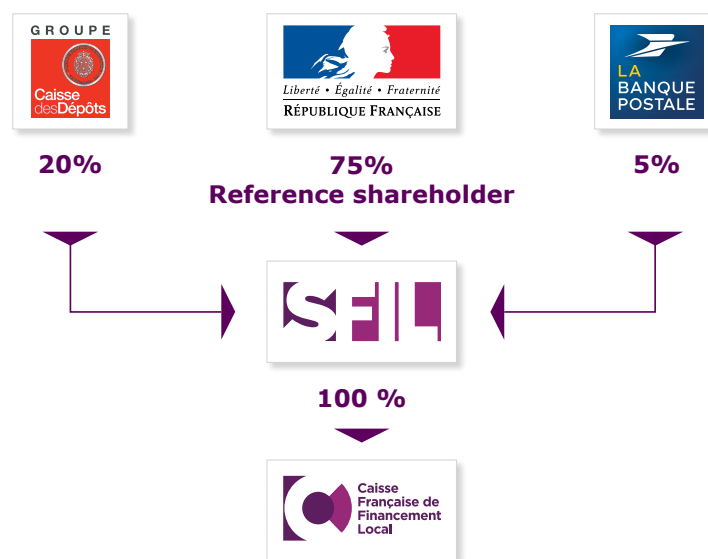
SFIL was set up in 2013 by the French State to ensure a stable access to **long dated funding for the French local public sector**. Today, SFIL is the leading loan provider to the French local public sector in partnership with La Banque Postale.

In 2015, the French State entrusted SFIL with a second public policy mission to enhance the competitiveness of French exporters by setting up a **refinancing platform for French export loans**. The activity is limited to export loans benefitting from a French State guarantee. Today, SFIL is the **leading liquidity provider** for large export credit loans guaranteed by the French State.

### 100% public ownership

SFIL is a **100% publicly owned fully regulated financial institution** supervised by the ECB. The French State as main shareholder is represented on the board of directors and the CEO is appointed by presidential decree.

With **total assets of EUR 78 billion**, SFIL is **7<sup>th</sup> credit institution in France**. CAFFIL as the covered bond issuer of the group - with the legal status of Société de Crédit foncier - is a 100% subsidiary of SFIL.



As reference shareholder, the French State is committed to ensure that SFIL is able to **pursue its activity in an ongoing manner** and to honor its financial commitments at any moment. This commitment is documented via a **letter of comfort by the French State** to the regulators.

Debt issued by SFIL is classified **HQLA Level 1** under the LCR delegated act. The classification is based on the legal obligation of the French government to protect the economic basis of SFIL and to maintain its financial viability (Art. 10.1.(e)(i), LCR delegated Act).

*Simple and straightforward balance sheet*

The business activity is limited to the refinancing of public sector assets leading to a simple and straightforward balance sheet. A **CET1 ratio of 23.3%** (Basel III phased-in) reflects the strong level of capitalization. Long term refinancing is raised mainly via **issuance of covered bonds via CAFFIL**.

<b>Total assets</b>	<b>77.6</b>	<b>Total Liabilities</b>	<b>77.6</b>
Cash Assets	5.2	SFIL bond issues	1.9
Loans	47.8	SFIL Commercial Paper	0.6
Securities	8.1	Shareholder refinancing	6.3
Cash Collateral	2.4	Covered bonds	51.9
		Cash collateral	1.4
		Equity	1.4

*Main balance sheet items as of 30.06.2017, EUR billion*

*Strong credit ratings*

The credit ratings of SFIL reflect the status as public development bank with responsibilities for two key segments of the French economy. The Ratings are **closely linked to the ratings of the French Republic** as reference shareholder.

<b>Issuer Ratings</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
SFIL - Long Term	Aa3	AA	AA-
SFIL Short Term	P-1	A-1+	F1+
French Republic	Aa2	AA	AA

*Leading lender to the French local public sector*

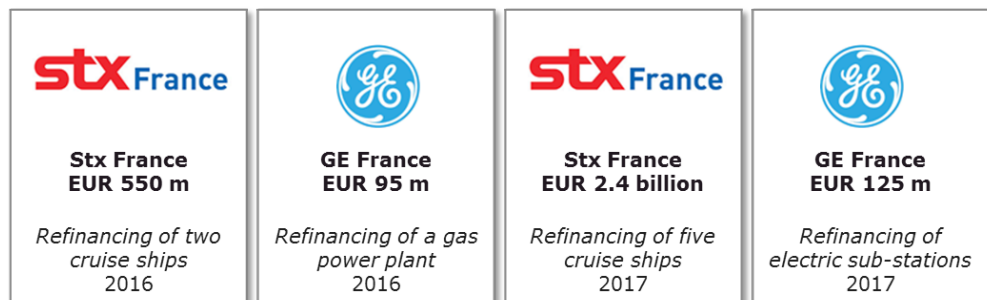
Under the partnership agreement with La Banque Postale, all loans to the French local public sector refinanced by SFIL are **originated via the network of La Banque Postale**. This setup has become the leading loan provider to the French local public sector with a **market share between 20% and 25%** as expected and EUR 4 billion in new lending in 2016. Municipalities represented more than 50% of the lending activity followed by Départements (districts) with 21% and French Régions with 7%. Public hospitals represented 11% of the 2016 lending activity.

The scope of the lending business is strictly limited to French local public sector. Loan proposals are priced at the going market rate, there is **no subsidization** of loans to the local public sector. SFIL keeps **full control of credit risk** for any new local public sector loans.

*Refinancing platform for export loans*

For the refinancing of export loans, SFIL acts as refinancing platform for banks working with French exporters. The refinancing activity of SFIL is limited to **100% French government exposures**. Export credit guarantees are managed by Bpifrance Assurance Export with the insurance provided directly by the French State.

**Framework agreements are in place with 20 banks covering 99% of the market.** Refinancing transactions for a total volume of EUR 645 m were concluded in 2016 with an objective of 3 billion in new financing transactions for 2017. With **EUR 3.2 billion of loans refinanced since 2016**, SFIL is the **leading liquidity provider in this market.**



## GROUP FUNDING STRATEGY

Credit facilities provided by the shareholders CDC and La Banque Postale provide liquidity for a maximum amount up to EUR 13.75 billion. As of June 30<sup>th</sup> 2017, an amount of EUR 6.3 billion was drawn.

### *Long dated funding via issuance of covered bonds*

Covered bonds under Obligations Foncières format issued by CAFFIL represent the **main source of funding** with yearly issuance between EUR 5 and 7 billion and more than EUR 50 billion outstanding covered bonds.

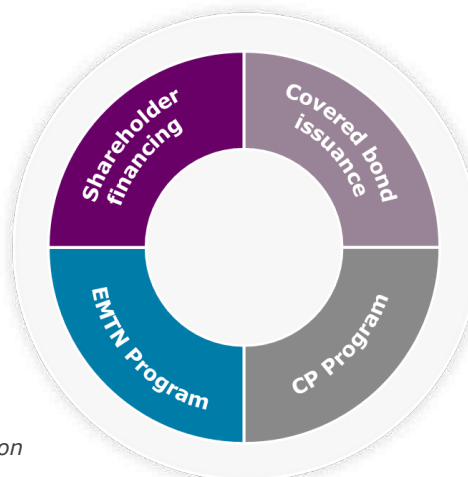
A French domestic Commercial Paper Program has been set-up to diversify sources of short dated funding with an average outstanding around EUR 600 m

### *Diversification via direct issuance by SFIL*

SFIL is a **regular benchmark issuer in the agency** market with one or two benchmark transactions per year. The current outstanding is close to EUR 2 billion equivalent.

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

*Regular benchmark issuance by SFIL, current outstanding equivalent to EUR 2 billion*



*Covered bond issuance via CAFFIL between EUR 5 and 7 billion per year*

*French CP Programme with average outstanding around EUR 600 m*

## CAFFIL - LEADING COVERED BOND ISSUER

### *Highly regarded covered bond issuer*

CAFFIL is the **leading public sector covered bond issuer** with over EUR 50 billion outstanding covered bonds and yearly issuance between EUR 5 and 7 billion.

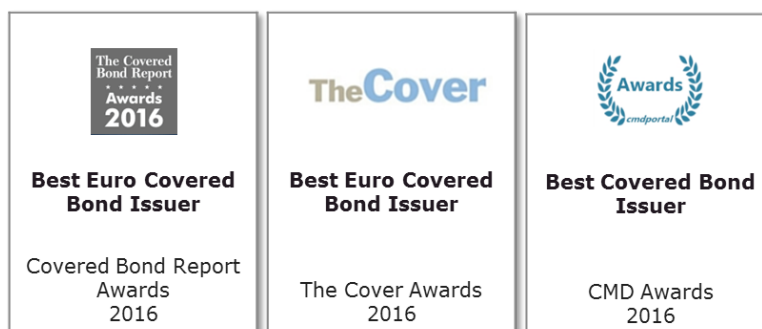
Covered bonds issued by CAFFIL are CRR and UCITS compliant with a 10% risk weighting, classified as LCR level 1 and eligible for purchases under the European Central Bank Covered Bond Purchase Programme. All covered bonds are issued with a hard bullet format and ECBC Label compliant.

### *Strong credit ratings*

The 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.

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

CAFFIL is a leading benchmark issuer in the long maturity segment with 60% of issuance since 2013 with a maturity above 10 years. Benchmark issuance is complemented by regular private placement activity under Registered Covered Bond and EMTN format with focus on long maturities.



## SFIL - NEW FRENCH AGENCY ISSUER

### *LCR Level 1 classification*

Debt issued by SFIL is 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 (Article 10.1.(e)(i), LCR delegated Act). In addition, debt issued by SFIL is eligible for asset purchases under the **Public Sector Purchase Programme**.

To complement the long dated funding raised by CAFFIL in the covered bond market, SFIL issued a first EUR benchmark transaction in October 2016. SFIL is a regular issuer in the agency market with one or two benchmark transactions per year in EUR or USD. Focus is on short and medium maturities.

**Tickers**

SFILFR &lt;Govt&gt;

CAFFIL &lt;Govt&gt;

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