



THE LEADING FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



Investor Presentation

February 2018

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 **EUR 20 billion new local public sector loans** since 2013 with **maturities between 15 and 30 years**

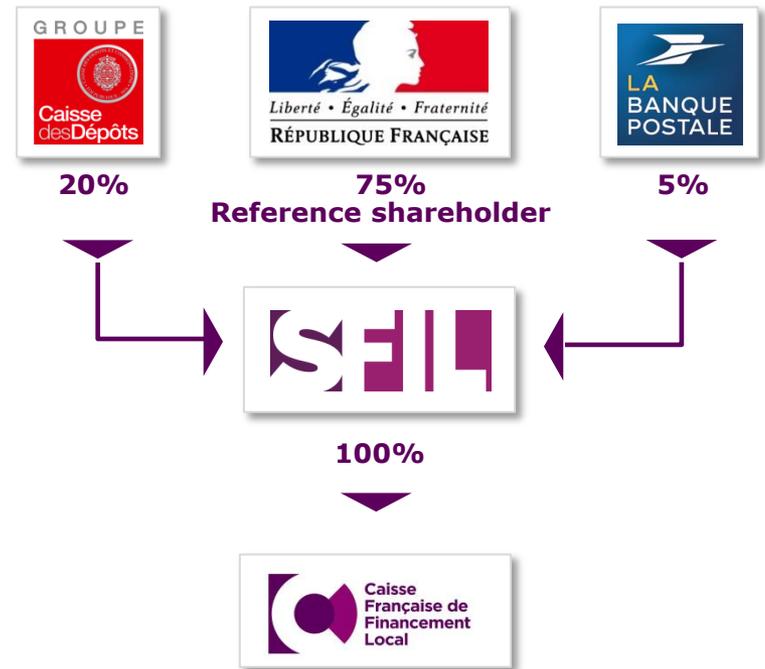
Second mission: provide financing for large export credits

- New public policy mission entrusted by the French State to SFIL in 2015 to **help enhance the competitiveness of French exporters**
- **EUR 3.3 billion** of loans refinanced since June 2016 - leading liquidity provider with **a market share above 50% in 2017** for the re-financing of export loans guaranteed by the State



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**



*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 of SFIL appointed by **presidential decree**
 - French State represented on the **board of directors**



- 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** (CET1 ratio of 22.6%) 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

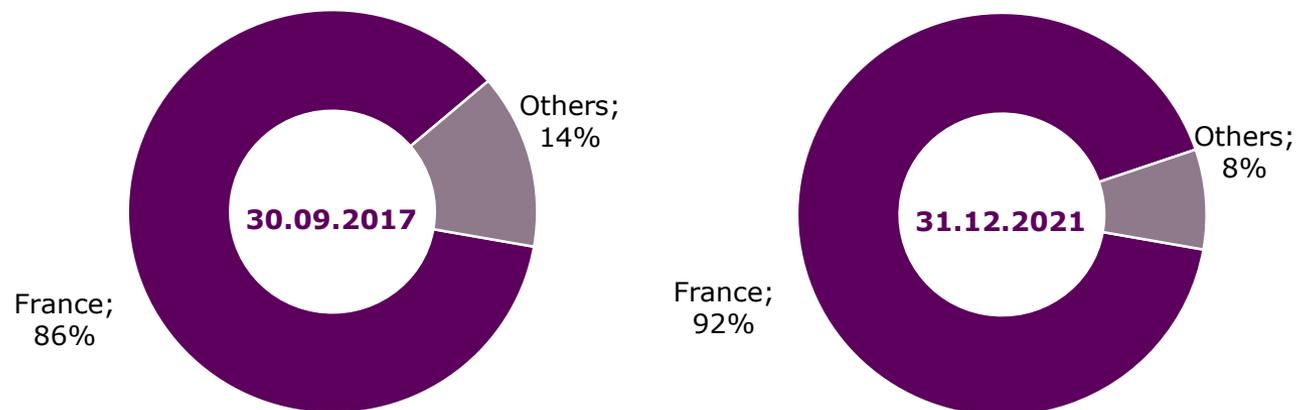
Consolidated main balance sheet items (including CAFFIL) June 30, 2017 - (EUR billion)

<i>Total assets</i>	<i>77.6</i>	<i>Total liabilities</i>	<i>77.6</i>
<i>Loans and securities</i>	<i>55.9</i>	<i>Covered bonds</i>	<i>51.9</i>
<i>Cash assets</i>	<i>5.2</i>	<i>SFIL bond issuance</i>	<i>1.9</i>
<i>Cash collateral paid</i>	<i>2.4</i>	<i>Shareholder refinancing</i>	<i>6.3</i>
		<i>Commercial paper</i>	<i>0.6</i>
		<i>Equity</i>	<i>1.4</i>
		<i>Cash collateral received</i>	<i>1.4</i>
CET1 ratio: 22.6% (Basel III 'fully loaded')			

- Long term refinancing mainly via **issuance of covered bonds**
- Additional liquidity provided by shareholders and **via SFIL issuance**
- **Moderate profitability** in line with role as public development bank

International legacy portfolio managed in runoff, new lending activity limited to French public sector assets

Expected evolution of the public sector portfolio



- High granularity with around **15,500 counterparties**
- Origination activity **limited to French assets** :
 - Local government and public hospital loans,
 - Export loans benefitting from a French State guarantee
- **French assets to increase to 92%** over the coming 4 years
- Exposures linked to **export credit activity expected to reach 13%**

(all figures based on CAFFIL cover pool data)

Business activity with a focus on financing social infrastructure, export loans within a strict framework

Social and environmental responsibility

- As leading finance provider for French local public sector investments SFIL plays a central role for the financing of investments in **schools and nurseries, in local public transport and in public healthcare facilities**
- The export financing activity is limited to the refinancing of loans compliant with OECD **environmental and social guidelines**
- Export loans refinanced by SFIL are subject to a social and environmental due diligence by BPI France Assurances Export - for sensitive projects, **a social and environmental impact analysis is publicly available**
- The 'Prime' corporate responsibility rating by Oekom for covered bonds issued by CAFFIL confirms the commitment of the Group:



- SFIL is committed to expanding its environmental policy and to reducing its CO2 emissions and overall ecological impact – the **Sustainable Development Committee**, established in 2015 plays a key role in this process

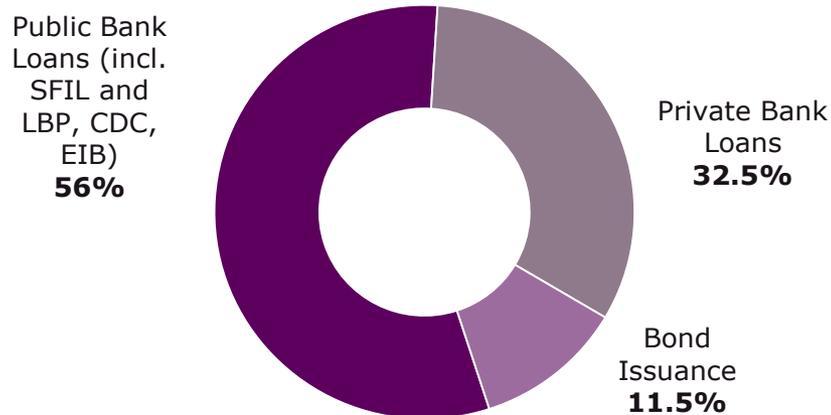
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Local authority lending mainly provided by public agencies

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%** and **EUR 20 billion new local public sector loans** with maturities between 15 and 30 years since 2013
- Commercial banks provided only about a third of French local authority funding in 2016, underlining the need for a public set up

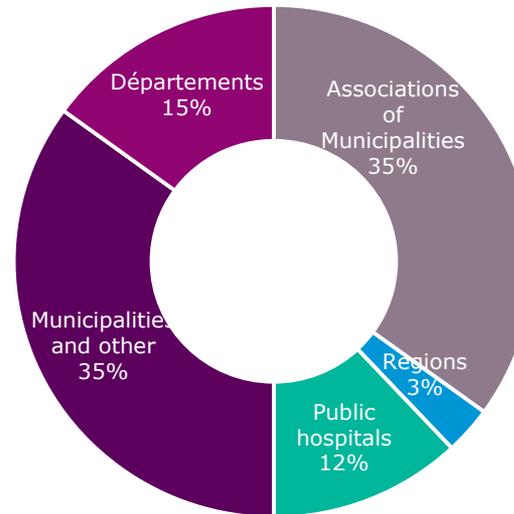
French local government funding sources 2016



(Source: Finance Active, March 2017)

Municipalities and associations of municipalities represent 70% of the 2017 lending activity

2017 Local public sector lending



(La Banque Postale and SFIL local public sector lending 2017)

- First lender with **EUR 3.4 billion** in new loans to the local public sector with maturities between 15 and 30 years
- Looking ahead, the local government sector expected to play a key role in the **EUR 57 billion public investment plan** announced by the government in September 2017 focusing on ecological transition, innovation, learning society and the digital State

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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** of 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**

KEY ROLE FOR THE REFINANCING OF LARGE FRENCH EXPORT CONTRACTS

SFIL refinances loans with French public export credit agency guarantee

A refinancing platform open to all commercial banks

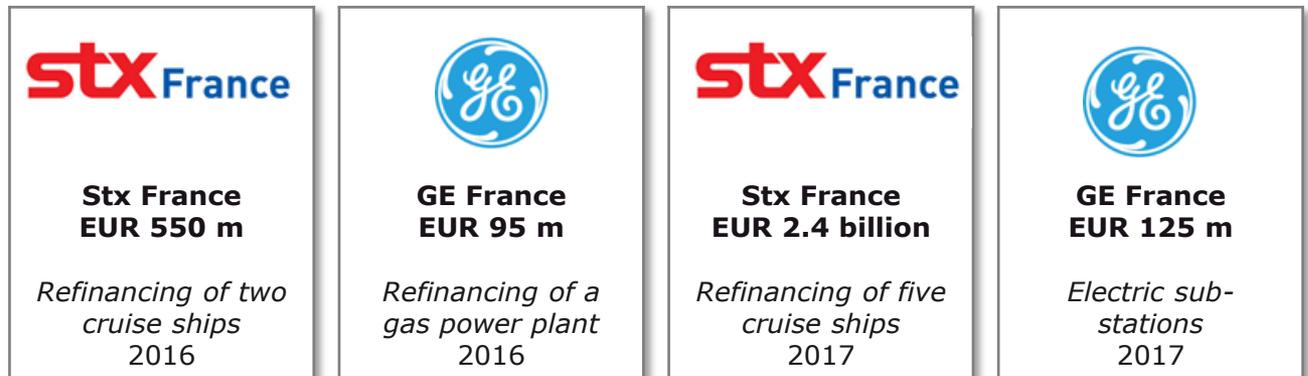
- The vast majority of OECD countries rely on a public set up for the refinancing of export loans
- SFIL acts as **public refinancing platform**, the export bank acts as agent and originator
- Mechanism is comparable to set ups in Sweden (SEK), Finland (FEC), Germany (KfW) and Italy (CDP)
- SFIL activity is limited to **100% French government exposures** - Export credit guarantee managed by Bpifrance Assurance Export, insurance directly provided by the French State



Leading liquidity provider with a market share above 50% in 2017

2016 and 2017 export refinancing activity

- Framework agreements are in place with **20 banks covering more than 95% of the market**
- **EUR 3.3 billion** of loans refinanced since June 2016 via 6 contracts for a total of EUR 6 billion export credit with 9 banks
- **Leading liquidity provider** with a **market share above 50% in 2017** for the re-financing of export loans guaranteed by the State



- Very **solid outlook for the export refinancing activity** - **73 potential transactions** with a **total contract volume of EUR 24 billion** are currently under negotiation – objective for 2018 is a **refinancing volume of EUR 2 billion**

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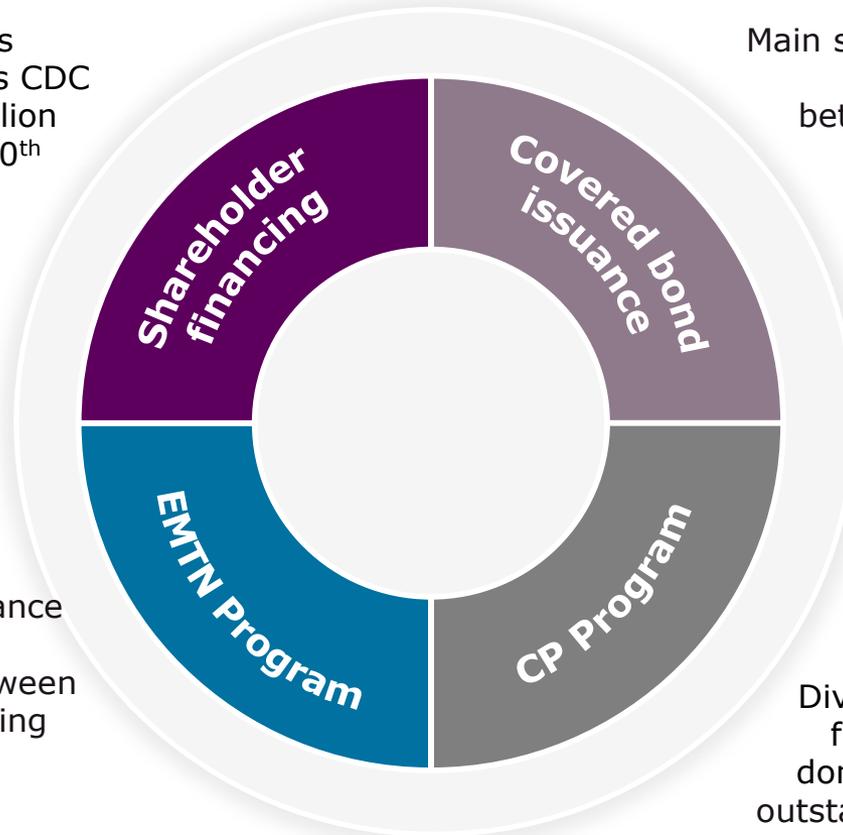
Four sources of liquidity for SFIL

Significant credit facilities provided by shareholders CDC and LBP with EUR 6.3 billion outstanding as of June 30th 2017

February 2013

Main source of funding, planned 2018 issuance via CAFFIL between EUR 4 and 6 billion, more than EUR 50 billion outstanding

July 2013



Regular benchmark issuance by SFIL, planned 2018 benchmark issuance between 2 and 3 billion. Outstanding currently close to EUR 4 billion equivalent

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 covered bonds are **CRR and UCITS compliant, LCR level 1, CBPP 3 eligible** and benefit from a **10% risk weighting** (standardized approach)
- Issuance under **hard bullet format**
- ECBC Covered Bond Label
- Comfortable level of regulatory **overcollateralization of 11.8%** as of September 30th 2017

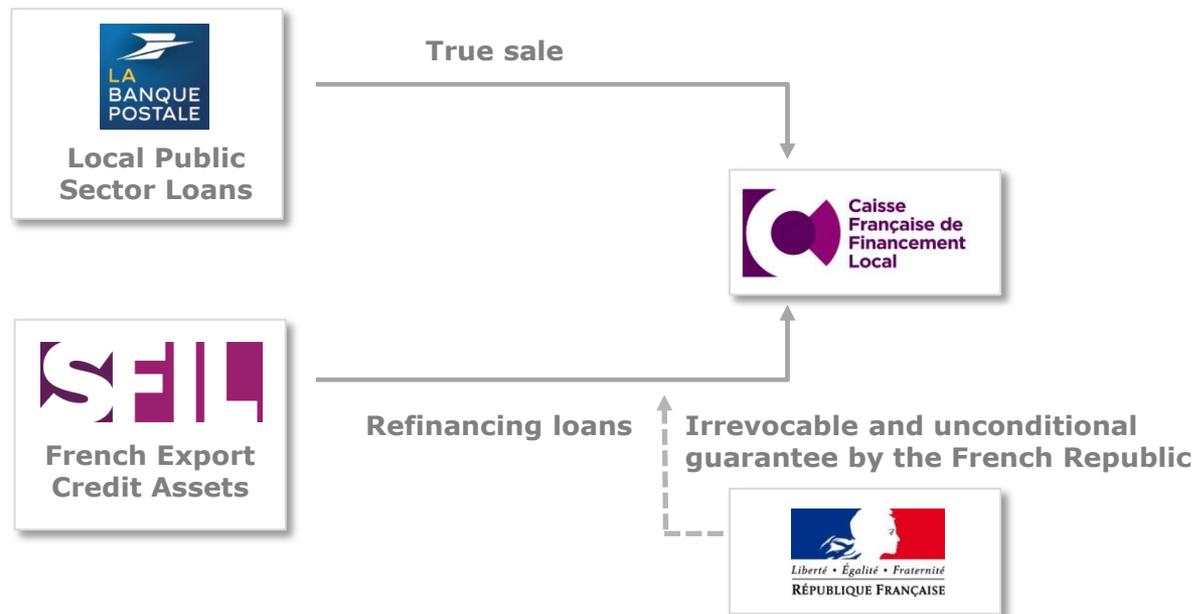
<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>
CAFFIL	Aaa	AA+	AA
SFIL	Aa3	AA	AA-

- 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

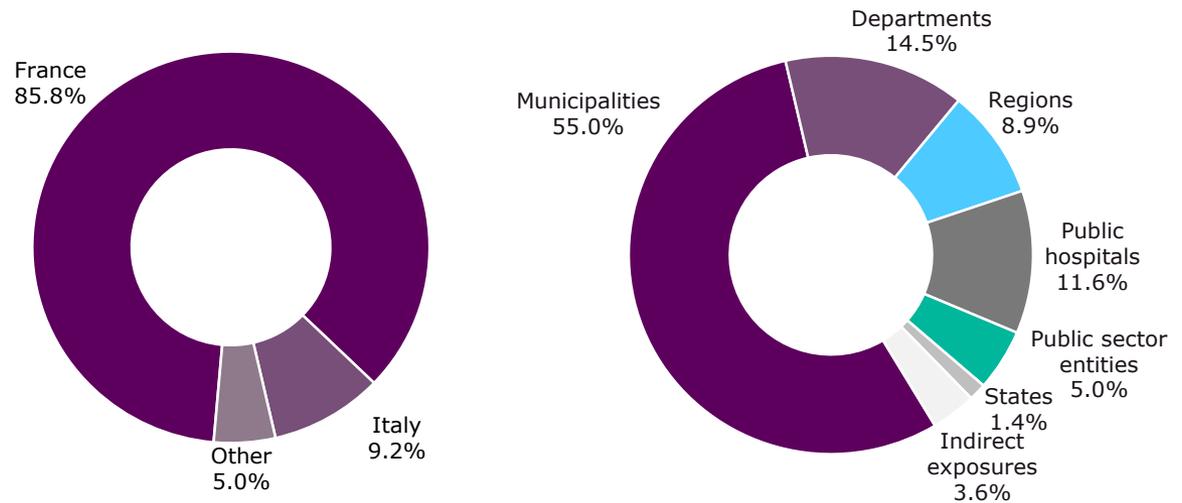
One single cover pool

- 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** with an irrevocable and unconditional 100% guarantee by the French Republic (enhanced guarantee mechanism law n°2012-1510)



Over 85% French assets, municipalities represent more than half of the cover pool

Cover Pool as of September 30th 2017



- Around **86% French assets**, new lending exclusively French
- Highly granular, **around 15 500 different counterparties**
- Low concentration risk:
 - Sum of 20 largest exposures = 13.8% of cover pool
 - Largest single borrower exposure represents 1% of cover pool
 - 20th largest exposure represents 0.4% of cover pool

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

*Leading issuer -
focus on long
maturities*

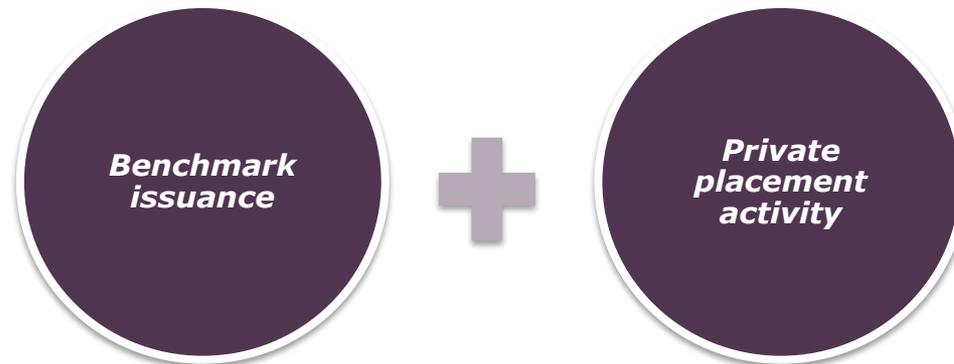
Highly regarded covered bond issuer

- Annual expected issuance **between EUR 4 and 6 billion**
- Over EUR 50 billion outstanding public sector covered bonds
- Close to **EUR 27 billion raised since 2013 with 16 benchmark transactions**
- Leading benchmark issuer in the long maturity segment, **60% of issuance since 2013 with a maturity above 10 years**
- Very strong investor base with **390 investors**
- Regular private placement activity under RCB and EMTN format



Regular issuance in both benchmark and private placement segment

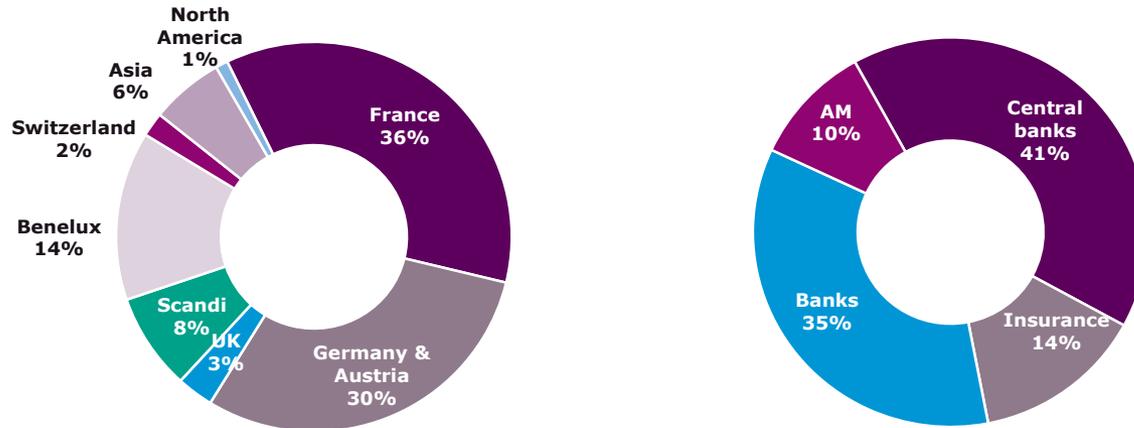
CAFFIL Funding Strategy



- **Regular benchmark issuer** with a complete reference curve:
 - interest for medium to long duration
 - possible taps with a minimum size of EUR 150m, maximum outstanding volume per bond of EUR 2 billion (tap included)
- **Regular private placement** activity to adapt to investors needs
 - **EMTN and RCB format**, focus on **long maturities**
 - Possibility of lightly structured pay-off in EUR including single callable and CMS-linked issuance
 - Currencies for vanilla transactions : EUR, CHF, GBP, JPY, USD
 - Minimum size: **EUR 10m** – No Maximum size, RCB assignment flexibility: EUR 1m

*Successful start
into the year 2018*

EUR 1.5 billion dual tranche transaction



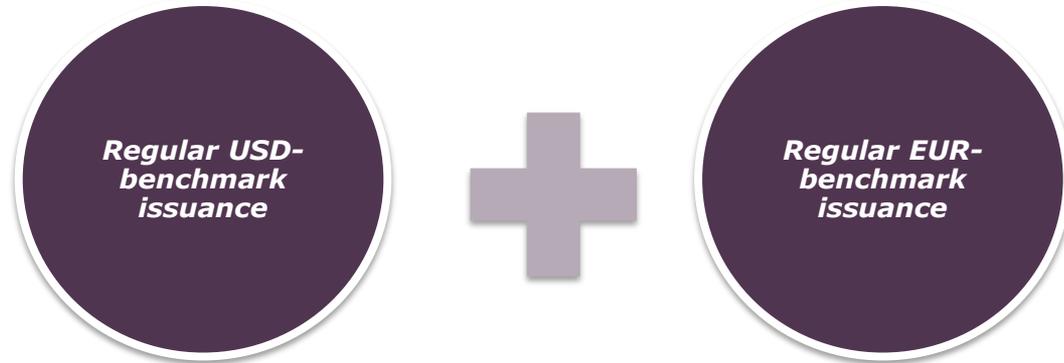
- Highly successful **EUR 1.5 billion dual tranche transaction** (8 and 15 years) launched on January 9th 2018 – the first public transaction of CAFFIL in the year 2018
- 8-year maturity tranche with a benchmark size of EUR 1 billion issued at a spread of -10 bp against mid-swaps and 17 bp above interpolated OATs
- 15-year maturity tranche with a benchmark size of EUR 500m issued at a spread flat to mid-swaps and 10 bp above interpolated OATs
- Strong investor interest for both tranches with a **EUR 2.7 billion consolidated order book** and **close to 100 different investors**

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Focus on a reference curve in EUR and USD

Regular benchmark issuance in EUR and USD

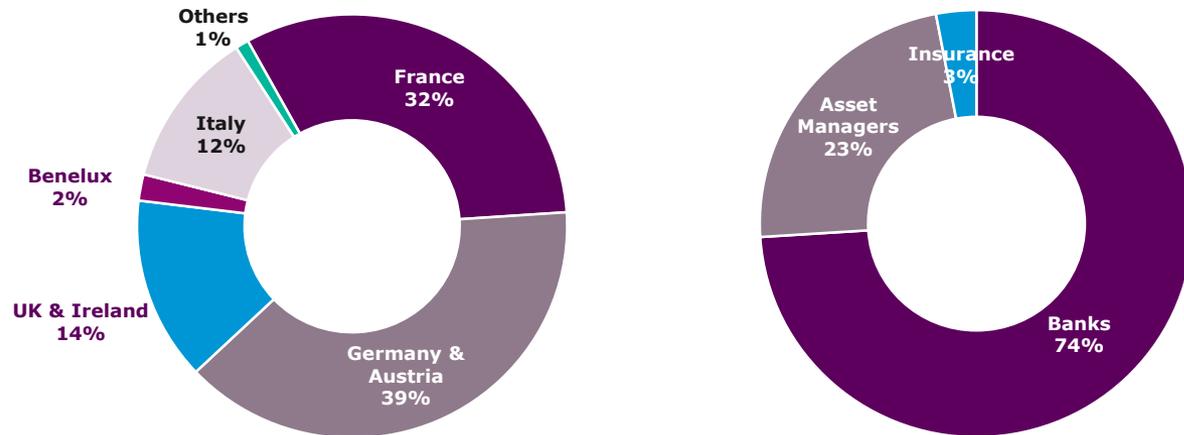
- Focus on **benchmark issuance in EUR and USD** to build a reference curve in both markets
- Diversified investor base with **153 investors**



- **Four benchmark transactions** launched since 2016 leading to a total outstanding of **EUR 3.8 billion equivalent**
- Reference curve in Euro made of **three EUR 1 billion benchmark transactions**
- Highly successful **inaugural USD benchmark transaction** in June 2017 **with a volume of USD 1 billion** and a maturity of 3 years
- **Two benchmark transactions planned for 2018** with focus on maturities between 3 and 10 years

Successful start into the new year – strong support from bank investors in France and Germany

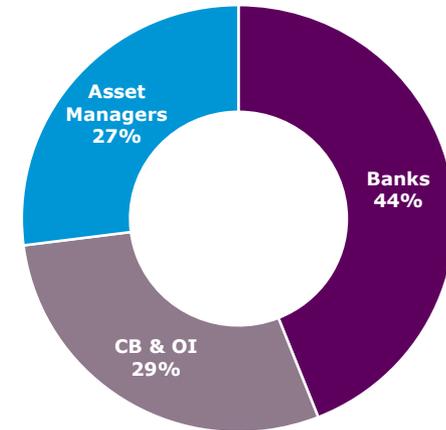
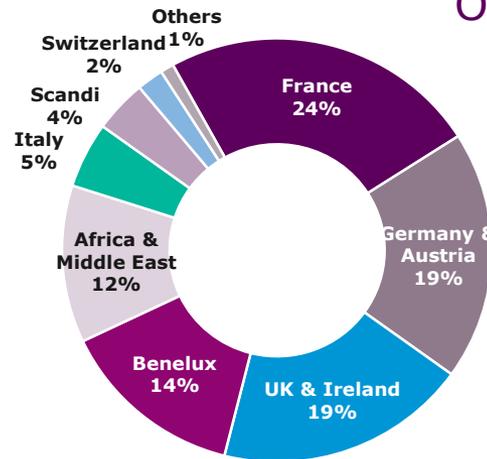
Successful first benchmark transaction in 2018



- First transaction of the year for SFIL with a volume of **EUR 1 billion and a 8 year maturity**
- Well diversified order book with **55 investors with order book size reaching up to 1.8 billion**
- Strong demand from **France and Germany, mainly from bank investors**
- OAT +20bps / MS -5bps

This new transaction shows again the high recognition of SFIL in the French agency segment

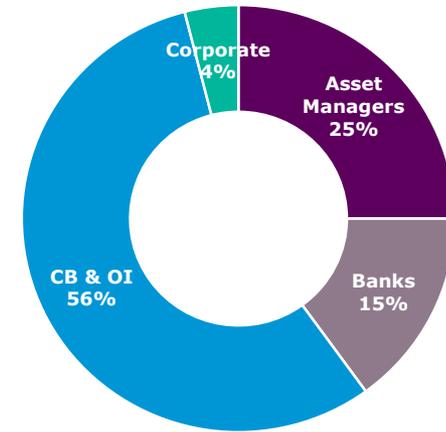
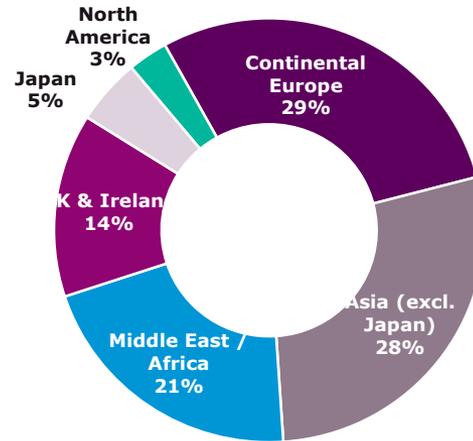
Outright success for the third benchmark transaction in October 2017



- Third transaction of SFIL with a volume of **EUR 1 billion and a 5 year maturity**
- Well diversified order book with **45 investors and a final book of EUR 1.25 billion**
- Strong demand from **France, but also from Germany & Austria, UK & Ireland, Benelux** and also from outside Europe
- OAT+21bps / MS-13.4bps

This inaugural USD benchmark enabled SFIL to strengthen its positioning in the French agency segment

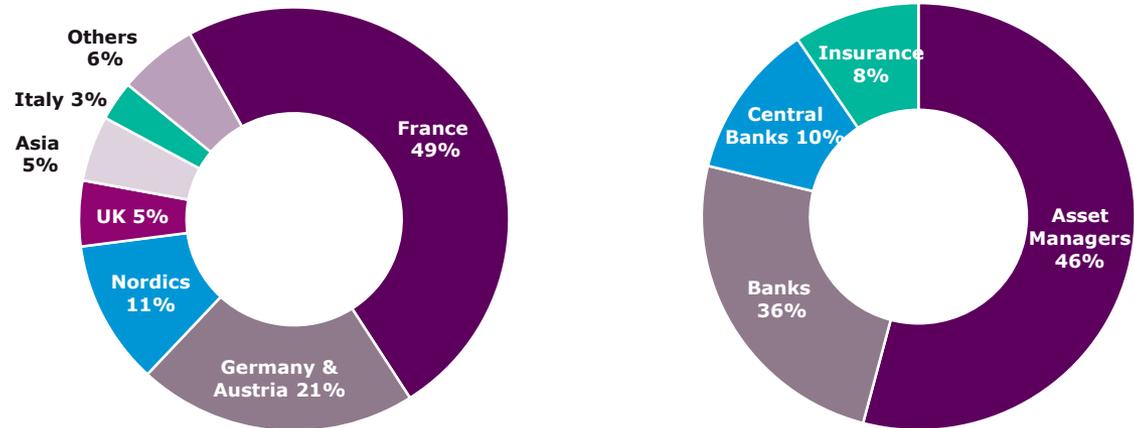
Great success of the inaugural USD transaction in June 2017



- Inaugural USD trade with a 3 years maturity
- Second benchmark of SFIL following the Euro inaugural transaction launched in 2016
- Benchmark size : USD 1 billion with order book reaching USD 1.9 billion
- **Strong geographic diversification** from 47 investors across the world
- **Significant widening of investor base** : 60% of accounts have never been involved in SFIL or CAFFIL primary transactions in the past
- MS+33bps / US Treasury+49.3bps

Inaugural Euro benchmark in the French agency segment

Highly successful Inaugural issue in October 2016



- Mid term maturity trade with 8y (October 2024)
- Jumbo size : EUR 1 billion 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

- Status as **public development bank** with two public policy missions
- **Leadership in both business activities:**
 - Market share in French **local public sector lending between 20% and 25%**
 - Market share in 2017 for the **re-financing of export loans** guaranteed by the French Republic **above 50%**
- **2017 key achievements:**
 - Recognition of the **specific role as public development bank** by European Commission, Council and Parliament, especially with respect to the leverage ratio
 - Reinforcement of SFIL issuance with a **first USD benchmark**
 - Expansion of the export credit line with **2.6 billion new loans** in 2017
- SFIL is a **leading French public agency** with **strong credit ratings, strong asset quality** and a very **diversified investor base** (452 investors)



"We equalize our ratings on SFIL with those on France, since we believe that there is an almost certain likelihood that SFIL, a public development bank, would receive timely and sufficient extraordinary support from the French government in the event of financial distress."

S&P Rating Report May 23th 2017

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