



THE LEADING FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



Investor Presentation

June 2017

- SFIL Group is a **public development Bank** created in 2013
- The French State has entrusted – with the **authorization of the European Commission** - two public policy missions to SFIL:
 - provide long dated funding to **the French local public sector**
 - refinance **export loans guaranteed by the French State** as part of a new public export credit scheme
- The French State as **reference shareholder** is committed to ensure SFIL is able to **pursue its activity in an ongoing manner** and **honor its financial commitments**
- **Regular capital markets issuance** by SFIL in the **agency segment** and via CAFFIL in the covered bond market
- Bonds issued by SFIL **are eligible to the purchase program of the European Central Bank (PSPP)**
- The LCR **Level 1 classification** of debt issued by SFIL reflects the **legal obligation of the French government** to protect the economic basis of SFIL and maintain its financial viability:

*“The issuer is a **credit institution incorporated or established by the central government** of a Member State ... [that is] **under the legal obligation to protect the economic basis of the credit institution and maintain its financial viability throughout its life-time...**” (Article 10.1.(e)(i), LCR delegated Act, October 2014)*

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. 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

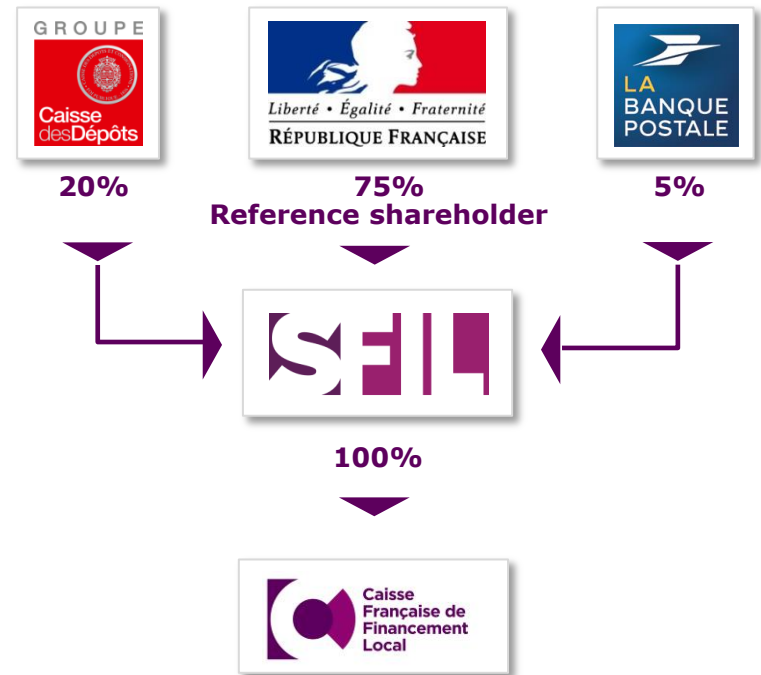
Second mission: provide financing for large export credits

- 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**



*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**

STRONG CREDIT RATINGS

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**

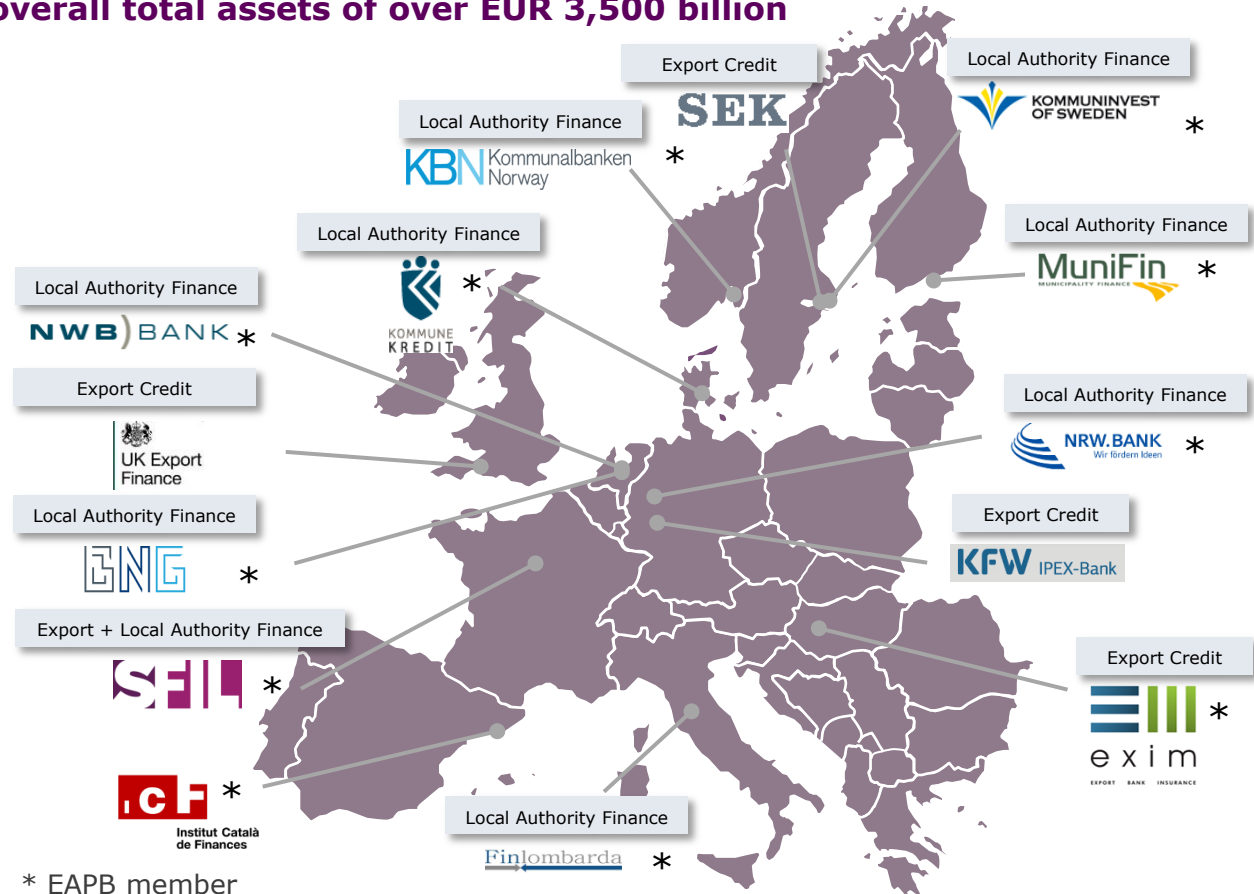
Issuer Ratings	Moody's	S&P	Fitch
<i>SFIL – Long Term</i>	Aa3	AA	AA-
<i>SFIL – Short Term</i>	P-1	A-1+	F1+

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

SFIL HOLDS THE PRESIDENCY OF THE EUROPEAN ASSOCIATION OF PUBLIC BANKS

SFIL is a member and Philippe Mills holds the presidency of the EAPB

- Similar set ups exist across Europe, most are members of the **European Association of Public Banks (EAPB)**
- EAPB directly and indirectly represents **over 90 financial institutions, overall total assets of over EUR 3,500 billion**



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

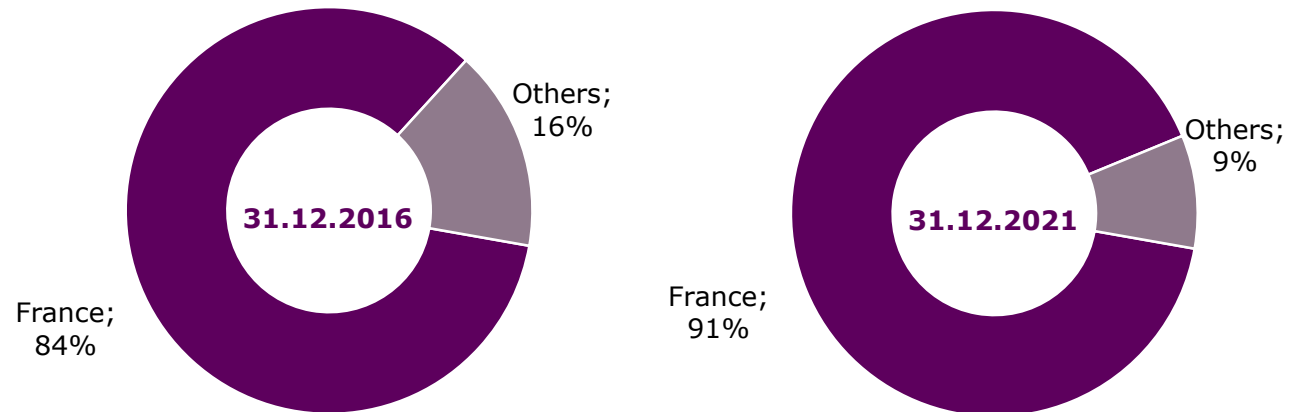
SFIL Group main balance sheet items

<i>Consolidated main balance sheet items (including CAFFIL) December 31st, 2016 - (EUR billion)</i>			
Loans and Securities	54.8	Covered Bonds	50.4
		SFIL Bond Issue	1.0
		Refinancing by Shareholders	6.7
Cash Assets	4.9	Commercial Paper	0.6
		Equity	1.4
Cash Collateral Paid	2.3	Cash Collateral Received	1.9
CET1 ratio: 24.2% (Basel III phased in)			

- Strong capital basis with a **CET1 ratio of 24.2%**
- 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

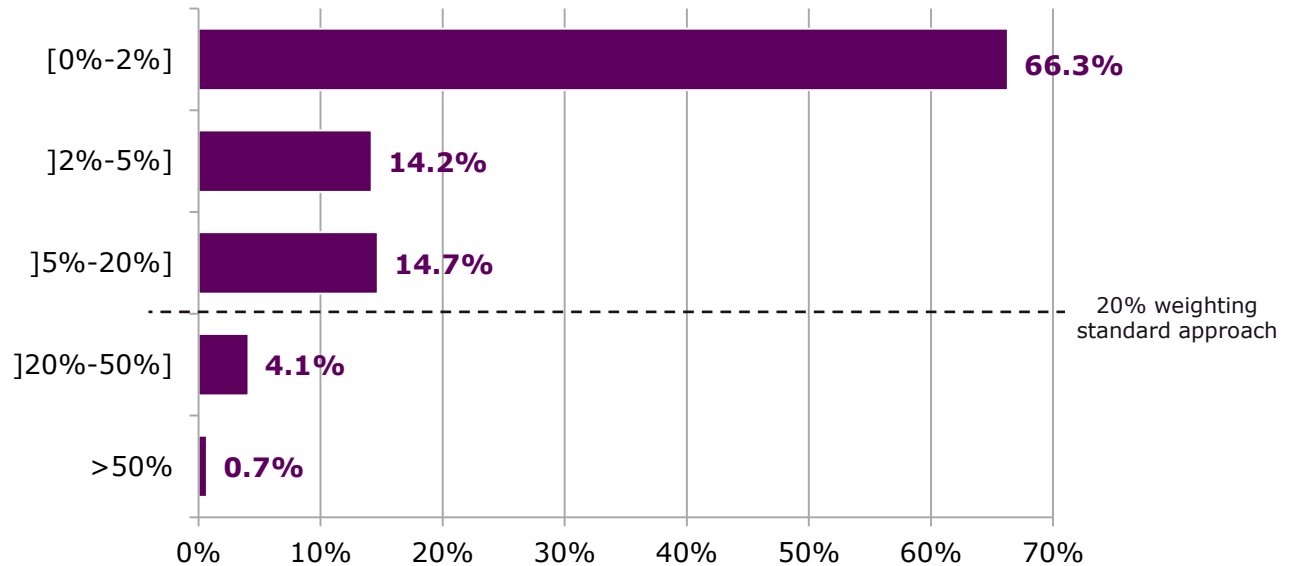
Expected evolution of the public sector portfolio



- High granularity with around **16,000 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 above 91%** over the coming 5 years
- Exposures linked to **export credit activity expected to reach 12%**

Credit quality reflected by low risk weightings under advanced internal model

SFIL portfolio by risk weighting as of December 31st 2016



- 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 6.2%** versus a standard 20% weighting under Basel II compared to **6.5% in 2015**

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

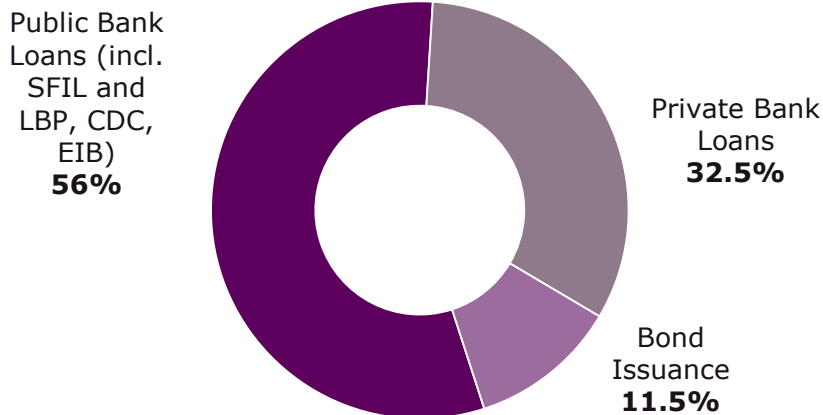
2. SFIL - NEW FRENCH AGENCY ISSUER

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 provided only about a third of French local authority funding in 2016, underlining the need for a public set up

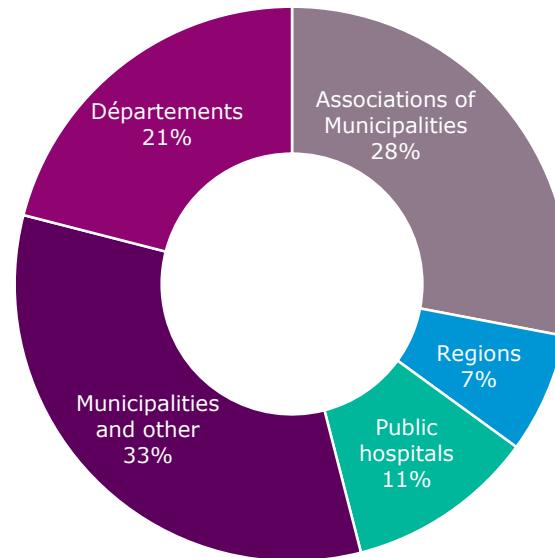
French local government funding sources 2016



(Source: Finance Active, March 2017)

Municipalities and associations of municipalities represent more than half of the 2016 lending activity

2016 Local public sector lending

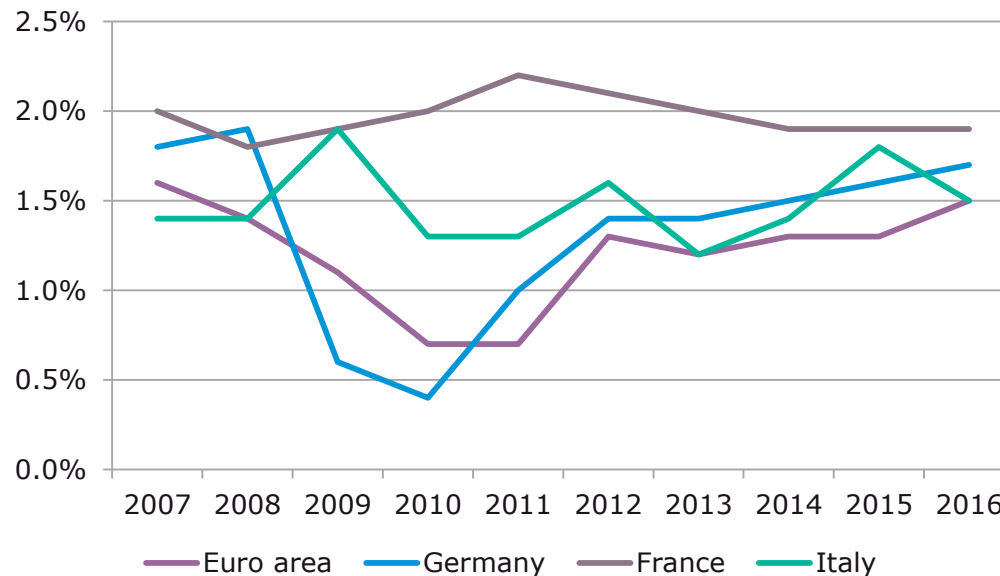


(La Banque Postale and SFIL local public sector lending 2016)

- **EUR 4 billion** in new loans to the local public sector
- Small decline compared to **EUR 5 billion in lending in 2015** reflecting reduced funding needs of the local public sector
- Local authorities represent close 90% of the 2016 lending activity with the municipality segment by far the largest sector

Level of gross savings continuously above European peers

Gross Savings amongst the highest in Europe



- French local government **gross savings** – current government revenues minus current expenditures (i.e. excluding investments) – have been **continuously above the levels of European peers**
- French local authorities generated a **budget surplus of EUR 3 billion of in 2016**
- **Territorial reform** in France creates bigger entities with an important potential for cost savings in the long run

(Source: Eurostat)

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. SFIL - NEW FRENCH AGENCY ISSUER

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

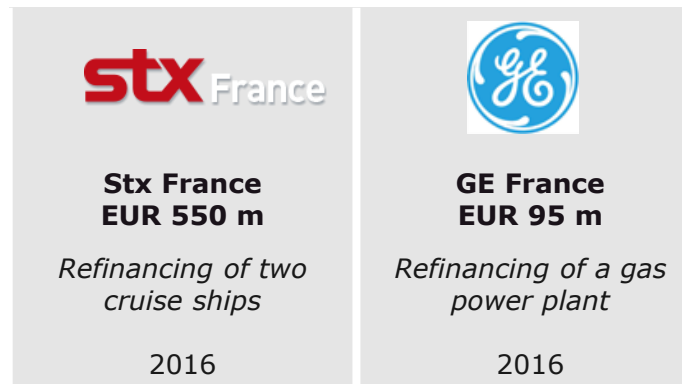
- The vast majority of OECD countries rely on a public set up for the refinancing of export loans
- SFIL acts as **public refinancing platform**, the export bank acts as agent and originator
- Mechanism is comparable to set ups in Sweden (SEK), Finland (FEC), Germany (KfW) and Italy (CDP)
- SFIL activity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



Refinancing volume of EUR 645 m in 2016, objective to refinance EUR 3 billion of loans in 2017

2016 export refinancing activity

- Framework agreements in place with 18 banks covering **95% of the market**
- Set up presented to **over 30 French exporters** during 2016
- Refinancing transactions for **a total volume of EUR 645 m**



- Close to 60 potential export transactions with a total contract volume of EUR 18 billion to materialize in the coming years identified at the end of 2016
- Objective for 2017: **refinancing volume of EUR 3 billion**, cruise ships as main sector with an expected share of 66%, followed by energy with 25% and infrastructure with 9%

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. SFIL - NEW FRENCH AGENCY ISSUER

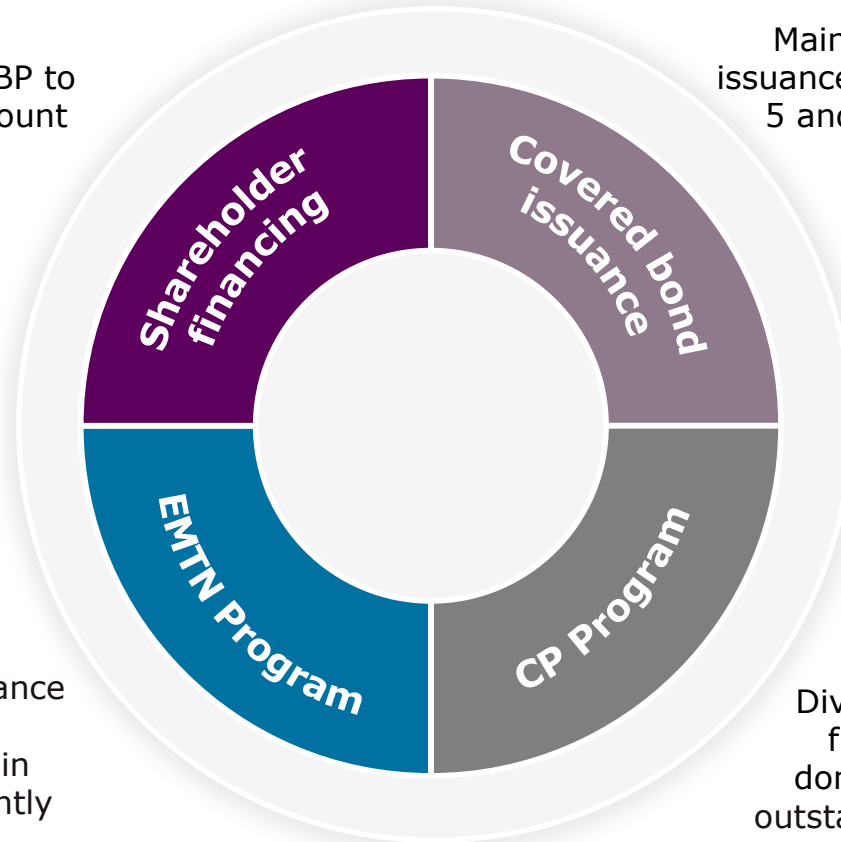
Four sources of liquidity for SFIL

Liquidity provided by shareholders CDC and LBP to SFIL for a maximum amount up to EUR 13.75 billion

February 2013

Main source of funding, yearly issuance via CAFFIL between EUR 5 and 7 billion, more than EUR 50 billion outstanding

July 2013



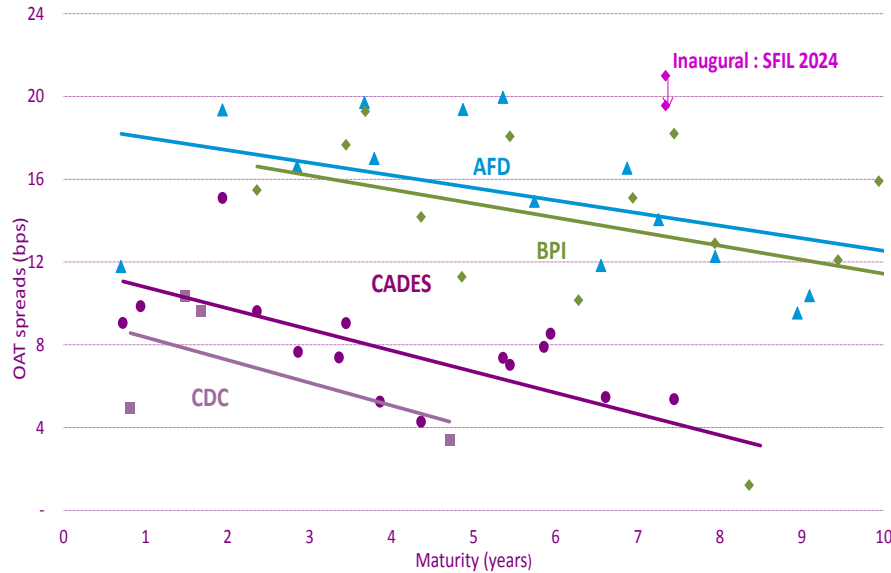
Regular benchmark issuance by SFIL, one or two benchmark transactions in 2017, outstanding currently EUR 1 billion

October 2016

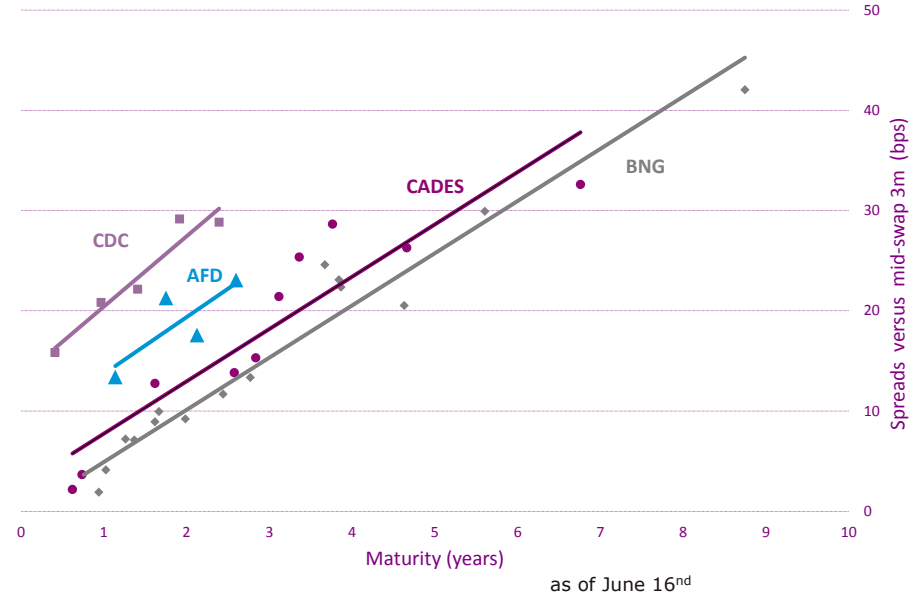
Diversification of short dated funding via issuance under domestic CP format, average outstanding around EUR 600 m

August 2015

Inaugural Euro benchmark in 2016



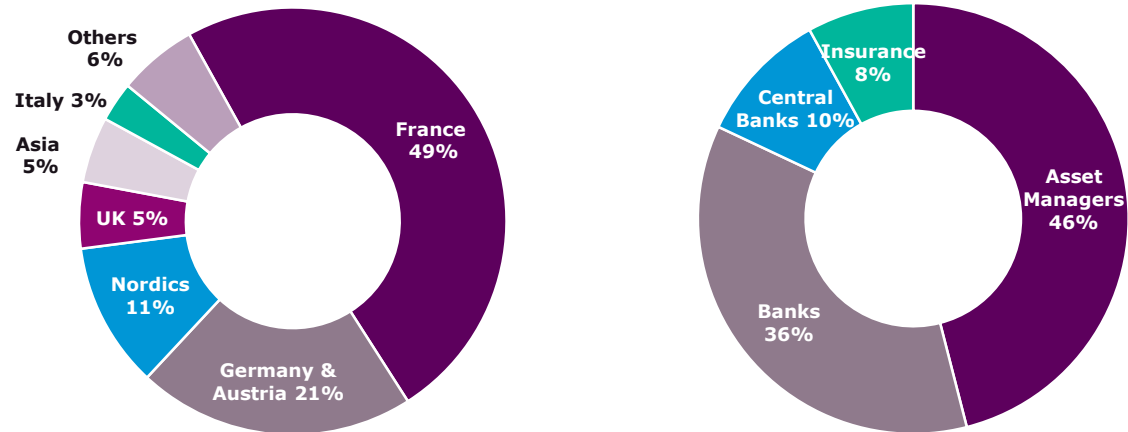
Comparables in the USD market



Credit Rating	Aa3/AA/AA-	NR/AA/AA	Aa2/NR/AA	Aa2/AA/AA	Aa2/NR/AA
LCR classification	Level 1	Level 1	Level 1	Level 1	Level 1
PSPP eligibility	Yes	Yes	Yes	Yes	Yes
Issue Risk Weight	20%	20%	0%	0%	20%

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
- Secondary levels : OAT +19bps / MS - 8bps (June 19th 2017)

SFIL issuance plan

- Regular benchmark issuer
- One or two transactions per year
- EUR and USD issuance
- Maturities between 3 and 10 years

<i>Information about the planned inaugural transaction in USD</i>	
<i>Issuer</i>	SFIL
<i>Status</i>	Senior Unsecured, RegS Bearer Dematerialised form
<i>Size</i>	USD Benchmark
<i>Maturity</i>	3 years
<i>Ratings (Moody's/S&P/Fitch)</i>	Aa3/AA/AA-
<i>Liquidity Coverage Ratio Treatment</i>	HQLA Level 1*
<i>Documentation</i>	Under the Issuer's EMTN programme
<i>Denominations</i>	USD 200k + 200k
<i>Law</i>	French Law
<i>Listing</i>	Euronext Paris
<i>Bookrunners</i>	BNP PARIBAS, HSBC, J.P. Morgan, Nomura and SG CIB

* Article 10.1.(e)(i), European Union LCR delegated Act, October 2014)

- 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; this mission reinforces **strategic role of SFIL 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 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

DISCLAIMER

This document comprises the written materials for an investors presentation in the context of an issue of securities (the Issue). The Issue may however never occur or its terms may be significantly amended.

This document does not constitute or form part of any offer or solicitation to purchase or subscribe for securities and should not be considered as a recommendation by SFIL and/or CAFFIL that any recipient of this document should subscribe for or purchase any securities. The distribution of this document may be restricted by law or regulation in certain countries. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This document is not for distribution, directly or indirectly, in or into the United States of America or to any "US Person" as defined in the U.S. Securities Act of 1933, as amended (the "Securities Act").

In addition, this document is being distributed to and is directed only at persons in member states of the European Economic Area ("EEA") who are "qualified investors" within the meaning of article 2(1)(e) of the Prospectus Directive (directive 2003/71/EC), as amended, to the extent implemented in the relevant member state ("Qualified Investors"). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors. SFIL and/or CAFFIL will rely upon the truth and accuracy of the foregoing representations and agreements.

Some information or opinions contained in this document (i) have been compiled or arrived at by SFIL and CAFFIL from sources believed to be reliable, but SFIL and CAFFIL do not make any representation as to their accuracy or completeness and (ii) are given at the date mentioned in the presentation and are subject to change without notice.

This document is not to be relied upon as such or used in substitution for the exercise of any independent judgment and each recipient must make its own investigation as to the opportunity of any investment in SFIL and/or CAFFIL.