



THE LEADING FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



Investor Presentation

January 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

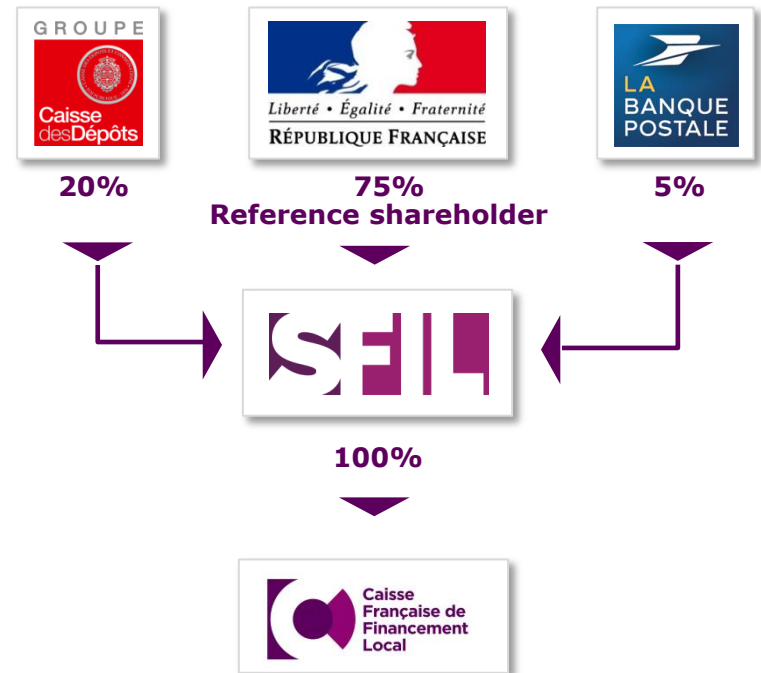
Second mission: provide financing for large export credits

- 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**

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

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

SFIL Group main balance sheet items

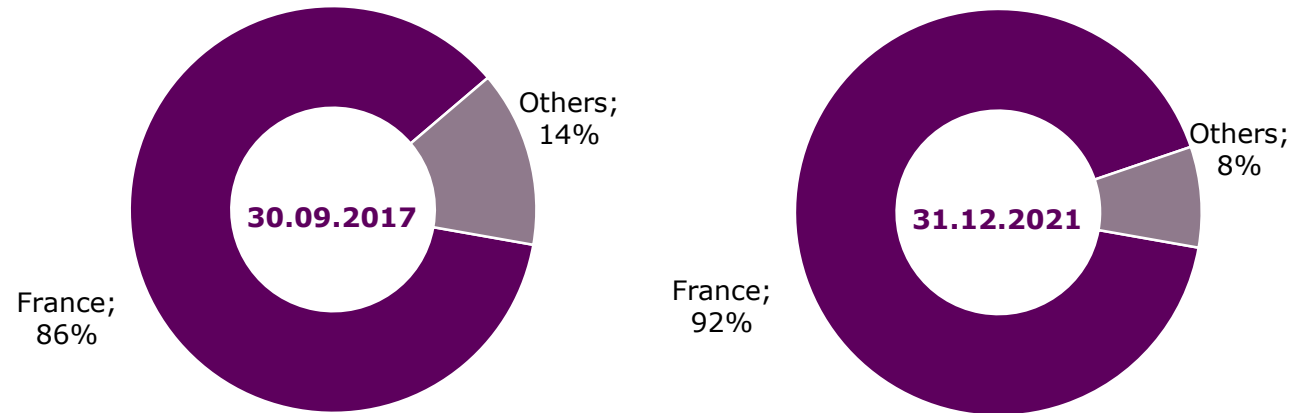
Consolidated main balance sheet items (including CAFFIL) June 30, 2017 - (EUR billion)

<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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A. CAFFIL - LEADING EUROPEAN PUBLIC SECTOR COVERED BOND ISSUER

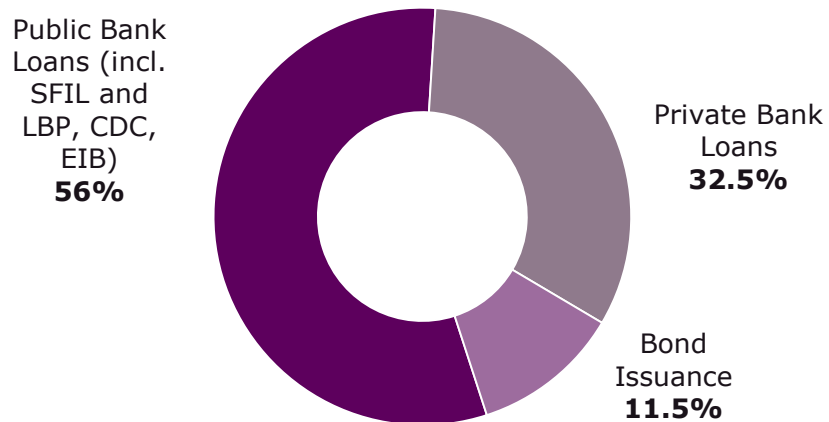
B. SFIL - NEW FRENCH AGENCY ISSUER

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

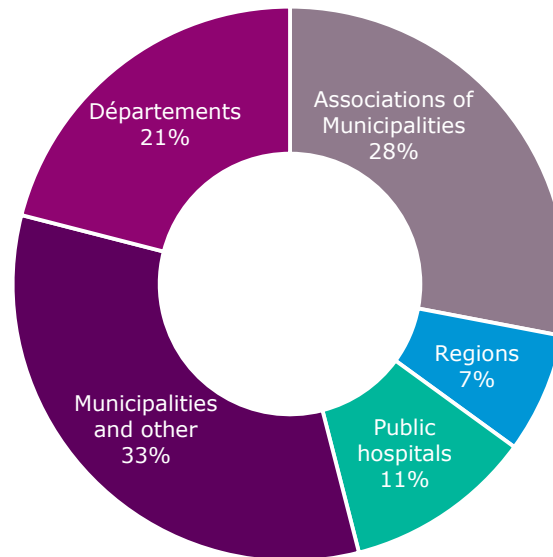
French local government funding sources 2016



(Source: Finance Active, March 2017)

Municipalities and associations of municipalities represent 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
- Local authorities represent close 90% of the 2016 lending activity with the municipality segment by far the largest sector

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Competitive export financing to support French exporters

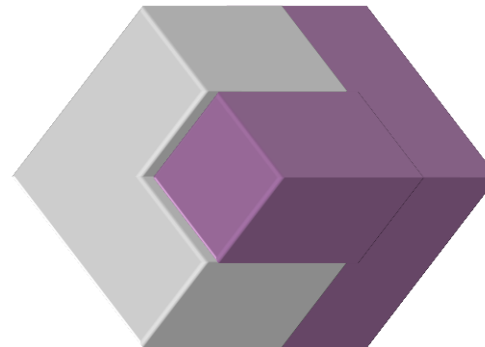
Exports sector a key priority for the French State to boost GDP growth

- 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** 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

 Stx France EUR 550 m <i>Refinancing of two cruise ships</i> 2016	 GE France EUR 95 m <i>Refinancing of a gas power plant</i> 2016	 Stx France EUR 2.4 billion <i>Refinancing of five cruise ships</i> 2017	 GE France EUR 125 m <i>Refinancing of electric sub-stations</i> 2017
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- Very **solid outlook for the export refinancing activity** for 2018 - currently, **73 potential transactions** with a **total contract volume of EUR 24 billion** are under negotiation

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3. APPENDIX

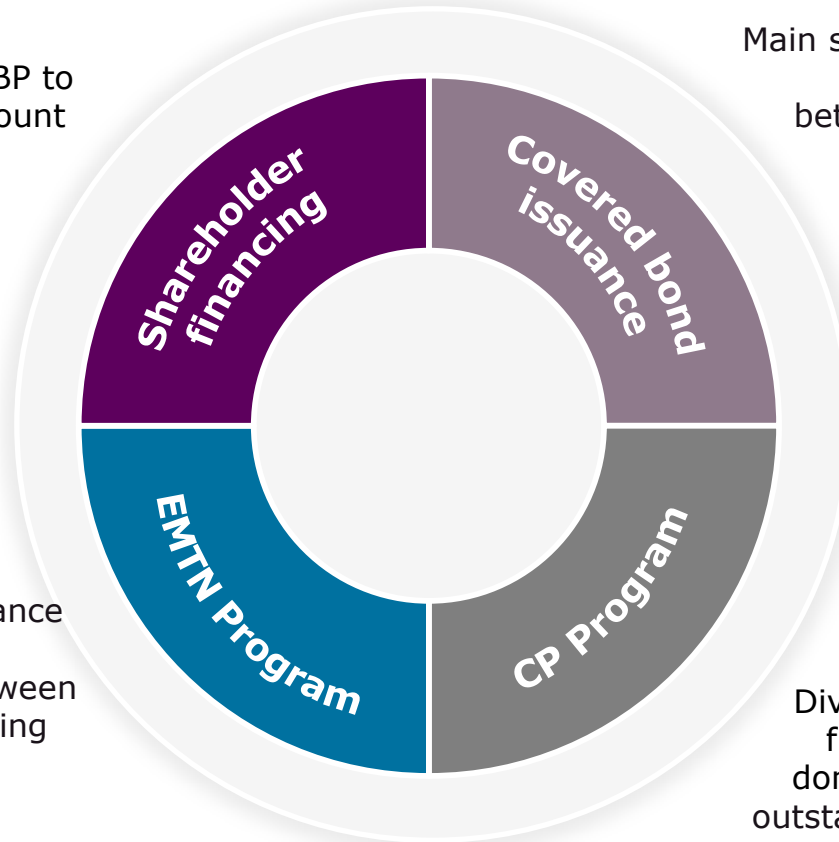
Four sources of liquidity for SFIL

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, 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 3 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

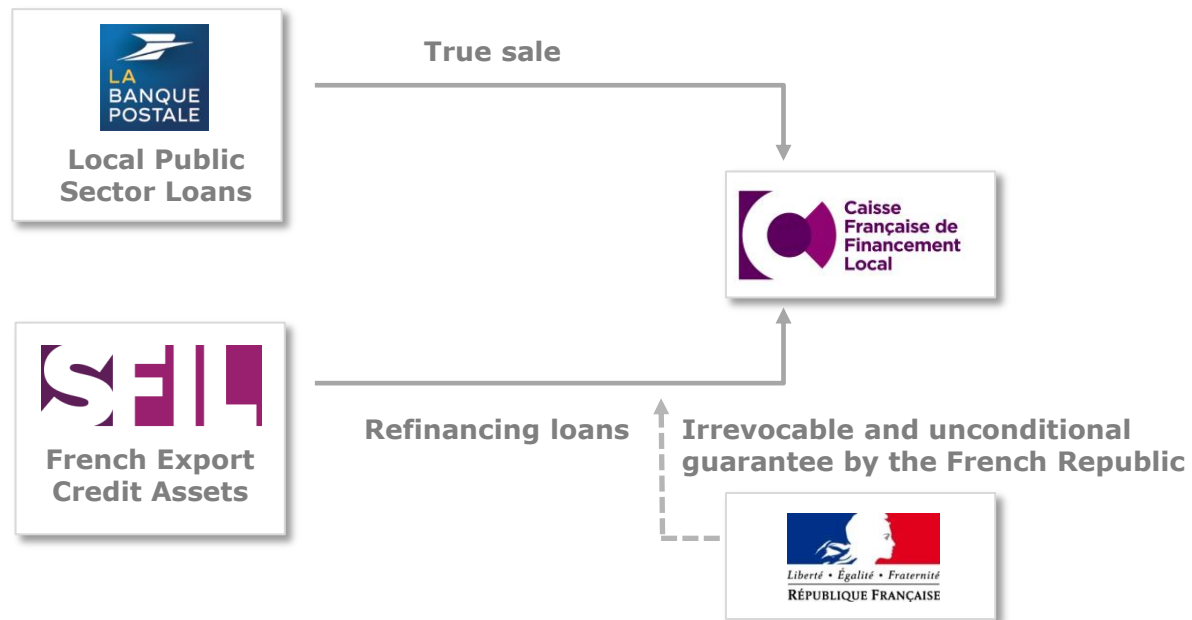
<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>
CAFFIL	Aaa	AA+	AA
SFIL	Aa3	AA	AA-

- 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

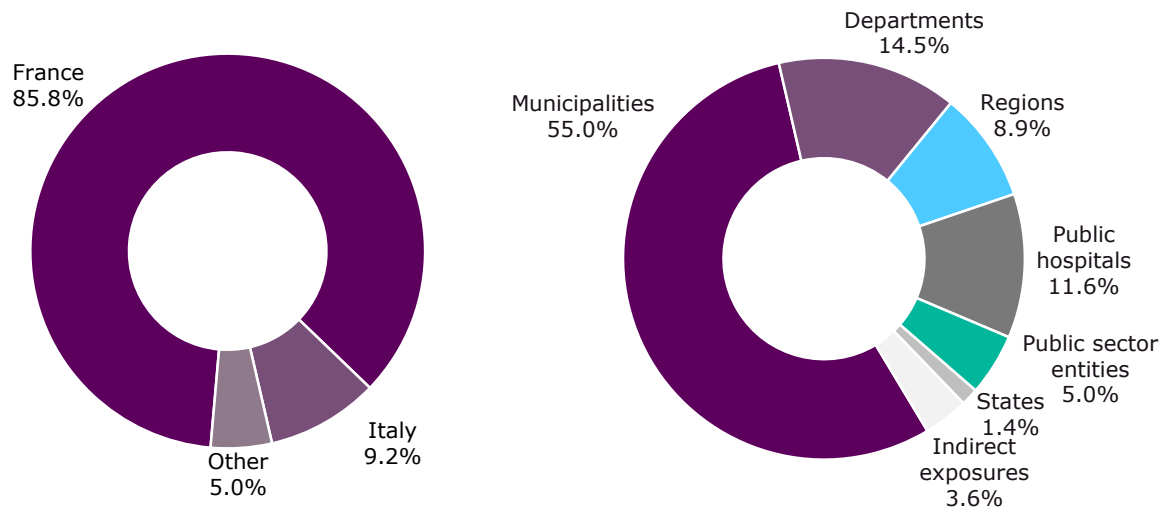
One single cover pool

- 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



- Over **85% 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
- Above EUR 25 billion raised since 2013 with 15 benchmark transactions
- Leading benchmark issuer in the long maturity segment, **60% of issuance since 2013 with a maturity above 10 years**
- Regular private placement activity under RCB and EMTN format



Regular issuance in both benchmark and private placement segment

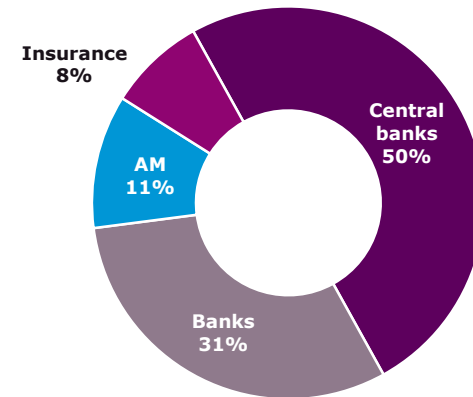
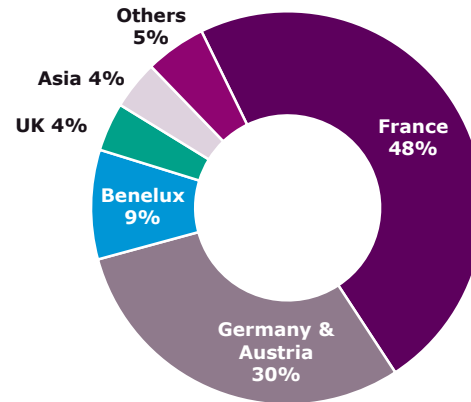
CAFFIL Funding Strategy



- **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

Strong start into 2017 with a EUR 1.5 billion 10 year benchmark

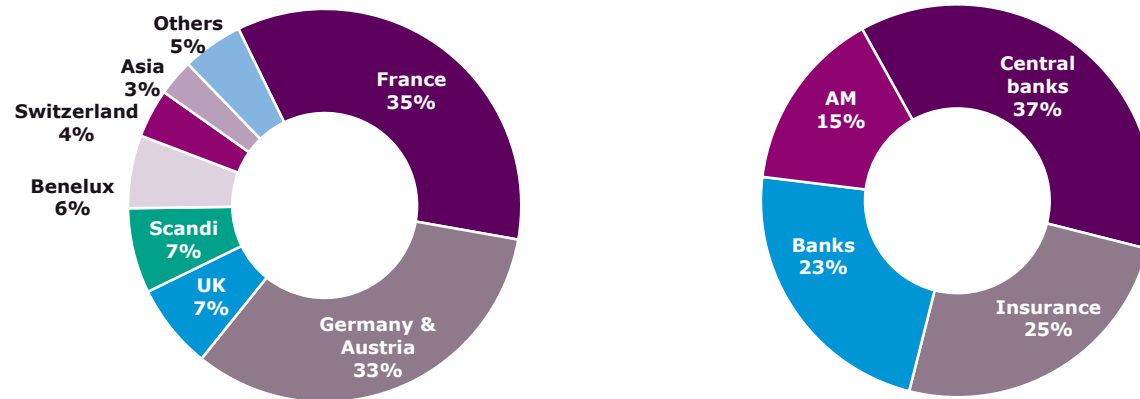
EUR 1.5 billion 10 year benchmark



- Successful **EUR 1.5 billion 10 year benchmark** launched on January 3rd - one of the first benchmark transactions of the year 2017
- Issued at a spread of 8 bp above 6-months mid- swaps and 1.5 bp above interpolated OATs
- Strong investor interest with an **over EUR 2 billion order book**

*Highly successful
dual tranche
transaction*

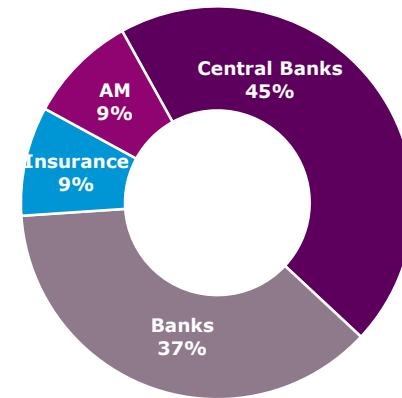
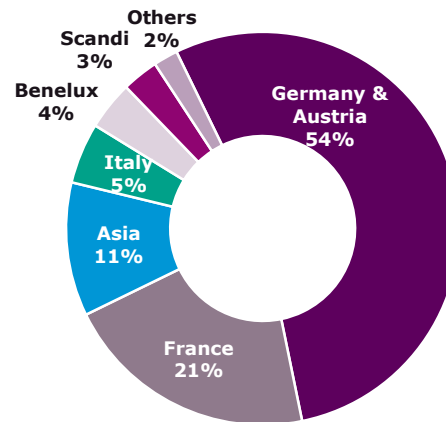
EUR 1.75 billion dual tranche transaction



- Very successful **EUR 1.75 billion dual tranche benchmark** (7 and 15 years) launched on May 3rd – the second public bond issue of 2017 and the largest offering since the creation of SFIL/CAFFIL
- 7-year maturity tranche with a benchmark size of EUR 1 billion issued at a spread of -5 bp below mid-swaps and 15 bp above interpolated OATs
- 15-year maturity tranche with a benchmark size of EUR 750m issued at a spread of 20 bp above mid-swaps and 14 bp above interpolated OATs
- Strong investor interest for both tranches with a **EUR 4 billion consolidated order book**

Great success for the third benchmark transaction

EUR 750 m 10 year transaction



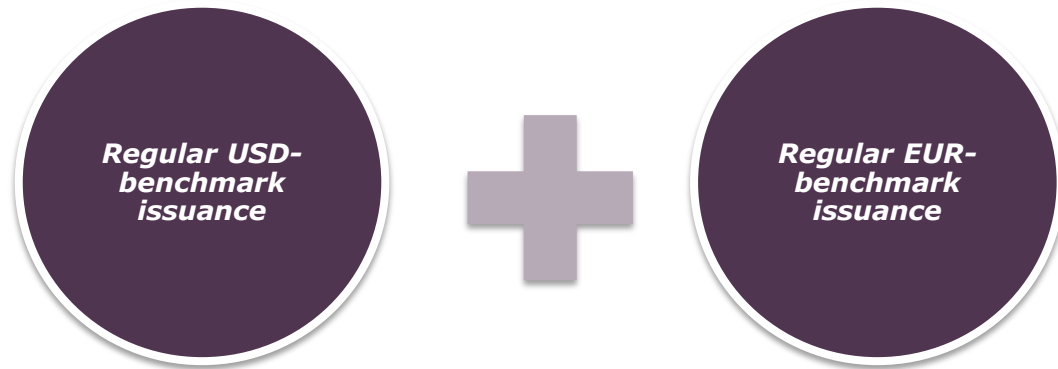
- Third and last benchmark transaction of the year with a volume of **EUR 750 m and a maturity of 10 years** launched on September 18th
- Issued at a spread of -2 bps against mid-swaps and 13 bps above the OAT of equivalent maturity
- Strong and well diversified order book reaching **nearly EUR 2 billion from 66 investors**

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Focus on a reference curve in EUR and USD

Regular benchmark issuance in EUR and USD

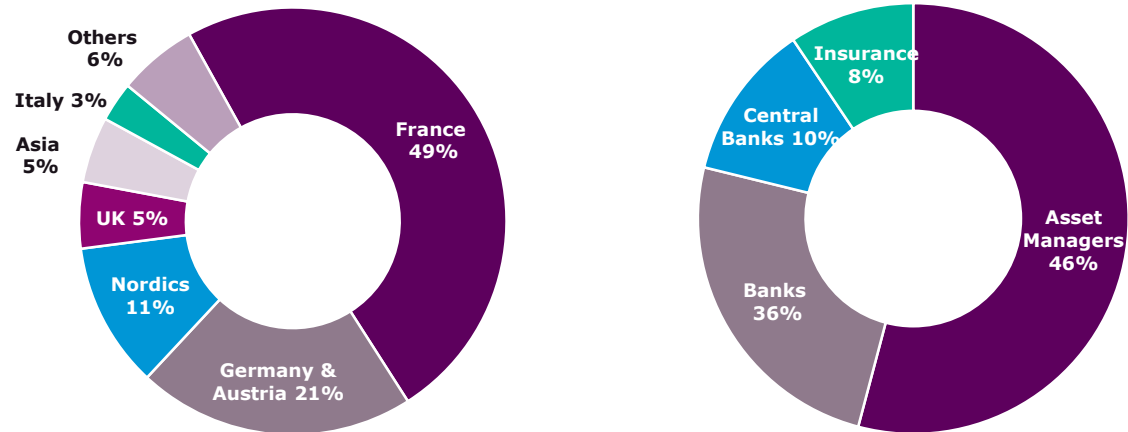
- Focus on **benchmark issuance in EUR and USD** to build a reference curve in both markets



- Very successful **EUR 1 billion inaugural benchmark transaction** in October 2016 with a maturity of 8 years
- Highly successful **inaugural USD benchmark** in June 2017 with a volume of USD 1 billion and a maturity of 3 years
- Total outstanding of **EUR 2.8 billion equivalent**
- **Two benchmark transactions planned for 2018** with focus on maturities between 3 and 10 years

Inaugural Euro benchmark in the French agency segment

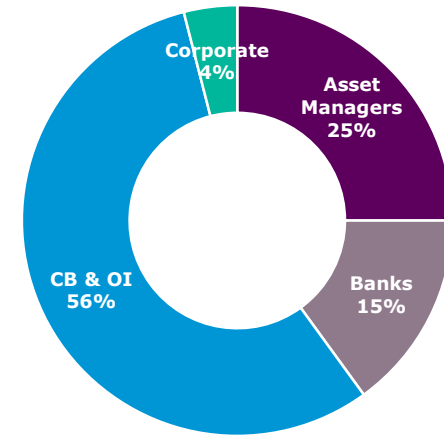
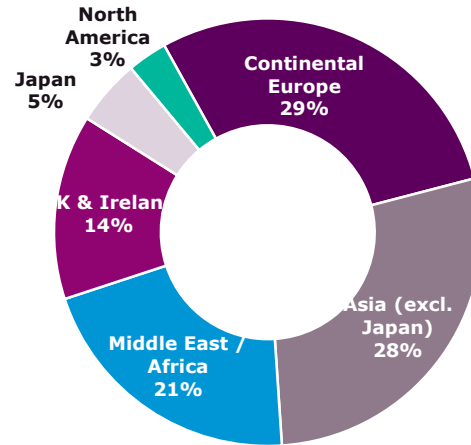
Highly successful Inaugural issue in October 2016



- 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

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

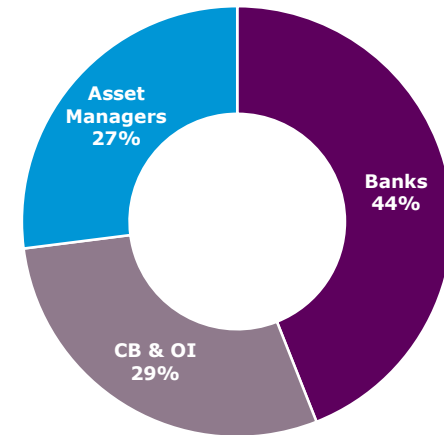
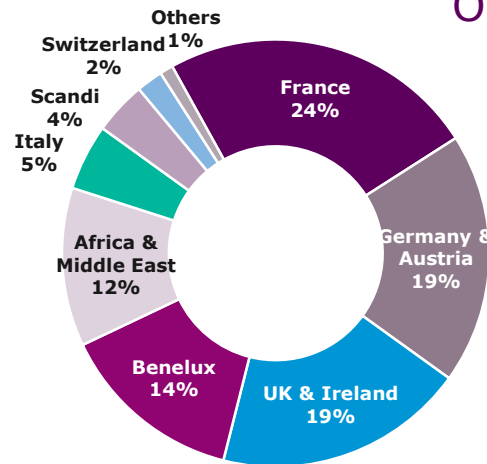
Great success of the inaugural USD transaction in June 2017



- 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

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

- 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**
- Covered bond issuance via CAFFIL as **leading European public sector covered bond issuer**
- 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

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