



THE LEADING FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



Healthcare Bond Presentation

February 2019

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EXECUTIVE SUMMARY

- SFIL Group is a **public development Bank** as defined by European Union regulations with two public policy missions:
 - provide long dated funding to **the French local public sector**
 - refinance **large export loans guaranteed by the French State**
- 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**
- The planned transfer in control from the State to CDC will **not impact the degree of commitment of the State and CDC** to protect the economic basis and financial viability of SFIL
- With total **issuance of EUR 7 billion in 2018** SFIL Group is the **second French public sector issuer** after the French Republic
- SFIL Group finances large share of **public green and social investments** in areas like **public hospitals, local public transport and water and waste management** in France
- French public hospitals have the mission to provide **public health services for the whole population** regardless of the income, social or financial status and to reduce **social inequalities, gender inequality and regional inequalities**
- This inaugural Healthcare Bond is **at the heart of SFIL's public development bank mission** with a focus on financing French public hospitals

AGENDA

1. A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

- 2. A SUSTAINABLE BUSINESS MODEL
- 3. GROUP FUNDING STRATEGY
- 4. ISSUANCE OF HEALTHCARE BONDS
- 5. APPENDIX

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR

- SFIL was set up in 2013 by the State to ensure a **stable access to long dated funding** for the French local public sector
- Loans to the local public sector are provided in **partnership with La Banque Postale**
- Since 2015, SFIL is the **leading loan provider** to the French local public sector with a **market share between 20% and 25%**
- **EUR 24 billion new local public sector loans** have been provided since 2013 with **maturities between 10 and 30 years**



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS LEADING LIQUIDITY PROVIDER FOR FRENCH EXPORT LOANS

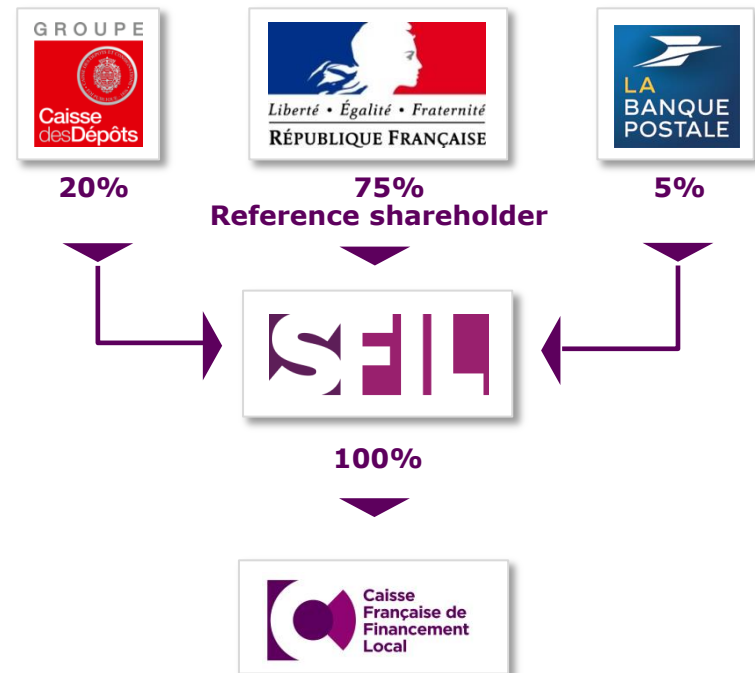
- The refinancing of **large French export contracts** was entrusted to SFIL as second public policy mission in 2015 by the State with the authorization of the European Commission
- SFIL acts as pure **public refinancing platform with no direct origination activity** in partnership with commercial banks
- The activity is limited to **large export loans guaranteed by the French Republic** – SFIL does not refinance any private sector exposures
- With over **EUR 7 billion** of loans refinanced since June 2016 SFIL is the leading liquidity provider (45% market share) for the re-financing of export loans with a public guarantee



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

PUBLIC OWNERSHIP AND CLOSE LINKS TO THE STATE

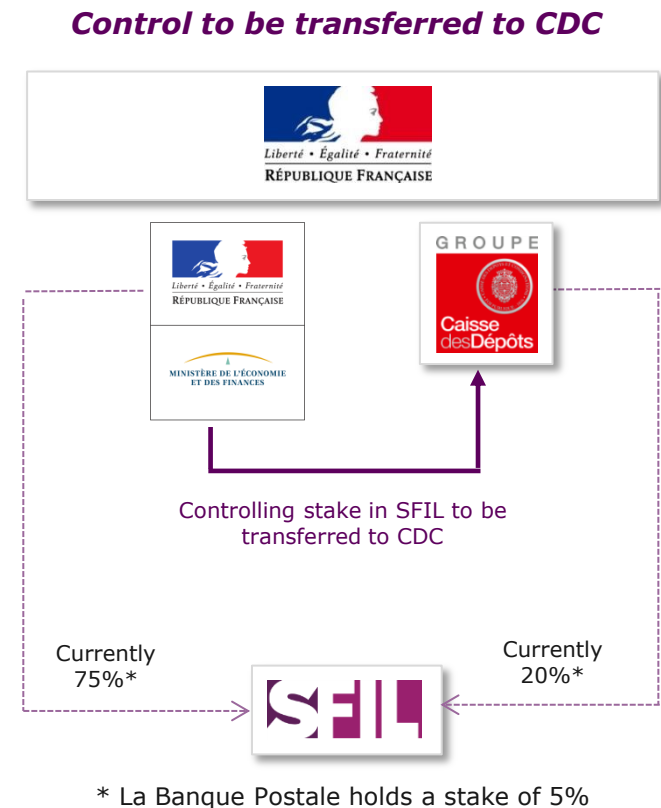
- 100% publicly owned, fully regulated financial institution supervised by the ECB and 7th French credit institution by assets
- Debt issued by SFIL **classified as LCR Level 1** under Article 10.1.(e)(i) LCR delegated Act:
*"The issuer is ... incorporated or established by the central government of a Member State ... [that is] **under the legal obligation to protect** [its] ... **economic basis and maintain its financial viability throughout its life-time...**"*
- Bonds issued by SFIL are eligible for **asset purchases under PSPP**, CAFFIL covered bonds are eligible for **CBPP3 purchases** and CAFFIL benchmark issuance is classified as **LCR level 1**
- On 15th November 2018 the French Republic and CDC announced the initiation of talks aimed at **transferring the controlling stake in SFIL to CDC** – the transfer will not impact the **degree of commitment of the State and CDC** to protect the economic basis and financial viability of SFIL



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

PLANNED TRANSFER OF CONTROL TO CDC

- In August 2018, the State announced plans to create a **major public financial unit** around CDC at the service of local authorities, companies and citizens across the French territory
- On November 15th, the French Government and CDC announced the initiation of talks **to transfer control of SFIL to CDC**, the aim is for SFIL to join the new public financial unit built around CDC
- **State and CDC are committed** that, as a result of this operation, SFIL's ownership will remain entirely public and its **public development bank status** will be maintained, and that SFIL's economic basis and financial strength will be preserved
- Its shareholders will continue to provide the **necessary support to SFIL**, in line with applicable regulations



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

STRONG CREDIT RATINGS

- 100% public ownership and commitment by its shareholders to ensure that the economic basis of SFIL is protected and the financial strength preserved
- Strategic importance based on the central role for the financing of **two key segments** of the French economy
- There is an additional rating **pick-up for covered bonds issued by CAFFIL** based on the over-collateralization and the covered bond legal framework

<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>DBRS</i>
<i>French Republic</i>	Aa2*	AA	AAA

<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>DBRS</i>
<i>SFIL – Long Term</i>	Aa3*	AA	AA (high)
<i>SFIL – Short Term</i>	P-1	A-1+	R-1 (high)
<i>CAFFIL – Long Term</i>	Aaa	AA+	AAA

* Positive outlook

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

EUROPEAN PEERS

- Similar set ups exist across Europe, most are members of the **European Association of Public Banks (EAPB)** directly representing **financial institutions** with total assets of **EUR 800 billion and 10 000 employees**
- Most of the larger institutions are **green or social bond** issuers, in 2017 eight EAPB members issued green and social transactions with a **total volume above EUR 7 billion**
- SFIL holds the **presidency of the EAPB** since 2016



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

SIMPLE AND STRAIGHTFORWARD BALANCE SHEET

- Simple balance sheet, activity **limited to the refinancing of public sector assets**
- SFIL capital levels **very significantly above 2018 SREP requirements** of CET1 ratio of 7.125%, Tier 1 Capital Ratio of 8.625% and Total Capital Ratio of 10.625%
- Long term refinancing mainly via **issuance of covered bonds**, additional liquidity is raised **via issuance by SFIL** and via credit facilities provided by shareholders
- **Moderate profitability** (ROE of 4.3%) in line with role as public development bank

Consolidated main balance sheet items (including CAFFIL) June 30th, 2018 - (EUR billion)

<i>Total assets</i>	<i>73.9</i>	<i>Total liabilities</i>	<i>73.9</i>
<i>Loans and securities</i>	<i>56.1</i>	<i>Covered bonds</i>	<i>51.2</i>
<i>Cash assets</i>	<i>3.0</i>	<i>SFIL bond issuance</i>	<i>4.9</i>
<i>Cash collateral paid</i>	<i>2.2</i>	<i>Shareholder refinancing</i>	<i>2.0</i>
		<i>Commercial paper</i>	<i>0.7</i>
		<i>Equity</i>	<i>1.5</i>
		<i>Cash collateral received</i>	<i>1.2</i>
<i>CET1 ratio: 22.2% (Basel III 'fully loaded')</i>			

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2. A SUSTAINABLE BUSINESS MODEL

3. GROUP FUNDING STRATEGY

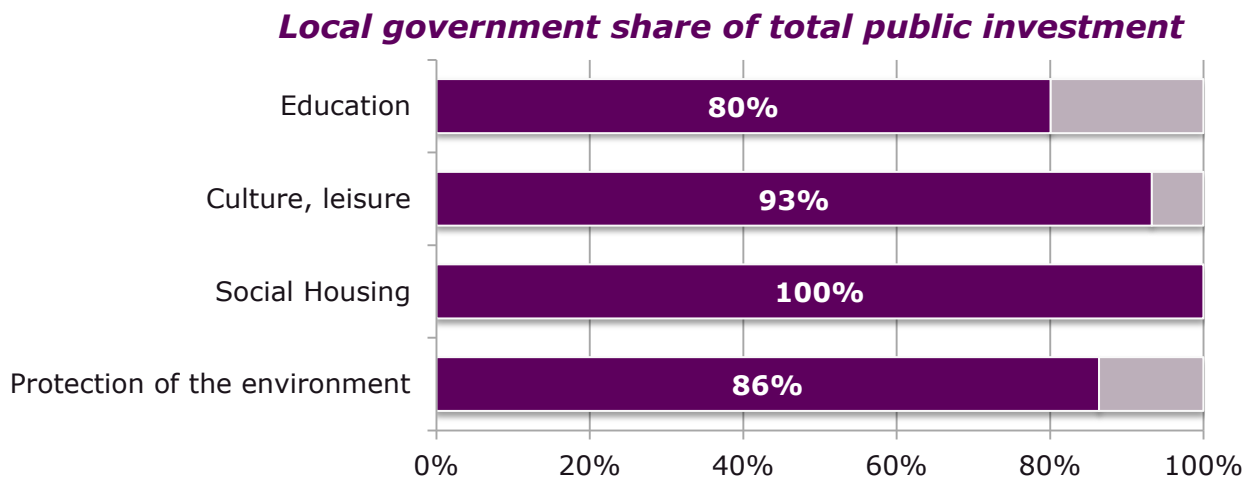
4. ISSUANCE OF HEALTHCARE BONDS

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A SUSTAINABLE BUSINESS MODEL

FOCUS ON FINANCING SOCIAL INFRASTRUCTURE (1/2)

- Local government in France plays a key role for public investments in **social infrastructure** and **environmental protection**, in many key areas local government accounts for well over 80% of total public investments



- In September 2017, the French government has announced a **EUR 57 billion public investment plan** with a focus on ecological transition, innovation, learning society and the digital State - local government is **expected to play a key role**

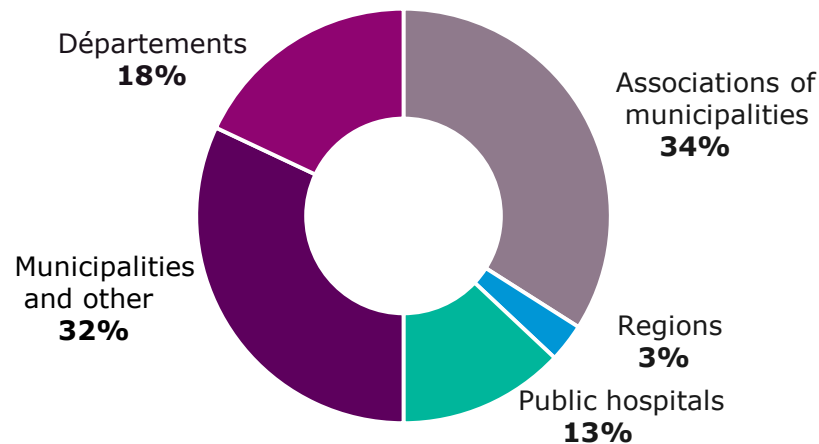
* Source: Observatoire des finances et de la gestion publique locales, March 2018

A SUSTAINABLE BUSINESS MODEL

FOCUS ON FINANCING SOCIAL INFRASTRUCTURE (2/2)

- SFIL Group is the first local public sector lender with **EUR 3.4 billion** new loans in 2017, **2018 lending of EUR 3.7 billion** and a market share between **20% and 25%** since 2014
- Focus on long maturities between **10 and 30 years** under amortizing format
- **Public hospitals with 13%** represent a significant part of the activity, SFIL has credit exposures to over 1000 public hospitals in France
- In 2018, 66% of new loans to public hospitals had a maturity above 15 years vs. 37% in 2013
- **Small minimum loan size** for public hospitals – in 2018 the smallest loan had a volume of 34k vs. EUR 50m for largest public hospital loan

2018 Local public sector lending



(La Banque Postale and SFIL local public sector lending 2018)

A SUSTAINABLE BUSINESS MODEL

EXPORT FINANCING ACTIVITY UNDER A STRICT FRAMEWORK

- The French export credit public system is **compliant with OECD environmental and social guidelines**
- In this context, a **social and environmental impact analysis** is performed by BPI France Assurance Export and made publicly available for all sensitive projects
- This impact analysis aims at make sure the project is in line with the host country regulation and with the **international relevant standards** such as those of developed by the World bank or the IFC
- Energy projects based on **coal energy are excluded** from the French public export guarantee mechanism



A SUSTAINABLE BUSINESS MODEL

COMMITMENT TO DIVERSITY

- SFIL is **strongly committed to diversity** with a large number of measures in place at the company level:
 - The 'Allodiscrim' mechanism to **prevent discrimination, inequality and harassment** by offering free and anonymous advice to employees
 - Partnership with the non-profit organizations such as 'Club Etre' and 'HANDECO PAS-à-PAS' to facilitate the **integration of disabled people** into the company
 - A partnership agreement with CABAT - the center for assistance to injured army members - aims to help **injured soldiers** to reintegrate into civilian professional life
 - SFIL supports **Collège de France, Institut Télémaque** and the project '**l'Envol**' of La Banque Postale, all supporting the education of talented young people coming from a **modest social background**



COLLÈGE
DE FRANCE
— 1530 —



Institut
Télémaque



- 29% of positions with management responsibilities are held by female employees (as of December 31st 2017)
- Human resources has fixed **clear objectives with respect to gender equality including remuneration** over the next five years

A SUSTAINABLE BUSINESS MODEL

ROLE OF THE SUSTAINABLE DEVELOPMENT COMMITTEE

- SFIL is committed to **expanding its environmental policy and to reducing its CO2 emissions** and overall ecological impact
- The **Sustainable Development Committee** plays a key role in these efforts with a number of measures taken over recent years
 - SFIL headquarter has moved to a **High Environmental Quality** certified building
 - A **100% renewable energy contract** was put in place in 2016 to cover electricity consumption on both work sites of the company
 - A recycling program for **plastic bottles, aluminum cans, coffee capsules, and paper and plastic cups** is in place – in addition, **toner cartridges and used batteries** continue to be fully recycled
 - A paperless policy has been put into place for a growing number of committees



- SFIL is committed to reducing CO2 emission linked to transportation and **reimburses 70% of the cost of public transport passes** to employees
- In addition, **electric bicycles and charging stations for electric cars** are available free of charge since 2015

A SUSTAINABLE BUSINESS MODEL

CORPORATE RESPONSIBILITY RATINGS AND OUTLOOK

- The business activity of SFIL is **strictly limited to the financing of French local public sector investments and large French export contracts** under a strict framework
- Covered bonds issued by CAFFIL have been rated '**Prime**' by Oekom
- A '**Positive BBB**' rating for covered bonds issued by CAFFIL has been awarded by IMUG
- CAFFIL has been awarded an **ESG rating of AA by MSCI**
- Looking ahead, SFIL group intends to measure its **CO2 emissions** and works on additional measures to reduce the ecological footprint
- Discussions are ongoing, to **provide specific loans for green projects** by French local authorities
- Regular **Issuance of social and green bonds** (planned for 2019) will become integral part of the funding program



A SUSTAINABLE BUSINESS MODEL

RATIONALE FOR SFIL GROUP TO ISSUE SOCIAL BONDS

- SFIL is amongst the signatories of the **United Nations Global Compact**
- The activity of financing French local public sector investments contributes to the achievement of the **United Nations Sustainable Development Goals** (SDG), notably:
 - SDG 3 - Ensure healthy lives and promote wellbeing for all at all ages
 - SDG 4 - Ensure inclusive and quality education for all and promote lifelong learning
 - SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
 - SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable
- SFIL Group is developing its funding strategy to better reflects this ambition. Social Bonds are to become a **substantial part of its toolbox** for funding sustainable investments
- SFIL Group is convinced that Social Bonds are an effective tool to channel investments towards assets that have **social benefits and to provide transparency to investors**



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GROUP FUNDING STRATEGY

FOUR SOURCES OF LIQUIDITY

- Issuance of **covered bonds** represents the main source of funding
- Covered bond funding is complemented by **regular benchmark issuance by SFIL** in the agency market, short dated funding is raised by SFIL via a domestic CP Program
- **Credit facilities** are provided by the shareholders CDC and La Banque Postale

SFIL Benchmark issuance

Planned 2019 benchmark issuance between 2 and 3 billion

Outstanding currently close to EUR 5 billion equivalent

CAFFIL Covered bond issuance

Planned yearly issuance via CAFFIL between EUR 4 and 6 billion

Currently EUR 50 billion outstanding

Domestic CP Program

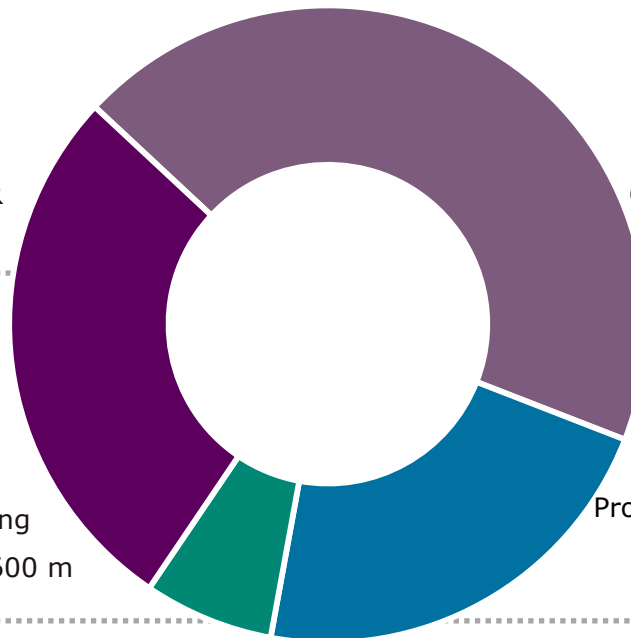
Diversification of short dated funding

Average outstanding around EUR 600 m

Credit facilities

Provided by shareholders CDC and LBP

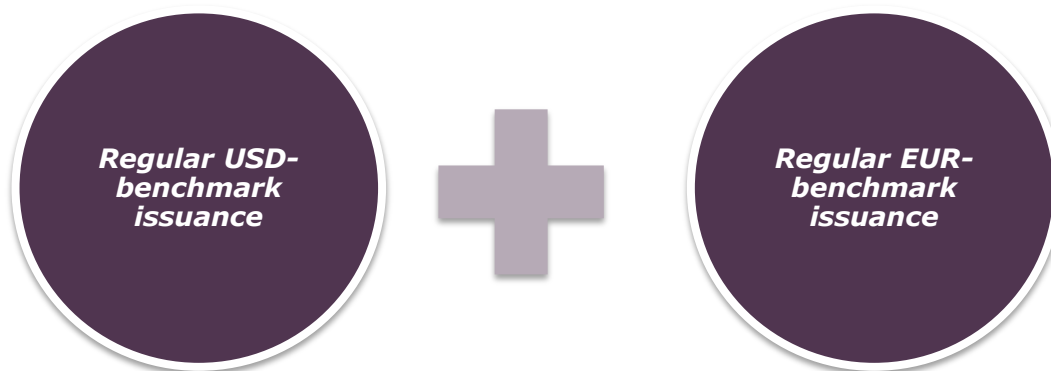
EUR 2 billion outstanding as of June 30th 2018



GROUP FUNDING STRATEGY

REGULAR BENCHMARK ISSUANCE BY SFIL

- Focus on **benchmark issuance in EUR and USD** to build a reference curve in both markets
- Diversified investor base with **163 investors**

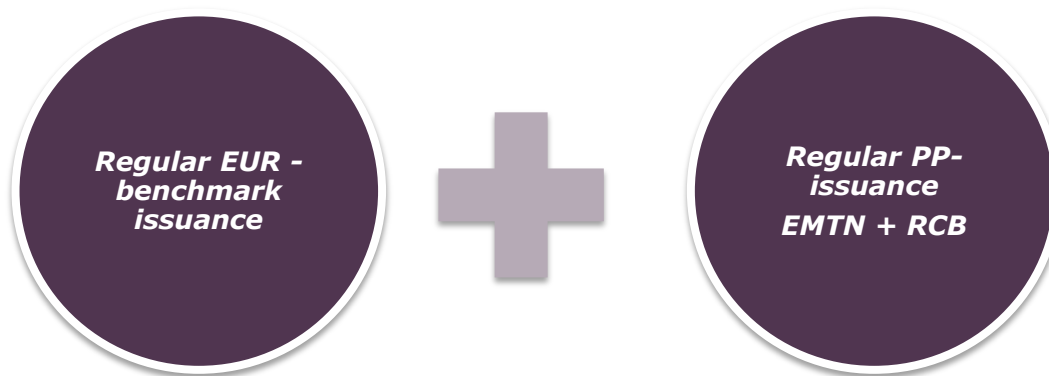


- **Five benchmark transactions** launched since 2016 leading to a total outstanding of **EUR 4.9 billion equivalent**
- Reference curve in Euro made of **three benchmark transactions**
- **Two to three benchmark transactions planned for 2019** with focus on maturities between 3 and 10 years

GROUP FUNDING STRATEGY

LEADING COVERED BOND ISSUER

- Annual expected issuance **between EUR 4 and 6 billion**, EUR 50 billion outstanding public sector covered bonds
- Cover pool limited to **public sector assets**
- Issuance under **hard bullet format, CRR and UCITS compliant, LCR level 1, CBPP 3 eligible, 10% risk weighting** (standardized approach)
- Over **EUR 31 billion raised since 2013 with 19 benchmark transactions**
- Leading benchmark issuer in the long maturity segment, **60% of issuance with a maturity above 10 years**
- Very strong investor base with participation of **487 different investors** since 2013



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ISSUANCE OF HEALTHCARE BONDS

FRENCH PUBLIC HOSPITALS - PUBLIC POLICY MISSION (1/2)

- The role and responsibility of French public hospitals is defined under the **French public health act** ('Code de la Santé Publique'):
 - Provision of **public health services for the whole population** regardless of the income, social or financial status, at any time, and for all medical and surgical specialties, all diagnostic and therapeutic possibilities, including rare diseases or extremely expensive, complex and long-term treatments (art. L1110-1)
 - **Research** to continually improve care and develop new treatments (art. L6111-1)
 - **Training** of doctors, midwives, pharmacists, dentists, nurses (art. L6111-1)



ISSUANCE OF HEALTHCARE BONDS

FRENCH PUBLIC HOSPITALS - PUBLIC POLICY MISSION (2/2)

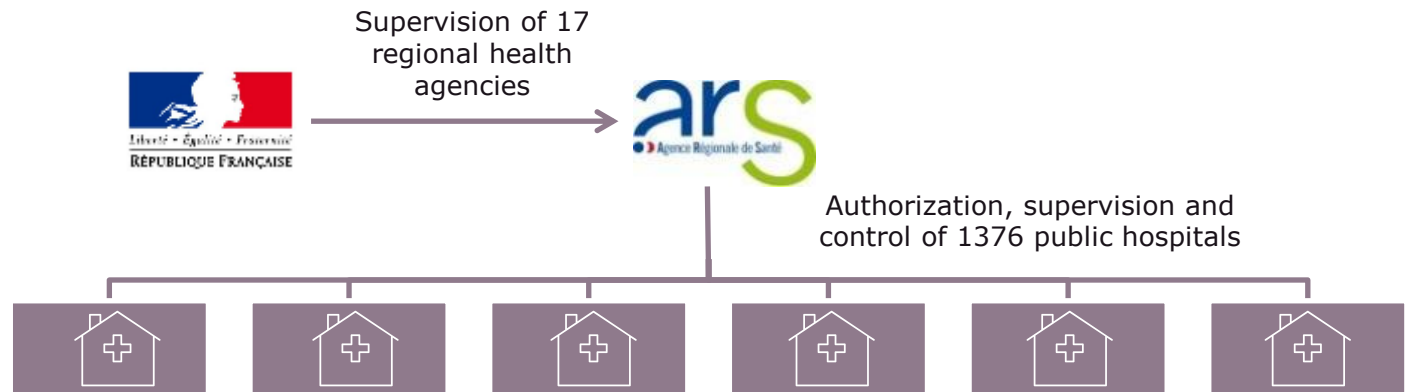
- French law specifically requires public hospitals to provide support to vulnerable populations:
 - Reducing **social inequalities, gender inequality and regional inequalities** is defined as key objective (art. L1411-1) - healthcare services are available across the country including **the most isolated areas** (art. L6112-2)
 - Medical treatment is available **to each and every person**, including people in a situation of hardship (the elderly, poor, homeless), services are free of charge in the **absence of health insurance** cover, any kind of discrimination is prohibited (art. L1110-3)
 - **No advances in cash** are required for treatment by public hospitals, **administrative help** is made available ensure full access to public services (art. L6111-1-1)



ISSUANCE OF HEALTHCARE BONDS

FRENCH PUBLIC HOSPITALS – ORGANIZATIONAL SETUP

- France counts a little more than **3000 hospitals in total** – close to **1400 of these hospitals are public hospitals** (“établissements publics de santé”)*
- Public hospitals are set up **under public law with financial and administrative autonomy** under the **control of the State**
- The **regional health agencies** (Agences Régionales de Santé - ARS) are in charge of developing the healthcare system in each region with responsibilities including:
 - Authorization of the **creation and of the activity** of all hospitals in the region
 - Regular **controls of the operations** of all healthcare establishments
 - Ensuring that adequate health services are available **across the territory the region**
 - Ensuring the access to **medical services for people in situation of hardship**

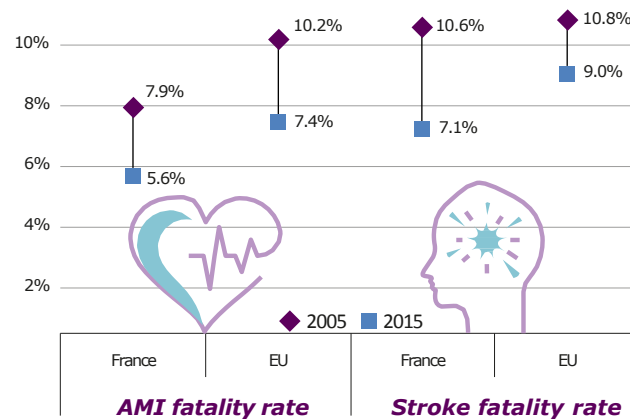


*SFIL has a lending relationship with 1031 public hospitals in France

ISSUANCE OF HEALTHCARE BONDS

FRENCH HEALTHCARE SECTOR IN A EUROPEAN COMPARISON (1/2)

- The effectiveness of the French public hospital system **compares favorably to European peers** based on standard indicators and have **improved over recent years**



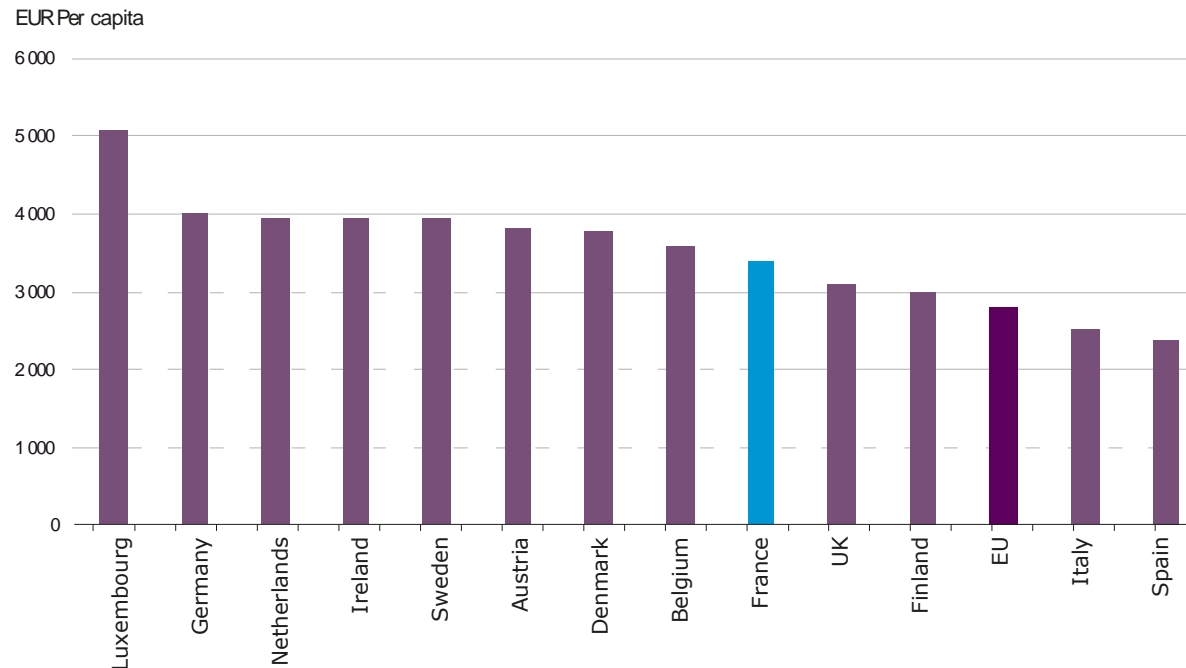
- The French social health insurance provides quasi universal coverage, with 99.9% of the population covered in 2015 - **only 1.2% of the French population** reported some unmet needs for medical care for financial reasons, geographic reasons or waiting times, much lower than the **EU average of 3.2%**

(Source: European Commission, OECD, European Observatory on Health Systems and Policies Country)

ISSUANCE OF HEALTHCARE BONDS

FRENCH HEALTHCARE SECTOR IN A EUROPEAN COMPARISON (2/2)

- France **ranked ninth among EU countries** with EUR 3342 health expenditure per capita in 2015 per capita – slightly **above the EU average**
- The **out-of-pocket payments** paid directly by patients account for only 7% of total health expenditure, the **lowest share across the EU** and well below the EU average (15%)



All figures in EUR purchasing power parity
(Source: Country Health Profile 2017, OECD and European Observatory on Health Systems and Policies)

ISSUANCE OF HEALTHCARE BONDS

SFIL GROUP SOCIAL NOTE FRAMEWORK

- Healthcare bonds as defined in SFIL Group's Social Note Framework, may be Covered Bonds issued by CAFFIL or Bonds issued by SFIL
 - Social Covered Bonds issued by CAFFIL** will be used to refinance or finance the Eligible Health Loan Portfolio as defined in the Use of Proceeds. All loans to the public healthcare sector are held on the balance sheet of CAFFIL
 - Social Bonds issued by SFIL** are direct, unconditional, unsecured and unsubordinated obligations of SFIL. Net proceeds of Social Notes issued by SFIL will be used to refinance or finance the Eligible Health Loan Portfolio as defined in the Use of Proceeds by providing funding to CAFFIL
- SFIL's Social Note Framework is in line with the ICMA Social Bond Principles 2018 and its four core pillars:
 - 1. Use of proceeds**
 - 2. Process for Project Evaluation and Selection**
 - 3. Management of Proceeds**
 - 4. Reporting**



ISSUANCE OF HEALTHCARE BONDS

USE OF PROCEEDS

- SFIL Group Social Notes will be used to finance and/or refinance, in whole or in part the **Health Loan Portfolio**
- The “Health Loan Portfolio” consists of **all public hospital loans** financed by SFIL Group since 2013, in accordance with the French public hospital policy as defined by the French Law in the “Code de la Santé Publique” and contributing to the public hospital sector responsibilities, including:

Provision of public health services for the whole population

regardless of the income, social or financial status, at any time, and for all medical and surgical specialties, all diagnostic and therapeutic possibilities, including rare diseases or extremely expensive, complex and long-term treatments.

Research to continually improve care and develop new treatments

Training of doctors, midwives, pharmacists, dentists, healthcare executives, nurses, etc.

ISSUANCE OF HEALTHCARE BONDS

PROCESS FOR PROJECT EVALUATION AND SELECTION

- All public hospital loans refinanced by SFIL Group go through a two step process to direct financing to where it provides high additional value and to avoid financing overcapacities:



Investment plans of public hospitals are **coordinated by the Regional Health Agencies** ensuring that investments are in line with overall public healthcare objectives:

- Obligatory review and validation of the **hospital's yearly budget** (Etat des Prévisions des Recettes et des Dépenses - EPRD) by the Regional Health Agency
- Obligatory review and validation of the hospital's **long term financing plan** (Plan Global de Financement Pluriannuel - PGFP)



Before a public hospital loan is approved for transfer to CAFFIL, the Credit Risk department performs a **two-step credit analysis**:

1. financial analysis of the public hospital
2. The extra-financial analysis of the public hospital by the Credit Risk department in order to assess the **Healthcare Added Value** ("HAV") of a public hospital (see following slide).

All significant loan applications are decided on the basis of this analysis by the **credit committee chaired by the CEO or Deputy CEO**

ISSUANCE OF HEALTHCARE BONDS

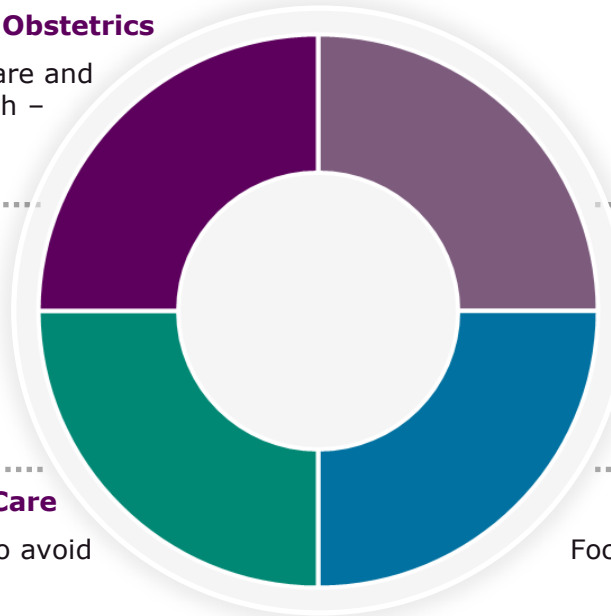
HEALTHCARE ADDED VALUE ANALYSIS BY ACTIVITY

Internal medicine, Surgery, Obstetrics

Indicators based on market share and on the rate of population growth – focus is on financing larger and more efficient entities

Psychiatrics

Indicator based on market share and locally available capacities – activity has a local focus



Follow-up & Rehabilitation Care

Occupation rates as indicator to avoid financing overcapacities

Elderly care

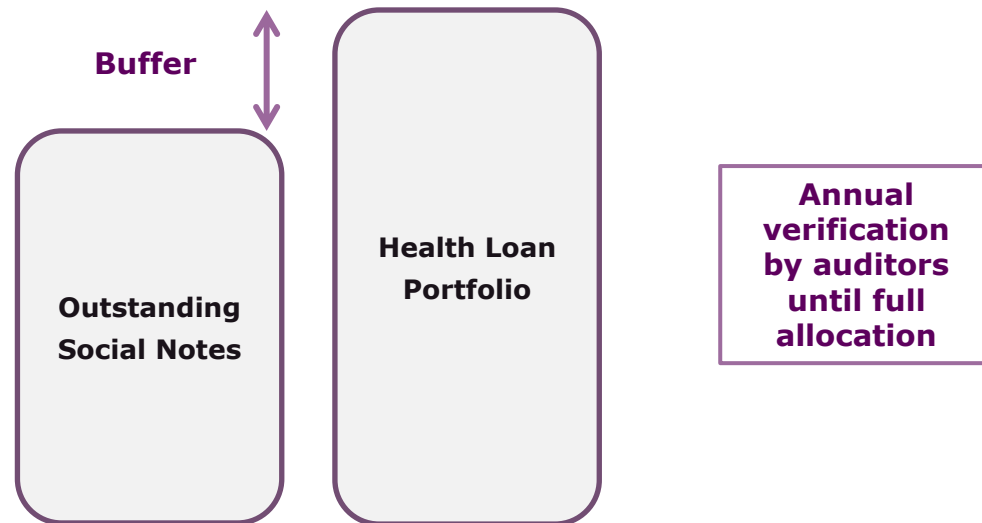
Focus on locally available capacities, local presence is key to serve elderly

- HAV is an important indicator of credit committee decisions, however entities with low HAV **are not automatically excluded** as :
 - The HAV score is based on an analysis of the hospital and not of the specific investment project - specific investment can still finance projects with high value added, for example necessary modernization works
 - All French public hospitals execute the public policy missions as defined under French public healthcare law

ISSUANCE OF HEALTHCARE BONDS

MANAGEMENT OF PROCEEDS

- SFIL Group has set up **internal systems to track the use of proceeds** of its Social Notes and has established a **register** to monitor the Health Loan Portfolio
- SFIL Group will manage its Social Notes with a **portfolio approach**, i.e. making sure that the total outstanding amount of Social Notes is always lower than the size of the Health Loan Portfolio
- Pending the full allocation of the net proceeds to the Health Loan Portfolio, SFIL Group will keep record of the **shortfall** and invest such amount in **money market products** as per SFIL's treasury policy



ISSUANCE OF HEALTHCARE BONDS

REPORTING

- **Allocation reporting** will be available within one year from the date of each Social Note issuance and annually thereafter until the net proceeds have been fully allocated
- The following information will be included:

Allocation reporting

- The total amount of proceeds allocated to the Health Loan Portfolio
- Number of loans in the Health Loan Portfolio
- The average lifetime of the loans

- SFIL intends, on a best effort basis, to report annually and until full allocation on **social impact indicators** of the Health Loan Portfolio
- SFIL plans to use the following indicative reporting indicators in line with ICMA recommendations:

Impact reporting

- Number of places and beds
- Number of hospital stays (stays of one or several days)

- When appropriate and subject to confidentiality obligations, SFIL may provide examples of French public hospitals investments which benefited from the financing of the Social Note
- Both the allocation report and impact report will be made available via the SFIL's website

ISSUANCE OF HEALTHCARE BONDS

EXTERNAL REVIEW

- **Second-Party Opinion**

- **Sustainalytics** was appointed to assess the sustainability, transparency and governance of SFIL Group's Social Note Framework and its alignment with the ICMA Social Bond Principles 2018. The Second-Party Opinion dated January 24th 2019 is publicly available on SFIL Group's website



"Sustainalytics considers that SFIL's Eligible Health Loan Portfolio will have a positive social impact and provide meaningful support to France's healthcare system in accordance with France's National Healthcare Strategy 2018-2022."

"Sustainalytics considers that SFIL is well positioned to issue social bonds and that the SFIL Group Social Bond Framework is credible, robust and aligns with the four pillars of the Social Bonds Principles."

- **External verification**

- The allocation of the Social Note net proceeds to the Health Loan Portfolio will be verified by the **SFIL Group's auditors** on an annual basis, starting within one year after issuance and until full allocation of the Bond

ISSUANCE OF HEALTHCARE BONDS

PLANNED HEALTHCARE BOND TRANSACTION

- **Issuer:** **CAFFIL**
- **Format:** **Covered Bond - Obligations Foncières**
CRR and UCITS compliant, LCR level 1, CBPP, ECBC Covered Bond Label, hard bullet
- **Bookrunners:** BayernLB, BNPP, CA CIB, ING, SG CIB
- **Structuring Advisors:** CA CIB, SG CIB
- **Listing:** Paris and Luxemburg
- **Maturity segment:** Intermediate
- **Planned volume:** Benchmark size
- **Expected ratings:**

<i>Moody's</i>	<i>S&P</i>	<i>DBRS</i>
Aaa	AA+	AAA

KEY TAKE AWAYS

- SFIL Group is the French **local government and large export financing agency**
- **100% public ownership** and status as **public development bank**
- CAFFIL – the covered bond issuer of the group - is well established as the **leading issuer of public sector covered bonds in Europe**
- SFIL Group is one of the **leading lenders to green and social projects** in France providing financing for a very significant part of investments in hospitals, local public transport and water and waste management
- French public hospitals have a clearly defined mission to provide **public health services for the whole population** regardless of the income, social or financial status
- Reducing **social inequalities, gender inequality and regional inequalities** are clearly defined as key objectives
- The planned social bond transaction by CAFFIL with a focus on French healthcare investments will be the **first covered bond under social bond format from a French issuer**
- SFIL Group is committed to the development of the social bond market and plans to be a **regular issuer in this market**

AGENDA

1. A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS
2. FOCUS ON SUSTAINABILITY
3. GROUP FUNDING STRATEGY
4. ISSUANCE OF HEALTHCARE BONDS

5. APPENDIX

ANNEX

SFIL FINANCIAL RESULTS 2017 AND H1 2018

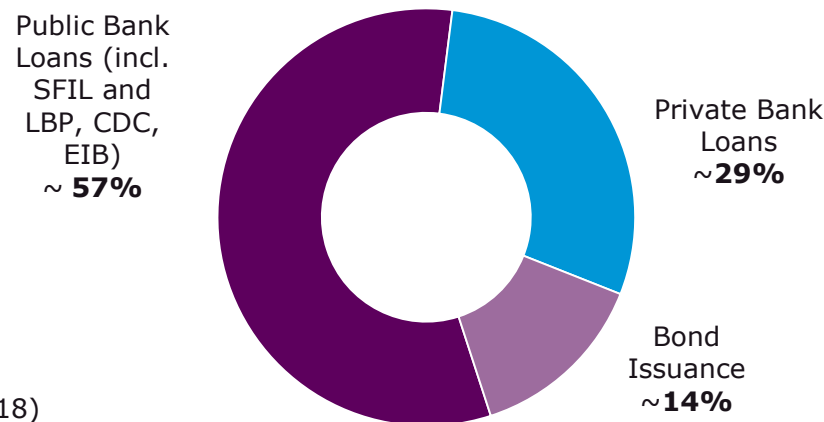
SFIL – consolidated financial statement under IFRS						
	30/06/2017		31/12/2017		30/06/2018	
EUR m	Accounting income	Recurring income	Accounting income	Recurring income	Accounting income	Recurring income
Net banking income	101	99	184	196	117	92
Operating expenses	(61)	(55)	(113)	(113)	(59)	(54)
Gross operating income	40	43	71	83	58	38
Cost of risk	1	1	22	22	1	1
Income before tax	41	44	93	105	59	39
Net income	25	28	54	64	43	29

ANNEX

FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR

- A **strict framework** under European Commission supervision is in place
- 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 24 billion new local public sector loans** with maturities between 10 and 30 years since 2013
- Commercial banks provide less than a third of French local authority funding, underlining the need for a public set up

French local government funding sources

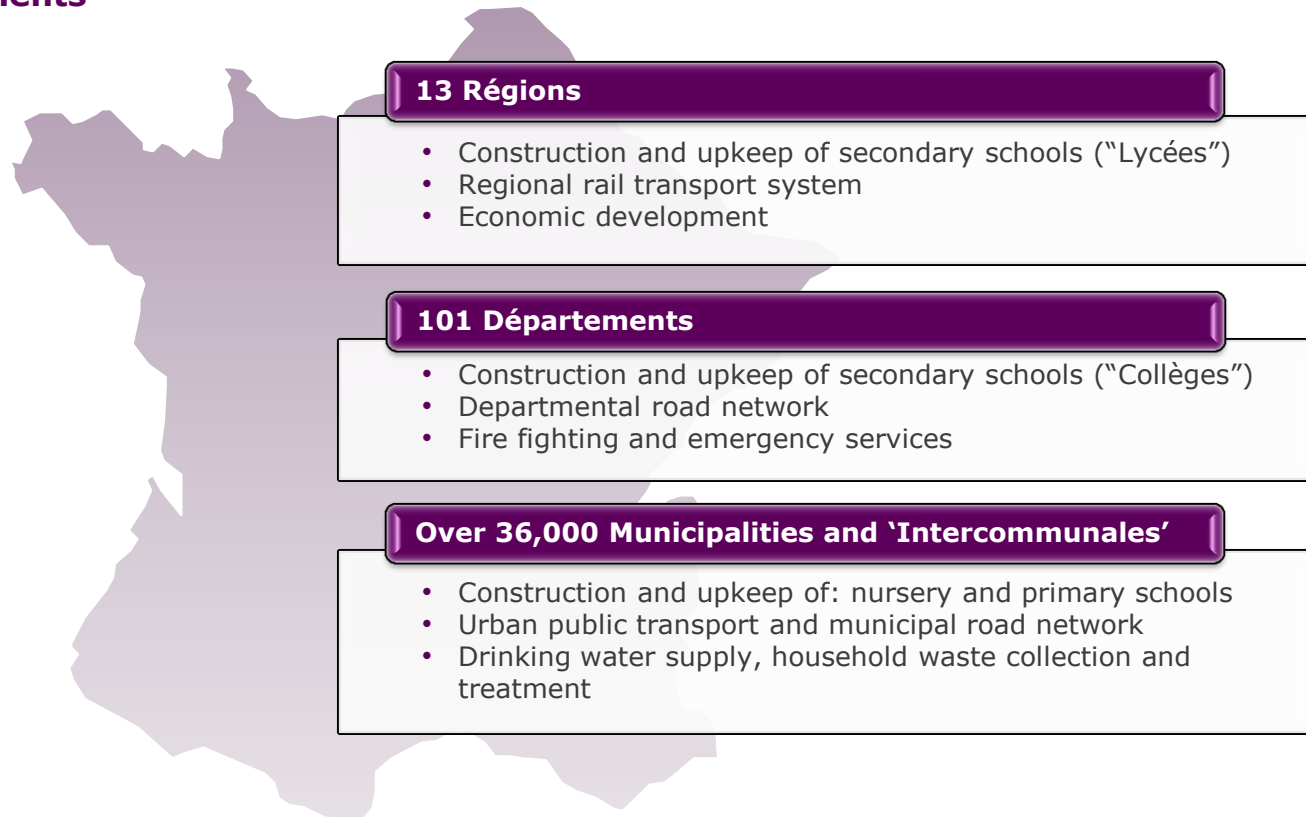


(Source S&P February 2018)

ANNEX

FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR

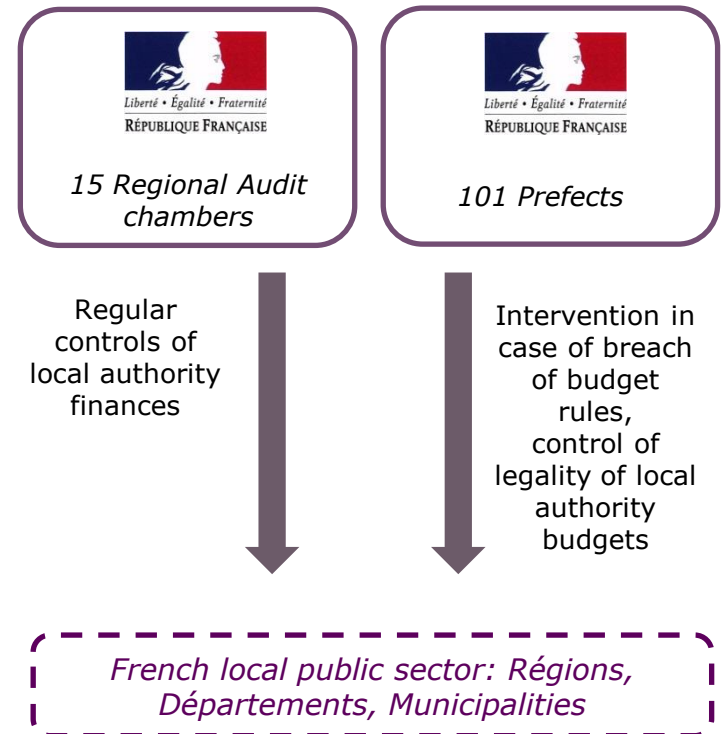
- French Local Authorities are in charge of **close to 60% of French public sector investments**



ANNEX

FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR

- Golden Rule as fundamental principle : local authorities may only **raise debt to finance new investments**
- **Strict state supervision** over all French Local Authorities through:
 - Controls of the legality of all decisions taken by the executive, **including the budget**
 - Controls by the **Regional Audit Chambers**
- **Prefect**, as the representative of the French State, has the right to:
 - Force a decrease in **current expenditures**
 - **Impose an increase in discretionary taxes** in cases of financial difficulty or breach of budget rules



ANNEX

LEADING LIQUIDITY PROVIDER FOR LARGE EXPORT CONTRACTS

- 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 30% of France's GDP**, significantly below the EU average of 44% (source OECD)
- 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**

ANNEX

LEADING LIQUIDITY PROVIDER FOR LARGE EXPORT CONTRACTS

- 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

A refinancing platform open to all commercial banks



ANNEX

LEADING LIQUIDITY PROVIDER FOR LARGE EXPORT CONTRACTS

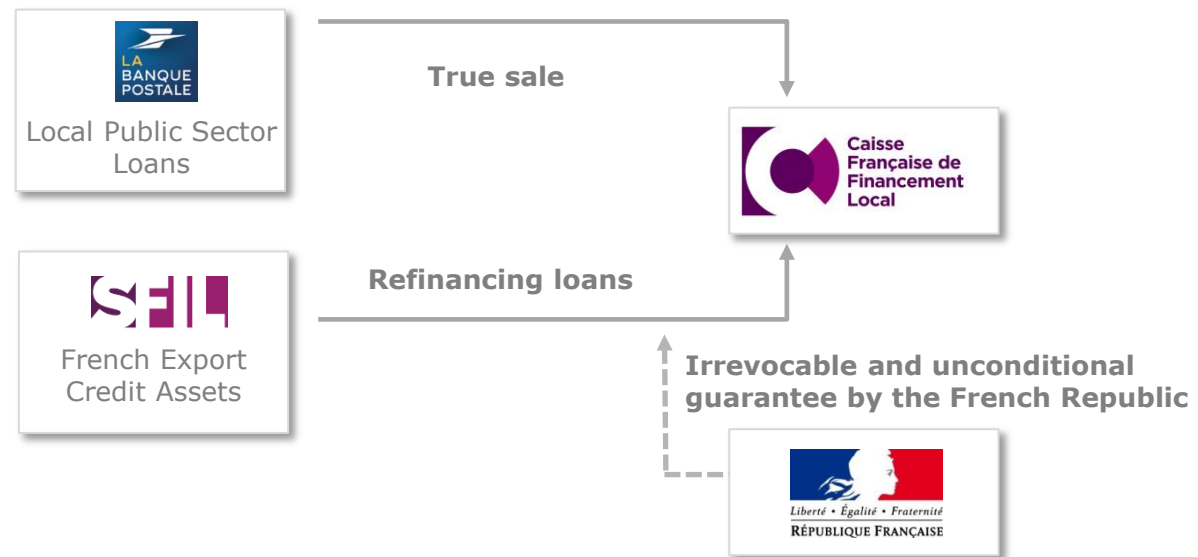
- Framework agreements are in place with **25 banks covering more than 95% of the market**
- Leading liquidity provider with **a market share of 45% and EUR 7.4 billion** refinanced since June 2016
- Very solid outlook with **97 potential transactions and a total contract volume of EUR 25 billion**
- **Over EUR 1 billion disbursed**, this will increase to close to **EUR 6 billion over the next three years** based on the transactions already signed
- The State has announced to widen the scope of the French public export guarantee mechanism – and the mission of SFIL - **to include strategic projects for the French economy** from 2019 onwards



ANNEX

CAFFIL - LEADING PUBLIC SECTOR COVERED BOND ISSUER

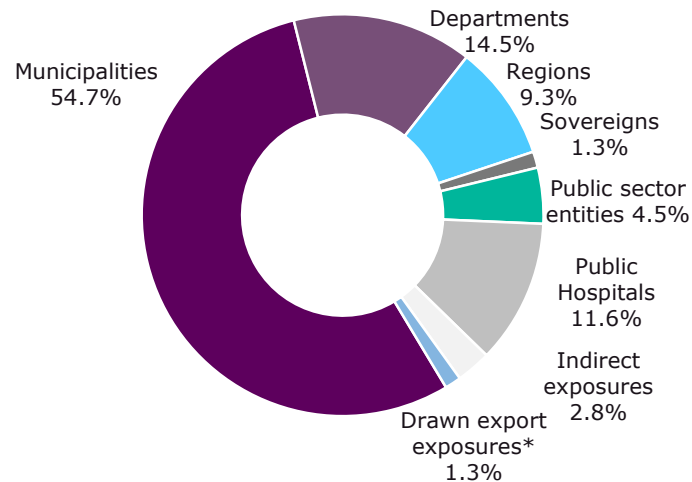
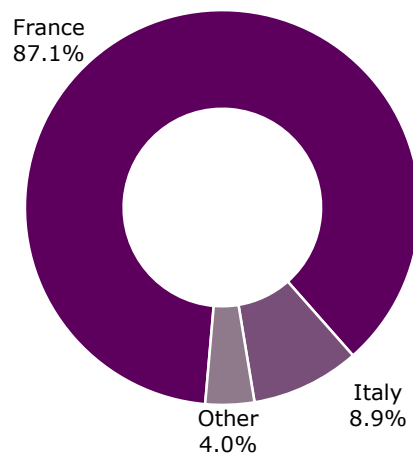
- One **single cover pool** – French local public sector loans and refinancing loans with French State guarantee
- Transfer of local public sector loans from La Banque Postale **via true sale to CAFFIL**
- Refinancing of export loans via a **refinancing loan from CAFFIL to SFIL** with an irrevocable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



ANNEX

CAFFIL - LEADING PUBLIC SECTOR COVERED BOND ISSUER

Public sector portfolio as of September 30th 2018



*guaranteed by the French Republic

- High granularity with around **15,000 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, **French assets to increase above 91%** over the coming 4 years
- The share of exposures linked to the **export activity** will increase gradually and should be **close to 15% within four to five years**

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