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Press release

Very good start to the year for SFIL Group with a EUR 1.5 billion dual tranche bond transaction by CAFFIL

Caisse Française de Financement Local (CAFFIL) today completed its first public covered bond issue of the year, with two benchmark tranches with respective maturities of 8 and 15 years, for a total amount of EUR 1.5 billion.

In a very active covered bond market at the beginning of the year (more than EUR 10 billion of benchmark transactions already issued), CAFFIL has chosen, for the third year in a row, to offer investors two different maturities, 8 years and 15 years, who both met strong investor demand.

CAFFIL was able to take advantage of the very favorable current market conditions to execute a solid transaction, which met with strong interest and was largely oversubscribed (1.8x) by a well-diversified investor base. The quality and size of the order book (more than EUR 2.7 billion for nearly 100 investors) confirm the confidence in the high credit quality of CAFFIL.

The 8-year maturity tranche (January 2026) has a benchmark size of EUR 1.0 billion and carries a coupon of 0.50%, with the yield corresponding to a spread of -10 basis points (- 0.10%) above the 6-months swap curve and 17 basis points above the interpolated OAT yield. In terms of distribution, investors were mainly located in France (47%), in Benelux (16%), in Germany and Austria (12%), in Scandinavia (11%) and in Asia (9%). By type of investor, the book is well diversified with 44% allocated to central banks and official institutions, 41% to bank treasuries, 14% to asset managers and 1% to insurers.

The 15-year maturity tranche (January 2033) has a size of EUR 0.5 billion, considered as benchmark for this type of very long maturity. It carries a coupon 1.125% with the yield corresponding to a spread of zero basis points (+0.00%) over the 6-months mid-swap rate and 10 basis points over the interpolated OAT curve. The order book of this tranche is mainly based in Germany and Austria (66%), in France (12%) and in Benelux (9%). The order book was well diversified with insurance companies representing 39%, and central banks and official institutions representing 36% of allocations. Bank treasuries, with a share of 20%, and asset managers, with a share of 5%, also provided a good support to the transaction.

The maturities of this new issue are at the very heart of the funding needs (medium and long term) of the group.

"After EUR 8 billion raised in 2017, SFIL group will remain a regular and reference issuer in 2018 on the European bond market, via its signatures CAFFIL, for covered bonds, and SFIL, on the Agencies segment. Thanks to these issues which carry maturities that are usually longer than the average issuance in the market, and which benefit from outstanding financial conditions, SFIL group has become the leading liquidity provider for large French export credits guaranteed by the State, and remains the major player in financing French local governments with its partner La Banque Postale. The success of this first public issue of the year illustrates the investor confidence. It reinforces SFIL's positions in its two lines of business and demonstrates the efficiency of the French organization for refinancing the public sector, based on SFIL/CAFFIL." explains Philippe Mills, CEO of SFIL and Chairman of the Supervisory Board of CAFFIL.

About bonds issued by SFIL and CAFFIL

CAFFIL is the main European issuer of covered bonds secured by loans to public sector entities. Its bond issues provide the adequate funding to cover the needs associated with the two missions that SFIL group has been entrusted with by the French State: the refinancing of loans to French local authorities and public health care institutions originated by its partner La Banque Postale, and the refinancing of large French export loans benefitting from a State guarantee ("enhanced guarantee"), as a refinancing platform at the service of banks active in this sector.

Bonds issued by CAFFIL and SFIL are both eligible to the purchase programs from the European Central Bank (PSPP and CBPP), and are classified in the best liquidity categories for regulatory ratios. They benefit from the *Covered bond label* and only have a hard bullet structure.

CAFFIL :

« Best Euro Covered Bond Issuer » - *The Covered Bond Report* – June 2016.

« Best Euro Covered Bond Issuer » - *The Cover* - September 2016

« Best Covered Bond Issuer » - *CMD Portal* – December 2016 & December 2017

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