



Paris, 14th of June 2016

Press Release
CAFFIL issues one billion Euros of covered bonds
with a maturity of 9 years

To launch its third public offering of the year, Caisse Française de Financement Local (CAFFIL) today seized one of the last remaining market windows ahead of the UK referendum. Demand for the new covered bond issue was well diversified, with investor interest driven by the choice of a maturity not frequently used, offering an attractive total return given the current shape of the yield curve.

Following the annual update of its issuance program last week, CAFFIL launched this new benchmark issue with a long and infrequent maturity, with an issue size set at EUR 1.0 billion; the transaction comes on top of the dual tranche transaction launched in January (EUR 1.0 billion, 6 year maturity and EUR 0.5 billion, 15 year maturity) and of the transaction launched in April (EUR 1.25 billion, 10 year maturity). In a market that has begun to deteriorate with the upcoming referendum, the transaction was supported by the Eurosystem, as well as by traditional investors, still present despite very low interest rates and spreads that have tightened over the past 3 months.

With a good level of oversubscription (1.3x), the order book counts more than 50 end investors, mainly based in France (53%) and Germany and Austria (27%), complemented by a significant presence of investors from the UK (8%), from Benelux (5%) and from Asia (4%). Central banks including the Eurosystem represented 55% of allocations, bank treasuries (31%), asset managers (10%) and insurance companies (4%) have also provided a strong backing to the transaction.

This spread of this new issue includes a moderate new issue premium. The coupon was set at 0.375%, with the yield corresponding to a spread of 4 basis points (+ 0.04%) above the 6-months swap curve and 14 basis points above the OAT yield curve.

CAFFIL is the main European issuer of covered bonds secured by loans to public sector entities, and this issue confirms its special positioning on the market, with maturities that are usually longer than the average issuance. After this transaction, CAFFIL has already raised EUR 4.8 billion in 2016.

"Whereas CAFFIL received last week the award of Best Euro issuer in the survey conducted by The Covered Bond Report, the success of the issue launched today in a troubled market illustrates the investor's trust and the capacity of CAFFIL to issue on a very regular basis for amounts and maturities, generally long, that are essential for the achievement of 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." explains Philippe Mills, Chairman and CEO of SFIL and Chairman of the Supervisory Board of CAFFIL.

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