



THE LEADING FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



Investor Presentation

November 2018

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AGENDA

1. A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

2. GROUP FUNDING STRATEGY

3. 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%**
- **More than EUR 21 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 as second public policy mission to SFIL in 2015 by the French State
- SFIL acts as pure **public refinancing platform with no direct origination activity** in partnership with commercial banks
- The activity is limited to **export loans guaranteed by the French Republic** – SFIL does not refinance any private sector exposures
- With **EUR 5 billion** of loans refinanced since June 2016 SFIL is the leading liquidity provider (market share > 50%) for the re-financing of export loans with a public guarantee



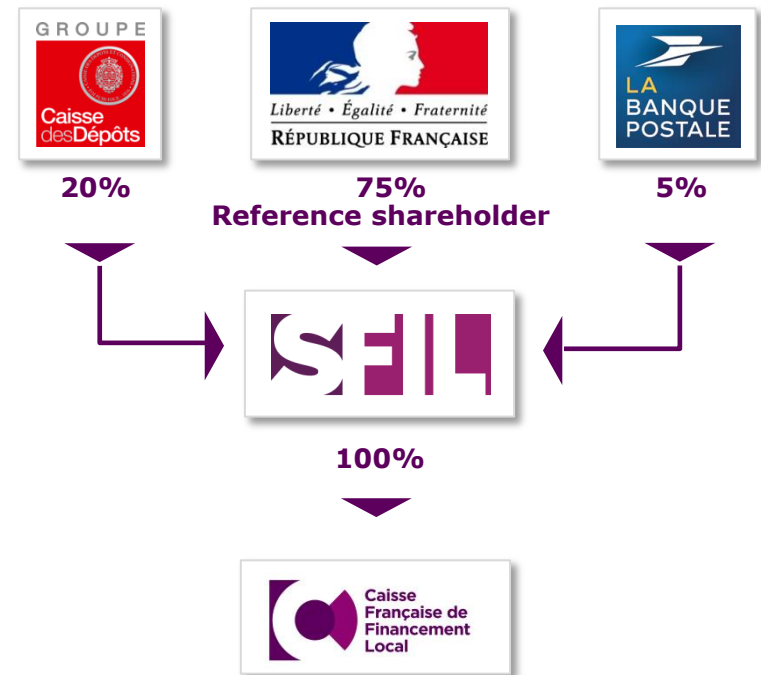
A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

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** based on the **legal obligation of the State** to protect the economic basis of SFIL and maintain its financial viability

*"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...**" (Article 10.1.(e)(i), LCR delegated Act)*

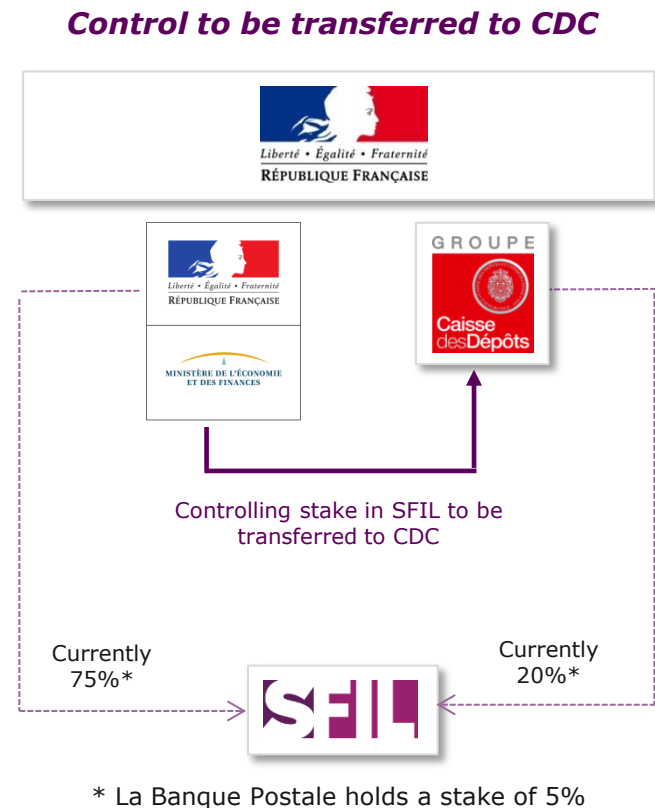
- Bonds issued by SFIL are eligible for **asset purchases under PSPP**, CAFFIL covered bonds are eligible for **CBPP3 purchases** and CAFFIL benchmark issuance is classified as **LCR level 1**
- On 15th November 2018 the French Republic and CDC announced the initiation of talks aimed at **transferring the controlling stake in SFIL to CDC** – this transfer will not impact the **degree of commitment of the State** to protect the economic basis 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 set up build 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>Fitch</i>
<i>French State</i>	Aa2*	AA	AAA	AA

<i>Issuer Ratings</i>	<i>Moody's</i>	<i>S&P</i>	<i>DBRS</i>	<i>Fitch</i>
<i>SFIL – Long Term</i>	Aa3*	AA	AA (high)	AA-**
<i>SFIL – Short Term</i>	P-1	A-1+	R-1 (high)	F1+**
<i>CAFFIL – Long Term</i>	Aaa	AA+	AAA	AA**

* Positive outlook ** SFIL and CAFFIL will no longer request a rating from Fitch beyond the end of 2018

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

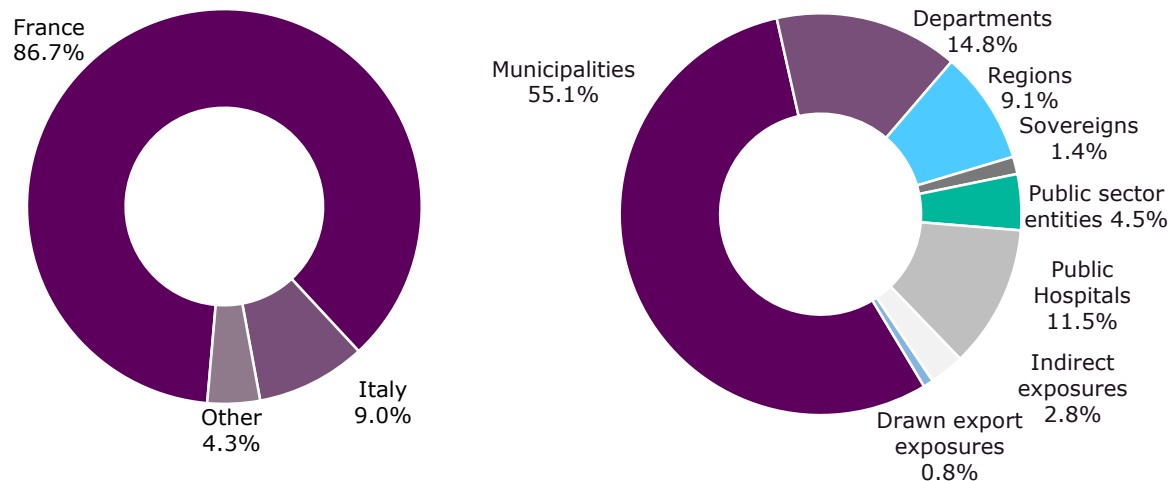
Consolidated main balance sheet items (including CAFFIL) June 30th, 2018 - (EUR billion)

<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>			

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

HIGHLY GRANULAR PUBLIC SECTOR PORTFOLIO

Public sector portfolio as of June 30th 2018



- 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
- Drawn exposures linked to the **export activity represent 0.8%** of the portfolio, with commitments of EUR 5 billion as of June 30th 2018 the share will increase steadily

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

CORPORATE RESPONSIBILITY RATINGS AND OUTLOOK

- 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 Assurance Export - for sensitive projects, **a social and environmental impact analysis is publicly available**
- Energy projects **based on coal energy are excluded** from the French public export guarantee mechanism
- Covered bonds issued by CAFFIL have been rated '**Prime**' by Oekom and '**Positive BBB**' by IMUG, in addition CAFFIL has been awarded an **ESG rating of AA by MSCI**



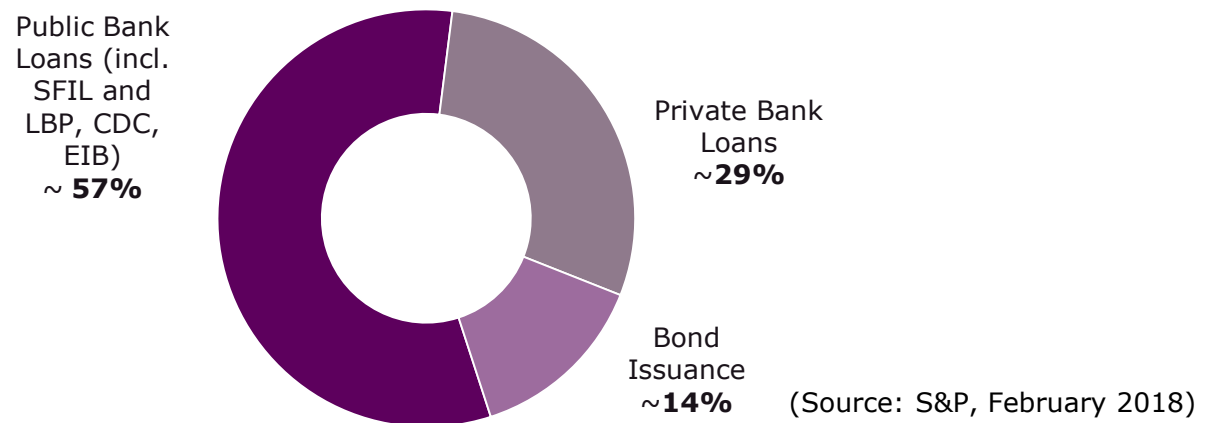
- Discussions are ongoing, to **provide specific loans for green projects** by French local authorities
- Regular **Issuance of social and green bonds** (planned for 2019) will become integral part of the funding program

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

FIRST LENDER TO THE FRENCH LOCAL PUBLIC SECTOR

- 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** with maturities between 10 and 30 years since 2013
- Commercial banks provided less than a third of French local authority funding in 2017, underlining the need for a public set up

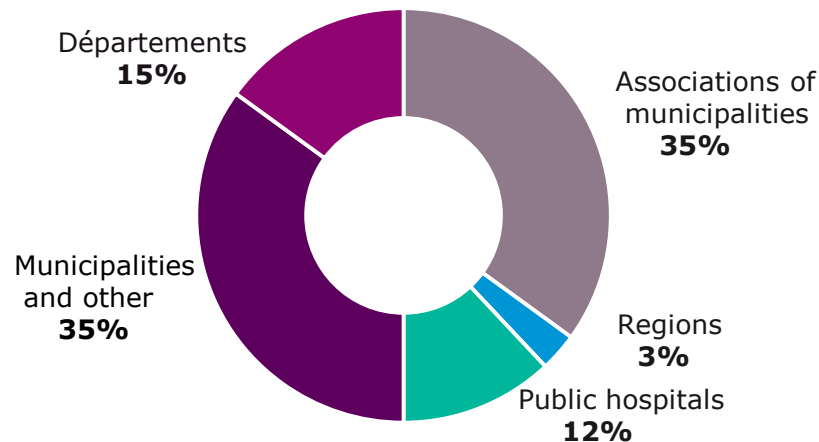
French local government funding sources 2017 (est.)



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

2017 LOCAL PUBLIC SECTOR LENDING

- First lender with **EUR 3.4 billion** in new loans to the local public sector with maturities between 15 and 30 years
- Municipalities and associations of municipalities represent **70% of the 2017 lending activity**
- Looking ahead, the local government sector expected to play a key role in the **EUR 57 billion public investment plan** announced by the government in September 2017 focusing on ecological transition, innovation, learning society and the digital State



(La Banque Postale and SFIL local public sector lending 2017)

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

EXPORT SECTOR AS KEY PRIORITY FOR THE STATE

- Exports sector a **key priority for the 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**

A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

OPEN REFINANCING PLATFORM FOR EXPORT LOANS

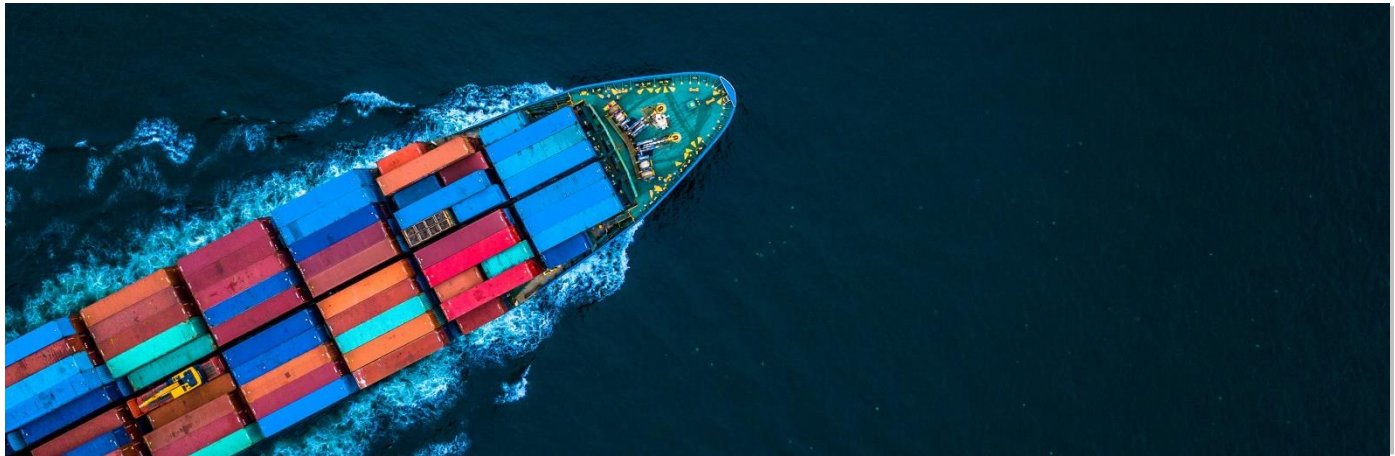
- SFIL provides a **refinancing platform** for loans with a French public export guarantee that is open to all commercial banks
- SFIL activity is limited to **100% French government exposures** - Export credit guarantee managed by Bpifrance Assurance Export, insurance directly provided by the French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



A PUBLIC SET UP WITH TWO PUBLIC POLICY MISSIONS

STRONG GROWTH OF THE EXPORT FINANCING ACTIVITY

- Framework agreements are in place with **23 banks covering more than 95% of the market**
- **EUR 5 billion** of loans refinanced since June 2016 across different sectors of the French economy via 8 contracts
- **Leading liquidity provider** with a **market share above 50% in 2017** for the re-financing of export loans guaranteed by the State
- Very solid outlook for the export refinancing activity with **87 potential transactions** with a total contract **volume of EUR 26 billion**
- The State has announced plans 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



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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
- **Substantive credit facilities** are provided by the shareholders CDC and La Banque Postale

SFIL Benchmark issuance

Planned 2018 benchmark issuance between 2 and 3 billion

Outstanding currently close to EUR 5 billion equivalent

CAFFIL Covered bond issuance

Planned 2018 issuance via CAFFIL between EUR 4 and 6 billion

Currently around EUR 50 billion outstanding

Domestic CP Program

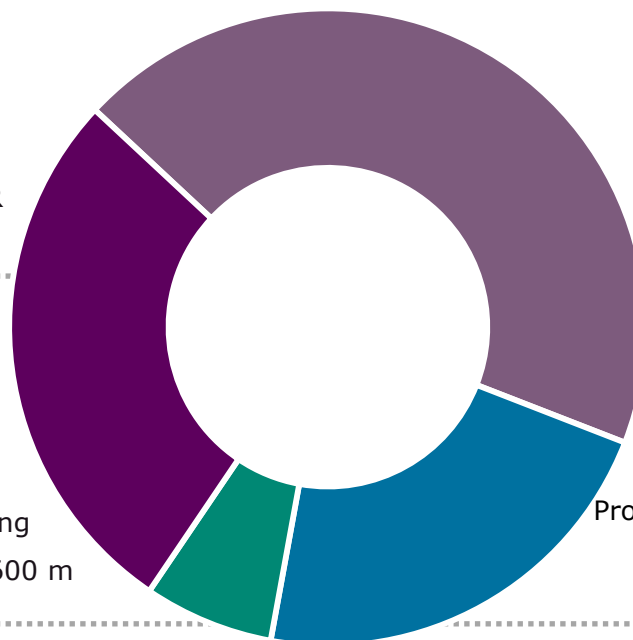
Diversification of short dated funding

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

STRONG COVERED BOND SET UP

- Issuance under SCF framework, 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 June 30th 2018

	<i>Moody's</i>	<i>S&P</i>	<i>DBRS</i>	<i>Fitch</i>
<i>CAFFIL</i>	Aaa	AA+	AAA	AA**
<i>SFIL</i>	Aa3*	AA	AA (high)	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

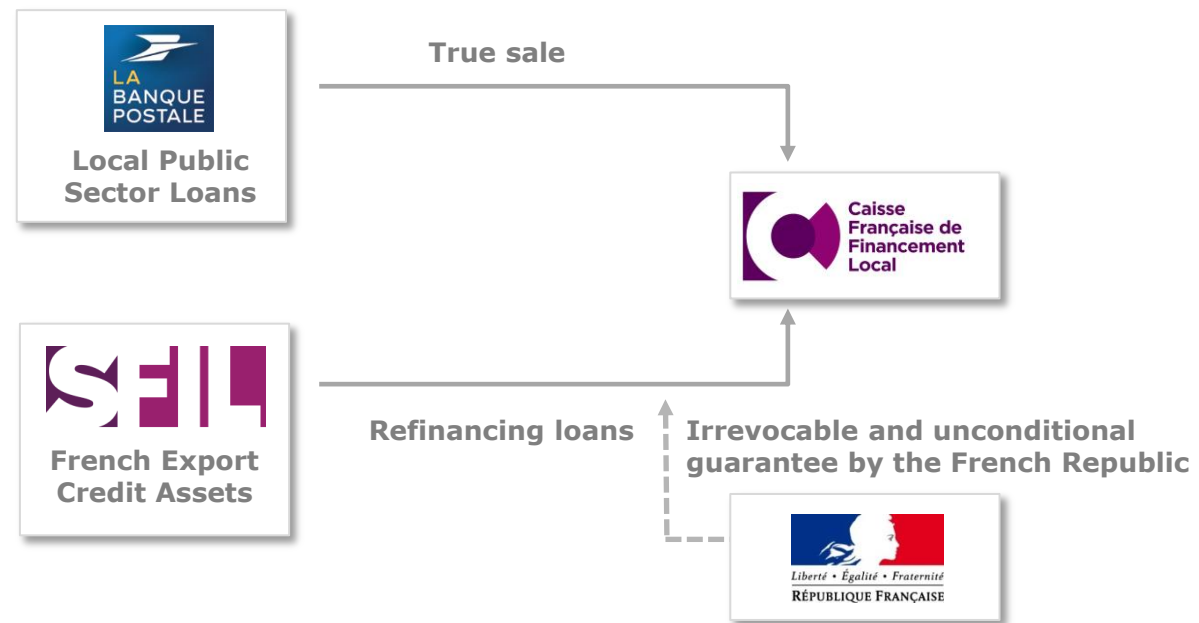
* Positive outlook

** SFIL and CAFFIL will no longer request a rating from Fitch beyond the end of 2018.

GROUP FUNDING STRATEGY

COVERED BOND ISSUANCE WITH ONE SINGLE COVER POOL

- **One single cover pool** for 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)



GROUP FUNDING STRATEGY

HIGHLY REGARDED COVERED BOND ISSUER

- Annual expected issuance **between EUR 4 and 6 billion**
- Around **EUR 50 billion** outstanding public sector covered bonds
- Over **EUR 29 billion raised since 2013 with 18 benchmark transactions**
- Leading benchmark issuer in the long maturity segment, **60% of issuance since 2013 with a maturity above 10 years**
- Very strong investor base with **406 investors**
- Regular private placement activity under RCB and EMTN format



GROUP FUNDING STRATEGY

COVERED BOND FUNDING STRATEGY

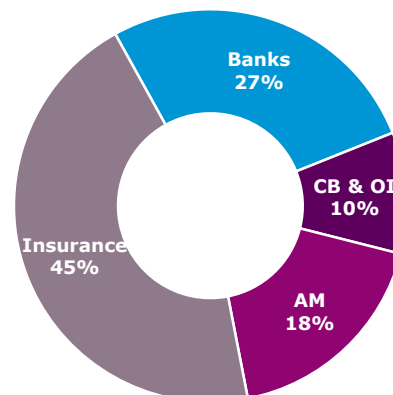
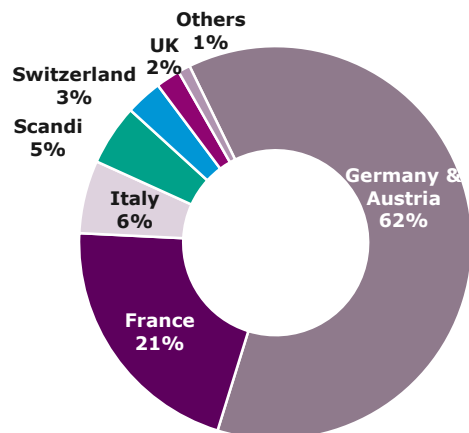
- **CAFFIL is a regular benchmark issuer** with a complete reference curve:
 - interest for medium to long duration
 - possible taps with a minimum size of EUR 150m, maximum outstanding volume per bond of EUR 2 billion (tap included)
- **Active private placement** provider to meet investors needs
 - **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



GROUP FUNDING STRATEGY

CAFFIL - EUR 500 M 20-YEAR TRANSACTION

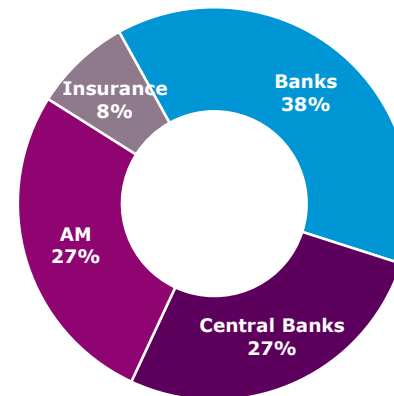
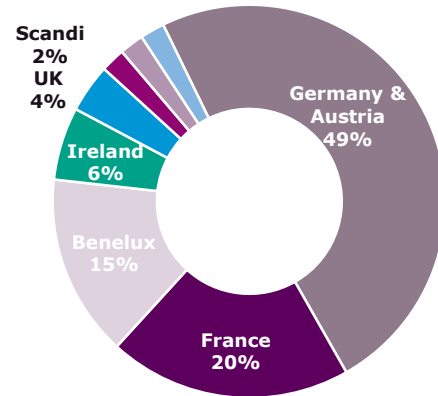
- This transaction confirms the ability of CAFFIL to attract a **diversified investor base for long maturities**
- Third benchmark transaction of the year launched on June 19th 2018 with a volume of **EUR 500 m** and a maturity of **20 years**
- issued at a spread of +14 bps against mid-swaps and 26 bps above interpolated OATs
- This transaction was well received by investors with a large **oversubscription rate (x2)** and **more than 50 investors** involved from different countries
- This transaction allowed CAFFIL to significantly extend its reference curve



GROUP FUNDING STRATEGY

CAFFIL - EUR 1.5 BILLION 10-YEAR TRANSACTION

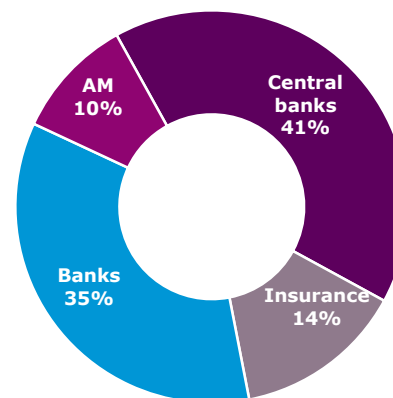
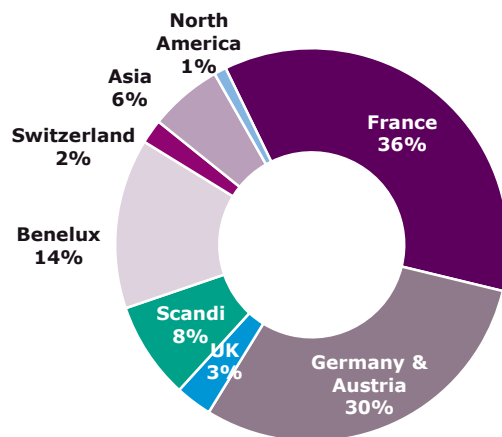
- Great success of the second benchmark transaction of the year
- **Very successful transaction** launched on April 17th 2018 with a volume of **EUR 1.5 billion** and **a maturity of 10 years**
- issued at a spread of +4 bp against mid-swaps and 26.5 bp above interpolated OATs
- Strong and well diversified demand with an orderbook **close to EUR 2 billion** and around **70 investors involved** from different countries



GROUP FUNDING STRATEGY

CAFFIL - EUR 1.5 BILLION DUAL TRANCHE TRANSACTION

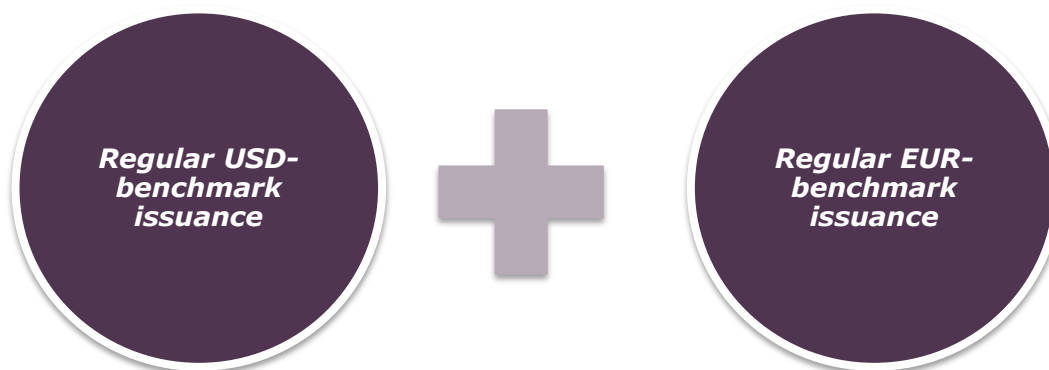
- Highly successful **EUR 1.5 billion dual tranche transaction** (8 and 15 years) launched on January 9th 2018 – the first public transaction of CAFFIL in the year 2018
- 8-year maturity tranche with a benchmark size of EUR 1 billion issued at a spread of -10 bp against mid-swaps and 17 bp above interpolated OATs
- 15-year maturity tranche with a benchmark size of EUR 500m issued at a spread flat to mid-swaps and 10 bp above interpolated OATs
- Strong investor interest for both tranches with a **EUR 2.7 billion consolidated order book** and **close to 100 different investors**



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**

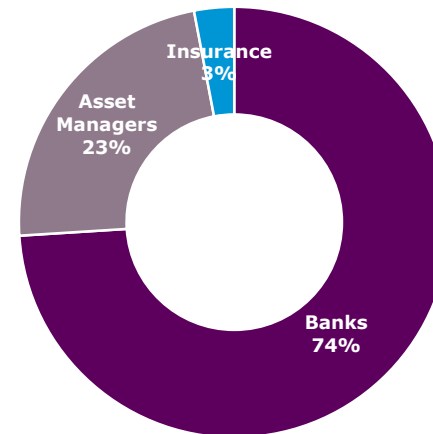
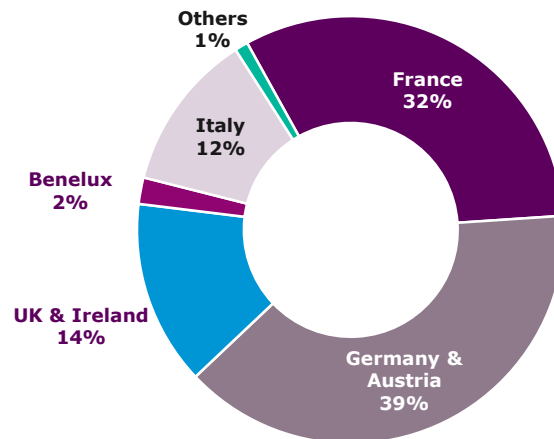


- **Four benchmark transactions** launched since 2016 leading to a total outstanding of **EUR 4.9 billion equivalent**
- Reference curve in Euro made of **three benchmark transactions**
- Highly successful **inaugural USD benchmark transaction** in June 2017 **with a volume of USD 1 billion** and a maturity of 3 years
- **Two to three benchmark transactions planned for 2018** with focus on maturities between 3 and 10 years

GROUP FUNDING STRATEGY

SFIL - FIRST BENCHMARK TRANSACTION IN 2018

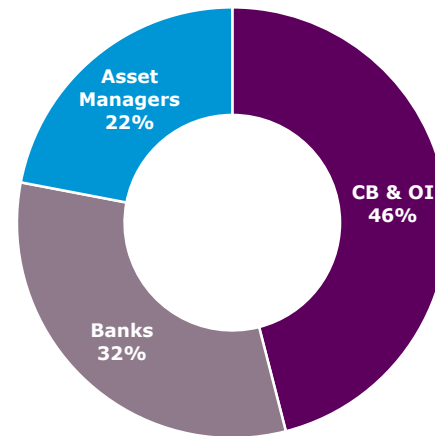
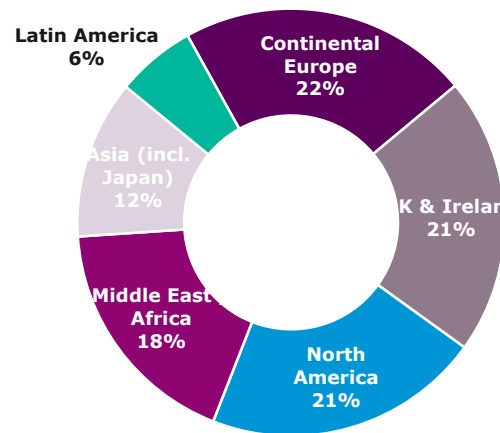
- Successful start into the new year – strong support from **bank investors in France and Germany**
- First transaction of the year for SFIL launched in January with a volume of **EUR 1 billion and a 8 year maturity**
- Well diversified order book with **55 investors with order book size reaching up to EUR 1.8 billion**
- Strong demand from **France and Germany, mainly from bank investors**
- OAT +20bps / MS -5bps



GROUP FUNDING STRATEGY

SFIL - SECOND USD ISSUE IN JUNE 2018

- This second benchmark of the year is part of the **regular USD issuance** program of SFIL
- Second USD transaction with a **3 years maturity and a volume of USD 1 billion**
- Well diversified orderbook reaching USD 1.25 billion
- Strong demand from North American investors and promising start from Latin American investors
- USD MS+19bps / UST+42bps



KEY TAKE AWAYS

- Status as **public development bank** – debt classified as HQLA Level 1 and PSPP eligible - with two public policy missions
- **Leadership in both business activities:**
 - Market share in French **local public sector lending between 20% and 25%**
 - Market share in 2017 for the **re-financing of export loans** guaranteed by the French Republic **above 50%**
- **2017 key achievements:**
 - Recognition of the **specific role as public development bank** by European Commission, Council and Parliament, especially with respect to the leverage ratio
 - Reinforcement of SFIL issuance with a **first USD benchmark**
 - Expansion of the export credit line with **2.6 billion new loans** in 2017
- SFIL is a **leading French public agency** with **strong credit ratings, strong asset quality** and a very **diversified investor base** (472 investors)



"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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