



THE FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



CAPITAL MARKETS OVERVIEW MARCH 2019



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A PUBLIC SETUP WITH TWO PUBLIC POLICY MISSIONS

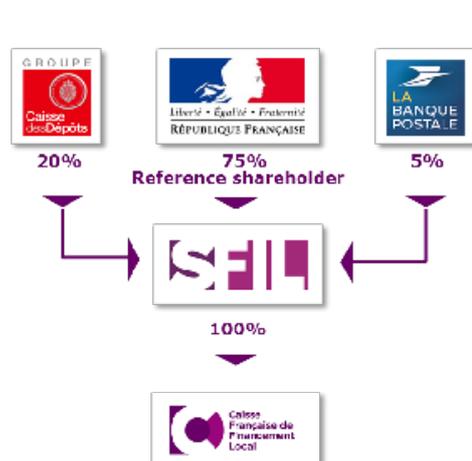
SFIL was set up in 2013 by the French State to ensure a stable access to **long dated funding for the French local public sector**. Today, SFIL is the leading loan provider to the French local public sector in partnership with La Banque Postale.

Two public policy missions

In 2015, the French State entrusted SFIL with a second public policy mission to enhance the competitiveness of French exporters by setting up a **refinancing platform for French export loans**. The activity is limited to export loans benefitting from a French State guarantee. Today, SFIL is the **leading liquidity provider** for large export credit loans guaranteed by the French Republic.

SFIL is a **100% publicly owned fully regulated financial institution** supervised by the ECB. The French State as main shareholder is represented on the board of directors and the CEO is appointed by presidential decree.

100% public ownership



With **total assets of EUR 74 billion**, SFIL is **7th credit institution in France**. CAFFIL as the covered bond issuer of the group - with the legal status of Société de Crédit foncier - is a 100% subsidiary of SFIL.

Shareholders are committed to ensure that SFIL is able to **pursue its activity in an ongoing manner** and to honor its financial commitments at any moment. Debt issued by SFIL is classified **HQLA Level 1** under Article 10. (e) of the LCR delegated act.

Strong commitment from shareholders

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.

The business activity is limited to the refinancing of public sector assets leading to a simple and straightforward balance sheet. A **CET1 ratio of 22.2%** (Basel III fully loaded) reflects the strong level of capitalization. Long term refinancing is raised mainly via **issuance of covered bonds via CAFFIL**.

Simple and straightforward balance sheet

Total assets	73.9	Total Liabilities	73.9
Loans and securities	56.1	Covered bonds	51.2
Cash Assets	3.0	SFIL bond issues	4.9
Cash Collateral	2.2	Shareholder refinancing	2.0
		SFIL Commercial Paper	0.7
		Equity	1.5
		Cash collateral	1.2

Main balance sheet items as of 30.06.2018, EUR billion

The credit ratings of SFIL reflect the status as public development bank with responsibilities for two key segments of the French economy. Ratings are **closely linked to the ratings of the French Republic** as reference shareholder.

Issuer Ratings	Moody's	S&P	DBRS
SFIL - Long Term	Aa3*	AA	AA (high)
SFIL Short Term	P-1	A-1+	R-1 (high)
French Republic	Aa2*	AA	AAA

* Positive outlook

Strong credit ratings

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

As leading finance provider for the French local public sector SFIL plays a **key role in financing investments in schools, nurseries, local public transport and in public healthcare facilities.**

Focus on financing social infrastructure

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.

Strict framework for the export financing business

The **'Prime' corporate responsibility rating by Oekom** and **'positive' rating by IMUG** for covered bonds issued by CAFFIL reflect the corporate responsibility of SFIL Group.

Covered bonds rated by Oekom and IMUG



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.

LEADING LENDER TO THE FRENCH LOCAL PUBLIC SECTOR

Under the partnership agreement with La Banque Postale, all loans to the French local public sector refinanced by SFIL are **originated via the network of La Banque Postale**. This setup has become the leading loan provider to the French local public sector with a **market share between 20% and 25%**.

La Banque Postale as commercial partner

The scope of the lending business is strictly limited to French local public sector. Loan proposals are priced at the going market rate, there is **no subsidization** of loans to the local public sector. SFIL keeps **full control of credit risk** for any new local public sector loans.

New lending in 2018 amounted to **EUR 3.6 billion** with **municipalities representing around two thirds** of the activity followed by Départements (districts) with 18% and French Régions with 3%. Public hospitals represented 13% of the 2018 lending activity.

Looking ahead, the local government sector is expected to play a key role in the **EUR 57 billion public investment** plan announced in September 2017 focussing on four key areas:

- ecological transition
- competitiveness via innovation
- the learning society
- building the digital state

Public investment plan to involve local government

REFINANCING OF FRENCH EXPORT CONTRACTS

For the refinancing of export loans, SFIL acts as refinancing platform for banks working with French exporters. The refinancing activity is limited to **100% French government exposures**. Export credit guarantees are managed by Bpifrance Assurance Export with the insurance provided directly by the French Republic.

Activity limited to export loans guaranteed by the French Republic

Framework agreements are in place with **25 banks covering more than 95% of the market**. Since 2016, **EUR 7 billion export loans** guaranteed by the French Republic have been refinanced, representing an **average market share over 40%**. Since 2016, SFIL has become the leading liquidity provider in this market.

Leading liquidity provider

 Chantiers de l'Atlantique EUR 1.3 billion Cruise ships 2017	 GE France EUR 171 m Electric sub-stations 2017	 Chantiers de l'Atlantique EUR 2.5 billion Cruise ships 2017	 TechnipFMC USD 450 m LNG project 2017	 Bouygues EUR 140 m Electrical network 2018	 Vinci EUR 450 m Infrastructure 2018
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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.

GROUP FUNDING STRATEGY

SFIL **uses four instruments** to fund its activity:

- Credit facilities provided by the shareholders
- Long dated covered bond issuance
- Benchmark issuance by SFIL
- Commercial Paper issuance by SFIL

Four sources of funding for the group

Credit facilities are provided by the shareholders **CDC and La Banque Postale** with an amount of EUR 2 billion drawn as of June 30th 2018.

Covered bonds (Obligations Foncières) issued by CAFFIL represent the **main source of funding** with planned 2019 issuance between **EUR 4 and 6 billion** and an outstanding of EUR 50 billion .

SFIL is a **regular benchmark issuer in the agency** market with planned 2019 issuance between **EUR 2 and 3 billion**. The current outstanding is close to EUR 5 billion equivalent.

In addition, a **French domestic Commercial Paper Program** has been set-up to diversify sources of short dated funding with an **average outstanding around EUR 600 m**.

CAFFIL - LEADING COVERED BOND ISSUER

CAFFIL is the **leading public sector covered bond issuer** with EUR 50 billion outstanding covered bonds. Covered bonds issued by CAFFIL are **CRR and UCITS compliant** with a 10% risk weighting, classified as LCR level 1 and eligible for purchases under the European Central Bank Covered Bond Purchase Programme. All covered bonds are issued with a **hard bullet format and ECBC Label compliant**.

The covered bond ratings of CAFFIL are capped one notch above SFIL and the sovereign for S&P.

Strong credit ratings

Issuer Ratings	Moody's	S&P	DBRS
CAFFIL	Aaa	AA+	AAA
SFIL	Aa3*	AA	AA (high)

* Positive outlook

CAFFIL is a leading benchmark issuer in the long maturity segment with **60% of issuance since 2013 with a maturity above 10 years**. Benchmark issuance is complemented by regular private placement activity under **Registered Covered Bond and EMTN format** with focus on long maturities.



For the year 2019, CAFFIL plans to issue **between EUR 4 and 6 billion in the covered bond market** via benchmark transactions and private placements.

SFIL - NEW FRENCH AGENCY ISSUER

Debt issued by SFIL is classified as **LCR Level 1** under Article 10.1.(e) (i) of the LCR delegated Act. In addition, debt issued by SFIL is eligible for asset purchases under the **Public Sector Purchase Programme**.

SFIL is a regular benchmark issuer in the agency market, both in the USD and in the EUR market. For 2019, SFIL plans to issue benchmark transactions with a **total volume between EUR 2 and 3 billion equivalent**. Focus of issuance will continue to be on **short and medium maturities**.

Tickers

SFILFR <Govt>	CAFFIL <Govt>
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Webpage

https://sfil.fr/	https://caissefrancaisedefinancementlocal.fr/
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