



## 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

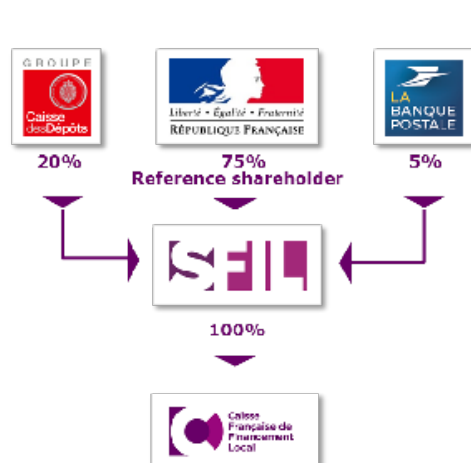
SFIL was set up in 2013 by the French State to ensure a stable access to **long dated funding for the French local public sector**. Today, SFIL is the leading loan provider to the French local public sector in partnership with La Banque Postale.

*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 **7<sup>th</sup> 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*

<b>Total assets</b>	<b>73.9</b>	<b>Total Liabilities</b>	<b>73.9</b>
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.

*Strong credit ratings*

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

\* Positive outlook

## 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 CO<sub>2</sub> 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*

 <p><b>Chantiers de l'Atlantique</b> EUR 1.3 billion Cruise ships 2017</p>	 <p><b>GE France</b> EUR 171 m Electric sub-stations 2017</p>	 <p><b>Chantiers de l'Atlantique</b> EUR 2.5 billion Cruise ships 2017</p>	 <p><b>TechnipFMC</b> USD 450 m LNG project 2017</p>	 <p><b>Bouygues</b> EUR 140 m Electrical network 2018</p>	 <p><b>Vinci</b> EUR 450 m Infrastructure 2018</p>
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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 30<sup>th</sup> 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*

<b>Issuer Ratings</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>DBRS</b>
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*


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SFILFR <Govt>	CAFFIL <Govt>
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*Webpage*


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*Investor relations*


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