



THE FRENCH AGENCY SUPPORTING LOCAL INVESTMENT AND EXPORT



CAPITAL MARKETS OVERVIEW

MAY 2019



This page is intentionally left blank

A PUBLIC SETUP WITH TWO PUBLIC POLICY MISSIONS

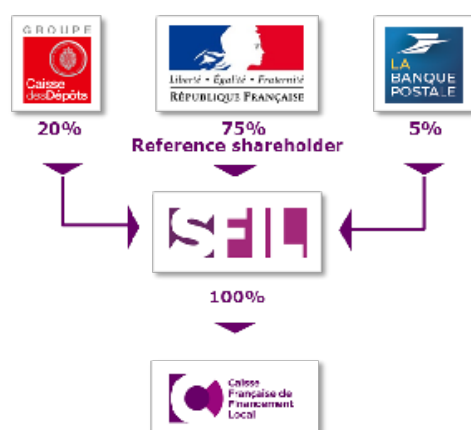
SFIL was set up in 2013 by the French State to ensure a stable access to **long dated funding for the French local public sector**. Today, SFIL is the leading loan provider to the French local public sector in partnership with La Banque Postale.

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 72.7 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 with **total assets of EUR 72.7 billion**. A **CET1 ratio of 24.8%** (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

| | | | |
|----------------------|------|-------------------------|------|
| Loans and securities | 56.2 | Covered bonds | 50.3 |
| Cash Assets | 2.0 | SFIL bond issues | 4.9 |
| Cash Collateral | 2.1 | Shareholder refinancing | 1.9 |
| | | SFIL Commercial Paper | 0.6 |
| | | Equity and other | 1.4 |
| | | Cash collateral | 1.2 |

Main balance sheet items as of 31.12.2018, EUR billion, nominal amounts

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 3.7 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 7.4 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 |
|---|--|---|---|--|--|

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 five instruments** to fund its activity:

- CAFFIL covered bond issuance: **main source of funding** with a planned yearly issuance **between EUR 4 and 6 billion**
- Benchmark issuance by SFIL with an **outstanding currently of EUR 6 billion**
- ESG issuance: an inaugural social bond has been issued by CAFFIL in February 2019. A green bond transaction is planned for later on in 2019
- Commercial Paper issuance by SFIL with an **average outstanding around EUR 600 m**
- Credit facilities provided by the shareholders **CDC and La Banque Postale** with an amount of EUR 1.9 billion drawn as of December 31st 2018

Five sources of funding for the group

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**.

ESG BOND ISSUANCE

Local government represents **more than 80% of public investments in environmental protection** (including local public transport, green buildings, water and waste management) **and education**

A first **social bond** transaction with a focus on the financing of **investments of public hospitals** in France was launched in February 2019

Discussions are ongoing to **provide specific loans for green projects** by French local authorities with plans for a **green bond transaction later on in 2019**

As leading lender to the French local public sector, SFIL Group **plans to be regular issuer of green and social bonds**.

Tickers

SFILFR <Govt>

CAFFIL <Govt>

Webpage<https://sfil.fr/><https://caissefrancaisedefinancementlocal.fr/>*Investor relations*

Ralf Berninger, CFA
Head of Investor Relations
+33(0)1 7328 8807
ralf.berninger@sfil.fr

Bouchra Rhajbal
Investor Relations
+33(0)1 7328 8414
bouchra.rhajbal@sfil.fr investorrelations@sfil.fr

Communication

Pierre Barthe
+33 (0)1 7328 8752
pierre.barthe@sfil.fr

Christine Lair
+33 (0)1 7328 8736
christine.lair@sfil.fr

This document does not constitute or form part of any offer or solicitation to purchase or subscribe for securities and should not be considered as a recommendation by SFIL and/or CAFFIL that any recipient of this document should subscribe for or purchase any securities. The distribution of this document may be restricted by law or regulation in certain countries. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions.

Disclaimer

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This document is not for distribution, directly or indirectly, in or into the United States of America or to any "US Person" as defined in the U.S. Securities Act of 1933, as amended (the "Securities Act").

In addition, this document is being distributed to and is directed only at persons in member states of the European Economic Area ("EEA") who are "qualified investors" within the meaning of article 2(1)(e) of the Prospectus Directive (directive 2003/71/EC), as amended, to the extent implemented in the relevant member state ("Qualified Investors"). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors. SFIL and/or CAFFIL will rely upon the truth and accuracy of the foregoing representations and agreements.

Some information or opinions contained in this document (i) have been compiled or arrived at by SFIL and CAFFIL from sources believed to be reliable, but SFIL and CAFFIL do not make any representation as to their accuracy or completeness and (ii) are given at the date mentioned in the presentation and are subject to change without notice.

This document is not to be relied upon as such or used in substitution for the exercise of any independent judgment and each recipient must make its own investigation as to the opportunity of any investment in SFIL and/or CAFFIL.



Immeuble Bords de Seine 2
1-3 rue du Passeur de Boulogne
92130 Issy-les-Moulineaux
France