



Regulated information - Paris, February 7, 2013

## Press Release

***The 3 main agencies have attributed a triple A rating to the Caisse Française de Financement Local.***

Société de Financement Local (SFIL) and Caisse Française de Financement Local<sup>1</sup> announce the completion of the organization of the new public sector structure dedicated to the financing of local governments and public healthcare institutions in France.

This structure, which the French State has described as a “development bank for local authorities”, is based on a three-pronged organization:

- commercial activities developed by a joint-venture between La Banque Postale and the Caisse des Dépôts,
- refinancing activities conducted by Caisse Française de Financement Local,
- operational functions in support of the above performed under the responsibility of SFIL.

This document describes the key features of the operations of Caisse Française de Financement Local as of now.

### **1. A new, strong parent company that is active and an expert in its field**

Caisse Française de Financement Local is wholly owned by SFIL.

SFIL is a credit institution approved by French regulatory authorities (Autorité de Contrôle Prudentiel). Its role is to provide support for the activities of Caisse Française de Financement Local as a servicer, as defined by the regulations that apply to *sociétés de crédit foncier*, in particular in the sense of article L.515-22 of the Monetary and Financial Code. In this way, SFIL takes the place of Dexia Credit Local.

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<sup>1</sup> Formerly Dexia Municipal Agency. This entity changed its name on January 31, 2013, when its parent company, Société de Financement Local, was sold to its new shareholders as indicated in the document.

In this respect:

- SFIL manages the reduction in sensitivity of structured loans on the balance sheet of Caisse Française de Financement Local;
- SFIL also provides Caisse Française de Financement Local with the non-privileged debt its activity requires;
- SFIL has intermediated the derivative operations existing between DMA and DCL at the date of the transfer of ownership.

In addition, SFIL provides services for La Banque Postale and the joint venture in terms of commercial support, financial monitoring, risk management and back office functions.

The staff is mainly composed of teams from Dexia specialized in the fields of loan management, the management of *sociétés de crédit foncier* and local public sector financing.

SFIL shareholders are the French State (75%), Caisse des Dépôts (20%), and La Banque Postale (5%). The French State assumes the role of reference shareholder in dealings with regulatory authorities, thereby underlining its commitment with regard to oversight and the taking of strategic decisions, as well as its determination to ensure the continuity of SFIL's financial transactions, whenever required.

Caisse des Dépôts provides SFIL with all the non-privileged resources required at the completion date for the financing of activity realized prior to the date of transfer. Together with La Banque Postale, it will cover the needs linked to future activities originated by the commercial joint venture.

SFIL's long-term ratings are Aa2 by Moody's, AA+ by Standard and Poor's, and AA+ by Fitch. These ratings reflect the strategic character of the public policy mission conferred by the State to SFIL and the Caisse Française de Financement Local, and the lasting commitment the State made to support them Local whenever such is required. These long-term ratings are qualified with a negative outlook, reflecting that on France's rating..

## 2. **A joint task with La Banque Postale to ensure the financing of the French local public sector**

Within the framework of the joint venture with Caisse des Dépôts, La Banque Postale intends to market long-term loans to local governments and public healthcare institutions. The eventual goal is production of around EUR 5 billion per year.

Commercial coverage is provided by the joint venture. The loans are extended by La Banque Postale as they are approved. They are then acquired by Caisse Française de Financement Local. The latter carries them on its balance sheet until maturity and refinances them in international markets through the issue of *obligations foncières* or other instruments benefiting from the same privilege.

The two entities have set up a coordinated credit evaluation process in order to enhance operational efficiency. However, Caisse Française de Financement Local is independent

of La Banque Postale in terms of the selection of risks, and it can choose not to acquire certain loans if they do not meet its investment criteria.

### **3. Key safeguards reinforced for bearers of *obligations foncières***

The way Caisse Française de Financement Local operates remains identical to what it was when it was operating under the DMA corporate name:

- status as a *société de crédit foncier*,
- strict management rules for liquidity, interest rate and foreign exchange risks,
- access to central bank liquidity,
- Public sector cover pool.

DMA's cover pool was subject to no adjustment when its shareholding structure changed. As of September 30, 2012, French assets accounted for 69.2% of the cover pool and foreign assets for 30.8%, mainly with loans granted to borrowers in Belgium (7.4%), Italy (10.2%), Switzerland (5.5%) and the United Kingdom (3.4%).

In addition, Caisse Française de Financement Local benefits from a declaration of support issued by SFIL affirming that the latter entity and the French State, its reference shareholder, will do what is necessary for Caisse Française de Financement Local to be able, at any time, to pursue its activities on an ongoing basis and honor its financial commitments in respect of the obligations imposed by current regulations.

### **4. Caisse Française de Financement Local benefits from the highest ratings**

With the change in the nature and in the shareholding structure of its supporting bank, the rating agencies raised their ratings of Caisse Française de Financement Local to the highest rank possible:

Moody's: Aaa  
Standard and Poor's: AAA (negative outlook)  
Fitch: AAA (credit watch<sup>2</sup>)

### **Comment by the Chairman and Chief Executive Officer of SFIL – Philippe Mills**

*"SFIL will operate with the greatest transparency vis-à-vis its shareholders, regulators and clients. We will carry out our mission of the renewal of local public sector financing in a spirit of responsible cooperation. The goal of Caisse Française de Financement Local will be to refinance the production realized by the joint venture LBP/CDC of approximately EUR 5 billion per year with the ambition to rank soon among the most sought-after issuers in its category."*

*Our roadmap is clear. We have, with SFIL and Caisse Française de Financement Local, the tools we need to meet our mission's demands."*

### **Comment by the Chairman of Caisse Française de Financement Local – Gilles Gallerne**

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<sup>2</sup> Rating under review in the expectation of the implementation by Fitch of its new methodology published January 31, 2013.

*“Thanks to the new structure, there will be again a coherence between the intrinsic qualities of obligations foncières issued by Caisse Française de Financement Local (cover pool, safety of the French legislation on SCF, risk controls) and the market perception of this same securities, as testified already by the best possible ratings attributed by the 3 main agencies.*

*The French State’s support and the fundamentally simple economic model are factors that should bolster the confidence of investors in our issues.”*

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**Tickers Bloomberg Caisse Française de Financement Local: CAFFIL**