



AGENCE
FRANCE TRÉSOR



Public Debt Management

November 16th 2012

AFT Mandate and Strategy

“Agence France Trésor manages central government debt and cash under the most secure conditions in the best interest of the taxpayer.”

■ **Regularity** and **transparency** are the corner stones of our strategy

- ✓ Auction calendar published 1 year ahead
 - BTF every Monday
 - OAT every 1st Thursday each month (except in Aug. and Dec.)
 - BTAN and ILBs every 3rd Thursday each month (except in Aug. and Dec.)
- ✓ Benchmarks on 2, 5, 10, 15, 30 & 50Y
- ✓ Regular pace and breakdown of issuances
- ✓ No opportunistic approach

■ With the introduction of elements of **flexibility** since end 2007

- ✓ More “off the run” issuances
- ✓ More papers issued at each auction
- ✓ More flexibility on size with wider range announced for the total amount to be issued
- ✓ 2 optional auction dates (in Aug. and Dec.)

Funding Requirement and Sources

Funding Requirement in €bn	2012	2013
Long-term debt redemption	55.5	61.4
Medium-term debt redemption	42.4	46.5
Other commitments by the state	1.3	1.6
Budget deficit	83.6	61.6
Total Financing Requirement	182.8	171.1

Funding Sources in €bn	2012	2013
Medium-and long-term issuance (OAT / BTAN) net of buybacks	178.0	170.0
Cancellation of Government securities by the Public Debt Fund (Caisse de la dette publique)	0.0	4.0
Net change in T-bills (BTF) outstanding	-10.0	-0.7
Change in Treasury correspondents' deposits	2.4	-3.6
Change in the Treasury account and others	12.4	1.4
Total Financing Sources	182.8	171.1

Source: 2013 budget bill

French Debt: Key Figures as of 31 October 2012

■ Negotiable Debt Outstanding:	€1377bn
– Long-Term bonds (OAT):	€938bn
– Medium-Term notes (BTAN):	€265bn
– Short-Term bills (BTF):	€173bn

■ **Medium-and Long-Term net Financing Programme**

– 2004:	€122.0bn
– 2005:	€111.0bn
– 2006:	€104.1bn
– 2007:	€ 97.5bn
– 2008:	€128.5bn
– 2009:	€165.0bn
– 2010:	€188.0bn
– 2011:	€184.0bn
– 2012:	€178.0bn
– 2013:	€170.0bn

A steady and transparent auction process

- Auction schedule released one year in advance:
 - every Monday at 14:50: BTF (short-term Treasury bills maturing in less than 1 year),
 - on the 1st Thursday of each month at 10:50: OAT (10, 15 and 30 years)
 - on the 3rd Thursday of each month at 10:50 and 11:50: inflation-linked OATs and BTANs (respectively 2 and 5 years)
- The 20 Primary Dealers (SVT) participate to the auctions
- Out of ethical (anonymity of the bids) and technical reasons (dedicated information system installed at each primary dealer) bids are collected by the Banque de France. But the auction decision is determined by AFT

Preparation and unfolding of an OAT or BTAN auction

- ✓ **D-7:** meeting in the AFT meeting room with the 20 Primary Dealers (SVT) to discuss market conditions and demand
- ✓ **D-6, 11:00:** announcement of the type and amount (expressed within a lower and upper limit) of securities to be issued
- ✓ **9:30:** talks between SVT-AFT on bank's and its clients' interest in securities
- ✓ **10:30 to 10:50:** SVT place their bids with Banque de France
- ✓ **10:50:** receipt of grids with unidentified bidders from Banque de France
- ✓ **10:52 - 55:** volume and price decided depending on the bids and intended amount
- ✓ **10:53 - 56:** public announcement of auction results: amount issued, weighted average rate, marginal price
- ✓ **D+3:** settlement by Banque de France

Unfolding of an auction: the announcement

	OAT	
DATE	06/02/03	
LIGNE	4.75%10/12	
REGLEMENT	11/02/03	
ECHEANCE	25/10/12	
V.ANNONCE	3000 ME<==	==>3500 ME
SOUSSION		
ADJUGE		
DONT ONC		
PRIX LIMITE		
% SERVI		
TMP		
COMPARER A	4.26	
EN DATE DU	09/01/03	

Unfolding of an auction: bids submission

BANQUE DE FRANCE
DIRECTION DES TITRES
Service des Adjudications et de
Gestion des Titres des Institutionnels
 01 42 92 41 67

ETAT DES SOUMISSIONS CONCERNANT L'ADJUDICATION DU 06/02/2003 à 11:00:00

Statut de la séance : Validée

Nature de l'opération : Classique - [1] OAT EUR 4,75% 25/10/2012

Monnaie : EUR

	Demandé	Servi
Offres compétitives (Oc)	6 320 000 000 EUR	
Offres non compétitives (Onc1)	0 EUR	
Totaux (Oc + Onc1)	6 320 000 000 EUR	

Prix	Total	Cumul	Pmp	Rend.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
Demandé	6 320,00				130,00	350,00	225,00	850,00	90,00	150,00	150,00	150,00	100,00	250,00	150,00	1 140,00	250,00	300,00	500,00	575,00	300,00	300,00	220,00	140,00						
Onc1																														
105,12	60,00	60,00	105,12	4,09729																			60,00							
105,11	100,00	160,00	105,11	4,09852								100,00																		
105,10	130,00	290,00	105,11	4,09852																			60,00	70,00						
105,09	375,00	665,00	105,10	4,09975		100,00						25,00		100,00		150,00														
105,08	1 025,00	1 690,00	105,09	4,10098			125,00	100,00						100,00		150,00			400,00			100,00		50,00						
105,07	510,00	2 200,00	105,08	4,10221		50,00		100,00	35,00	150,00				50,00			75,00		50,00											
105,06	1 155,00	3 355,00	105,08	4,10221				250,00	20,00		150,00				100,00	40,00	75,00		50,00		300,00	100,00	50,00	20,00						
105,05	310,00	3 665,00	105,07	4,10344		100,00		50,00	35,00			25,00					100,00													
105,04	675,00	4 340,00	105,07	4,10344			100,00								50,00		200,00		175,00		100,00	50,00								
105,03	200,00	4 540,00	105,07	4,10344				100,00					100,00																	
105,02	380,00	4 920,00	105,06	4,10467	30,00			250,00										100,00												
105,01	100,00	5 020,00	105,06	4,10467		100,00																								
104,98	50,00	5 070,00	105,06	4,10467	50,00																									
104,96	50,00	5 120,00	105,06	4,10467	50,00																									
104,90	400,00	5 520,00	105,05	4,10590												400,00														
104,86	400,00	5 920,00	105,04	4,10713												400,00														
104,76	200,00	6 120,00	105,03	4,10836																200,00										
104,75	200,00	6 320,00	105,02	4,10960																200,00										

* Les montants sont exprimés en millions.

Unfolding of an auction: decision-making stage

BANQUE DE FRANCE
 DIRECTION DES TITRES
 Service des Adjudications et de
 Gestion des Titres des Institutionnels
 **01 42 92 41 67**

ETAT DES SOUMISSIONS CONCERNANT L'ADJUDICATION DU 06/02/2003 à 11:00:00

Statut de la séance : Validée

Nature de l'opération : Classique - [1] OAT EUR 4,75% 25/10/2012

Monnaie : EUR

	Demandé	Servi
Offres compétitives (Oc)	6 320 000 000 EUR	
Offres non compétitives (Onc1)	0 EUR	
Totaux (Oc + Onc1)	6 320 000 000 EUR	

Prix	Total	Cumul	Pmp	Rend.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
Demandé	6 320,00				130,00	350,00	225,00	850,00	90,00	150,00	150,00	150,00	100,00	250,00	150,00	1 140,00	250,00	300,00	500,00	575,00	300,00	300,00	220,00	140,00						
ONC1																														
105,12	60,00	60,00	105,12	4,09729																			60,00							
105,11	100,00	160,00	105,11	4,09852								100,00																		
105,10	130,00	290,00	105,11	4,09852																			60,00	70,00						
105,09	375,00	665,00	105,10	4,09975			100,00					25,00		100,00		150,00														
105,08	1 025,00	1 690,00	105,09	4,10098			125,00	100,00						100,00		150,00			400,00			100,00		50,00						
105,07	510,00	2 200,00	105,08	4,10221			50,00		100,00	35,00	150,00			50,00			75,00													
105,06	1 155,00	3 355,00	105,08	4,10221				250,00	20,00			150,00			100,00	40,00	75,00		50,00			300,00	100,00	50,00	20,00					
105,05	310,00	3 665,00	105,07	4,10344			100,00	50,00	35,00			25,00					100,00													
105,04	675,00	4 340,00	105,07	4,10344			100,00								50,00			200,00		175,00		100,00	50,00							
105,03	200,00	4 540,00	105,07	4,10344				100,00					100,00																	
105,02	380,00	4 920,00	105,06	4,10467														100,00												
105,01	100,00	5 020,00	105,06	4,10467			100,00																							
104,98	50,00	5 070,00	105,06	4,10467	50,00																									
104,96	50,00	5 120,00	105,06	4,10467	50,00																									
104,90	400,00	5 520,00	105,05	4,10590															400,00											
104,86	400,00	5 920,00	105,04	4,10713															400,00											
104,76	200,00	6 120,00	105,03	4,10836																										
104,75	200,00	6 320,00	105,02	4,10960																										

Winning bids

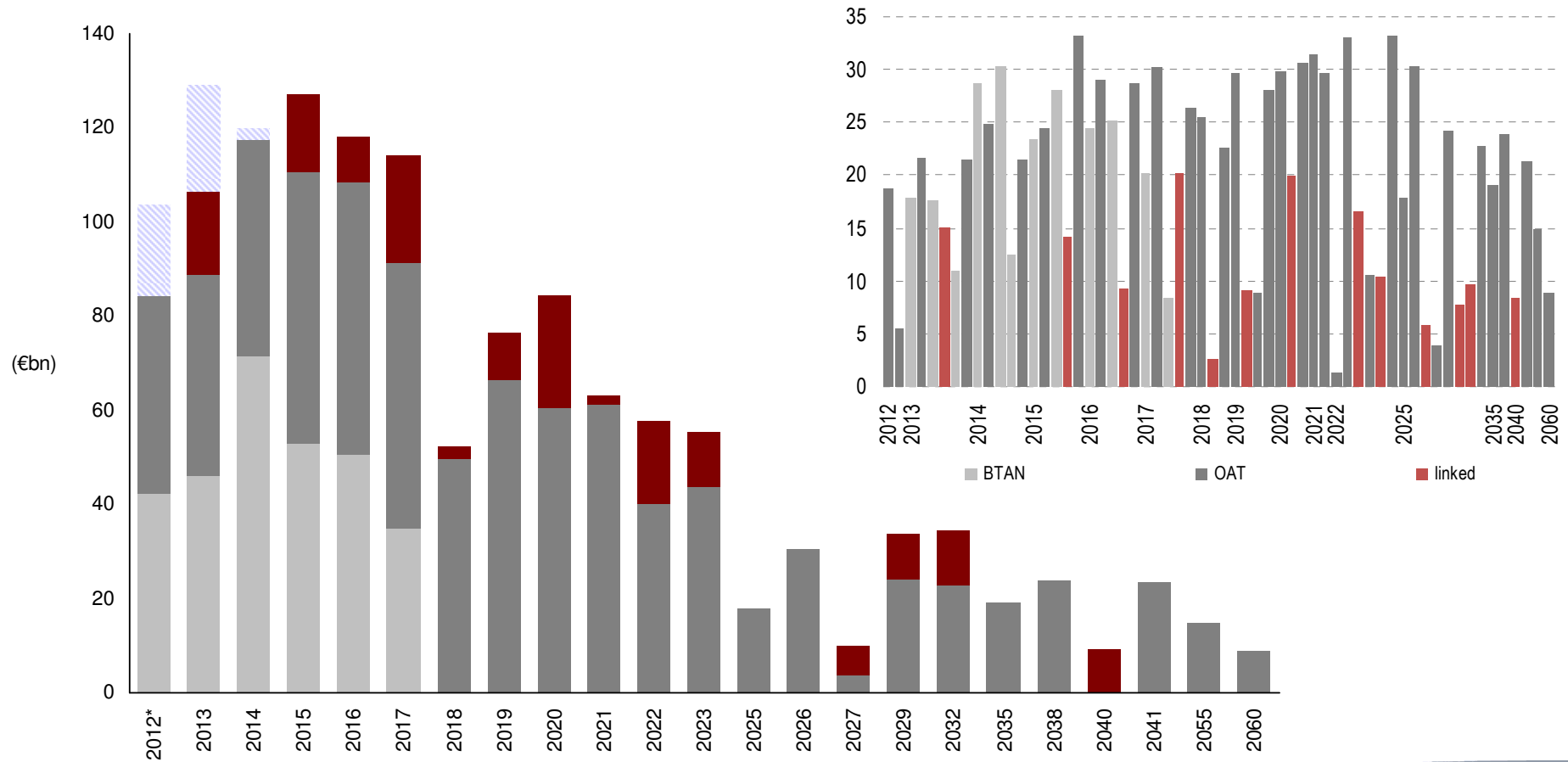
Dismissed bids

Les montants sont exprimés en millions.

Unfolding of an auction: decision announcement

	OAT	
DATE	06/02/03	
LIGNE	4.75%10/12	
REGLEMENT	11/02/03	
ECHEANCE	25/10/12	
V.ANNONCE	3000 ME<==	==>3500 ME
SOUSSION	6320	
ADJUGE	3355	
DONT ONC		
PRIX LIMITE	105.06	
% SERVI	100%	
TMP	4.10	
COMPARER A	4.26	
EN DATE DU	09/01/03	

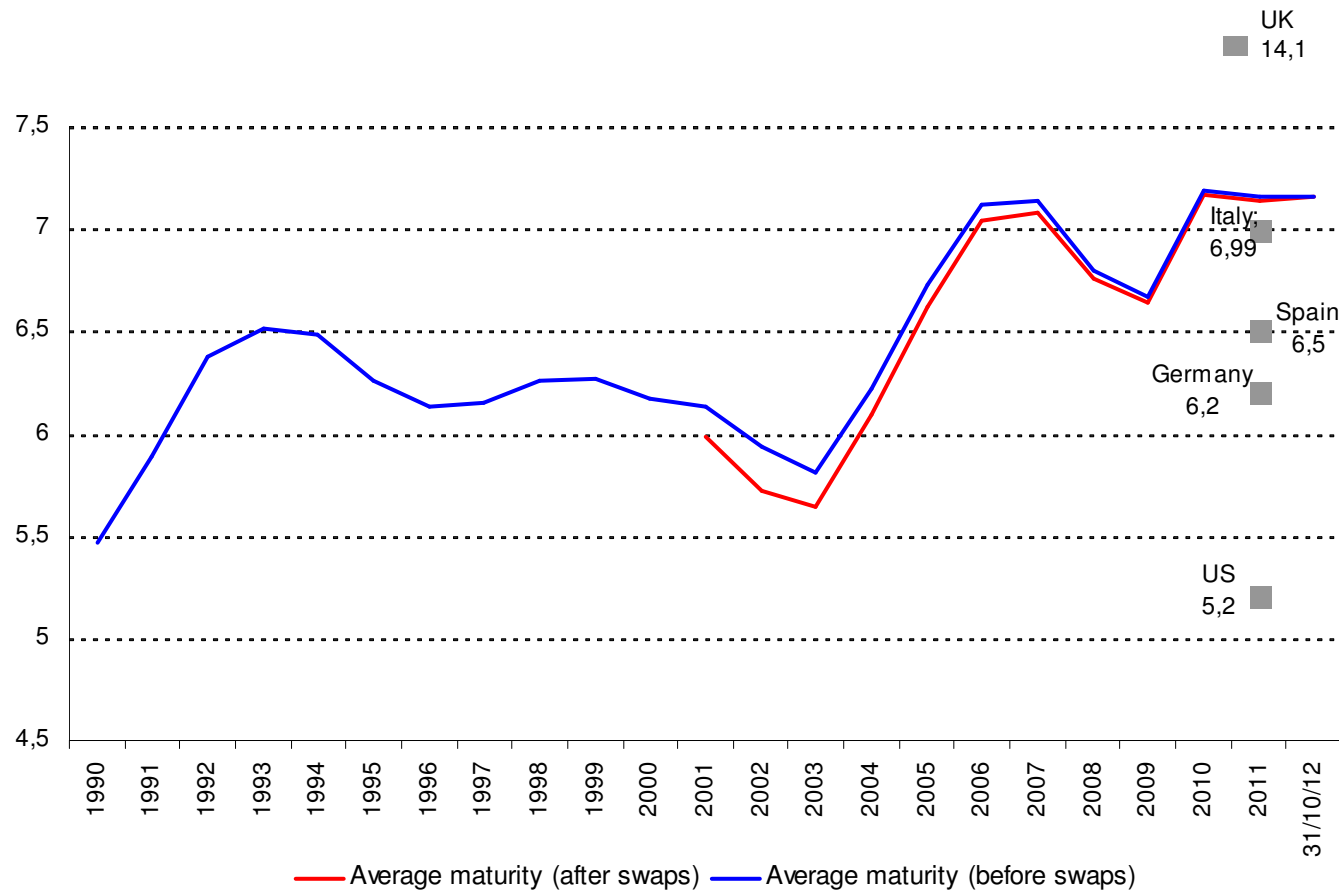
OATs and BTANs Outstanding as of 31 October 2012



* As of 1st January 2012

■ BTAN ■ OAT ■ OATi & OATei & BTANi ▨ buybacks

Average maturity of French debt (31 October 2012)



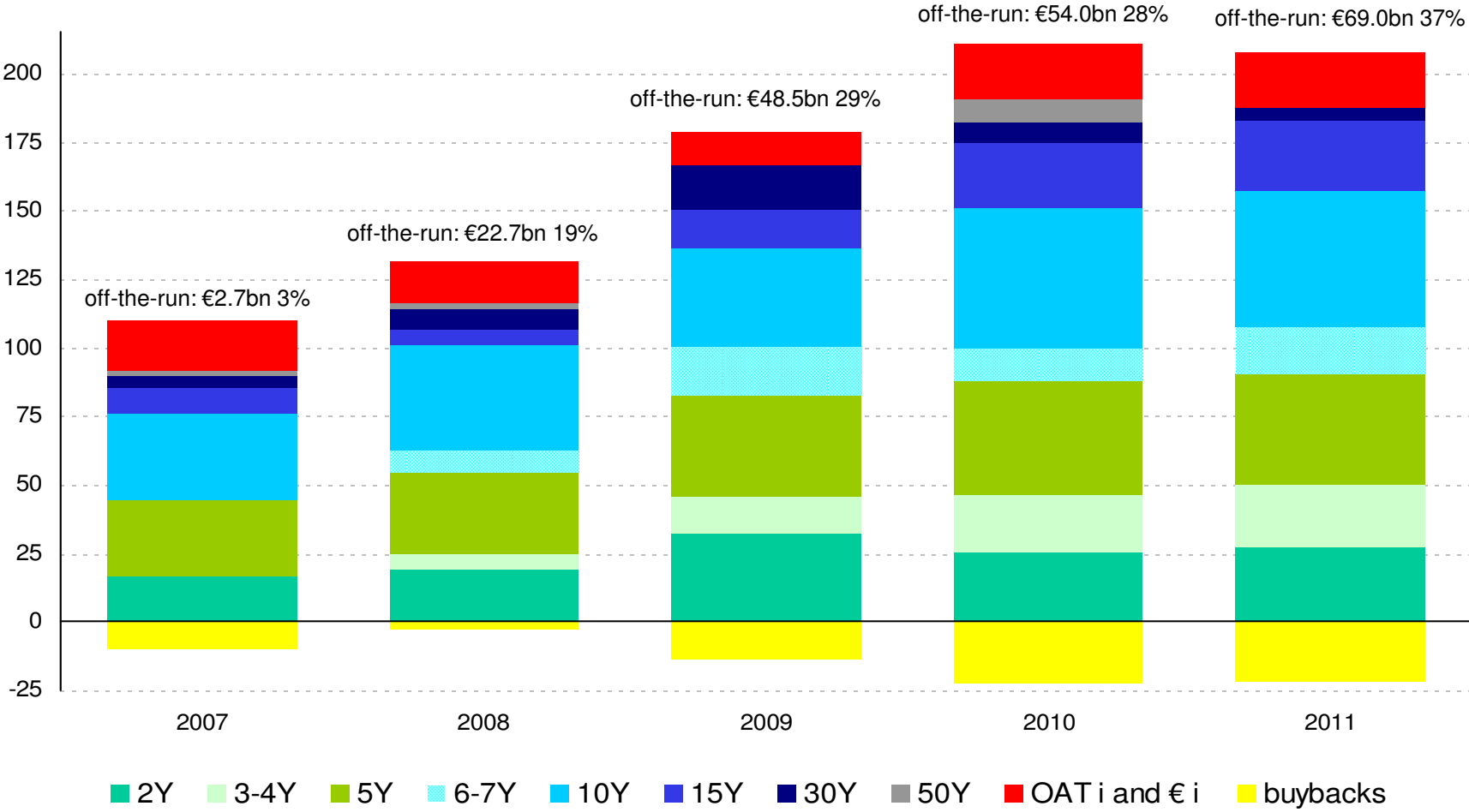
Average maturity of the debt

End 2011 : 7.2 years

End 2008 : 6,7 years

Average from 1994 to 2007 : 6,3 years

Previous Financing Programmes



A Regular Financing Programme

2011: €207.8bn of gross issuances

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2 Y	2,9	2,7	5,6	1,6	4,6	1,5	2,2		2,4	2,9	1,0		27,3
3-4 Y	1,0	2,1		2,1	3,5	3,5	2,8		2,7	3,6	1,1		22,5
5Y	5,1	4,7	2,9	6,0	1,7	4,1	3,4		4,7	1,9	6,0		40,4
6-7Y		1,4	3,6			1,6			3,6	3,1	3,1	0,6	16,9
10Y	5,0	4,4	3,2	4,7	6,1	5,7	7,2		3,8	4,4	3,6	1,7	49,9
15Y	5,2	3,1	2,1	3,7	4,8	2,5	2,4				1,3	1,1	26,3
30Y+50Y				1,5					1,6			1,3	4,5
i/€i	3,0	3,0	1,8	1,9	2,2	1,9	1,6		1,4	2,0	1,2		20,1
Total gross issuance	22,2	21,4	19,2	21,7	22,9	20,8	19,6		20,2	17,9	17,2	4,8	207,8

A Regular Financing Programme

2012: €187.0 of gross issuances (105.1% out of €178bn)

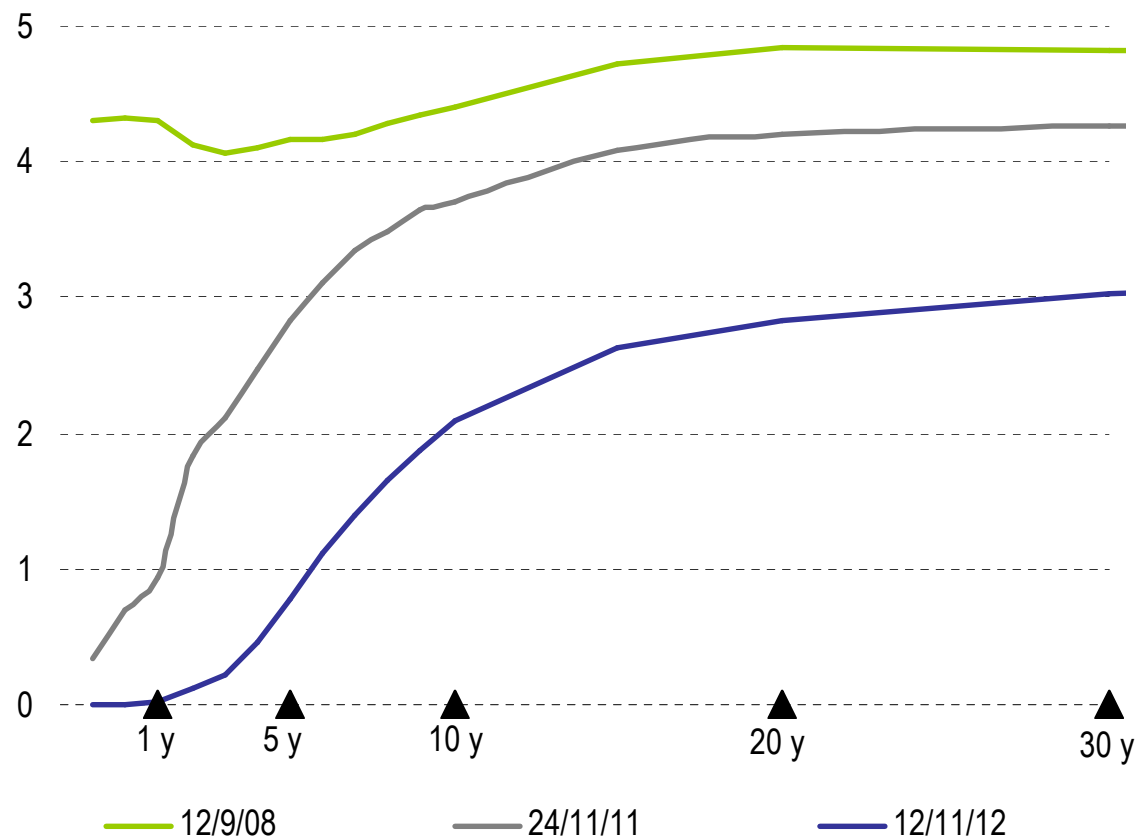
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2 Y	3,0	2,1	4,0	3,5	2,9	2,8			3,3	1,0			22,6
3-4 Y	1,9	1,3	1,2	1,7	2,2	3,0	4,5		1,4	2,4			19,5
5Y	4,3	5,6	3,3	2,7	4,4	4,3	4,5		3,9	6,1			39,1
6-7Y		2,7	2,7	1,3	1,1	1,7	1,9		1,7	1,5	1,8		16,3
10Y	4,8	6,8	4,5	4,7	5,9	3,5	7,5		3,9	5,7	4,9		52,3
15Y	1,2		2,3	1,7	1,9	2,0			3,8		2,1		15,0
30Y+50Y	2,4			1,2		0,7				2,3			6,6
i/€i	1,7	1,7	1,6	2,5	1,4	1,4	1,3		2,0	2,1			15,6
Total gross issuance	19,3	20,3	19,5	19,4	19,9	19,4	19,6		19,9	21,0	8,8		187,0

Innovation Track Record

- **1986:** Fungibility of Government Bonds
- **1989:** First 30-year OAT
- **1991:** First stripped OATs
- **1996:** First TEC-indexed OAT
- **1998:** First OAT indexed to French inflation
- **2001:** First OAT indexed to Eurozone inflation
- **2005:** First 50-year bond on the Euro market
- **2006:** Launch of a retail market for OATs on NYSE Euronext
- **2007:** First stripping of index-linked OATs and BTANs
- **2009:** Fungibility of strips (interest and principal)

Annexes

French government securities yield curve



Source: Bloomberg

Evolution of government funding conditions

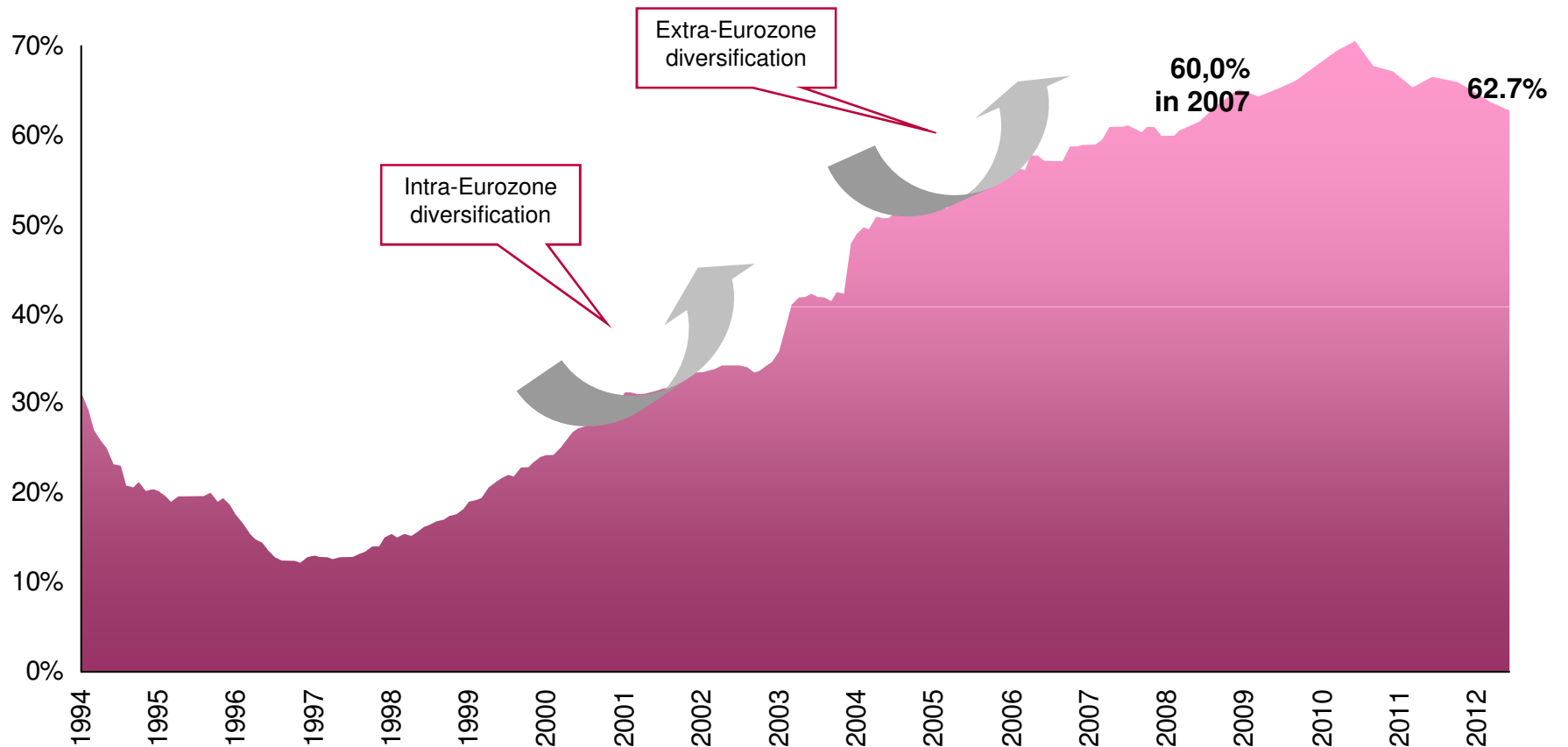
Weighted average rates		Average 1998-2007	Year 2010	Year 2011	Year * 2012	Q1 2012	Q2 2012	Q3 2012	Q4 * 2012
SHORT TERM	Total T Bills	3.10%	0.45%	0.81%	0.09%	0.19%	0.11%	0.00%	-0.01%
	of which 3-Month T Bills	3.05%	0.37%	0.70%	0.05%	0.11%	0.08%	-0.01%	-0.02%
MEDIUM AND LONG TERM	Bonds issuances over one year maturity (excluded linkers) **	4.15%	2.53%	2.80%	1.93%	2.30%	1.97%	1.52%	1.53%
	of which 10 Year Bonds issuances (excluded linkers)	4.45%	3.17%	3.38%	2.70%	3.11%	2.83%	2.40%	2.25%
TOTAL DEBT **		3.71%	1.49%	1.85%	1.02%	1.28%	1.08%	ns	0.82%

données à jour au 5 novembre 2012

* résultats partiels / ** mois pleins uniquement

Investor Diversification

Holding by non-French Investors of French Government Debt



Source: Banque de France

Estimate of the share of non-resident investors outside the eurozone

	Holdings by non-resident investors (all debt securities) in 2010	Eurozone		Outside the Eurozone	
			%		%
Germany	2 208 062	984 810	44.6%	1 223 252	55.4%
France	2 005 611	985 816	49.2%	1 019 795	50.8%
Netherlands	1 536 783	941 057	61.2%	595 726	38.8%
Italy	1 228 971	923 693	75.2%	305 278	24.8%
Spain	844 880	648 424	76.7%	196 456	23.3%

Source : FMI, Coordinated Portfolio Investment Survey, AFT calculation

Strong Liquidity of the BTF Market

- 1 auction every week, stable issuance policy (€7-9bn per auction)
- Outstanding in 2012 to decrease by 10 bn€ at 168 bn€, and to slightly decline in 2013 by 0.7 bn€
- 3 to 4 papers issued per auction, 3M 6M and 12M benchmarks

- 27 maturity dates available on the secondary market
- 3M maturity issued around OIS -9 bp at the last auction
- 12M maturity issued around OIS -3 bp at the last auction

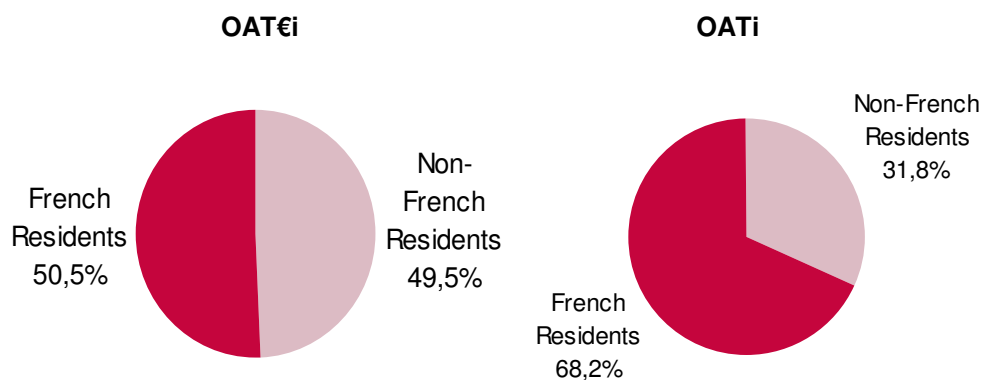
AFT Commitments Regarding inflation-linked bonds

- **Regularity:**
Monthly issuance since 2004 (excluding August and December)
- **Predictability:**
ILB auction on 3rd Thursday of the month, 11:50 am, Paris time
- **Relevance:**
AFT is committed to issuing around 10% of its financing programme in linkers and more if justified by demand (12% in 2008, 7.5% in 2009, 10.8% in 2010, 10.9% in 2011)
- **Ensuring Liquidity:**
Through primary issuance and through primary dealers' market making
- **Building Two Real Curves:**
French & European inflation, and ensuring their liquidity

Maintaining Two Real Curves: French CPI & Euro HICP

Different Products with Different Investor Bases ...

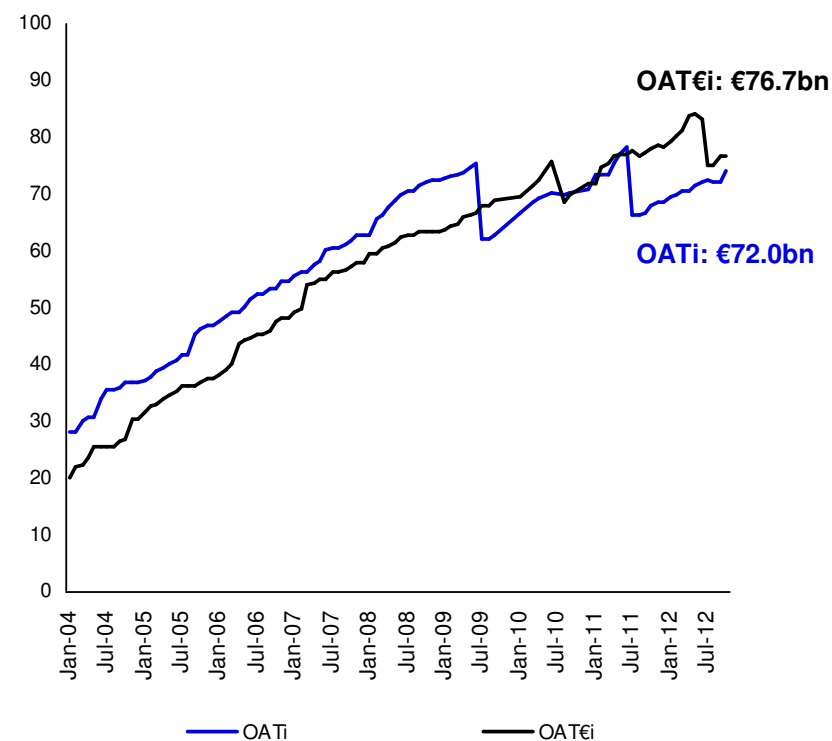
Holder of Inflation-linked OATs (Q2 2012)



Source: Banque de France

... AFT Being Committed to Develop Both Market Segments

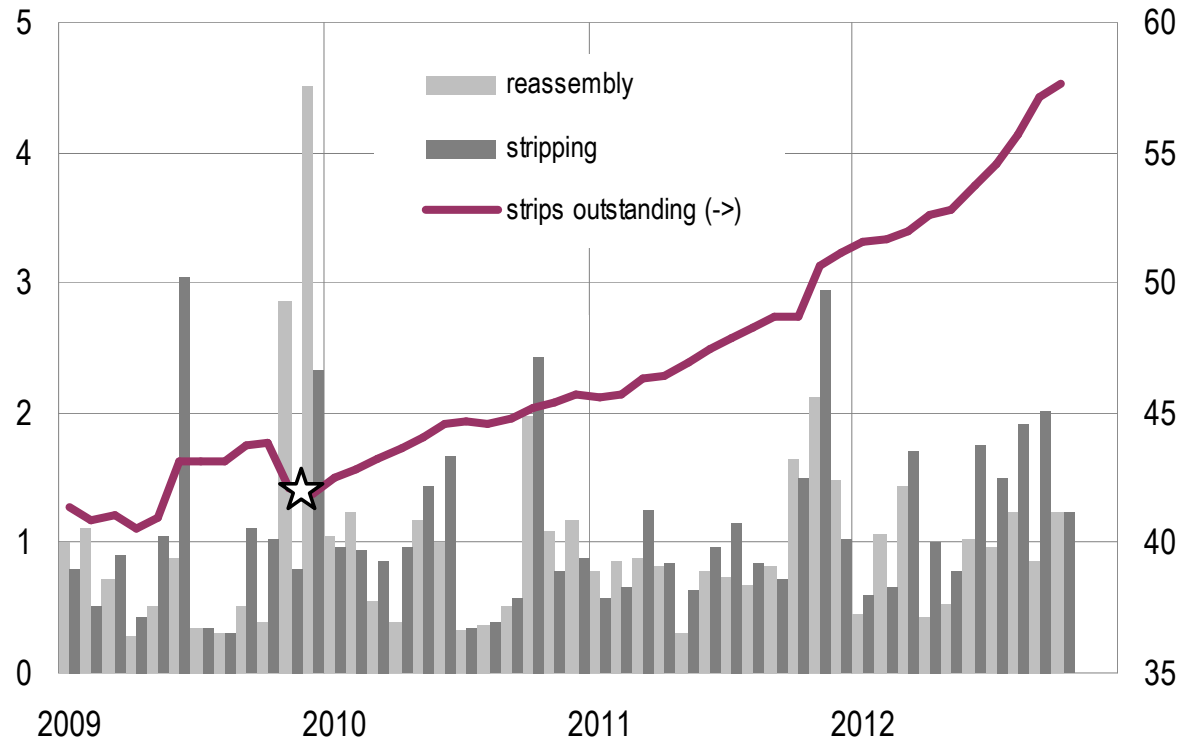
Linkers Outstanding (31 October 2012)



Source: AFT

Stripping Activity

EUR billion



source: Euroclear

- Reassembly flows focused on the short end of the curve
- Stripping flows focused on the long end of the curve