FRENCH UNEMPLOYMENT INSURANCE

INVESTOR PRESENTATION
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I. Overview of Unédic

- Management of the insurance entrusted to the social partners
- Unédic mandates two public agencies
- Continuity and sustainability of the scheme are guaranteed
- Changes of the French unemployment insurance
MANAGEMENT OF THE INSURANCE ENTRUSTED TO THE SOCIAL PARTNERS

Negotation framework implemented by the French government

LAW

COMPULSORY UNEMPLOYMENT INSURANCE SCHEME

SOCIAL PARTNERS

Employers’ Organisations
MEDEF, CGPME, UPA

Tade Unions
CFDT, CFE-CGC, CFTC, CGT, CGT-FO

Responsibility of unemployment insurance

Labour Code Art. L 5422-10


Labour Code Art. L 5427-1

Implementation

Unédic

Non profit organisation managed by the social partners

PREScribes AND CONTROLS
Prescribes, guarantees and controls the conditions for implementing unemployment insurance scheme

MANAGES
Ensures the financial management of unemployment insurance scheme while guaranteeing its independence

EVALUATES
Produces the studies and analyses supporting the strategic decision making for the insurance scheme

Note: The unemployment insurance agreement is subject to government approval (Labour Code Art. 5422-21)
UNÉDIC MANDATES TWO PUBLIC AGENCIES

TO CARRY OUT OPERATIONS OF CONTRIBUTION COLLECTION AND BENEFIT PAYMENT

EMPLOYERS

Contribution rate:
- Tax-based overall social contribution (“CSG”): equivalent to 2.4% of gross base salary
- Employer’s contribution: 4.05% of gross salary

JOBSEEKERS

Benefit rate:
72% of previous net salary
(= 61% of previous gross salary)

Recovery of contributions

Payment of benefits and help jobseekers reintegrate labour market

Recovery

Payment of benefits and assistance
CONTINUITY AND SUSTAINABILITY OF THE SCHEME ARE GUARANTEED

- Collective negotiation every 2 or 3 years to ensure financial balance “over the cycle”
  - A legal obligation for a balanced budget (Labour Code Art. L 5422-12)
  - Definition of the mechanisms for a 2 to 3 years term, depending upon the financial situation of the unemployment insurance, the job market and unemployment levels
  - Adjustable variables in order to reach equilibrium:
    - Contribution rate
    - Unemployment insurance eligibility criteria
    - Amount and duration of benefits
    - ...

- Shared responsibility of the State on the unemployment insurance management
  - Compulsory nature of the unemployment insurance (Labour Code Art. L 5422-13)
  - During summer 2018, a new law (Loi n° 2018-771 “Avenir Professionnel”) was passed, and has strengthened the role of the State:
    - Negotiation framework given to the Social Partners by the Prime Minister
    - Implementation of specific measures by decree.
    - The State is entitled to take control of the management of Unemployment insurance if the Social Partners fail to reach an agreement.
  - Prime Minister approval of the insurance agreements (Labour Code Art. L 5422-21)

- Bond issuances supported by an explicit State guarantee, renewed since 2011
  - Finance Law (n° 2018-1317 Art. 213, Dec. 28th 2018) : authorisation to provide an explicit guarantee for 2019 up to EUR 2,5Bn
  - Ministerial Order granting the guarantee – pending
FROM THE PRESIDENTIAL ELECTION CAMPAIGN TO APPLICABLE MEASURES

- During the election campaign in May 2017, President Macron announced new plans for unemployment insurance:
  - Opening up unemployment benefits to new populations including independant and resigning workers
  - Changes in payroll charges substituting contributions paid by the employees by increasing CSG taxes (General Social Contribution)

- The social partners reached an agreement at the end of February 2018 regarding the possible changes to the scheme

- Unédic is involved in the expert group in charge of documenting baseline data for the dialogue:
  - Legal implications
  - Financial risks of the changes
  - Verification and evaluation of the data gathered in the baseline data...

- The reform leads to a stronger involvement of the State in the management of French unemployment insurance

- Another dialogue has started in September 2018 between the social partners and the State to prepare further changes to the scheme

- In February 2019, Social Partners failed to reach an agreement within the negociation framework. The Prime Minister announced that the State will extend the dialogue and implement new measures by decree during the summer.
II. Economic Outlook in France

- Improvement of business climate
- Reduction of business failures
- Improving GDP growth
- Positive trend for unemployment level
IMPROVEMENT OF BUSINESS CLIMATE

After years of relative growth, various indicators show improvement of the economic situation

Opinion survey index of business leaders

Source: Insee, as of the end of 2018 (published on January 23rd 2019)
Since 2015, the number of business failures has declined significantly

**Evolution of business failures**

*Source: Banque De France, as of November 2018 (published on January 14th 2019)*
French GDP growth is reaching its sustainable potential level

IMPROVING GDP GROWTH

The macroeconomic situation has had a dynamic effect on employment.

### Unemployement level (ILO)

- **Metropolitan France**
- **Metropolitan France and overseas departments**

Source: Insee, as of September 2018 (published on November 21st 2018)
III. Financial Forecast

- Unédic research methodology and forecasts
- Unédic hypotheses, revenue and expenditure
- Stable revenue, expenditure negatively correlated to the economic situation
- Unédic financial outlook
- Unédic debt forecast
- A “leverage effect” upon the balance of the unemployment insurance
UNÉDIC RESEARCH METHODOLOGY AND FORECASTS

Forecast updated three times a year

- Based on macro-economic indicators from the Consensus of Economists:
  - Forecast in change of GDP rate
  - CPI
  - Some hypotheses used by Unédic in its forecast model can differ from the State macro economic framework
- Careful monitoring of the working population, wage bill change, unemployment benefits paid, etc.
- Forecasts reviewed by unemployment insurance managers for daily management

The 3 year forecast and structural and cyclical balance analysis help the social partners adapt the rules for the Unemployment insurance

- Unédic has to keep a balanced budget over the economic cycle
Unédic financial balance is based on the following macroeconomic indicators:

The macroeconomic hypotheses used are based on the Consensus Forecasts:

<table>
<thead>
<tr>
<th>UNÉDIC HYPOTHESES, REVENUE AND EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (in volume)</td>
</tr>
<tr>
<td>0,2%</td>
</tr>
<tr>
<td>Wage bill growth</td>
</tr>
<tr>
<td>2,1%</td>
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<tr>
<td>Unemployment level</td>
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<tr>
<td>10,1%</td>
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</table>

Unédic careful statistical method and indicators result in revenue and expenditure forecast:

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</tr>
</thead>
<tbody>
<tr>
<td>Annual revenues (€M)</td>
<td>32,466</td>
<td>33,274</td>
<td>33,936</td>
<td>34,520</td>
<td>35,146</td>
<td>36,364</td>
<td>37,975</td>
<td>38,745</td>
<td>39,930</td>
</tr>
<tr>
<td>Annual expenditures (€M)</td>
<td>35,193</td>
<td>37,271</td>
<td>37,746</td>
<td>38,769</td>
<td>39,503</td>
<td>39,874</td>
<td>39,378</td>
<td>38,875</td>
<td>38,327</td>
</tr>
</tbody>
</table>

Sources: Unédic, Consensus Forecasts May 2018, Unédic calculations

Note: Unédic forecasts are based on hypotheses which may differ from the State macro-economic framework.
STABLE REVENUE, EXPENDITURE NEGATIVELY CORRELATED TO THE ECONOMIC SITUATION

Contribution and expenditure relative to French GDP

Revenue to GDP ratio (%)
Revenue to GDP ratio without the effects of the 2017 new measures (%)
Expenditure to GDP ratio (%)
Expenditure to GDP ratio without the effects of the 2017 new measures (%)

Sources: Unédic, Consensus Forecasts May 2018, Unédic calculations

Note: Unédic forecasts are based on hypotheses which may differ from the State macro-economic framework.
In April 2017, the social partners agreed on new measures to rebalance Unédic structural deficit estimated at EUR 1.5bn:

- 2017 Agreement new set of measures EUR +930M
- Reform of cross-border workers between European States EUR +480M

**Stabilisation of Unédic balance in the medium term**

*Sources*: Unédic, Consensus Forecasts May 2018, Unédic calculations

*Note*: Unédic forecasts are based on hypotheses which may differ from the State macro-economic framework
Significant improvement of Unédic financial forecast

Sources: Unédic, Consensus Forecasts May 2018, Unédic calculations

Note: Unédic forecasts are based on hypotheses which may differ from the State macro-economic framework
A “LEVERAGE EFFECT” UPON THE BALANCE OF THE UNEMPLOYMENT INSURANCE

With the current parameters of unemployment insurance (contribution rate and compensation rate), the contributions of roughly 9 affiliated employees are necessary to compensate 1 jobseeker.

1 employee losing his job has a compounded negative effect upon the finances of unemployment insurance:

- 1 contributor
+ 9 contributions consumed

1 jobseeker finding a job has an enhanced positive effect upon unemployment insurance finances:

+ 1 contributor
+ 9 contributions available

There usually is a delay of 6 months to a year before this levered effect can be noticed.
IV. Financial Management

- Unédic funding programmes at a glance
- Funding strategy and outstanding issues
- Unédic 2018 new benchmarks
- Distribution of Unédic EMTN & NEU MTN primary issues
## UNÉDIC’S FUNDING PROGRAMMES AT A GLANCE

<table>
<thead>
<tr>
<th></th>
<th>NEU CP (ex Billets de Trésorerie)</th>
<th>NEU MTN (ex BMTN)</th>
<th>EMTN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum outstanding</strong></td>
<td>EUR 10bn</td>
<td>EUR 8bn</td>
<td>EUR 34bn</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>Up to 1 year</td>
<td>Between 1 and 7 years</td>
<td>Between 1 and 15 years</td>
</tr>
<tr>
<td><strong>Maturities currently used</strong></td>
<td>Up to 1 year</td>
<td>Between 1 and 7 years</td>
<td>Between 8 and 15 years</td>
</tr>
<tr>
<td><strong>Rate</strong></td>
<td></td>
<td>Fixed</td>
<td></td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td></td>
<td>Euro</td>
<td></td>
</tr>
<tr>
<td><strong>Nature of guarantee</strong></td>
<td>No explicit guarantee</td>
<td>Explicit guarantee*</td>
<td></td>
</tr>
<tr>
<td><strong>Ratings (Moody’s / S&amp;P / Fitch)</strong></td>
<td>P-1 / - / F-1+</td>
<td>Aa2 / - / AA</td>
<td></td>
</tr>
<tr>
<td><strong>Governing Law</strong></td>
<td></td>
<td>French Law</td>
<td></td>
</tr>
<tr>
<td><strong>Listing</strong></td>
<td>Not applicable</td>
<td></td>
<td>Euronext Paris</td>
</tr>
<tr>
<td><strong>ECB Repo Eligibility</strong></td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><strong>LCR Treatment</strong></td>
<td></td>
<td>HQLA Level 1</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Weighting</strong></td>
<td></td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>PSPP Eligibility</strong></td>
<td>Not applicable</td>
<td></td>
<td>Yes</td>
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*First demand, unconditional and irrevocable guaranty from the French State, covering EUR 3,5bn of new issuances in 2018.*

*All Unedic's issuances are conducted in EUR, Fixed rate only.*
FUNDING STRATEGY AND OUTSTANDING ISSUES

- Unédic objective is to structure its debt by the economic cycle and extend the average maturity of its outstanding debt

- 3 months average maturity for the outstanding NEU CP (Minimum 3 months WAM)
- 2 years 6 months average maturity for the outstanding NEU MTN
- 6 years 1 months average maturity for the outstanding EMTN

Maximum maturity for new issuances:
- EMTN : 15 years
- NEU MTN : 7 years

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</thead>
<tbody>
<tr>
<td>EMTN programme</td>
<td>4</td>
<td>0</td>
<td>1,9</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>2,25</td>
</tr>
<tr>
<td>NEU MTN programme</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,3</td>
<td>2,75</td>
<td>0,5</td>
<td>2,7</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total issued</td>
<td>4</td>
<td>0</td>
<td>1,9</td>
<td>7</td>
<td>5</td>
<td>8,3</td>
<td>8,75</td>
<td>5,5</td>
<td>7,7</td>
<td>2,25</td>
</tr>
</tbody>
</table>

Source: Unédic
UNÉDIC 2018 NEW BENCHMARKS

30th May 2018

€
1,000,000,000
25th May 2033

- **Tenor**: 15 year
- **Re-offer yield**: 1,307% (OAT +13bps / MS -4bps)
- **Final order book size**: EUR 2,4Bn

Transaction Timetable (CET)

- **22 May, 15:10**  Announcement of a new 15-year EUR transaction
- **23 May, 09:00**  Formal price guidance was released at OAT+14 bps area
- **23 May, 10:30**  Guidance remained at OAT+14 bps area with books in excess of EUR 1bn (excluding JLM interest)
- **23 May, 11:10**  Price guidance was revised to OAT+13bps with books reaching EUR 1.5bn (including EUR 225 million of JLM interest)
- **23 May, 11:45**  Orderbooks closed above EUR 2.4 billion (including EUR 225 million of JLM interest) and the transaction size was set at EUR 1.0bn
- **23 May, 13:48**  Benchmark priced at OAT+13bp with

- **Breakdown by region**: France (73%), Germany (9%), UK (9%), Asia (7%), Others (2%)
- **Breakdown by investor type**: Asset Managers (35%), Insurance & Pension Funds (35%), Banks & Intermediaries (15%), Central Banks & Official Institutions (15%)

3rd October 2018

€
1,250,000,000
25th May 2028

- **Tenor**: short 10 year
- **Re-offer yield**: 0,914% (OAT +13bps / MS -7,5bps)
- **Final order book size**: EUR 2,3Bn

Transaction Timetable (CET)

- **25 Sep., 15:00**  Announcement of a new 10-year EUR transaction
- **26 Sep., 09:00**  Books opened with price guidance of OAT+16 bps area
- **26 Sep., 10:15**  First price guidance remained at OAT+16 bps area with books in excess of EUR 1bn (excluding JLM interest)
- **26 Sep., 10:45**  Price guidance was revised to OAT+15bps with books above EUR1.5bn (excluding JLM interest)
- **26 Sep., 11:30**  The third price guidance was set at OAT+14bps (+/- 1 WIPR) with book in excess of EUR 2.2bn (ex. JLM interest)
- **26 Sep., 12:00**  Books went subject with final terms at OAT+13bps, books above EUR 2.3bn and a size set at EUR 1.25bn
- **26 Sep., 15:25**  Benchmark priced at OAT+13bp with final orderbooks in excess of EUR 2.3bn

- **Breakdown by region**: France (43%), Germany/Austria (11%), UK (8%), Asia (8%), Spain (7%), Nordics (6%), Benelux (5%), Others (12%)
- **Breakdown by investor type**: Asset Managers (49%), Insurance (13%), Central Banks & Official Institutions (17%), Banks (17%), Others (4%)

Source: Unédic
DISTRIBUTION OF UNÉDIC EMTN & NEU MTN PRIMARY ISSUES

Geographical breakdown (EMTN & NEU MTN programme)

Geographical breakdown (2018 programme)

Geographical breakdown (2016 & 2017 NEU MTN program)

Source: Unédic
FOR MORE INFORMATION, VISIT UNÉDIC INVESTORS WEBSITE

https://www.unedic.org/investors
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