

## Public Investment Finance Finance Lease € 480 million

June 2015

### Acquisition of the Tour Séquoia

pbb Deutsche Pfandbriefbank and La Banque Postale provided funding in June 2015, via a Finance Lease contract ("Crédit-Bail Immobilier"), of the Tour Séquoia, a 55.000 square meter office building located in La Défense, Paris.

La Défense is the largest business district in continental Europe. The €480 million financing is funded equally by both banks with both acting as joint lead arranger. The deal allows the French government to accommodate up to 3,600 civil servants employed in the Ministry of Ecology, Sustainable Development and Energy and the Ministry of Housing, Territories Equality and Rural Affairs in the building. The Ministries will pay a market rent for the duration of the contact and also benefit from €1 purchase option at the end of the term.

### Finance Leasing increasingly common in France

Finance Lease is a legal tool, which could become increasingly prevalent for public entities as part of their real estate strategy.

It enables a lessee (in this case the French State) to occupy a real estate asset owned by a lessor (in this case pbb and La Banque Postale) for a pre-agreed period of time and with a pre-agreed rent. The lessor acts as a facilitator by purchasing the property and providing the financing, which enables the lessee to pursue its endeavor. The lessee is responsible for the selection of the real estate asset to be financed (subject to the eligibility criteria defined by the lessor).

Finance Leases are most effective for lessees looking for long-term stability of tenure, alongside balance sheet efficiencies. A further strength of the Finance Lease is that it allows public entities to deploy their capital elsewhere, for example, the provision of public services.

Unlike a standard lease agreement, a Finance Lease offers additional advantages as, following the pre-agreed rental tenure, the lessee benefits from the option to purchase the asset at the end of the contract term.

The tenure of a Finance Lease contract is usually longer than the average standard lease agreement and therefore binds the lessee to long-term payment undertakings with high breakage costs should the lessee decide to exit the contract before its legal maturity. The Finance Lease should therefore be considered as a contractual means of fulfilling a long term real estate strategy as opposed to a short term strategy that might prioritize flexibility.

The private sector remains the primary user of Finance Lease contracts. However, public authorities (presently in France but also in other jurisdictions such as the Nordic Countries) are beginning to recognize the benefits offered by these contracts, making them an increasingly popular finance tool in the public sector.

### pbb perfect partner for Finance Lease transactions

pbb's experience as a specialized lender in real estate and public investment finance makes it the perfect partner for Finance Lease transactions for a public authority. The bank can leverage on its dual core competencies: real estate for the underlying asset and understanding the public investment objectives of public authorities. For the Tour Séquoia transaction, pbb was able to draw on both its local valuation experts and its public investment originators based in Paris to fully understand the needs of the French State and to provide them with a tailor-made solution.

## Vast experience as public finance lender

pbb is a specialist lender for real estate and public investment finance. The bank's strategic portfolio in public investment finance amounts to € 7.3 billion (as of 31/03/2016). In 2015, pbb's new business in this sector increased to €1.6 billion.

pbb has identified three key areas in which the bank will take an active role in public investment finance:

- **Traditional public investment finance**
  - pbb offers financing solutions for the funding of public sector facilities (administrative and special purpose facilities, educational and cultural establishments, and sport facilities), municipal and residential construction (council housing, apartment building companies, student housing), utilities (energy, water, waste, recycling & environment), health and age (hospitals, medical and geriatric care facilities as well as administration and insurance facilities) and other essential infrastructure.
  - The bank has vast experience of financing complex public/private sector partnerships for infrastructure projects in which private sector partners lead the design,

construction, operation and financing of a public investment. pbb's experience across European markets allows us to offer tailor made solutions to fulfil the objectives set by public sector clients.

- **ECA finance** – export finance, where there is export credit insurance coverage
- **Finance Lease** – pbb can offer a range of leasing arrangements in which the bank is typically the legal owner of the asset during the financing period, while leaving operating control and the economic risks and returns in relation to the valuation of the underlying property/asset with the lessee. The product is at the crossroads between public investment finance and real estate finance business and offers a solution where conventional funding arrangements do not always apply. This product primarily targets clients in France and the Nordic Countries.

The bank is able to offer one-stop-shop structures and has the ability to underwrite and syndicate large volumes and long maturities.

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