



Bpifrance Financement Covid-19 Response Bond Framework

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Dated 23rd April 2020

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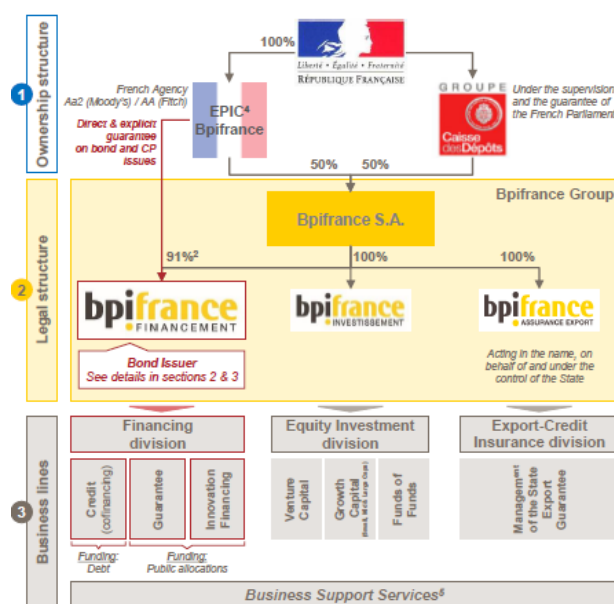
Background and rationale for issuing Covid-19 Response Bonds

Overview of Bpifrance

Bpifrance is the French National Promotional Bank, Innovation Agency, Sovereign Fund and Export Credit Agency, with a general interest mission dedicated to promoting the financing and development of companies operating in France, and in particular of SMEs. Set up by law on 12th July 2013, Bpifrance is a public group aiming at financing and developing companies, acting in accordance with the public policies conducted by both the State and regional authorities. Bpifrance has a highly protected legal status and tight control by public authorities (strongest possible ownership in France: 50% by the French State / 50% by the Caisse des Dépôts).

When offering French companies better access to financing, Bpifrance pays particular attention to social components (such as job creation, health, occupational security schemes and personal development), environmental components (such as GHG emissions, environmental impact management, sustainable use of natural resources) and corporate governance and management of the companies.

Bpifrance is structured around three main operating subsidiaries: a bank (Bpifrance Financement), an asset management company (Bpifrance Investissement) and an export credit agency (Bpifrance Assurance Export).



The mission of Bpifrance Financement, the issuer of the Covid-19 Response Bonds, is to finance and stimulate French SME's growth and innovation by offering financing solutions suited for every state of a business' development, such as:

- **Business loans** (co-financing): partnership with commercial banks and financial institutions for business investments and operations;
- **Guarantees:** risk-sharing in support of bank financing and private equity investments;
- **Soft loans for innovation:** provide financing and expertise to companies with innovative, technology-based, business-focused projects.

Prior to the Covid-19 crisis, Bpifrance Financement's clients were approximately 45% SMEs, 22% Mid-Caps and 28% Micro businesses across diversified industry sectors.

Thanks to Bpifrance Financement, its 50 regional offices, and its 1,247¹ employees who are in daily contact with French SMEs, these French corporates benefit from unique and efficient assistance thereby helping them take advantage of opportunities while overcoming their challenges.

Role of Bpifrance Financement during the Covid-19 Crisis

Bpifrance Financement as first respondent of the arising economic crisis

Since the beginning of March 2020, Bpifrance Financement promptly reacted to the emerging economic shock resulting from the rising coronavirus epidemic in France. On 12 March 2020, Bpifrance Financement launched a business contingency plan ("*plan de soutien d'urgence aux entreprises*"²). Aimed at assisting entrepreneurs by mitigating cash flow difficulties of companies whose activity were impacted by the Covid-19 pandemic, the response plan of Bpifrance Financement was built around its commitment to support French businesses with strong measures during this unprecedented period and to preserve as much employment as possible.

The emergency measures include:

- the suspension of all payments on existing loans for the most impacted Bpifrance Financement customers;
- the establishment, in partnership with the French State and French Regions, of dedicated Covid-19 response loans: the "*Prêt Atout*"³ and the "*Prêt Rebond*"⁴ (see the "1. Use of Proceeds" section below);
- further emergency measures aiming to secure French companies' financing in partnership with their banks.

In order to be able to respond as quickly as possible to these companies' needs, Bpifrance Financement set up a toll-free number and an online questionnaire to provide businesses with information and support from the Bpifrance Financement network all across the country. Bpifrance Financement teams received 42,941 phone calls and 73,525 online demands between March 16 2020 and April 14 2020. In a few days, Bpifrance Financement established a new organisation with more than 300 volunteers from diverse services to support Bpifrance Financement's employees in charge of loan origination. These solicitations resulted in an envelope of more than €3 billion of credit being put in place by Bpifrance Financement for the "*Prêt Atout*" scheme. As of 14 April 2020, €609 million funds have been disbursed and Bpifrance Financement teams are anticipating the €3 billion envelope to be fully disbursed.

Bpifrance Financement, a key piece of the French Government economic response

On 16 March 2020, the French Minister of Economy and Finance Bruno Le Maire unveiled the principles of the "State-guaranteed loan", designed to help all French companies to overcome the significant disruption of their activity caused by the Covid-19 crisis. Through this mechanism, the French State will be able to guarantee up to €300 billion in loans, or almost 15% of France's gross domestic product to support the French economy, as requested by President Macron. It is the first of its kind in Europe to have been validated by the European Commission within the state aid framework adopted on March 19 2020. Bpifrance Financement manages that guarantee on behalf of the French State⁵.

¹ 1,247 employees are working in Bpifrance Financement Network, out of 2,262 employees in total, as of 31-Dec-2019

² <https://www.bpifrance.fr/A-la-une/Actualites/Coronavirus-Bpifrance-active-des-mesures-exceptionnelles-de-soutien-aux-entreprises-49113>.

³ <https://www.bpifrance.fr/Toutes-nos-solutions/Prets/Prets-sans-garantie/Pret-Atout>. This scheme may evolve in order for Bpifrance Financement to better suit its clients' needs.

⁴ <https://www.bpifrance.fr/Toutes-nos-solutions/Prets/Prets-regionaux/Pret-Rebond>. This scheme may evolve in order for Bpifrance Financement to better suit its clients' needs.

⁵ For the avoidance of doubt, investors shall be aware that proceeds from the Covid-19 Response Bonds will not be used to finance exposures under the French State guarantee.

The launch of this system was made possible by the mobilisation in record time of the French banking network, who is fully committed to the successful deployment of the State-guaranteed loans, including Bpifrance Financement, who set-up in 72 hours a fully functioning digital platform to ensure a fluid and secured management of this system.

Nicolas Dufourcq, CEO of Bpifrance, declared: *“Bpifrance is contributing to this airlift of cash to businesses by providing the infrastructure for the guarantee granted by the State for loans made by banks to the French economy and granting unsecured loans to the country’s very small companies, SMEs and mid-caps.”*⁶

Commitment of Bpifrance Financement to further intervention if needed

Given the ongoing developments of the Covid-19 pandemic and the long-term implications on the French economy, Bpifrance Financement is prepared to further support French companies through its established network, whilst responding to new measures outlined by the French State, should they arise.

The management of Bpifrance Financement is committed to use its balance sheet, its strong liquidity position and its unique positioning in the French financial system to smooth out as much as possible the consequence of this unprecedented crisis on French companies in partnership with the French banks, the French State and the French Regions.

⁶<https://www.bpifrance.fr/A-la-une/Dossiers/Covid-19-Bpifrance-lance-un-pont-aerien-de-cash-vers-les-entreprises>

Bpifrance Financement Covid-19 Response Bond Framework

This Framework has been established to set out the principles applicable to the issue of Covid-19 Response Bonds by Bpifrance Financement, which support the financing and/or refinancing by Bpifrance Financement of its Covid-19 response loans: (i) the “Prêt Atout”, (ii) the “Prêt Rebond” and (iii) any future Covid-19 response loans that may be extended by Bpifrance Financement to assist French companies navigating through the Covid-19 crisis and preserving as much employment as possible.

Funding through Covid-19 Response Bonds of Bpifrance Financement will follow all policies of Bpifrance Financement regarding the financial, risk and liquidity risks. For avoidance of doubt, the issuing entity of the Covid-19 Response Bonds, as well as the originator and the manager of the loans financed and/or refinanced by Covid-19 Response Bonds, will be Bpifrance Financement.

This document outlines the framework for any issue of Covid-19 Response Bonds by Bpifrance Financement, which includes the following:

1. Use of Proceeds,
2. Process for Project Evaluation and Selection,
3. Management of Proceeds, and
4. Reporting.

The Covid-19 Response Bonds of Bpifrance Financement issued under this Framework fulfil a short-term real economy crisis mitigation response and target French companies. The principles applicable to issues of Covid-19 Response Bonds described in this Framework should not be considered compliant with the Social Bond Principles as defined by ICMA in June 2018. The Framework has not obtained any second party opinion. There will not be any independent audit of the use of proceeds. Bpifrance Financement aims however to follow market practice by disclosing the Use of Proceeds, the Selection and Evaluation Process, the Management of Proceeds, and respective Reporting, in a transparent manner.

Bpifrance Financement’s Covid-19 Response Bonds can be issued under any Bpifrance Financement debt issuance programme or as standalone issues. For each issue of Covid-19 Response Bonds by Bpifrance Financement, the final terms will indicate that the proceeds of such issue will be used to finance and/or refinance Eligible Projects and Additional Projects as set out in this Framework. The Covid-19 Response Bonds issued by Bpifrance Financement will benefit from the guarantee of EPIC Bpifrance and will constitute direct and unsecured obligations of Bpifrance Financement ranking pari passu without any preference among themselves and equally with other unsecured debt (other than subordinated debt) of Bpifrance Financement from time to time outstanding.

1. Use of Proceeds

An amount equal to the net proceeds of Bpifrance Financement's Covid-19 Response Bonds will be used to finance and/or refinance, in whole or in part, new and/or existing Eligible Projects (as defined below) originated since 1st March 2020.

Eligible Projects:

Covid-19 Response Bonds of Bpifrance Financement will be used to finance and/or refinance:

- loans identified as “Prêt Atout”⁷ (3 to 5 years maturity with 6 to 12-month grace period, which may amount to up to €5mn for SME (“Petites et Moyennes Entreprises”) and up to €15mn for “ETIs” (“Entreprises de Taille Intermediaire”)),
- loans identified referred to as “Prêt Rebond”⁸ (7 years maturity with 24-month grace period, which may amount to up to €300,000), and
- any further loans originated by Bpifrance Financement which may be developed by Bpifrance Financement designed to help enterprises of the Target Group (as defined below) to limit the impact of the Covid-19 pandemic on their economic activity,

(the “Eligible Projects”).

The purpose of Eligible Projects (as defined above) is to assist companies in France with ongoing cash flow to finance their operations and costs related to their employees, thereby aiming to reduce the social consequences and frictions the Covid-19 pandemic generates.

The Eligible Projects seek to ensure continued access to financial services during the downturn stemming from the Covid-19 pandemic, alleviating unemployment and promoting job preservation and job creation.

Target Group for Eligible Projects:

Bpifrance Financement's Covid-19 Response Bonds aim to mitigate the financial strains that companies will be facing during the Covid-19 pandemic. Ultimately, the target audience is micro, small and medium sized enterprises (MSMEs) and their employees at risk of financial distress/unemployment as a result of Covid-19 control measures. Some larger corporates, defined below as “ETIs”, will also be able to apply for financing. The Eligible Projects are intended to preserve the access of target enterprises to financial services during the downturn so mitigating the risk of unemployment and promoting job preservation/creation. Directly or indirectly this support is intended to benefit all socioeconomic groups of the population.

The Eligible Projects aim at providing a real economy mitigation response to the Covid-19 crisis, targeting a broad target group of companies in France, which need an exceptional boost to their working capital, as well as liquidity support. Those companies are defined as (together, the “Target Group”):

- “Très Petites Entreprises” (TPE): companies of less than 10 employees with an annual turnover below €2mn or a total balance sheet less than €2mn,
- “Petites et Moyennes Entreprises” (PME or SME): companies of less than 250 employees with a turnover below €50mn or a total balance sheet of €43mn,
- “Entreprises de Taille Intermediaire” (ETI): companies of between 250 and 4,999 employees with a turnover below €1.5bn or a total balance sheet less than €2mn (or less than 250 employees but an annual turnover greater than €50mn and a total balance sheet greater than €43mn).

⁷ <https://www.bpifrance.fr/Toutes-nos-solutions/Prets/Prets-sans-garantie/Pret-Atout>. This scheme may evolved in order Bpifrance Financement to better suits its clients' needs.

⁸ <https://www.bpifrance.fr/Toutes-nos-solutions/Prets/Prets-regionaux/Pret-Rebond>. This scheme may evolved in order Bpifrance Financement to better suits its clients' needs.

Bpifrance Financement uses the European Union definition of MSMEs set out in EU Commission Recommendation 2003/361/EC, as updated from time to time. For “ETIs”, Bpifrance Financement uses the French definition set out in decree 2008-1354 of the “Loi de modernisation de l’économie” (LME).

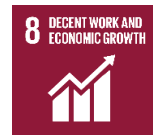
Lending under Eligible Projects is done by Bpifrance Financement directly to the beneficiaries, which include Bpifrance Financement’s current customers but also new customers that fall within the Target Group.

Replenishment of the portfolio

In case the total outstanding amount of Eligible Projects in the portfolio is less than the total outstanding amount of Bpifrance Financement Covid-19 Response Bonds (due to amortised, redeemed Eligible Projects or otherwise), Bpifrance Financement commits to reallocate an amount equal to the remaining funds to loans to MSMEs which contribute to the UN’s Sustainable Development Goals #8 - Decent work and Economic Growth, and/or #9 – Industry, Innovation and Infrastructure, as further set out below (the “Additional Projects”).

The Eligible Projects and Additional Projects will contribute to the following UN Sustainable Development Goals: #8 - Decent work and Economic Growth, and/or #9 – Industry, Innovation and Infrastructure:

- SDG #8: promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all with a specific focus on higher levels of economic productivity through diversification, technological upgrading and innovation, as well as supporting development-oriented policies that encourage productive activities, decent job creation, entrepreneurship, creativity and innovation, as well as the formalization and growth of micro-, small and medium-sized enterprises, including access to financial services.
- SDG #9: focuses on resilient infrastructure, promotes inclusive and sustainable industrialization while fostering innovation, including telecommunication, transportation and internet access – areas that may be undertaken by the French entrepreneurs. Ideally, this SDG encourages decent jobs whilst integrating environmental and social issues within the core business operations, generating tax revenues and providing innovative solutions to tackle development challenges, including the need of funding due to supply or demand side disruptions in their operations.



The following sectors may not be financed and/or refinanced by the issuance of Bpifrance Financement Covid-19 Response Bonds:

- Mining and quarrying⁹
- Distilling, rectifying and blending of spirits¹⁰
- Manufacture of tobacco products¹¹
- Manufacture of coke and refined petroleum products¹²
- Processing of nuclear fuel¹³

⁹ NACE B.05.10; B.05.20; B.06.10; B.06.20; B.07.10; B.07.21; B.07.29; B.08.11; B.08.12; B.08.91; B.08.92; B.08.93; B.08.99; B.09.10; B.09.90

¹⁰ NACE C.11.01

¹¹ NACE C.12.00

¹² NACE C.19.10; C.19.20

¹³ NACE C.24.46

- Manufacture of weapons and ammunition¹⁴
- Manufacture of military fighting vehicles¹⁵
- Gambling and betting activities¹⁶
- Defence activities¹⁷

2. Process for Project Evaluation and Selection

Bpifrance Financement has a long-standing track record of working with the French companies of the Target Group. As a result of the Covid-19 pandemic, Bpifrance Financement has increased its capacity to process loan applications, whilst maintaining the same assessment standards. Nevertheless, the evaluation and selection of Eligible Projects will be conducted with a focus on mitigating the negative socio-economic impact of the Covid-19 pandemic.

All loan applications for an Eligible Project or an Additional Project will undergo Bpifrance Financement's regular underwriting process. As a credit establishment approved by the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR), Bpifrance Financement is subject to the provisions of the French *Code monétaire et financier* and the decree of 3rd November 2014, relating to the internal control of banking sector companies, of the Consultative Committee on Legislation and Financial Regulation with regard to internal control.

As such, Bpifrance Financement's credit risk policy is closely monitored and is established by its risk division. All financing are granted according to a strict approval process through its decision support tool ("**Outil d'Aide à la Décision**") which:

- (i) centralizes in a single tool the study of all financing projects submitted to Bpifrance Financement,
- (ii) determines the risk profile of the credit files based on the project and the counterparty, and
- (iii) provides an audit trail of the decision-making process.

Decision-making powers within Bpifrance Financement are organized in such a way that the riskiest and/or high-volume cases are submitted through Headquarter's decision process (i.e., review by the risk division and for the most sensitive credit files, review by Bpifrance Financement's Credit Committees).

The Eligible Projects and Additional Projects are and will be originated through this strict process.

¹⁴ NACE C.25.40

¹⁵ NACE C.30.40

¹⁶ NACE R.92.00

¹⁷ NACE O.84.22

3. Management of proceeds

Bpifrance Financement's Treasury team will be responsible for the management of the net proceeds of the Covid-19 Response Bonds, to ensure that an amount equal to such proceeds shall be invested in financing and/or re-financing of Eligible Projects, and Additional Projects as the case may be.

The net proceeds of the Covid-19 Response Bonds will be deposited in Bpifrance Financement's general account and an amount equal to the net proceeds will be earmarked for allocation to Eligible Projects or Additional Projects, in accordance with the principles outlined in this Framework.

All relevant information regarding the issuance of Bpifrance Financement Covid-19 Response Bonds, Eligible Projects and Additional Projects will be monitored and kept in Bpifrance Financement's accounting systems. Bpifrance Financement will ensure that the total outstanding amount of Eligible Projects and Additional Projects in the portfolio will always be equal or higher than the outstanding amount of Bpifrance Financement Covid-19 Response Bonds as described in the section 1 ("Use of Proceeds").

Funds raised under an issue of Covid-19 Response Bonds but not yet allocated to financing and/or refinancing of Eligible Projects and Additional Projects are managed by Bpifrance Financement's Treasury team in compliance with the procedures and internal policies regarding liquidity management, to ensure that the funds are invested in liquid, short-term and certain investments with a view to their future allocation.

Bpifrance Financement may issue multiple series of Covid-19 Response Bonds. The total outstanding amount of Bpifrance Financement Covid-19 Response Bonds will not be higher than the total outstanding amount of Eligible Projects and Additional Projects in the portfolio. Partial or whole buy-back of Bpifrance Financement Covid-19 Response Bonds are possible to support Bpifrance Financement's liability management activities.

Internal methods for earmarking and allocating the net proceeds from the issuances of Covid-19 Response Bonds will not be reviewed by an external auditor.

Coupon and final redemption payments

Coupon payments and final redemption of Bpifrance Financement Covid-19 Response Bonds are not directly linked to any associated Eligible Projects or Additional Projects, as the interest payments periods and maturities may not match. Thus, Coupons and final redemption payments of Covid-19 Response Bonds are paid out of Bpifrance Financement's general liquidity pool at its sole discretion.

Proceeds exceeding eligible expenditures

Given the high demand for financing under Eligible Projects, the disbursements will be made within a short period, not exceeding 12 months. However, given varying maturities (3 to 7 years) and amortisation profiles, the portfolio of Eligible Projects and Additional Projects will be dynamic.

As a result, Bpifrance Financement may extend future disbursements, once repayments have occurred, to MSMEs. Bpifrance Financement will annually update the allocation report outlining the repayment of Eligible Projects and the disbursement to Additional Projects, as outlined in the "Reporting" section.

Increases and buy-backs

Covid-19 Response Bonds can be increased and further Covid-19 Response Bonds can be issued, as long as the net proceeds of the relevant issuances are used for financing and/or refinancing of Eligible Projects. Partial or whole buy-backs of Covid-19 Response Bonds are possible to support Bpifrance Financement's funding programme. Buybacks can also be financed from Bpifrance Financement's general liquidity.

Rating

Rating of Covid-19 Response Bonds is made solely on the basis of the financial situation of both Bpifrance Financement (as issuer) and the EPIC Bpifrance (as guarantor). This rating is not directly linked to the implementation and the performance of the Eligible Projects nor the Additional Projects that are funded by

the net proceeds of the Covid-19 Response Bonds. Consequently, the Covid-19 Response Bonds are expected to carry the same credit ratings as all other outstanding notes issued by Bpifrance Financement.

4. Reporting

Bpifrance Financement commits to publish a report on its website one year after the first issuance of Covid-19 Response Bonds, highlighting the allocation of the Eligible Projects, and where feasible, the associated impact, on mitigating the negative socio-economic consequences of the Covid-19 crisis.

This report will include:

- Financial information on the Bpifrance Financement Covid-19 Response Bonds (ISIN, currency, amount, etc)
- Overview of the portfolio of Eligible Projects, including average remaining term
- Breakdown of the portfolio of Eligible Projects at origination and current balance:
 - o By type of Eligible Projects, as well as a description by type of Eligible Projects
 - o by region
 - o by sector of activities/industry classification
 - o by type of clients (split of TPE/ETI/ PME)
 - o by maturity
 - o by size
 - o by interest rate type
- Portion of new financing vs refinancing (if applicable)
- Portion of existing clients versus new customers
- The balance of any unallocated proceeds (if any) and the type of temporary investments

Bpifrance Financement also intends to report, where feasible, on impact indicators, such as:

- Number of beneficiaries
- Cumulative number of jobs at the companies given financing
- Number of enterprises funded for the first time by Bpifrance Financement
- Number of days between loan request and disbursement

Thereafter, Bpifrance Financement commits to providing an annual allocation report on a dedicated section of its website, until all Covid-19 Response Bonds have been redeemed. Such report will include a breakdown of the disbursements or Use of Proceeds between the Eligible Projects and Additional Projects with the principles defined in the "Use of Proceeds" section. The annual allocation report will also include a breakdown of the portfolio by region, sector of activities and type of clients (split between TPE/ETI/PME).

The report will solely be reviewed by Bpifrance Financement's Permanent Control Department.