COVID-19 RESPONSE BOND

Bpifrance Financement, Bond-Issuer

April 2020
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1. Overview of Bpifrance
2. Response to COVID-19 Crisis
3. Bpifrance Financement: Funding Strategy
4. Appendices
Executive summary

Bpifrance

- Bpifrance is the French National Promotional Bank, Innovation Agency, Sovereign Fund and Export Credit Agency
  - General mission defined by law: public bank dedicated to promoting the financing and development of companies operating in France, in particular SMEs
  - Highly protected legal status and tight control by public authorities: strongest possible ownership in France (50% French State/50% Caisse des Dépôts)
  - Epic Bpifrance is one of the “key central government agencies and core to the state apparatus, thus having a critical role to implement public policies and support it”, according to Fitch^1

- EPIC^2 Bpifrance and Caisse des Dépôts (CDC) ratings considered aligned with French Government by Moody’s and Fitch
  - Aa2 (stable) / P-1 by Moody’s; AA (stable) / F1+ by Fitch Ratings
  - EPIC Bpifrance is also classified as an Other Government Body^3 or ODAC (Organisme Divers d’Administration Centrale), which means that its debt is consolidated with that of the State (under Maastricht’s Rules)

- Bpifrance Financement’s debt issued under both EPIC^1 Bpifrance’s guarantee and ECB’s State Agency classification
  - HQLA^4 level 1
  - Agency haircut with European Central Bank (ECB)
  - Eligible for the ECB’s Public Sector Purchase Programme (PSPP)
  - Eligible to a 0% risk factor stress for spread risk on bonds and loans (Under Solvency 2 Regulation EU 2015/35)

- Bpifrance is directly and fully regulated by the ECB and under domestic supervision through the Financial Markets Authority (AMF) and ACPR^5
  - Bpifrance Group’s fully-loaded Basel 3 CET1 ratio: 33,4% as of 31/12/2019
  - Bpifrance successfully passed the 2014 Asset Quality Review (AQR) and 2014/2016/2018 stress tests performed by the EBA^6 and the ECB, demonstrating its financial strength
    - Strong capitalisation, well above minimum regulatory requirements

- As a credit institution, Bpifrance Financement is subject to banking regulations and has access to ECB refinancing
Bpifrance, a public investment bank, is the trusted partner to entrepreneurs, banks and investors

- Set up by law on 12th July 2013, Bpifrance is:
  - “A public group aiming at financing and developing companies, and acting in accordance with the public policies conducted both by the State and regional authorities”
  - A century of public banking: see details in appendix 1

Current legal entity structure

- Bpifrance is a financial company:
  1. Held on a 50/50 basis by the French State and the Caisse des Dépôts
  2. Structured around three main operating subsidiaries:
     - A bank (Bpifrance Financement)
     - An asset management company (Bpifrance Investissement)
     - An export credit agency (Bpifrance Assurance Export)

Current organizational structure

- Bpifrance is organised around:
  3. Three separate primary divisions and 8 business lines

- Strict compartmentalization of financial resources between the business lines

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2. Bpifrance Financement is 9%-owned by commercial banks
3. Bpifrance Investissement is 100%-owned by Bpifrance Participations, a holding company, that is 100%-owned by Bpifrance S.A.
4. EPIC status: see details in appendix 2
5. Advisory services, training programmes, networking opportunities, …
# Key Financials

## A good operating performance & a solid risk profile

### Bpifrance Financement: Income Statement

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net banking income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• o.w. Credit</td>
<td>770</td>
<td>625</td>
<td>659</td>
</tr>
<tr>
<td>• o.w. Guarantee</td>
<td>104</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>• o.w. Innovation</td>
<td>41</td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(444)</td>
<td>(486)</td>
<td></td>
</tr>
<tr>
<td>Cost of risk (CoR)</td>
<td>(37 )</td>
<td>(85)</td>
<td></td>
</tr>
<tr>
<td>• o.w. Specific impairment</td>
<td>(58)</td>
<td>(70)</td>
<td></td>
</tr>
<tr>
<td>• o.w. ECL IFRS 9(^1)</td>
<td>21</td>
<td></td>
<td>(15)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>289</td>
<td>239</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>167</td>
<td>78</td>
<td></td>
</tr>
</tbody>
</table>

### Key Ratios

- **Cost / Income ratio**: 57.7% / 60.0%
- **CoR (Specific impairment) / loans outstanding**: 15 bps / 17 bps
- **RoE**: 4.5% / 3.9%

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### Bpifrance Financement: Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>Dec. 18</th>
<th>Dec. 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total balance sheet</td>
<td>€57,4 bn</td>
<td>€59,2 bn</td>
<td></td>
</tr>
<tr>
<td>Loans outstanding</td>
<td>€38,8 bn</td>
<td>€40,5 bn</td>
<td></td>
</tr>
</tbody>
</table>

### Solvability

- **CET1 ratio\(^3\)**: 11.7% / 12.5%
- **Total ratio\(^3\)**: 13.8% / 14.8%
- **Leverage ratio\(^4\)**: 5.1% / 5.2%

### Shareholders’ equity\(^5\)

- 3,756 / 3,910

### Equity buffers

- Fair value of public guarantee funds: 5,990 / 5,907

### Liquidity

- **LCR**: 370% / 360%
- **NSFR**: 115% / 109%

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**Note**: For more details please see in 2019 annual report available on: [https://www.bpifrance.fr/Espace-Investisseurs](https://www.bpifrance.fr/Espace-Investisseurs)

1. Expected Credit Losses; application of IFRS 9 as at 01/01/2018 / 2. Gross loans outstanding to customers and finance leases, at amortized cost (medium and long-term loans, short-term financing, leasing) / 3. Fully loaded Basel 3 / 4. Phased-in / 5. Group Share
**Bpifrance** is an accountable bank and has an ambitious policy of engagement in our society

- Bpifrance is a **responsible Group** with a **mission-statement defined by law** and supports Energy and Environmental Transition

... fulfills its general mission of economic interest: “to serve the future and promote sustainable development”…

... focuses on four priorities to implement its Corporate Social Responsibility policy

... takes into account the social and environmental impacts on…

... by offering companies in France better access to financing, bearing in mind:
  - **Its social components**: job creation, health, occupational security schemes, personal development, due regard for social dialogue
  - **Its environmental components**: greenhouse gas emissions, environmental friendliness, sustainable use of natural resources and environmental impact management

... its own operations: “Internal CSR”
... its own activities: “Responsible Investment and Financing”

and participates in leading market initiatives

- Employment (particularly for the young)
- Energy and Environmental Transition
- The quality of corporate governance and management
- Promotes **female entrepreneurship**

... its own operations: “Internal CSR”
... its own activities: “Responsible Investment and Financing”

Annual CSR Reports since 2013

Since 2013, Bpifrance has granted ~€12 bn to finance the Energy and Environmental Transition (EET)

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Bpifrance, a strategic role to support the French Economy during the crisis on behalf of the government

- Bpifrance plays a key role in the financing and implementation of the French’s state massive plan. It supports French companies and preserves as much employment as possible.

### Guarantee and liquidity emergency measures

**An emergency plan to support French companies**¹:
- ~€3 billion dedicated through two specific types of loans with specific terms to facilitate credit access:
  - Unsecured loans
  - Large group of companies eligible²
  - Flexible grace-period
- Suspension of payments for six months on existing loans for the most impacted Bpifrance’s customers
- Further short-term facilities and emergency measures to secure companies financing

**A set of guarantee measures**:
- Increase Bpifrance’s guarantee up to 90% on loans granted by banks, in partnerships with French regions
- Implementation of a massive state-guarantee plan, up to €300 billion of risks guaranteed by the government
  - Bpifrance is prepared to extend additional measures outlined by the state

### Bpifrance’s 2020 funding programme

- Considering this extension of its mission given by the government, **Bpifrance 2020 MLT funding target is increased to €7 billion** (from €4 billion)
- The proceeds of the additional funding will be used to restructure the MLT loans for Bpifrance’s customers

### Bpifrance’s network adaptation

- Quick development of a platform to ensure a fluid management of the loan origination-wide response:
  - ~43,000 phone calls received
  - ~76,000 online demands
- Large mobilization of the French banking network, alongside Bpifrance, thanks to our strong and historical collaboration with French state, regions and financial institutions
- ~€0,8bn funds disbursed to support French companies as of today, and a total of €3bn is anticipated

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¹ "Plan d’urgence aux entreprises": see more details: https://www.bpifrance.fr/A-la-une/Actualites/Coronavirus-Bpifrance-active-des-mesures-exceptionnelles-de-soutien-aux-entreprises-49113. ² Please see the next page and Covid-19 Response bond Framework for details
## Use of proceeds

**Lending to French companies to mitigate cash flow difficulties due to the Covid-19 crisis**

- **Eligible Projects** support targeted companies through two specific Covid-19 related loans:

  **Prêt Atout**
  - Small to mid-sized enterprises (MSMEs)
  - 3Y to 5Y maturity
  - <€15 million amount
  - 6 to 12 month grace period

  **Prêt Rebond**
  - Small and micro enterprises
  - 7Y maturity
  - <€300k amount
  - 24 month grace period

- Plus other dedicated Covid-19 response loans

If the outstanding amount of Eligible Projects is less than the total Covid-19 Response Bond outstanding (due to amortised and/or redeemed Eligible Projects), Bpifrance Financement commits to reallocate an amount equal to the remaining funds to MSME loans which contribute to the UN’s Sustainable Development Goals #8 and/or #9, defined as “Additional Projects”.

## Targeted companies

- **Targeting a broad group of French companies** affected by the pandemic crisis and face the risk of financial distress and unemployment:
  - Primarily micro-businesses, small and medium-sized (MSMEs), but also some larger enterprises (defined as ETIs)
  - In diversified sectors

## Project evaluation and selection

- **Eligible Projects** evaluation and selection with focus on Covid-19 mitigation drivers
- **Regular underwriting credit process:**
  - Compliant with the credit-risk policy
  - Approval by the strict internal process

For more details: [Framework and financial documentation on Bpifrance available on our website](https://www.bpifrance.fr/Toutes-nos-solutions/Prets/Prets-sans-garantie/Pret-Atout) / [2. See more details:](https://www.bpifrance.fr/Toutes-nos-solutions/Prets/Prets-regionaux/Pret-Rebond) / 3. SDG#8: Decent work and economic work; SDG#9: Industry, Innovation and Infrastructure. For more details, please referred to the Covid-19 Response Bond framework / 4. Constitutes “Tres Petites Entreprises” (TPE), “Petites et Moyennes Entreprises” (PME or SME) and “Entreprises de Taille Intermediaire” (ETI), please see the framework for details / 5. See more details on excluded sectors in the Covid-19 Response Bond framework.
## Bpifrance Financement’s response to COVID-19
### COVID-19 Response Bond (2/2)

### Management of proceeds

<table>
<thead>
<tr>
<th>Covid-19 Response Bond</th>
<th>Eligible Projects (plus Additional Projects)</th>
<th>Covid-19 related loans¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds</td>
<td>Disbursements</td>
<td></td>
</tr>
</tbody>
</table>

- Supervision by the Bpifrance Financement Treasury team
- Monitoring the Eligible and Additional Projects amount to ensure it is always equal or higher than the outstanding Covid-19 Response Bond
- Pending allocation or reallocation, net proceeds will be invested in cash or in other liquid marketable instruments
- Multiple Covid-19 Bond may be issued, as well as taps of outstanding bonds

### Reporting

**A** Report publicly disclosed one-year after issuance with a detailed breakdown and key performance indicators on:

- **Allocation of the portfolio**: breakdown at origination by region, sector, and clients, portion of financing vs refinancing, % of new customers, etc.
- **Impact of Eligible Projects**: number of beneficiaries, time to disbursement, total employees at financed companies, etc.

**B** Annual follow-up on allocation of disbursements between Eligible Projects and future MSME lending Reporting will be reviewed by Bpifrance Financement’s internal auditors

### Framework

The framework should not be considered compliant with the Social Bond Principles as defined by ICMA in June 2018 and has not obtained a Second Party Opinion. However, Bpifrance Financement aims 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.

For more details: [Framework and financial documentation on Bpifrance available on our website](#)
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Bpifrance Financement issues bonds and commercial paper to refinance its loan portfolio

The bonds and commercial paper issued by Bpifrance Financement are guaranteed by the EPIC$^1$ Bpifrance, by way of an autonomous, unconditional and irrevocable first-demand guarantee.

1. EPIC status: see details in appendix 2  
2. Bpifrance Financement is 9%-owned by commercial banks
**EPIC¹ Bpifrance** and the debt issuance programmes benefit from high quality ratings

**Moody’s** > Aa2 (Stable) / P-1

**Rationale:**
- EPIC Bpifrance is **fully owned by the French state** and benefits through its status as an Etablissement public à caractère industriel et commercial (EPIC) from an implicit guarantee from the state
- Its issuer rating is therefore derived from the application of a **credit substitution approach** whereby it is aligned with that of the French government
- **Intrinsic operational and financial ties** between the EPIC and the French State
- The **legal status** of EPIC implies that it is not subject to liquidation laws and its creditors have ultimate recourse to the French State

**Fitch Ratings** > AA (Stable) / F1+

**Rationale:**
- Bpifrance Group is subject to **strong administrative, legal and financial oversight by the French state**, which defines its missions
  - Bpifrance Group’s commitments are **supervised by parliament** through annual performance reports
  - A **strategic public institution** for implementing France’s economic support policy
- As an industrial and commercial public agency, EPIC cannot be liquidated or file for bankruptcy proceedings. It can only be dissolved by law, which would entail an automatic, unconditional transfer of all of its assets and liabilities to the state, or to another public entity designated by the state
- Given Bpifrance’s important role in government policy concerning SMEs and mid-caps […], the **French state** would extend support in a timely manner in case of stress

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The rating agencies assess EPIC¹ Bpifrance as a government-related issuer, credit-linked to the French State

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1. EPIC status: see details in appendix 2
Bpifrance Financement’s Funding strategy

- A diversified and a long-term oriented refinancing structure
  - Medium and long-term refinancing mainly on capital markets and through bilateral loans
  - Repo operations on French Govies as part of operations to hedge the rate position
  - Short-term refinancing (commercial paper) mainly used as liquidity management and to ensure a continuing presence on capital markets

Bond and Commercial Paper programmes
- EMTN\(^1\) Programme: €35 billion
  - Mainly benchmarks but also private placements
- NEU MTN\(^2\) Programme: €4 billion
- NEU CP\(^3\) Programme: €6 billion
  - Labelled STEP under ID 2685

 Ratings and key features:

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>Fitch Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term ratings</td>
<td>Aa2</td>
<td>AA</td>
</tr>
<tr>
<td>Outlook/Review</td>
<td>Stable</td>
<td>Stable</td>
</tr>
<tr>
<td>Short-term ratings</td>
<td>P-1</td>
<td>F1+</td>
</tr>
</tbody>
</table>

- HQLA\(^5\) level 1
- Agency haircut with ECB
- Eligible for the ECB’s Public Sector Purchase Programme (PSPP)
- Eligible to a 0% risk factor stress for spread risk on bonds and loans (under Solvency 2 Regulation)

- Bilateral Loans
  - Access to ECB instruments
  - Long-term partnerships with CDC and other public institutions (e.g. EIB, KfW)

- Repo backed by French Government bonds

Note: The aggregate nominal amount of EMTN outstanding and NEU MTN outstanding will not at any one time exceed €35 bn
1. EMTN = Euro Medium Term Note  /  2. Negotiable European Medium Term Notes  /  3. NEU CP = Negotiable European Commercial Paper
4. The only legally binding version is the French one, as follows: “Garantie autonome à première demande inconditionnelle et irrevocable de l’EPIC Bpifrance”;
A diversified and a long-term oriented refinancing structure

An increasing and more diverse refinancing structure to support business growth

Refinancing breakdown

Government Bond portfolio breakdown

Breakdown by Instrument Type

Breakdown by Remaining Maturity

€bn, as at 31/12/2019

€bn, as at 31/12/2019

- EMTN/NEU MTN
- Bilateral loans
- Repo
- Commercial Paper

Bonds & bilateral loans
- Commercial Paper
- Repo
Bond issues under the EMTN/NEU MTN programmes
A demonstrated ability to access diversified market fundings

Bond issues since 2011 (€ bn)

A continuing presence in the capital markets

Bond outstandings breakdown (as at 31/03/2020)

By Investor type

By Geographical area

By Maturity (as at 31/12/2019)

A growing interest among international investors: 390 investors in 42 countries

Note: YTD 2020 as at 14/04/2020
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- [www.bpifrance.fr/Investors-Center](http://www.bpifrance.fr/Investors-Center)

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  - 27-31, avenue du Général Leclerc
  - 94 710 Maisons-Alfort Cedex
  - France
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Appendix 1 - Bpifrance: a century of public banking

1923 > Creation of Crédit national hôtelier
1936 > Act that sets out mutual guarantee schemes (Art. 8) and creates the Caisse nationale des marchés de l’État (CNME)
1938 > Crédit national hôtelier becomes Caisse centrale de crédit hôtelier, commercial et industriel (CCCHCI)
1967 > Creation of Agence nationale de valorisation de la recherche (ANVAR)
1974 > Creation of Groupement interprofessionnel de la petite et moyenne entreprise (GIPME), spin-off of Confédération générale des petites et moyennes entreprises (CGPME)
1979 > Act governing state aid granted for innovation purposes, and entrusted to ANVAR
1980 > Creation of Crédit d’équipement des PME (CEPME) arising from the merger of CCCHI, CNME and GIPME
1982 > Creation of Sofaris, in charge of the management of guarantee funds
1984 > Creation, together with Cdc¹, of Avenir Entreprises, the equity investment business of CEPME
1996 > Creation of Banque du développement des PME (BDPME) resulting from the merger of CEPME and Sofaris
1998 > Creation of CDC PME, direct subsidiary of CdC, in charge of managing the « SME Programme³ »
2002 > CDC PME becomes a majority shareholder of Avenir Entreprises
2004 > CDC PME becomes CDC Entreprises, a wholly owned subsidiary of CdC
2005 > Creation of OSEO formed by the merger of BDPME and ANVAR
2007 > Agence de l’innovation industrielle (AII) merged into OSEO
2008 > Creation of Fonds Stratégique d’Investissement (FSI)
2011 > Avenir Entreprises becomes FSI Régions
2012 > Act on the creation of Bpifrance (31/12/2012)
2013 > Official set-up of Bpifrance formed by the merger of OSEO, CDC Entreprises and FSI (12/07/2013)
2014 > CDC Entreprises, FSI and FSI Régions are transferred to Bpifrance Investissement, the group’s single asset management company (01/04/2014)
2017 > Coface DGP, the State Export Guarantees activity, is transferred to Bpifrance and becomes Bpifrance Assurance Export (01/01/2017), the new French export credit Agency (ECA) on behalf of, for and under the control of the State
2019 > Agence France Entrepreneur (AFE) is transferred to Bpifrance and becomes Bpifrance Creation. CDC International Capital is transferred to Bpifrance and becomes Bpifrance International Capital

Appendix 2 - Bpifrance benefits from highly protected legal status

The missions and organization of the EPIC Bpifrance are defined under Act 2005-722 dated 29 June 2005, as amended and ratified, and which referred to (i) the creation of the EPIC and (ii) the transformation of the National Agency for Research Promotion (ANVAR) from a public corporation into a limited company. This Act, together with Act 2013-529 of 21 June 2013 and Act 2012-1559 of 31 December 2012, confirm the creation of Bpifrance.

➔ « Bpifrance is a public group aiming at financing and developing companies, and acting in accordance with the public policies conducted both by the State and regional authorities »

- Act 2005-722 dated 29 June 2005
  ➔ http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000810872

- Act 2012-1559 of 31 December 2012
  ➔ http://www.legifrance.gouv.fr/eli/loi/2012/12/31/2012-1559/jo/texte

- Act 2013-529 of 21 June 2013
### EPIC Status

<table>
<thead>
<tr>
<th>1. Set up by a specific Law or Decree</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Law required for the creation of a new category of EPIC</td>
</tr>
<tr>
<td>• Decree for an EPIC belonging to an existing category</td>
</tr>
</tbody>
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<thead>
<tr>
<th>2. General interest missions defined by the law</th>
</tr>
</thead>
<tbody>
<tr>
<td>• With a specific object (specialty principle)</td>
</tr>
<tr>
<td>• With some public law prerogatives</td>
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<table>
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<tr>
<th>3. Strong controls by public authorities</th>
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</thead>
<tbody>
<tr>
<td>• Members of the Board of Directors appointed in whole or in part by public authorities</td>
</tr>
<tr>
<td>• Supervision by public authorities</td>
</tr>
</tbody>
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<tr>
<th>4. Implicit but automatic guarantee of the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No recovery or judicial liquidation proceedings for an EPIC</td>
</tr>
<tr>
<td>• If an EPIC is unable to comply with its obligations, the State is legally bound to fulfill them</td>
</tr>
<tr>
<td>• Solvency is protected by Law²</td>
</tr>
</tbody>
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<tr>
<th>5. Transformation or dissolution only possible by law (Act or Decree)</th>
</tr>
</thead>
</table>

### Applicable to Bpifrance

| • The missions and organization of the EPIC Bpifrance are defined under Act 2005-722 dated 29 June 2005, as amended and ratified, and which referred to (i) the creation of the EPIC and (ii) the transformation of the National Agency for Research Promotion (ANVAR) from a public corporation into a limited company. This Act, together with Act 2013-529 of 21 June 2013 and Act 2012-1559 of 31 December 2012, confirm the creation of Bpifrance. |
| • To promote and support innovation, most notably technological, and to contribute to technology transfer |
| • To promote the development and financing of small and medium-sized enterprises |
| • The 6 members of EPIC Bpifrance’s Board of directors are appointed by the State |
| • The Government Commissioner has the power to veto some decisions of the Board of Directors |
| • The EPIC Bpifrance is under the supervision of both the Ministry for the Economy, Industry and Employment, and the Ministry for Higher Education and Research |
| • EPIC Bpifrance is also classified as an Other Government Body³ or ODAC (Organisme Divers d'Administration Centrale), which means that its debt is consolidated with that of the State (under Maastricht’s Rules) |
| • Bpifrance Financement SA benefits, as a subsidiary, from an explicit guarantee from EPIC Bpifrance for its bond issues. And, likewise, Bpifrance benefits from an implicit guarantee from the State |
| • The June 2005 Act was amended in 2010 and 2012 to stipulate the missions and governance of Bpifrance, and to give specific empowerment to State representatives being members of the Board |

### Permanence of Bpifrance’s Legal Status as a Public Institution

1. An EPIC (Etablissement Public Industriel et Commercial) is a legal entity that carries out commercial and industrial activities whilst also being governed by some of the rules applicable to public law entities.