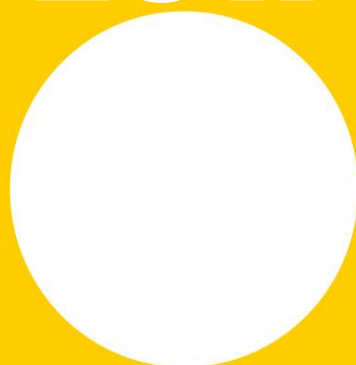


**ANNUAL  
FINANCIAL  
REPORT**

**Bpifrance  
Financement**

**2017**



**Registration Document**

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# ANNUAL FINANCIAL REPORT

**Bpifrance  
Financement  
2017**

## Registration Document



This Registration Document was filed with the *Autorité des Marchés Financiers* (Financial Markets Authority), on 27 April 2018, pursuant to Article 212-13 of the AMF General Regulation. It may be used in support of a financial operation if supplemented by a prospectus approved by the AMF. This document has been drafted by its issuer and gives rise to liability on the part of its signatories.





## 1. MESSAGE FROM THE CHAIRMAN



In a context of strong growth in the activity of Bpifrance over most of its business lines, 2017 was a year of significant change for the group, both at the level of its organisation and in terms of positioning its offer.

The bank actively supported the recovery of company investment by mobilising, alongside private banks, its range of investment loans (€7.2 billion in 2017, +5.8% compared to 2016), while giving priority targeting to domains (e.g. international, financing the intangible) and sectors (e.g. energy transition, industry of the future) that are still under-served by the market. Bpifrance also worked, via its guarantee systems (€8.9 billion in bank loans guaranteed in 2017, +6%) on the development of the private supply of credit on the most risky segments (e.g. start-ups, VSEs).

Bpifrance also maintained the volume of its aid to innovation (subsidies, repayable advances and zero-rate loans) at €1.3 billion, representing more than 5,000 applications financed in key sectors for the growth of the future.

Given the economic recovery, the group mobilised the entire range of its capital investment schemes to support companies' growth projects. Corresponding investments reached €4 billion in 2017, including €1 billion with partner funds and €1.9 billion of exceptional investment in PSA.

International projects and support continued to increase within Bpifrance's offer, in order to help entrepreneurs to meet their challenges in terms of internationalisation and transformation at the digital level. The range of international financing services for SMEs and intermediate-sized businesses (ISBs) was enhanced in 2017 by the product range of Bpifrance Assurance Export (credit insurance, foreign exchange insurance, business development insurance, pre-financing guarantee, etc.), a business line that was established on 1 January 2017, for which the activity reached €20 billion. The group also changed scale in terms of its support activities, notably via the launch, alongside its own start-up, SME and ISBs accelerators, of acceleration mechanisms operated on behalf of regional partners (three accelerators launched in 2017) and sector partners (two accelerators launched in 2017), and the expansion of its consultancy services to companies. In total, 7,500 were supported by Bpifrance in this way in 2017 (+36% compared with 2016).

Increasingly of the view that being enterprising means reshaping the world for the future, Bpifrance's teams will remain committed and on hand to assist entrepreneurs, driving growth, competitiveness and employment throughout 2018.

Nicolas Dufourcq  
Chairman and Chief Executive of Bpifrance Financement

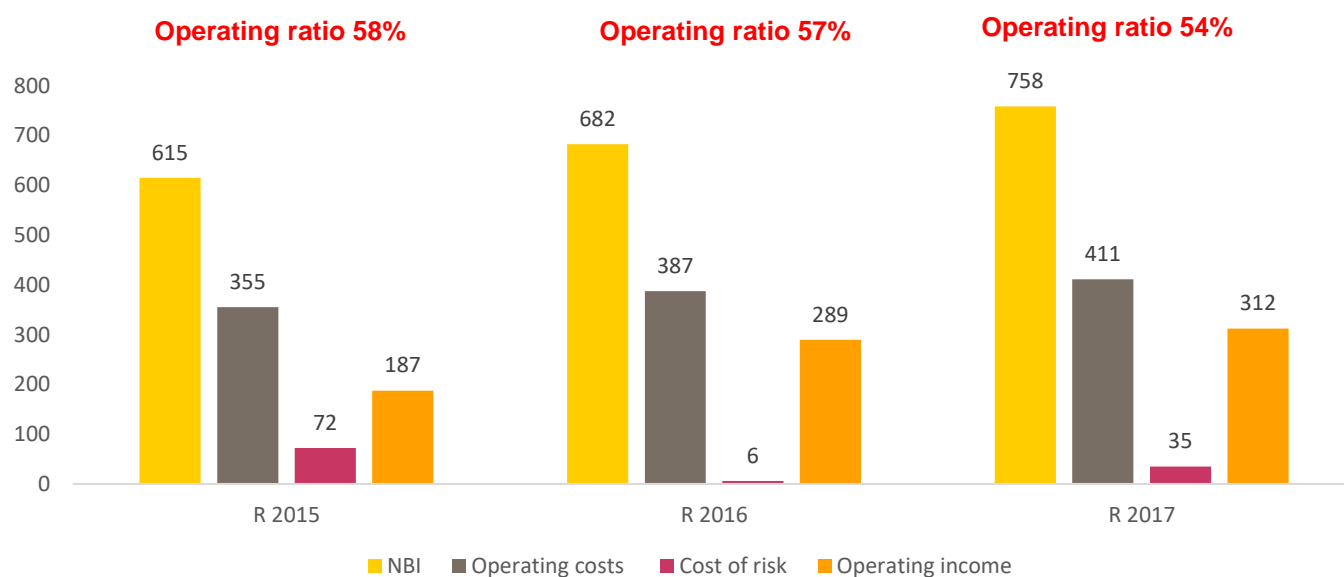
## 2. KEY FIGURES

### 2.1. 2017 Balance sheet

(in millions of €)	2015	2016	2016 change	2017	2017 change
<b>ACTIVITY</b>					
Innovation aids (AI, ISI, FIS, PSPC, FSN, CMI, FNI, IFP)	1,002	937	-6.47%	931	-0.64%
Amount of risks guaranteed (excluding internal funds)	3,492	3,557	1.85%	3,695	3.88%
Amount of Bpifrance Regions' guaranteed risks	245	238	-2.73%	301	26.42%
Investment co-financing	6,438	7,111	10.45%	7,480	5.19%
Mobilisation of Receivables	3,668	3,567	-2.74%	3,620	1.48%
Pre-financing of the CICE	3,551	4,287	20.71%	4,982	16.23%
<b>PERSONNEL<sup>(1)</sup></b>	<b>1,803</b>	<b>1,879</b>		<b>1,940</b>	
Group share of earnings	119	184	+54.6%	182	-1%
ROE <sup>(2)</sup>	3.69%	5.38%		5.07%	

(1) Average salaried personnel on permanent contracts, as full-time equivalent on 31 December

(2) Net income / equity of which net income – unpaid capital – distribution of dividends for the year





## 2.2. Capital and shareholding

At 31 December 2017, the issued capital of Bpifrance Financement was €839,907,320, divided into 104,988,415 shares each with a nominal value of €8.

Bpifrance SA, owned equally by EPIC Bpifrance and Caisse des Dépôts et Consignations, holds 90.77% of the capital and voting rights of Bpifrance Financement. Bpifrance SA has the status of a financial company, and is therefore subject to the prudential supervision of the *Autorité de Contrôle Prudentiel et de Résolution* (French Prudential Supervision and Resolution Authority).

Article 6 of the Articles of Association of Bpifrance Financement states that “the public limited company Bpifrance directly or indirectly holds more than 50% of the company capital”, in accordance with Order no. 2005-722 of 29 June 2005 relating to the creation of the public institution EPIC Bpifrance.

### Breakdown of the capital and voting rights at 31 December 2017

	Number	Amount (€)	Capital distribution	Breakdown of voting rights
Bpifrance SA	95,298,272	762,386,176	90.77%	90.77%
BPCE SA	1,706,393	13,651,144	1.63%	1.63%
Banks and miscellaneous	7,983,750	63,870,000	7.60%	7.60%
<b>Total</b>	<b>104,988,415</b>	<b>839,907,320</b>	<b>100%</b>	<b>100%</b>

## 3. OVERVIEW OF THE ACTIVITIES OF BPIFRANCE FINANCEMENT: MISSIONS AND BUSINESS LINES

Bpifrance Financement is active in three main business<sup>1</sup> lines that have a common objective of working with entrepreneurs during the riskiest phases of their projects, from the company’s creation through to its transfer/buy-out, and including its innovation and international expansion:

- innovation support and support and financing for innovative projects demonstrated to have recognised concrete prospects of being brought to market;
- investment and operational cycle financing alongside banking institutions;
- bank financing guarantees and the involvement of equity investors.

Bpifrance Financement has pooled all of this know-how, while combining the various financing techniques in order to design solutions in response to shortcomings in the market. This applies to the financing of the seed-stage, to the bank financing of innovation (mezzanine loans and mobilisation of the Tax Research Credit (CIR) for mid-tier companies), over and above any assistance, as well as bringing innovative SMEs into contact with key accounts or equity investors.

Its efforts are characterised by its ability to have a ripple effect amongst the private actors in the financing of SMEs and innovation, while optimising the leverage provided by public resources.

Bpifrance Financement networks with all of the public and private actors who are working to support the development of SMEs and innovation.

Bpifrance Financement has signed partnership agreements with local authorities, first and foremost, the Regional Councils.

Bpifrance Financement “networks” with:

- banking and financial establishments, as well as equity investors;
- competitiveness clusters, research institutions, universities, engineering institutes, major companies;

<sup>1</sup> See also note 11 to the consolidated financial statements.

- SATT (Technology Transfer Accelerator Companies);
- public or private business incubators and start-up hubs;
- chambers of commerce, industry and skilled trades;
- chartered accountants;
- federations and professional trade unions;
- associations involved in company creation assistance and support networks;
- public and private actors working to distribute information technology within SMEs;
- European structural funds and Community research programmes.

## **The financing of investments and of the operating cycle**

The 2017-2020 strategic plan reaffirms Bpifrance's role as an investment bank: Bpifrance Financement is involved in investment financing in partnership with banking and financial institutions and Regional Councils:

- for tangible or intangible capital assets provided in the form of medium or long-term loans and real estate, equipment or financial leasing operations, particularly in the energy and environment sectors;
- for immaterial investments, as well as the financing of working capital requirements, in the form of Loans Without Guarantees (Growth, Industry, Export, Tourism, Transfer/buy-out, Innovation, VSEs), taking a long-term, patient approach, without guarantee or surety taken on the company or its directors.

Special financing has been created in partnership with the Regions and the Commissariat-General for Investment to promote investment during the most critical, high-potential phases: export, industry of the future, revitalisation, etc.

Bpifrance Financement contributes to financing the operating cycle:

- it finances the cash needs of small and medium-sized enterprises that are customers of large public and private principals, and for financed contracts, it provides signature commitments: sureties and first demand guarantees.
- Bpifrance has pre-financed the Competitiveness and Employment Tax Credit (CICE) since 2013.

## **Guarantee**

Bpifrance's Guarantee is directly correlated with the financing granted by its partners. It is a crucial tool for convincing banks to finance SMEs during the riskiest phases of growth, notably during the creation, innovation and transfer phases. Bpifrance Financement provides guarantees for bank financing (including leasing and financial leases), and for interventions by equity investors:

- with regard to creation;
- with regard to innovation;
- with regard to development;
- with regard to transfers/buy-outs;
- with regard to international actions, including bank sureties on the export markets and the risk of failure for French subsidiaries established abroad (GPI).

The percentage is generally between 40% and 60%. It may increase to 70% with the assistance of the guarantee fund established by the regions with Bpifrance Financement.

The guarantee is the preferred form of assistance, particularly among smaller firms, since it is arranged in partnership with private banks which are able to give an immediate lending decision for amounts up to €200,000.





## Innovation support

The Innovation mission of Bpifrance's Financing branch is to meet the financing needs of innovative individual or collaborative projects, from the idea through to the market phase, in cases where conventional financing is unavailable or a commercial bank lacks the necessary expertise. Bpifrance provides a financing solution that is adapted to suit the company on the basis of its distance from the market (subsidy, recoverable advance, zero-rate loan, subsidised loan without a guarantee, etc.), in close partnership with innovation financing players and, notably, the Regions. Since 2014, Bpifrance has offered support at each stage of the development of businesses.

The innovation financing of the activities of companies are divided into two main categories:

- individual assistance (in the form of subsidies, recoverable advances and zero-rate loans) and loans (start-up equity loans, innovation loans, etc.) provided by the Bpifrance network deployed in all of the Regions;
- the financing of collaborative projects (FUI, PSPC, FSN, IFP, CMI) carried out by the Bpifrance Expertise and Programmes Department in Paris, in the form of subsidies and recoverable advances.

Thanks to the resources provided by the French State (under Programme 192 and the Investing in the Future programme) and its partners (including the National Industrial Property Institute (INPI), the Regions and the European Investment Fund (EIF)), Bpifrance made full use of these aid and loan schemes in 2017 for a total of €1.26 billion. With the commitment of the companies behind the projects, more than €4 billion was directly invested in innovation projects by over 6,000 companies (slightly down compared to 2016).

Agreements for individual and collaborative aid amounted to more than €1 billion. The initial objectives were partially fulfilled due to significant budgetary reductions suffered by P192 at the end of the year: 92% of the initial budget in terms of individual aid (€459 million); collaborative projects are at 109% of the objective (€472 million), up by 10% compared to 2016. The volume of loans stabilised at €327 million, down by 8% compared to 2016.

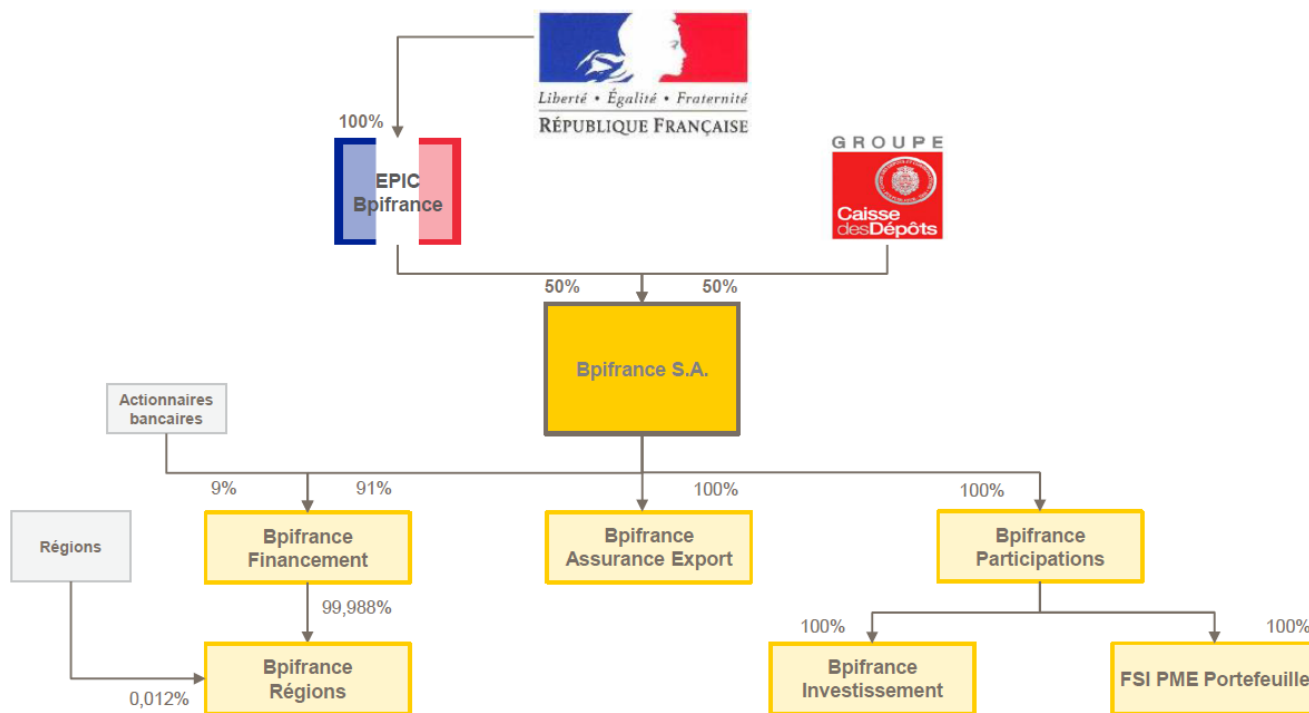
In qualitative terms, the number of assisted firms trading for less than five years rose by +138% between 2012 and 2017, to reach 3,625 in 2017. The number of French Tech Grants was 619 (excluding Emergence Grants, plus 97 grants), stable compared to 2016, despite a reduction from €5 to €3 million in the contribution from the INPI.

Similarly, 69% of the amounts granted to companies under collaborative programmes went to SMEs (fewer than 250 employees). Public research represents only 23% of the amounts assigned. Lastly, the information technology sector, in its broadest sense, is the clear leader with nearly 60% of all aid granted (all programmes combined), followed by Ecotechnologies, Healthcare and Industry.

The efforts of previous years were continued to support start-ups, SMEs and businesses in general, through networking, consultancy and diagnostics adapted to each stage of the company's life cycle: Pitch & Win to learn how to present a project, notably to investors in French and English, Pass French Tech (see below – new products to help innovation). In total, 87 companies had benefited from these support services by the end of 2017 (Design Diagnostic, Big Data Diagnostic, Europe Diagnostic and Growth Diagnostic, etc.).

#### 4. CAPITAL STRUCTURE OF THE BPIFRANCE GROUP

The capital structure of the Bpifrance Group is described below.





## 5. BOARD OF DIRECTORS' MANAGEMENT REPORT TO THE GENERAL MEETING

### 5.1. Activity report

As a credit institution, Bpifrance Financement is subject to banking regulations (Decree of 3 November 2014 on the internal control of banking sector companies, payment services and investment services subject to *Autorité de Contrôle Prudentiel et de Résolution supervision*) (French Prudential Supervision and Resolution Authority), which imposes many obligations, such as operating under market conditions without abusive support or ruinous credit, implementing a risk prevention system (financial, image and operational), separation of powers, supervisory measurement systems and risk management. BPI-Groupe Financement and its subsidiary Bpifrance Régions are under ACPR supervision and subject to the direct prudential supervision of the European Central Bank (list published by the ECB in accordance with Article 49, paragraph 1 of regulation (EU) no. 468/2014 of the ECB (ECB/2014/17)).

#### 5.1.1 2017 Highlights

##### New financing products

Bpifrance expanded its range of loans without guarantees in 2017:

- Flash VSE loan: developed in close partnership with the French Regions, this loan of €10,000, in co-intervention with a bank or crowdfunding operator, is intended for company development projects of one to nine employees. It was launched in the autumn of 2017 in Brittany.
- Transfer/Buy-out Development Contract: increase in the ceiling from €400,000 to €650,000 to support the transfer/buy-out of larger companies.
- Overseas Development Loan open to all provinces of New Caledonia and French Polynesia. (5-year non-guaranteed loan with one year of repayment postponed).

##### New innovation assistance products

2017 was a year of transition both in relation to the financing of individual aid and Investing in the Future Programmes (transition PIA2/PIA3). The main changes to the products are the following:

- the Start-Up Loan put in place in 2006 benefited from an 80% guarantee from the National Equity Start-up Loan Fund (PPA) and the Regional Guarantee Fund from certain regions. As certain regions, including Ile-de-France, wished to use these FEDER and regional funds to guarantee Start-Up Loans, we extended the regional guarantees to this type of arrangement, which means that guarantees from the State can be economised on;
- the establishment of the French Tech Diversity programme provides support and finance to start-up projects in the digital field, run by socially-diverse entrepreneurs (priority districts, students on financial aid, etc.). Launched jointly by the French Tech Mission and Bpifrance, this programme was set up following a call for projects in May 2017. The maximum subsidy for this grant is €57,000; it should be able to cover expenses specific to the company for €20,000 and external services for the remainder;
- work to simplify the Innovation range has clarified the schemes for companies:
  - the stages covering feasibility and the elimination of initial risks will still be financed by subsidies (including the French Tech Grant, Ilab funding and the first phase of the Innovation funding),
  - the stages of R&D and radical innovation will be financed by recoverable advances so as to share the risk with the companies,
  - the start-up will be financed in the form of a non-guaranteed loan (Start-Up Loan and Investment Start-Up Loan partly guaranteed by the EIF),

- the other stages will be financed by non-guaranteed loans: the Innovation Zero-rate Loan (PTZI) becomes the R&D Innovation Loan with the application of an interest rate to cover the cost of cash;
- establishment of the Innovation diagnostic, which will replace the Network Technological Service: in partnership with a regional operator, this involves supporting SMEs in an initial innovation approach (which may or may not be technological) via the use of an external service provider: design office, expert-consultants, technical centres, research laboratories, intellectual property firm, etc., (maximum cost of each file: €8,000, on the loans under P192);
- the Growth diagnostic, run by the Bpifrance network, completes the Diagnostic range (Big Data, IA, Europe, Design) that has been in place for the last two years. This diagnostic aims to support start-ups in the overall definition of the growth and financing strategy, and to support them in their research for funds. The amount of aid can reach €5,000, under P192;
- under the Investing in the Future Programme 3, two regionalised actions will be introduced, assigned to Bpifrance: "Innovation Projects", and "Support and Transformation of Sectors", under agreements signed with the State on 7 April 2017 and published in the French Official Journal on 9 April 2017. In response to a call for expressions of interest launched in February 2017 by the CGI, the Regions advised the State of the credits that they intended to allocate to each action:
  - the "Innovation Projects" action aims to finance, in partnership with the Regions, a project to develop new products and services or an innovative industrial experimentation project, notably contributing, through the extent of its economic benefits, to re-industrialisation and the creation of long-term jobs in the region concerned,
  - the action "Support and Organisation of Sectors" aims to finance, in partnership with the Regions, a project to organise sectors: to make available, to several companies in a given sector, shared research infrastructure or means of production, enable the exchange of data and information, the sharing of technological and market visions and initiate shared commercial approaches;
- for 2018, the developments presented above were validated at the end of December within the Innovation Committee and the Board of Directors.



## 5.1.2 Activities by business line and key figures

### Innovation activity

- Subsidies/advances/loans

(in € million)	2016	2017
<b>Individual aids</b>	506	459
. Subsidies	125	105
of which partners	52%	49%
. Repayable advances	146	137
of which partners	23%	12%
. Zero-rate loans	217	205
of which partners	6%	6%
. Zero-rate loans+	18	12
of which partners	51%	52%
<b>Development loans</b>	352	327
. Participatory Priming Loans (PPA)	113	108
. CIR pre-financing	1	
. Innovation loans	238	219
<b>Financing the Investing in the Future Programmes</b>	431	472
. PSPC	85	121
. FIS	3	0
. FSN	83	122
. CMI	13	50
. FUI	70	70
. PIAVE	144	96
. Individual	33	13

#### ● Business development review:

The amount of innovation financing activity in 2017 was stable or slightly down, due to a fall in allocations to P192 from the State budget and from the contribution of INPI for the French Tech Grant (-€2 million in 2017), as well as a slight reduction in endowments from the Regions.

Nevertheless, a total of nearly €1.26 billion was actually granted in 2017 (down by 2% compared with 2016). Activity concerning individual aid was marked by a drop from partners (mainly the Regions and the INPI), which still represent nearly half of our direct subsidy aid. Note the drop in contribution from the INPI to the French Tech Grant of €2 million. A significant majority of the assistance went to young companies (less than five years old) and to small companies with fewer than 50 employees.

The collaborative projects financing activity grew strongly after the decline in 2016. This activity requires a significant effort from the teams responsible for due diligence and management (over €3 billion under management at the end of 2017). The selection, decision-making and follow-up processes are now mature and rationalisation efforts have halved initial decision-making times.

The non-guaranteed loans dedicated to start-ups (PA and PAI) and market introduction (PI) stabilised after the strong increase in 2016, notably thanks to the financial guarantee funds, partly financed by the European Investment Fund (EIF). €327 million of loans (in commitments) were granted in 2017 to 1,313 companies.

## Guarantee Activity

- Key figures (amounts in €m)

ACTIVITY (excluding overall line)	2016	2017	Change as a %
<b>Amount of risks</b> (excluding internal funds)	<b>3,557</b>	<b>3,695</b>	<b>3.9%</b>
Creation	1,381	1,542	11.7%
Transfer/buy-out	734	798	8.7%
Development	758	696	-8.2%
Innovation	76	83	9.2%
International	120	131	9.2%
Cash <sup>(1)</sup>	488	445	-8.8%
<b>Distribution by type of guarantee intervention</b>	<b>3,557</b>	<b>3,695</b>	<b>3.9%</b>
Bank loans	3,187	3,357	5.3%
Capital	152	211	38.9%
Short-term	218	127	-41.7%
<b>Number of guaranteed loans</b>	<b>71,893</b>	<b>74,522</b>	<b>3.7%</b>
<b>Net amount of covered risks</b>	<b>5,229</b>	<b>5,103</b>	<b>-2.4%</b>
<b>Total risk outstandings on 31 December (sound)</b>	<b>14,972</b>	<b>15,678</b>	<b>4.7%</b>

(1) including the cash-strengthening funds "SME strengthening", "CICE pre-financing" and "RT supplementary guarantee"

- Breakdown of risks guaranteed by purpose excluding internal funds (as a percentage):

Breakdown of risks guaranteed by purpose (excluding internal funds) <sup>(1)</sup>	2016	2017
Creation	38.82%	41.73%
Transfer/buy-out	20.65%	21.61%
Development	21.30%	18.85%
Innovation	2.14%	2.24%
International	3.38%	3.55%
Cash	13.71%	12.02%
Total	100%	100%



(1) including the cash-strengthening funds "SME strengthening", "CICE pre-financing" and "RT supplementary guarantee"

● **Breakdown of loans guaranteed by purpose (as a percentage):**

Breakdown of loans guaranteed by purpose	2016	2017
Creation	26.41%	30.21%
Transfer/buy-out	14.04%	15.65%
Development	43.87%	38.44%
Innovation	4.05%	4.42%
International	2.31%	2.57%
Cash	9.32%	8.71%
Total	100%	100%

● **Breakdown of loans by business sector (as a percentage):**

Breakdown of loans guaranteed by business sector	2016	2017
Industry	23.34%	22.36%
Construction	6.33%	7.77%
Trade – Transportation	27.06%	26.09%
Services for companies	12.77%	11.64%
Services for individuals	19.17%	20.46%
Tourism	11.33%	11.68%
Total	100%	100%

● **Business development review:**

The increase in activity in 2017 resulted mainly from Start-Ups and Transfers/buy-outs, while Development and Cash were down:

- the decision-making ability given to banks via Guarantee Contracts<sup>2</sup> contributed notably to sustaining the strong growth of project start-ups noted by INSEE;
- Company transfer/buy-out operations, which are higher risk by nature, were given more guarantees in a buoyant economic climate, while Development was down in a low rate environment;
- cash was also significantly down in this favourable environment for companies.

This progress was reflected in the number of funding transactions guaranteed. It reflects more pronounced use of Guarantee Contracts by banks, with the deployment and development of this arrangement, initiated at the end of 2015, being fully operational since the beginning of 2017.

In this context, Start-Up remains the purpose for which the banks primarily seek guarantees.

The breakdown of funding guaranteed by business sector remains roughly identical.

<sup>2</sup> The Guarantee Contracts are systems that enable banks to immediately engage the guarantee from Bpifrance Financement under certain conditions for loans granted to SMEs up to €200,000.





- **Key figures for Bpifrance Régions:**

Activity (in € millions)	2016	2017	Change as a %
<b>Amount of guaranteed loans</b>	<b>941</b>	<b>1,195</b>	<b>27.1%</b>
Creation	237	361	52.6%
Transfer/buy-out	387	486	25.6%
Development	213	252	18.1%
Cash	104	96	-7.3%
<b>Distribution by type of guarantee intervention</b>	<b>941</b>	<b>1,195</b>	<b>27.1%</b>
Bank loans	941	1,195	27.1%
Capital	0	0	
Short term	0	0	
<b>Number of guaranteed loans</b>	<b>2,481</b>	<b>3,120</b>	<b>25.8%</b>
<b>Net amount of covered risks</b>	<b>238</b>	<b>301</b>	<b>26.4%</b>
<b>Total risk outstandings on 31 December</b>	<b>787</b>	<b>873</b>	<b>10.9%</b>

- **Breakdown of loans guaranteed by business sector (as a percentage):**

Breakdown of loans guaranteed by business sector	2016	2017
Industry	24.71%	21.11%
Construction	8.83%	8.96%
Trade – Transportation	20.09%	21.30%
Services for companies	16.26%	13.91%
Services for individuals	18.62%	19.84%
Tourism	11.49%	14.88%
Total	100%	100%

## Financing activity

- Distribution by financing type

(in € million)	2016	2017	Change as a (%)
<b>ACTIVITY</b>			
<b>Financement</b>			
<b>New production<sup>(1)(2)</sup></b>	<b>7,111</b>	<b>7,480</b>	<b>5.2%</b>
Outstandings as at 31 December <sup>(1)(2)</sup>	27,463	30,004	9.3%
<b>Medium and Long-Term Co-financing</b>	<b>4,337</b>	<b>4,610</b>	<b>6.3%</b>
Long and medium-term loans	3,214	3,531	9.9%
Finance lease	1,123	1,079	-3.9%
<b>Loans without guarantees<sup>(2)</sup></b>	<b>2,774</b>	<b>2,870</b>	<b>3.4%</b>
Of which Growth loan	948	999	5.3%
Of which, Export Loan	729	614	-15.8%
<b>Short term<sup>(3)</sup></b>			
Mobilisation of Receivables	3,567	3,620	1.5%
Pre-financing of the CICE	4,287	4,982	16.2%

(1) Excluding short-term financing

(2) Of which non-guaranteed Innovation loans 2016: €352 million – 2017: €327 million

(3) These amounts reflect financing authorisations at 31 December for which the commission was paid

- Breakdown of assistance excluding PCE by business sector

Breakdown of assistance excluding PCE by business sector	2016	2017
Industry	23.56%	24.97%
Construction	4.04%	4.06%
Trade – Transportation	25.72%	22.76%
Services for companies	12.71%	11.48%
Services for individuals	29.12%	31.35%
Tourism	4.85%	5.38%
Total	100%	100%

- Business development review

### Medium and long-term financing

Overall, Bpifrance medium and long-term financing rose by 5.2% in 2017. “Conventional” medium and long-term investment loans reached a record €4.6 billion in 2017, up +6.3%. The sharp rise in medium and long-term financing was essentially driven by the co-financing of renewable energy, up 32% to €1,150 million in 2017, from €871 million in 2016.



Non-guaranteed loans also increased in 2017: +3.4%. In 2016, they amounted to €2.9 billion. This type of loan covers financing needs for long-term intangible investments and benefits from a deferred amortisation period. In the breakdown of non-guaranteed loans, the momentum is amongst those directed towards growth and innovation.

### **Short-term financing**

Total short-term commitments granted by Bpifrance Financement in 2017 exceeded €8.6 billion (+9.5%).

The mobilisation of commercial loans (€3.4 billion) is increasing and underlines companies' need for cash, related notably to the recovery in activity.

Building on its success since 2013, the pre-financing of the Competitiveness and Employment Tax Credit (CICE), for which total commitments represented €4.9 billion at 31 December 2017 (+16%), meant that more than €1.5 billion extra could be injected into business cash flow.

### **International Focus**

#### **Export financing**

In 2017, in accordance with its strategic plan, Bpifrance continued to promote the globalisation of companies, and of SMEs and ISBs in particular. It continued to extend and distribute its line of export products.

Following an exceptional year in 2016, fulfilments of non-guaranteed export loans represented €614 million in 2017, which confirms the product as one of the key tools in Bpifrance's international offer. In addition to this offer of non-guaranteed loans, the range is now broad, with Avance+ Export for the mobilisation of export receivables, and the Export Credit for medium and long-term investment. For 2017, Avance+ Export mobilised €120 million of commitments. Export Credit, with an inherently long cycle, has a large number of agreements. 104 offers for €1.8 billion in cumulative projects and 11 transactions were unwound in 2017 for €186 million.

Also note the contribution of the guarantee activity to the objective of financing the internationalisation of companies. The International Project Guarantee was delivered on 129 transactions representing €32 million (+33%) and the International Funds Guarantee on the short and medium-term reached €100 million (+3.5%).

### **Europe, the focus of the strategy of Bpifrance**

In 2017, the Europe division of Bpifrance organised its action around four objectives: influence community policies through an active approach of explanation to European institutions, develop the activity of European projects for the benefit of companies and their financial return towards Europe, notably following the Juncker investment plan (Bpifrance is a signatory of three platforms: the European Investment Advisory Hub (EIAH) for support, and ENSI and the EIF-NPI Equity Platform for securitisation); to coordinate the partnership with the EIB Group; and to foster cooperation with our European counterparts. Bpifrance has been particularly active on key subjects such as the European Council project on innovation, companies in difficulty and the next multi-annual financial framework 2020-2027. Two agreements were signed with the BEI Group: one on guaranteeing loans to creative industries, the other on innovation loans and seed investments. Two important cooperation protocols were also signed; with the German bank KfW for co-investing in active investment funds in France and Germany and with the Greeks to support the Ministry of the Economy and Finance in creating a development bank. Lastly, new tools were created to make Europe more accessible to French companies, notably an e-learning module on the correct use of Horizon 2020 published on [www.bpifrance-universite.fr](http://www.bpifrance-universite.fr).

Lastly, the Internet platform for putting companies in touch with each other, EuroQuity, was involved in three European projects: Access4smes to highlight Seal of Excellence companies to European investors, Buildinterest for companies in sustainable construction and ESIL for the promotion and professionalisation of business angels at the European level. EuroQuity is organising e-pitch for the best start-ups and thematic web conferences.





## **Bpifrance is developing strategic partnerships in the rest of the world**

**In Africa:** in line with its Africa plan, Bpifrance is continuing its actions to support the development of French companies, notably through the creation of a large business network on the continent.

Founded in 2016, the investment fund for Africa Averroès Finance III continued its investments in two new African funds: MPEF IV for the growth of promising SMEs in the Maghreb and Partech Africa.

Partech Africa is the first investment by Bpifrance in an African venture capital fund. It demonstrates Bpifrance's strong interest in developing innovative start-ups in Africa. Bpifrance supports French start-ups on the continent, notably through the Digital Challenge Africa, co-organised for the 2<sup>nd</sup> year with the Agence Française de Développement; five French start-ups with high potential, with development projects on the continent, were recognised. Bpifrance, through EuroQuity, is also a partner of AfricArena, a conference organised by FrenchTech Cape Town to explore the tomorrow's trends and discover the best African innovations and start-ups.

Two new partnerships were signed this year: with Société Générale and its Africa Department, to strengthen cooperation between the two establishments, notably by making available, to customers of Société Générale, the e-learning platform [www.bpifrance-universite.fr](http://www.bpifrance-universite.fr) and the organisation of joint immersion missions in Africa for French customer companies; as well as with the Confédération Générale des Entreprises de Côte d'Ivoire (CGECI), to share best practices and promote partnerships between Côte d'Ivoire and French companies.

The partnership with the pan-African bank AttijariWafa was strengthened, notably through the AttijariWafa Business Link community created by the bank on the EuroQuity platform to service its customers and open the door for them to numerous partnerships in France and in Europe.

Lastly, two new contracts to provide expertise were signed for the creation or development of guarantee funds for SMEs in Algeria and Libya.

As a member of the Board of Directors, the Audit and Risk Committee and the Investment Committee of Proparco, in 2017 Bpifrance continued its cooperative actions with this major international partner.

**In the rest of the world,** priority was given to strengthening the attractiveness of France for foreign investors.

In this regard, a partnership agreement was signed in November 2017 between Bpifrance and the United Arab Emirates sovereign fund Mubadala to jointly invest €500 million in innovative French companies, directly or via investment funds.

### **5.1.3 Bpifrance Financement's structure and financial management**

#### **The financial markets in 2017**

After a year marked by unexpected events in 2016, namely BREXIT and the election of Donald Trump, there were plenty of reasons to worry and 2017 could have been a very dangerous year. In the end, the political hazards were limited, and fears of an increase in rates in Europe were swept away by the continuation of the accommodating monetary policy of the ECB.

The European Central Bank remained very active throughout the year. In March, it put in place the last tranche of the TLTRO (Targeted Long-Term Refinancing Operations), which began in early 2016. This exceptional quantitative measure will have enabled euro-zone banks to borrow nearly €800 billion over four years at a very competitive rate of -0.40%. At the same time, the quantitative easing programme was maintained by the ECB.

These unconventional measures, combined with inflation that remained very low, confined European rates at record lows. For example, yields on French government bonds (OAT) remained negative until maturity at five years, while that of the ten-year benchmark bond closed the year as low as it started (0.67%).

The ECB's strategy, based on providing abundant liquidity and maintaining very low rates over many months, has finally enabled the euro zone to take advantage of the improvement in the global economic climate.

The combination of all of these elements this year had the effect of supporting stock markets, which had an exceptional year in 2017. Although European shares had a good year (CAC 40: +9%, Euro stoxx 50: +6%), it was an exceptional year for US stocks. Despite fears after the election of Donald Trump, the Dow Jones beat a record with 5,000 points gained over a fiscal year, representing a performance of +25%. (S/P 500: +20%; Nasdaq: +29%).

In the USA, the economic dynamism also enabled the Federal Reserve to begin its process of monetary normalisation. Accordingly, it raised its base rates three times in 2017. At the same time, it began reducing the size of the asset portfolio that it had bought under its successive QE operations, in place since the end of 2008.

In the United Kingdom, the economic trend was reversed, with an economic slowdown since BREXIT has revealed itself to be inevitable.

On the forex market, the euro/dollar rate remained stable for nearly six months at around 1.05 dollars for a euro. Since the improvement in European economic prospects became confirmed, the euro then outperformed the dollar, to end the fiscal year at 1.20. The markets consider that the recovery cycle in Europe is beginning while that in the USA is already quite advanced.

Bpifrance Financement was able to continue the development of its bond programme, making loans for an amount of €6.5 billion. 20 billion was outstanding in the programme at the end of the 2017 fiscal year.

## **The financial structure of Bpifrance Financement**

The consolidated balance sheet total of Bpifrance Financement stood at €52.4 billion at 31 December 2017, versus €48.6 billion at 31 December 2016, an increase of €3.8 billion. After 9% growth in 2016, the balance sheet total increased by nearly €7.8 billion in two years. The strong growth in activity continued, driven by a significant increase in investment loans related, firstly, to the continuation of the growth in non-guaranteed loans and, secondly, to the financing of Energy-Environment projects.

Outstanding loans to companies increased by €3 billion (+9.2%), while financial assets were sharply up at +30%, against -4% in 2016.

The balance sheet structure reflects this change: customer loans (of which 87% in business loans and 13% in deposits with Agence France Trésor) accounted for nearly 78.5% of total assets, compared with 85% at 31 December 2016. Financial assets accounted for 18% of the balance sheet total.

Loans to companies amounted to €35.9 billion at 31 December 2017, versus €28.9 billion at 31 December 2016. The various outstandings have evolved in the following manner:

- leasing remains stable overall, with a disparity between property leasing, which is down slightly (-0.4%) and equipment leasing, which saw the same increase in outstandings as last year (+1.2%);
- outstanding equipment loans continued to grow significantly (+9.3%), notably under the effect of the increase in the production of non-guaranteed loans (€2.5 billion, or +5%) and the new sharp increase in financing in the energy-environment domain (€1.2 billion or +40%, following +46% last year);



- the increase in cash credits slowed again (+11.1% instead of +18.5%) with outstanding pre-financing for the Competitiveness and Employment Tax Credit (CICE) up by €4.3 billion to €5 billion and stable short-term conventional loans.

Commitments pursuant to guarantee agreements continued their growth: €12.2 billion at 31 December 2017 against €11.7 billion at 31 December 2016, representing +3.6%.

The total amount of financial assets at 31 December 2017 totalled €9,474 million, down €2.2 million from the end of December 2016. It is now 94% made up of the portfolio established as part of the loan activity. This portfolio is composed in the following manner:

- €8,641.8 million in securities intended to be held to maturity, corresponding to €7,551 million in OATs purchased as part of the management of the rate position associated with the refinancing of the credit activity and, for the balance, with the investment of the guarantee funds and equity of Bpifrance Régions;
- €795.2 million in investment securities: these consist only of securities purchased to invest the company's cash or guarantee funds that it manages. The increase of €560 million seen in two years on this category of securities mostly corresponds to short-term investments made in the form of UCITS units;
- €37.7 million in investment securities, an amount that was down compared to last year, due to the sale of an investment in a British company;
- €11.3 million recognised on the asset side due to exchange swap operations with a positive valuation; those with a negative valuation are listed in the liabilities, in the amount of €7.9 million.
- as there was no own-account market activity, and following the transfer of the investment-capital activity to the Investment Division in 2016, there are no more assets accounted at fair value through profit or loss.

As at 31 December 2017, the distribution of medium and long-term financing of loans to clients according to the origin of resources, i.e. €29.8 billion in outstandings, was as follows:

- €21.2 billion, i.e. 71%, in resources recruited in the financial market as part of EMTN programmes (€20.2 billion) or NEU MTN (€1 billion);
- €3.2 billion, or 11%, in the form of contractual loans with financial institutions with resources from passbook deposits;
- €2 billion, or 7%, in public resources, essentially from the Investing in the Future Programme via EPIC Bpifrance;
- €0.1 billion in resources from international financial institutions;
- €3.3 billion, or 11%, in the form of medium-term refinancing operations with the ECB (TLTRO).

The resources backed by the guarantee activity exercised by Bpifrance Financement and Bpifrance Régions recorded a reduction: they fell from €6.2 billion at 31 December 2016 to €5.8 billion at 31 December 2017.

## **The financial management of Bpifrance Financement**

The objective of the group's financial management is to provide it with the long-term financial means needed to carry out the issues entrusted to it by public authorities, while continuing to exercise total control over the risk exposure inherent to operations within capital markets. In order to minimise its exposure to this type of risks (inherent to market trading operations) which are not its core business, Bpifrance Financement does not have any trading or financial intermediation activities.

## Financing activity

The refinancing of loans to customers by backing, in both equity and rate terms, the outstandings of loans and real estate operations. To this end, refinancing operations are completed by rate hedging operations that are performed either through recourse to financial instruments, or by setting up portfolios of assets specifically dedicated for this purpose. Under these conditions, the establishment strives to limit the risks that are inherent to the financial operations, while targeting optimisation relative to market conditions. In this regard, it has adopted the objective of having a liquidity advance that would allow it to deal with any temporary deterioration of the market conditions.

In 2017, Bpifrance Financement continued to ramp up its EMTN issue programme for debt securities (Euro Medium Term Programme) which made it possible to turn to the market under very flexible conditions, through public or private operations that fall within the scope of a pre-established legal framework. The growth in issue volumes went hand-in-hand with a wider allocation of the securities to international subscribers.

Bond resources grew very significantly compared with the previous year (+51%), with total issues for the year of €6.5 billion in 2017:

2017	Type of transaction	Issue date	Maturity date	duration	Nominal (€M)
Quarter 1	Syndication	12/01/2017	25/11/2026	10	1,000
	Syndication	23/02/2017	19/02/2021 - retap	4	500
	Syndication	08/03/2017	25/11/2024	8	600
Quarter 2	Private placement	06/04/2017	25/05/2030 - retap	13	200
	Syndication	09/05/2017	25/05/2027	10	1,500
	Syndication	07/06/2017	25/11/2022	5	1,000
	Private placement	27/06/2017	25/05/2030 - retap	13	200
Quarter 3	Private placement	07/09/2017	25/11/2022 - retap	5	250
	Syndication	27/09/2017	25/11/2024 - retap	7	700
Quarter 4	Syndication	30/11/2017	25/11/2023	6	500
<b>Total EMTN 2017</b>					<b>6,450</b>

The prospectus that governs this programme was the subject of a supplement dated 17 January 2018, to specify that the ceiling for the EMTN programme had been increased from €24 to €30 billion in December 2017.

The medium and long-term financing of the co-financing activity in 2017 was supplemented by the issuance of medium-term notes for €0.2 billion and recourse to the TLTRO for €0.3 billion.

The EMTN programme therefore accounted for 93% of the medium and long-term refinancing carried out by Bpifrance Financement in 2017. The overall distribution of refinancing commitments by lender was as follows at 31 December 2017: investors in the EMTN and BMTN programmes represent 71% of outstandings; the Caisse des Dépôts, 10%; the European Central Bank, 11%; EPIC Bpifrance, 6.6%; French banks, 1%; international banks, 0.4%.





Short-term interbank refinancing outstandings (certificates of deposit and securities sold under forward repurchase agreements) were €9.3 billion at 31 December 2017, compared with €7.9 billion at 31 December 2016, i.e. an increase of 17%.

This increase is due in particular to the growth in securities given under repurchase agreements which stood at €5.7 billion at 31 December 2017, against €4.9 billion at 31 December 2015, representing an increase of 18%. Outstanding certificates of deposit stood at €3.5 billion at 31 December 2017, against €3.1 billion at 31 December 2016.

In 2017, Bpifrance Financement issued a total of €4.6 billion in certificates of deposit, of which 11% at less than three months, 23% at less than six months and 66% at six months or more. At 31 December 2017, refinancing with the European Central Bank consisted of €3.3 billion in resources recruited under the TLTRO, up €0.3 billion from the end of the previous year.

The overall amount of the Bpifrance Financement securities portfolio attached to the "Financing" activity for the management of the rate position and cash investment stood at €8,699 billion on 31 December 2017. It consisted primarily of OAT and BTAN (€7,551 million, i.e. 87%) and included bonds issued by public agencies (€193 million) and major European commercial banks (€15 million), as well as covered bonds (€61 million). Short-term cash investments in the form of purchases of certificates of deposit remained marginal in 2017. Outstandings stood at €330 million at 31 December 2017, with an average maturity of two months, issued by banks with a short-term rating of P-1.

## Guarantee Activity

The "Guarantee" activity at domestic level is shown in the Bpifrance Financement balance sheet, and at regional level, in that of Bpifrance Régions.

The overall amount of financial assets representing the "Guarantee Funds" of Bpifrance Financement and Bpifrance Régions stood at €3,333 million at 31 December 2017, moreover with €2.5 billion of cash available in bank accounts or demand accounts with the AFT, representing a drop of €309 million compared to the end of December 2016. Most of these assets now consist of fixed-term deposits with Agence France Trésor (€2,555 million), whose maturities are adjusted at a half-yearly pace, with an average maturity reflecting the projected outflow of guarantee funds. The remaining assets are invested in bonds issued by agencies (€52 million), major banks (€72 million) or companies (€14 million), and in covered bonds (€13 million) and negotiable debt securities (€303 million). Purchases of certificates of deposit, the majority for a term of more than six months, amounted to €286 million in 2017. They involved securities issued by banks with a P-1 short-term rating and, for the remainder, were supplemented by acquisitions, mainly of OATs, for €20 million.

## 5.14 Risk factors

Bpifrance Financement assessed the risks that could have a significant negative impact on its business activities, its financial position or its earnings (or on its ability to achieve targets), and found that there were no significant risks other than those disclosed.

### Credit risks

In accordance with the regulations in effect, credit risk is the risk resulting from the default of a counterparty or counterparties considered to be a single group of beneficiaries (see EU Regulation no. 575/2013 / Article 4 point 39).

Bpifrance Financement is exposed to credit risk for all customers granted a loan or a guarantee. Its outstandings are concentrated in French small and medium-sized enterprises (SMEs) and mid-sized businesses (MSBs).

Detailed information relative to the credit risk is provided in note 8 of the notes to the consolidated financial statements.



## Maximum credit risk exposure

Bpifrance Financement's maximum credit risk exposure includes in particular financing activities (long and medium-term loans, short-term financing, and finance lease operations) to corporate customers and commitments through guarantees and signature.

In 2017, guarantee and signature commitments, in the amount of €12.2 billion, accounted for nearly 17.7% of the maximum exposure above.

Bpifrance Financement's maximum credit risk exposure amounted to €68.5 billion at 31 December 2017, compared with €62.6 billion at 31 December 2016, an increase of 9.4%.

The share of loan activity (long and medium-term loans and short-term financing) and lease financing (equipment leasing/real estate leasing) was €34.9 billion, compared with €31.8 billion in 2016, an increase of 9.7%.

## Concentration of the credit risks

Detailed information on risk exposure, management and measurement is provided in note 8 (see section 8.2 on credit risks).

Bpifrance Financement's activity is entirely concentrated within France.

Operations are diversified both by product and business sector.

This diversification of client risk is governed by a system of limits<sup>3</sup> developed based on Bpifrance Financement's capital and outstandings:

- overall limits by beneficiary client group, all products included;
- sector limits (activity sector based on NAF codes) for direct lending activities (long and medium-term loans and short-term financing) are established based on the total commitment forecast for the year plus 12.5%.

The limits are monitored by several Bpifrance Financement departments and a quarterly report is produced for the Risk Committee of Bpifrance SA.

## Quality of the credit risk

The outstanding amount of customer loans and receivables (medium and long-term loans, short-term financing, real estate leasing, equipment leasing, etc.) is divided into three categories: performing for €40,115.2 million (97.8%), non-performing for €609.6 million (1.5%) and impaired for €269.2 million (0%). By comparison, the share of performing loans in 2016 was also 98%.

As part of its activities to support the economy, Bpifrance Financement also relies on a guarantee fund system with budget endowments from the Public Authorities (national and regional funds).

Overall, Bpifrance Financement's cost of risk was €35.3 million in 2017, compared with €5.9 million in 2016.

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<sup>3</sup> See Articles 217 to 230 of the Decree of 3 November 2014 relating to internal control of companies in the banking sector.

## The financial activity risks

### ● Counterparty risk on financial assets

The counterparty risk on financial assets includes the risk relating to interbank transactions and securities transactions on the financial markets (excluding derivatives). The other securities transactions not falling into this perimeter (securities used for the portfolio activity and investment securities) are mentioned in note 8.4 to the consolidated financial statements.

According to this definition, counterparty risk stood at €9.900 billion at 31 December 2017, versus €7.723 billion at 31 December 2016. The €2,117 million increase is mainly due to investment opportunities in OATs totalling €1,622 million and in money market UCITS for €249 million.

Counterparty risks as at 31/12/2017 (in € million)						
Counterparty category	Financial assets at fair value through profit or loss	Non-current financial assets available for sale	Loans and receivables to lending institutions	Financial assets held-to-maturity	Total	Distribution
Central government agencies*	-	-	-	7,926.6	7,926.6	79.9%
Lending institutions	-	131.3	462.6	639.3	1,233.2	12.4%
Companies	-	-	-	14.4	14.4	0.1%
Other institutions	-	0.3	-	61.6	61.8	0.6%
Money market UCITS	-	664.2	-	-	664.2	6.7%
<b>Total counterparty risks</b>	<b>-</b>	<b>795.8</b>	<b>462.6</b>	<b>8,641.8</b>	<b>9,900.2</b>	<b>99.7%</b>
Securities used for portfolio activity		-			-	0.0%
Investment securities		24.9			24.9	0.3%
<b>Total financial income</b>	<b>-</b>	<b>820.7</b>	<b>462.6</b>	<b>8,641.8</b>	<b>9,925.1</b>	<b>100.0%</b>

\* Interbank loans guaranteed by repos on OATs were considered to be a risk for the central government agency

Given their nature and duration, the financial operations undertaken by Bpifrance Financement within this framework are almost exclusively carried out with government agencies (79.9%), primarily the French State, and lending institutions (12.4%).

In view of the public nature of most of the managed funds, the emphasis is on the search for the greatest possible security of the transactions:

- the authorised counterparties have at least a rating of “A” as provided by specialised agencies;
- transactions involving derivative instruments are systematically the subject of collateral agreements;
- cash transactions are governed by strict duration rules.

### ● Counterparty risk on derivative instruments



Since transactions using derivative instruments are systematically covered by collateral, their residual risk is measured on the basis of a fraction of the notional rather than their value in the balance sheet; it is added to the counterparty risks on financial assets in order to measure the overall risk per counterparty.

The overall counterparty risk is managed by means of a limit system based on the ratings assigned to each counterparty by specialised agencies. Counterparties are grouped into eight categories, each of which has an associated limit for commitment amounts, calculated from an internal model, as well as a commitment duration limit relating to the future probability of default.

## ● The financial risks

### **The market risk**

The market risk includes the risk of losses due to changing prices for market products, volatility and correlations.

The liquidity of the assets is a fundamental component of the market risk. In case of insufficient or non-existent liquidity (for example after a decrease in the number of transactions or imbalance in the supply and demand involving certain assets), it may not be possible to sell a financial instrument or other disposable asset at its real or estimated value.

### **The liquidity risk**

The liquidity risk consists of the risk that Bpifrance Financement may not be able to meet its obligations when they fall due.

The liquidity risk is monitored as part of a liquidity risk management policy validated by the Financial Committee. This policy is based on management principles defined in order to apply to the current situation, on the basis of maintaining a permanent liquidity advance intended to deal with possible difficulties accessing market liquidity. The liquidity situation of Bpifrance Financement is assessed on the basis of internal standards, alarm indicators and regulatory ratios.

Overall, the establishment measures its medium and long-term financing needs on the basis of the schedule of operations, new business assumptions and outflow agreements for the transactions without maturities.

On these bases, the financing stalemate is projected, which is expressed as stocks and flows.

At 31 December 2017, the liquidity coefficient implemented for Basel III (LCR) regulations was estimated at 543% (a sign of a very satisfactory cash position for short-term maturities).

### **Interest rate risk**

The interest rate risk consists of the risk that Bpifrance Financement may suffer losses caused by an unfavourable change to the interest rates, notably in case of an imbalance between the interest rates generated by its assets and the interest rates owed on its liabilities.

The management of the Bpifrance Financement rate risk relative to the "Financing" business line is intended to minimise the impact of fluctuations of market interest rates on the net interest margin, both in terms of the short-term impact on the NBI (revenue risk) and of the present value of the future cashflows (value risk).

Globally managed pursuant to regulation 90-15 of the Banking and Financial Regulation Committee, Bpifrance Financement's rate position with respect to revenue and value risks was much lower than the limits authorised at 31 December 2017:

- an immediate 1% rise in short-term rates lasting for the next 12 months would have a positive impact estimated at €5.4 million on the net banking income of the institution;
- a -1% translation across the yield curve would result in a reduction in unrealised income estimated at -€41.9 million.

### **The exchange risk**

The exchange risk consists of the risk that Bpifrance Financement might suffer losses on the capital borrowed or loaned in currencies other than the euro. Bpifrance Financement can be exposed to risks related to fluctuating exchange rates between the various currencies.

Bpifrance Financement carries out very few foreign currency operations, and all operations are hedged in order to reduce the possible risks. Their potential impact on the profit and loss statement is negligible.

### **The risk related to the equity interests of Bpifrance Financement in the capital of small and medium-sized companies**

As part of its financing activity, Bpifrance Financement is exposed to the risk of losses related to its direct or indirect investments in the capital of small and medium-sized companies.

Exposure to this risk was €7.4 million at 31 December 2017.

### **The other risks**

- Operational risks (including legal, accounting, environmental, compliance and reputation)

The operational risks include the risks of losses due to faulty procedures and internal systems, human error or external events, whether accidental or not. The internal procedures notably include the human resources and information systems. The external events include but are not limited to floods, fires, earthquakes, fraud and even terrorist attacks.

The operational risks include the risk of government, legal or arbitration procedures or penalties. On the date of the present Registration Document, Bpifrance Financement is not aware of any government, legal or arbitration procedure that is having or has recently had significant effects on its financial situation or profitability.

- Insurance and risk hedging

The insurance policies taken out total €200 million for all risks combined. They cover the risks related to Bpifrance Financement's property holdings, including special risks (100-year flood risk) and those related to the safety of its staff: damage to property and contents, taking into account replacement value, professional liability and operational civil liability in the event of personal injury or damage to property or intangible assets caused to third parties.

The above cover is supplemented by a comprehensive information technology policy for IT equipment, office automation and specific hardware, for a declared value of €19 million. This policy also includes a data recovery guarantee in the amount of €1 million, and an additional guarantee for supplementary operating expenses in the amount of €5 million.

- Strategic risks

The strategic risks involve the risks inherent to the selected strategy or that result from the inability of Bpifrance Financement to carry out its strategy.



- Political and macro-economic risks and risks related to the financial circumstances specific to the countries in which Bpifrance Financement is active.

Bpifrance Financement is exposed to the risk of losses potentially arising from negative political, economic and legal developments, including currency fluctuations, social instability, changes in government or central bank policy, expropriation, asset confiscation and changes to the legislation on property rights.

## Capital adequacy and solvency

At 31 December 2017, the total solvency ratio of Bpifrance Financement was 13.99%.

### Solvency ratio: capital and weighted risks

(in millions of €)	31/12/2016	31/12/2017
<b>Regulatory capital</b>	<b>3,599</b>	<b>3,970</b>
of which core capital	3,346	3,520
of which additional capital <sup>(1)</sup>	253	450
<b>Weighted risks</b>	<b>31,353</b>	<b>28,380</b>
Credit risk*	30,250	27,109
Balance sheet items	24,915	24,407
Off-balance sheet items <sup>(2)</sup>	5,335	2,702
Operational risk**	1,098	1,270
Credit Value Adjustment (CVA)	6	0
<b>Solvency ratio</b>	<b>11.48%</b>	<b>13.99%</b>
of which core capital	10.67%	12.40%
<sup>(1)</sup> of which:		
Guarantee Fund	188	138
Reserve Fund	64	12
Subordinated loans	0	300
Subordinate securities of indefinite duration	0	0
Redeemable Subordinate Securities	0	0
<sup>(2)</sup> including forward financial instruments	6	2

\* Credit risk calculated using the CRR/CRD IV standardised approach

\*\* Operational risk calculated using the CRR/CRD IV basic indicator approach

The changes in the solvency ratio between 31 December 2016 and 31 December 2017 resulted from:

- a decline in risk-weighted assets essentially related to changes made to the characteristics of the intra-group guarantee set up between Bpifrance SA and Bpifrance Financement. Firstly, the assignment of a weighting of 0% to exposures to the parent company (Article 113, paragraph 6 of EU regulation no. 575/2013) following the ECB's decision of 11 July 2017 enabled the exposures covered by the intra-group guarantee to be weighted at 0% at 31/12/2017, against a weighting of 20% at 31/12/2016. Furthermore, the extension of the maturity of this same intra-group guarantee (5-year maturity at 31/12/2017, against 2 years at 31/12/2016) has increased its efficiency by limiting the correction to be applied to the value of the guarantee in case of mis-match between the maturity of the protection and that of the exposure that it covers;





- an increase in capital related to the inclusion of earnings in 2017, the increase in additional capital (Tier 2) following the issue of a subordinated loan of €300 million fully subscribed by Bpifrance SA, partially offset by the reduction in the Tier 2 contribution of the guarantee fund due to the gradual ending of their eligibility pursuant to European regulation CRR / CRD IV (grandfathering period until 2022).

## Regulation concerning major risks

The regulations for major risks require a declaration to the regulator at the end of each quarter<sup>4</sup>.

A major risk is exposure to a client or a group of connected clients whose total value, after the exemptions allowed for by regulations<sup>5</sup>, reaches or exceeds 10% of the eligible capital of the institution making the declaration<sup>6</sup>, without the exposure exceeding 25% of said capital<sup>7</sup>.

The quarterly reporting requirement includes the 20 most significant risks, as well as the 10 greatest risks for lending institutions and the 10 greatest risks for non-regulated financial entities<sup>8</sup> including when the exposures taken into account are exempt or do not exceed the abovementioned threshold for the identification of a major risk.

The declaration for 31 December 2017, established on a consolidated basis, is as follows:

At 31/12/2017	Number of Major Risks	Cumulative Major Risks <sup>9</sup>
Bpifrance Financement	2	22.49%

Two major risks were identified at 31 December 2017, but did not exceed the individual regulatory limit of 25% of capital.

## 5.1.5 Bpifrance Financement consolidated and corporate results

### The consolidated financial statements

Since 1 January 2007, the consolidated financial statements of Bpifrance Financement have been prepared using the international accounting principles and methods set down by the IASB, i.e. the IFRS standards (International Financial Reporting Standards), as adopted by the European Union.

- **The consolidated income statement**

Net Banking Income (NBI) amounted to €758 million versus €682 million in 2016. This growth resulted from the financing business, boosted by the increased production of new medium- and long-term loan transactions and continued development of the financing the CICE activities.

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<sup>4</sup> Articles 387 to 403 of Regulation EU 575/2013 of 26 June 2013 on the prudential requirements applicable to lending institutions and investment companies.

<sup>5</sup> Article 400 of the above-cited regulation.

<sup>6</sup> Article 392 of the above-cited regulation.

<sup>7</sup> Article 395 of the above-cited regulation.

<sup>8</sup> Article 394 of the above-cited regulation.

<sup>9</sup> In % of regulatory capital.

With respect to the guarantee activity, the average outstanding is now €15.6 billion, up 7%. This increase resulted in a commission level of nearly €97 million, up by more than €3 million, in spite of the cost of the intra-group guarantee of €3.9 million, which was set up in the first quarter of 2017. The share of financial income attributable to Bpifrance Financement, which is representative of the investment of financial assets primarily with the AFT, represented about €5 million, down after taking into account the negative remuneration on the guarantee funds.

Concerning innovation activity, the NBI generated pursuant to the activity of providing aid to innovation was again marked by an increase of €38 million (+18%), reflecting the continued development of invoicing administrative expenses for aid distributed and the dynamism of the innovation-financing products, which generate higher margins accompanying the strong growth in outstandings (+33%) in spite of the slowdown in management commissions for the Investing in the Future Programmes.

Concerning financing activity, the level of activity in 2017 of medium and long-term financing products (€7.1 billion against €6.7 billion in 2016) and the increase in CICE enabled average outstandings to increase again by nearly 12% and therefore to increase the volume of commercial NBI, in spite of the drop in rates which had already begun in 2016 and which continued on the transactions put in place in 2017 (commercial NBI = interest invoiced, ancillary income and commissions reduced by the standard refinancing cost). The continuing context of very low rates led to a slight increase in early redemptions, which nevertheless remain at a very low level. In 2016, the short-term financing activity continued to grow through CICE financing, which offset the stability of financing of customer receivables. The CICE represented nearly 3/4 of average short-term outstandings. Commercial NBI for this activity, which is rising steadily, represented €121 million, or nearly 24% of total commercial NBI.

In spite of a tight bond market until May 2017 for the French agencies, the financial margin made over the year was maintained at a high level.

Operating expenses (personnel, other operating and investment expenses) totalled €410.7 million, up 6% from 2016. This was mainly due to the increase in the number of FTE and therefore the payroll, to the development of the support missions that the bank offers to companies and, to a lesser extent, tax increases. The operating ratio (54.1%) saw a further slight improvement compared with 2016 (56.7%).

The net cost of risk was €35.3 million for 2017. It includes a reversal of the collective impairment of €19.3 million, bringing the total amount of the collective provision to €415 million. With the exception of the integration of a less conservative approach to claims on the specific sector of Energy Environment loans, no other change to the model took place this year. It is offset by a cost of risk on individual transactions that increased by 25% to €54 million. This increase was particularly marked on financing for real-estate leasing and on innovation financing.

The group share of net income stood at €182.3 million, stable compared to 2016.

Changes to the group's financial statements related to the application of IFRS 9 are described in note 2.2 of the notes to the consolidated financial statements. The expected impact on capital and net income is not significant.

- **The consolidated balance sheet**

The balance sheet total amounted to €52.4 billion, an increase of €3.8 billion.

Group share of equity before appropriation of earnings was €3.4 billion at the end of 2017, up 5.6%. Doubtful loans net of impairment represented 2.1% of customer outstandings. Gross doubtful loans were 38.7% provisioned. The total impairment amount was €1,180.2 billion, representing 2.9% of total outstandings.



## The corporate financial statements

The individual financial statements are prepared in compliance with the provisions applicable to lending institutions according to the French standards.

Contrary to the consolidated financial statements drawn up in accordance with financial accounting, the separate financial statements place greater emphasis on the legal nature of the lease:

- real estate is depreciated according to the methods allowed under tax law (straight-line depreciation, diminishing balance method, or even progressive or specific to the SICOMI treatment, depending on the case);
- all the rents and charges associated with the default of the lessee are recorded as NBI.

The net earnings determined in this manner amounted to €200.2 million, thereby generating a change in the unrealised reserve on leasing operations of €22 million.

### 5.1.6 Outlook for 2018

#### The financing of investments and of the operating cycle

Our priority for 2018 continues to be promoting exports and encouraging firms to do business abroad, in view of the public mandate transferred from Coface to Bpifrance and the continuing close partnership with Business France. In concrete terms, the following three business lines, essential to enable companies to export, are being grouped within the Bpifrance network: support, financing (mobilisation of export receivables, buyer credit, etc.) and export insurance.

For 2018, the projected budget will be €7.6 billion for medium and long-term financing, meaning that the ability of Bpifrance to operate will increase by 6% compared to 2017, in a market to which the banks have now fully returned. Conventional medium and long-term financing is expected to stand at €5 billion, with the share of the environmental and energy transition (€1.2 billion) and international activities, mainly due to Export Credit (target of €370 million) remaining high. Non-guaranteed loans should be slightly over €2.5 billion in commitments in 2018, with particular emphasis on the "Industry of the Future" range, currently being transformed into the French Fab Loan in line with the SGPI as part of the Investing in the Future Programme.

Short-term financing will target €8.4 billion in commitments in 2018 (stable compared to 2017), breaking down into €4.7 billion for the pre-financing of the maintained Competitiveness and Employment Tax Credit (CICE) and €3.7 billion for the mobilisation of receivables, of which €120 million is expected to represent receivables generated in other countries.

Upon request from the French State, Bpifrance Financement began a study on the possibility of opening up its loan activities to Iran. At the beginning of 2017 and based on this feasibility study, the Board of Directors authorised the deployment of the systems necessary to implement this offer, in strict compliance with the applicable regulations and by setting a stringent framework for this future activity. The opening of export credit to Iran is subject to the approval of the Board following this deployment work in 2018 if conditions allow.

#### Bank loan guarantee

In 2018, a slight drop in activity is expected overall, notably in investment financing, while Start-Ups are expected to continue to grow, probably less strongly than in 2017.

#### Innovation

The 2018 budget stands at €1,343 million, up by 7% compared to that implemented in 2017, driven by the growth in loans (+42%) and, to a lesser extent, by individual aid (+7%), but with a significant drop in collaborative programmes (-18%), related to the implementation of new tools for the Investing in the Future Programme 3.

In accordance with the guidelines of the 2017-2021 strategic plan, Bpifrance will continue to support companies upstream and to use Start-up Equity Loans (PAI) in support of company fund raising. It will also support the momentum of the Innovation Loan for more mature companies. Above all, however, Bpifrance wants to play an increasing role in aid to companies driving breakthrough innovations. In this context, Bpifrance is taking an interest in projects arising from Technology Transfer and will put in place resources arising from the "Investing in the Future Programme 3" for the "Frontier Venture" programme.

2018 will be marked by a stabilisation of the conventional resources coming from the State and by the establishment of the Innovation Fund, which will generate additional resources. The Innovation Loans have the resources to develop further, following the renewal of the guarantee agreement with the EIF.

Business support activities will be further developed based on common principles and streamlined management.

## 5.17 Report on Corporate Social Responsibility (CSR)

All of **Bpifrance's** resources and its activities carried out via its subsidiaries are designed to ensure the growth and development of firms, in line with the priorities of economic, social and environmental responsibility set out in its charter: growth in employment, governance and management quality, the promotion of women entrepreneurs and the environmental and energy transition.

Bpifrance Financement supports these priorities wholeheartedly, both in terms of its governance and its internal operations and in terms of its financing and innovation and entrepreneur support activities.

The scope of this corporate social responsibility report includes all Bpifrance Financement's fully-consolidated subsidiaries at 31 December 2017.

### Responsible governance

- **Governance bodies**

The Bpifrance Financement Board of Directors met six times in 2017.

The Directors, half representing the State and Caisse des Dépôts, the main indirect majority shareholders, and the other half, qualified individuals and employee representatives, carry out their duties within the framework of the internal rules and of the director's charter, which is an integral part of them. Ten non-voting members from different backgrounds and with different areas of expertise assist the directors in their work and contribute to the discussions<sup>10</sup>.

The average rate of attendance of directors was 75% over the year.

In the company's activity report, the Chairman of the Board of Directors reports on the conditions in which the Board prepared its work and the composition of the committees under its responsibility: the Audit and Risk Committee, the Appointments and Compensation Committee, and the Financing-Guarantee and Innovation "Business Line" Committees.

The governance bodies of the subsidiaries are convened on a regular basis to deliberate and decide on the agenda provided to the members, who represent the main shareholders, including four representatives of the regions and an ARF representative for Bpifrance Régions.

The dialogue with stakeholders (clients, partners, the regions in which Bpifrance is located and companies and organisations representing companies, employees and civil society) is carried out primarily within the *Comité National* and the *Comités Régionaux d'Orientation*<sup>11</sup>, which represent all Bpifrance Group stakeholders.

- **Ethics and transparency**

The internal and risk control mechanism covers both the permanent control mechanism that is the responsibility of the directors, management, the Compliance and Permanent Control Department and the Permanent Controllers within the operational departments, as well as the periodic control mechanism ensured by the **Bpifrance** General Inspection and Audit Department (IGA).

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<sup>10</sup> One representative from the French State and one from the CDC, five independents and two employees

<sup>11</sup> Provided for in Article 6 of law 2012-1559 on the creation of Bpifrance.



Bpifrance Financement is approved as a lending institution and, as such, is subject to all of the provisions of the French Monetary and Financial Code and of the Decree of 3 November 2014 on the internal control of banking sector companies.

Bpifrance Financement is the bank of the Bpifrance group and operates notably in market segments for which the other financial players have insufficient or no presence.

Bpifrance Financement's activity is at the crossroads between public interest and market interest, supporting French companies according to the values which guide its action: Proximity, Simplicity, Willingness and Optimism.

Employees must act with loyalty, integrity, professionalism and honesty, and systems are in place to define and supervise these terms:

- Ethics: the code validated at the end of 2017 updates the charter; it defines the rules applicable in matters of good conduct, the fight against corruption, fraud, money laundering and terrorism, protection of personal data, confidentiality and professional secrecy, integrity, loyalty and professionalism, conflict of interest, independence and impartiality of Bpifrance in relation to third parties and business relationships, business gifts and invitations and the use of the right to raise alerts;
- training to combat money laundering and terrorist financing provided via e-learning to 1.366 employees in 2017;
- a system of decision delegations structured by sector and risk level, as well as decision-assistance tools, specific to strengthening the trust of entrepreneurs and all stakeholders of the bank.

The creation of a Purchasing function aims to strengthen transparency, facilitate standardisation of processes, evaluate suppliers and service-providers, and monitor arrangements for fighting corruption in accordance with law no. 2016-1691 dated 9 December 2016, known as Sapin II, in application of the principles of:

- fairness in competition (at the time of the call for tenders and the final choice);
- absence of conflicts of interest;
- compliance with applicable procedures in matters of gifts, hospitality and other benefits;
- confidentiality of exchanges and the traceability and archiving of all purchase processes.

Note: a "best practices" appendix exists for the use of buyers, which invites them to evaluate the societal responsibility of suppliers on three pillars: environment, social and governance.

The use of subcontractors is marginal given the nature and location of the activities and has not resulted in any specific actions being taken to protect human rights.

No provisions or guarantees were created for environmental risks in 2017.

- **Corporate sponsorship**

Lastly,

- Bpifrance sponsors Demos, a community musical and orchestral learning initiative which seeks to democratise culture through music. Its philosophy is to encourage children to play in an orchestra and give them access to classical music. The project is aimed at children from neighbourhoods targeted by an "urban renewal policy" or from remote rural areas where there are few opportunities to practise music.
- Bpifrance also partners the charity "Nos Quartiers ont du Talent", an organisation that aims to help graduates under the age of 30 from modest backgrounds and some of whom living in deprived areas to find work. Graduates in the Paris region must have completed a minimum four-year degree course, although three-year degree courses are being trialled in key urban renewal areas. The charity appoints experienced managers and business leaders to act as mentors, offering advice on jobseeking, how to write a CV and covering letter, preparing for interviews and networking.

## **Corporate Social Responsibility of Bpifrance Financement in its business lines**

Bpifrance Financement does not conduct activities that could harm the health of consumers; the protection of the data of its customers and partners is considered an essential element of the relationship with them and the systems



deployed by the IT services (anti-intrusion, CNIL declarations, etc.), together with the provisions of the ethics code and the business continuity plan, aim to ensure security and confidentiality.

## **Close proximity to customers and partners to better support them**

In 2017, Bpifrance Financement expanded its organisation with a view to fulfilling the mission entrusted to the Bpifrance Group of revitalising the French economy and making it more competitive. Bpifrance Financement helped more than 85,000 companies in 2017, with a risk exposure of nearly €25 billion.

No new establishments were created in 2017 and a single relocation was made amongst the sites deployed in metropolitan France and overseas, which enable the front and middle-office teams to provide a local presence to entrepreneurs and partners in their ecosystems.

Bpifrance Financement's decentralised organisation, business model and support dynamic have a positive impact on the growth in employees, the rise in revenue and sustainability of the companies assisted. They also help strengthen regional economies and foster social cohesion<sup>12</sup>.

Bpifrance's proactive strategy is borne out by the results of the annual survey carried out anonymously by the CSA Institute with over a thousand customers and partners in 2017 (recipients of finance and investment, banks, investment funds and regional authorities) to monitor customer expectations and develop action plans to better meet their needs.

## **Developing its business lines to better serve the future**

The non-financial support of entrepreneurs, the second constituent of Bpifrance's corporate social responsibility in its economic dimension<sup>13</sup>, is continuing its dynamic growth, with the aim of strengthening value-creation potential for participants by developing their skills in all fields (strategy, governance, finance, HR, internationalisation, etc.) as well as their networks.

7,500 companies benefited from this support in 2017, against 5,500 in 2016, in the three components of the activity:

- training: face-to-face (25 training courses for customer companies, 17 seminars dedicated to companies in the national, regional and sectoral Accelerator programmes for SMEs and ISBs, 40 Pitch&Win sessions), or online (21 new modules were made available on the site, available to everyone simply by registering, 4 webinars – including 2 on CSR – were put online, as well as 19 interviews);
- accelerators: 43 training sessions were given; 2 national seminars, 4 regional seminars and one sector seminar were introduced in 2017;
- consulting: 1,707 missions were carried out in 2017;
- helping network development, from start-ups to large groups, within 289 events.

Lastly, 37,000 participants registered for the 3rd edition of Bpifrance Inno Génération, on 12 October 2017 in Paris.

Since 2015, for funding beyond certain thresholds, Bpifrance Financement has set up the evaluation of environmental, social and societal responsibility and corporate governance, and in 2018 it aims to include this evaluation in its systems, to improve the training of employees who are in contact with customers and improve the support offer for setting up a CSR approach and action plan. Two webinars were accordingly produced in November and December 2017, and can be consulted online on the websites of Bpifrance University and Euroquity, while new sessions will be proposed during 2018.

## **Supporting and financing the environmental and energy transition**

The activity of Bpifrance concerning the environmental and energy transition has been steadily increasing since 2013 thanks to the dynamism of co-financing in the Renewable Energy sector (94% of the overall activity by amount); non-guaranteed loans also increased over 2017: Green Loans (+3%), as well as eco-energy loans, intended for financing small programmes, increased fourfold over the year.

These financing transactions benefit all categories of companies: in renewable energies, one in two beneficiaries is an SME and 78% of companies receiving non-guaranteed loans are SMEs.

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<sup>12</sup> Book of action evaluation indicators for 2016

<sup>13</sup> The quantitative data in this paragraph relate to Bpifrance and the companies, without segmentation by Financing or Investment business lines.





## The social responsibility of Bpifrance Financement in its environmental practices

The General Services Department has managed the Bpifrance head office and network locations, as well as the logistics resources, of the entire group since the end of 2013.

This operational management, coordinated with all departments, has enabled the measurement of the environmental impact of activities (mainly energy consumption, paper consumption and employee travel) to be extended to all areas of the Group.

The certification "High-environmental-quality operational service-sector building" for the "Le Vaisseau" head office, obtained in 2014, was renewed in 2017, at the EXCELLENT level on the topic Sustainable Building and Sustainable Management.

The strong points noted, other than the efficiency of energy management and the control of the consumption of equipment, concerned:

- the installation of a dehydrator, which has reduced the volume of waste from the Company restaurant to one-fifth of the previous volume, as well as enabling it to be recycled as fertiliser;
- "Smart" bins are being trialled for efficient sorting of waste;
- the campaign for the systematic replacement of lighting in corridors by LED lighting;
- the installation of seven beehives on the roofs of buildings<sup>14</sup>;
- the installation of showers for the comfort of users (cyclists and runners);
- renewal of air optimised through the adjustment of settings, the rebalancing of the networks and the installation of ventilation outlets.

The application to obtain High-environmental-quality (HQE) operational certification for the Drouot site in Paris, mainly occupied by Bpifrance, will be made in 2018.

Premises or sites built or relocated are systematically fitted out with low-energy lighting and motion detectors. High-performance acoustic materials are used to create sound barriers between offices, with work being carried out on a case-by-case basis to ensure best performance. The selective sorting of waste is in place on the two main Paris sites and on six regional sites (Amiens, Annecy, Caen, Clermont-Ferrand, Lille, Marseille and Nancy).

Measures to adapt to climate change have been taken on the head office sites and the establishments in the network that have been adapted or recently relocated, for example with the installation of reversible heat pumps and systems for reducing water consumption. None of the establishments of Bpifrance is located in areas of major risk, notably concerning water consumption due to local restrictions.

Bpifrance implements a responsible purchasing policy (eco-labelled paper, envelopes produced by a CET, energy-saving photocopiers, etc.); the fight against food waste is led by the managers of the company restaurants, on sites where there is one, notably through notices and users being encouraged to sort waste (paper, bottles, cans, etc.); a food waste dehydrator was installed in 2017, with the output being used to supply an anaerobic digestion unit.

Business travel is the main source of greenhouse gas emissions for Bpifrance Financement.

The mobility action plan, launched in the 3rd quarter of 2016, is in the process of deployment.

Several measures relate to the fleet of vehicles, none of which emits more than 120g of CO<sub>2</sub> per km, and to its evolution:

- the range of vehicles for Paris and the head office includes four electric vehicles and two hybrids and only one large-capacity diesel vehicle;
- out of 39 vehicles offered to employees in the network of those who frequently travel, three run on petrol and 17 have automatic gearboxes, including three electric vehicles and two hybrids.

Expenses per km are also paid to employees who cycle, subject to proof.

Raised awareness of employees regarding environmental issues is also based on periodic actions (such as during the Sustainable Development week) and events around the platform launched in summer 2016 "Your action on the meter", which allows employees to measure savings in CO<sub>2</sub> emissions made through simple day-to-day commitments.

Given the nature of Bpifrance Financement's activities, there are no discharges to water, while discharges to soil are insignificant. Similarly, its activities have no direct impact in terms of noise pollution, biodiversity, soil contamination

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<sup>14</sup> Four connected beehives were installed on the roof of the Drouot building

or erosion; as an added precaution, ground maintenance at the company's main site in Maisons-Alfort does not involve the use of pesticides.

## Bpifrance Financement human resources

At 31 December 2017, Bpifrance Financement had 2,071 employees on permanent contracts, representing 1,986 Full Time Equivalent (FTE), up by 3.81% compared to 2016.

This workforce is 85% composed of executives, with 57% of employees in the network, divided between 46 regional locations; no employees work permanently outside metropolitan or overseas France.

The number of part-time employees is down (from 20.3% to 18.9%), while those on flat-rate contracts increased slightly from 79.8% to 80.9%.

Significant elements and key figures concerning the human resources policy of Bpifrance Financement in 2017 include:

- 204 new employees were recruited in 2017, a third of whom were aged under 25 on the date of hiring, without affecting the average age, which is still less than 43. This dynamic hiring management brought the rate of renewal of permanent contracts to 10.5%, against 9.5% for 2016;
- turnover<sup>15</sup> was down, falling from 2.3% to 1.9%;
- the active policy with schools and universities continued, via the "Campus Management" scheme, intended to capitalise and revitalise actions under the Schools and Universities Policy and to spread Bpifrance's reputation to students within educational establishments, in close association with the managers of all the sites and the whole of the team, in order to improve and consolidate a quality talent-pool of interns and work/study students. Over 2017, nearly 20 campus initiatives were carried out, to present Bpifrance's business lines and activities to students and foster their entry into professional life. A partnership agreement with University Paris Dauphine was renewed and two partnership agreements were concluded with Kedge Business School and Neoma Business School;
- a sustained effort to integrate new arrivals via new-arrival training courses at Bpifrance Financement;
- a training policy that is still dynamic, to which Bpifrance Financement devotes nearly 5% of its payroll expenditure, and which includes innovative technical solutions which have provided more than 41,000 hours of training against about 37,000 hours in 2016. 1,964 employees, representing nearly 92% of the total workforce<sup>16</sup> 76% of employees followed at least one training course during the year.

Employee/employer meetings continued at a rate that was almost equivalent to that of 2016 and seven new agreements were concluded, without changing those already in force and relating to the health and safety of employees, notably the agreements on quality of life at work, the only exception being the amendment relative to telecommuting, for which 2017 was a test period in Ile-de-France.

Bpifrance is committed to respect for and promotion of diversity and, in October 2017, signed the diversity and non-discrimination charter. There were numerous actions in favour of the employment and integration of people with disabilities: partnerships with DAUPHINE and KEDGE to facilitate recruitment and to establish a talent pool through work-study or professionalisation contracts, participation in adaptations of studies and accessibility and in coaching workshops; measures to keep people in work (transport solutions, adapted equipment, adaptation of working time;

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<sup>15</sup> Number of resignations from permanent contracts over the permanent-contract workforce for the previous calendar year

<sup>16</sup> On permanent contracts, fixed-term contracts, apprenticeship or professionalisation contracts



strengthening and diversifying the services of companies in working environments specially adapted<sup>17</sup> for the disabled, raising the awareness of the departments concerned.

Employees are kept informed and made aware of situations affecting people with a disability through a dedicated section on the Bpifrance internal website, which provides them with guides, agreements, information and "handi-learning"; face-to-face activities are also carried out: a conference highlighting people's experiences, two theatre events at the head office and on the Haussmann site, two regional events and a regional cooking workshop were enjoyed.

All employees were also invited to vote for a special prize at the Handi Tech Trophy initiative, which awards prizes to inclusive technologies of the future, supported by Bpifrance, which was part of the jury and hosted the presentation of trophies on its premises.

As specified by the workplace equality agreement of 1 October 2016, a report was prepared on the comparative situation of men and women within Bpifrance Financement, together with a summary of the company's actions in favour of workplace equality; all of these documents are made available to all employees in the HR area of Bpifrance Financement's internal website.

Measures taken to ensure the health and safety of employees had a positive impact: no occupational illness was declared for the 5th consecutive year; the average number of days of absence for illness (excluding long-term illness) remained stable at less than four days; rates of frequency and severity of work-related accidents within the company were down (respectively 1.09 against 1.96 in 2016 and 0.01 against 0.04).

Bpifrance Financement fully complies with French labour laws and with the fundamental conventions of the International Labour Organization. No specific actions have been taken against it concerning human rights.

## INDICATORS

### 1. Methodology note

The scope of this corporate social responsibility report includes all Bpifrance Financement's fully-consolidated subsidiaries<sup>18</sup> at 31 December 2017.

The technical and human resources required for the operation and business activities of the subsidiaries in question are provided by Bpifrance Financement. They, therefore, do not have any personnel, premises or equipment. It should be noted that Bpifrance Régions is the only corporate structure carrying out an activity. It should also be noted that the registered office is owned by AUXI Finance and that SCI Bpifrance owns some of Bpifrance Group's regional offices.

### 2. Environmental indicators

#### ENERGY CONSUMPTION AND CO<sub>2</sub> EMISSIONS

ENERGY CONSUMPTION for real estate (kWh)			
	2017	2016(1)	Change
Invoiced energy consumption for the registered office (Le Vaisseau) <sup>19</sup>	4,939,641	4,666,492	+5.85%
<i>On a m<sup>2</sup> occupied basis</i>	<i>184</i>	<i>178.3</i>	<i>+3.26%</i>
Invoiced energy consumption – OTHER OFFICES	3,044,281	3,073,785	-0.96%
<b>Total invoiced energy consumption</b>	<b>7,983,921</b>	<b>7,740,277</b>	<b>+3.15%</b>
<i>On a m<sup>2</sup> basis</i>	<i>109</i>	<i>108.2</i>	<i>-0.76%</i>

<sup>17</sup> Electronic document management, digitisation and indexing of documents, adapted transport, waste recycling, processing of responses to CVs from unsolicited applications, caterers, bouquets of flowers decorating the reception desk, prepared meals, stamps, printed goodies, binding, document printing, etc.

<sup>18</sup> See note on scope of consolidation.

<sup>19</sup> These data correspond to the invoiced data on electricity (kWh) and gas consumption (kWh NCV) to which emissions factors (source Base Carbone) have been applied. The consumption of fuel oil is not significant, and therefore not included in the calculation.

CO <sub>2</sub> EMISSIONS at the real estate locations			
	2017	2016*	Change
Emissions of CO <sub>2</sub> equivalent in kgs for the energy consumption invoiced at the registered office	531,003	490,901	+5.85%
Emissions of CO <sub>2</sub> equivalent in kgs for the energy consumption at OTHER LOCATIONS	249,631	252,050	
Total emissions of CO <sub>2</sub> equivalent in kgs for energy consumption	780,634	742,952	+3.15%
On a m <sup>2</sup> basis	10.7	10.4	+2.64%

\* Total energy consumption in 2016 was corrected to include updated data after reception of the invoices (+86 kWh, representing +3% on OTHER ESTABLISHMENTS)

Energy consumption and CO<sub>2</sub> emissions have been monitored since 2015 at all Bpifrance sites, except for its offices in La Réunion, Guadeloupe and Brussels, and, for 2016, Cayenne. These sites are excluded from the surface areas occupied for consumption and emissions calculations.

The following data require some additional information and explanation:

- SCOPE: consumption of energy (electricity and gas where applicable) is broken down between the operational entities of the Bpifrance group (Financement, Investment and Assurance Export) according to a formula that essentially takes into account the number of employees on the sites. Bpifrance Financement is accordingly responsible for 93.5% of energy consumption at the Le Vaisseau head office, 38% of that on the Haussmann Paris site, 12% on the Drouot Paris site and 100% of consumption on all other sites where the activities of the Financing Network are carried out (studies, establishment and monitoring of operations – excluding litigation). The head office includes the additional 702 m<sup>2</sup> surface area of the Campus (Training team and dedicated rooms and equipment);
- 2017 data is provided on the scope of invoices received at 19 February 2018; non-invoiced consumption has also been used, for several sites concerned, for the same volume as that of the corresponding period in the previous year.

## BUSINESS TRAVEL

CO <sub>2</sub> emissions (in kg) for Bpifrance Financement business travel <sup>20</sup>			
	2017	2016	Change
TRAIN	11,850	21,041	NS*
AIR TRAVEL	515,783	500,808	LS**
Of which, national flights	123,232.20	N/A	
Of which, other flights	392,551.34	N/A	
VEHICLE FLEET	1,387,178 <sup>21</sup>	1,396,991	+19%
TAXIS/Rental vehicles <sup>22</sup>	2,615	3,486	
TOTAL	1,917,426	1,932,939	+13.4%***

\*NS: comparison not significant; the emission factors of the service provider are clearly below those of SNCF for 2017.

\*\*LS comparison of low significance, as the emission factors is not identical.

\*\*\*comparison based on mixed assumptions for train and air transport.

Emissions from business travel by car are stable. As a reminder, the vehicles concerned are provided to employees who have to travel frequently to meet customers and partners.

<sup>20</sup> Excluding the use of personal and rental vehicles, taxis without a subscription, rail travel other than with the SNCF and travel outside the country not booked by General Services.

<sup>21</sup> Emissions calculated from 60% of consumption of fuel, assigned an emission factor of 2.64 for diesel and 2.22 for petrol.

<sup>22</sup> Emissions limited to vehicles used on a subscription basis, excluding journeys paid for out of expenses.



Comparing the items for travel by rail or air is still difficult due to the interruption in the collection of information in 2016; as the single travel agent changed on 1 July, the data on rail transport provided by SNCF was adopted, and that of Air France KLM, the main operator, was adopted for the 1<sup>st</sup> half year, with that of the 2<sup>nd</sup> half year having been collected from the new travel agent.

The emission factors of the main operators (SNCF and Air France KLM) and this service provider differ significantly. The decision was made, for 2017, to present only data sent by the service provider, so as to have, in 2018, elements provided on a consistent methodological basis over two consecutive years.

## WATER CONSUMPTION

The perimeter measured is still limited to water consumption at the registered office in Maisons Alfort. The billing systems used at the other locations do not provide the necessary data.

The overall volume of water is assigned a coefficient corresponding to the area occupied by Bpifrance Financement.

WATER AT LE VAISSEAU			
	2017	2016	Change
Recorded consumption in m <sup>3</sup>	11,912	10,535	+13%
Area occupied	26,826	26,170	+3%
Consumption in m <sup>3</sup> per m <sup>2</sup>	0.42	0.40	+5%

Water consumption was stable in terms of m<sup>3</sup> per m<sup>2</sup> occupied, as a result of measures deployed throughout the whole building before 2017 (aerators fitted on the taps, dual-flush toilets).

## WASTE

The perimeter measured is still limited to the waste generated at the registered office in Maisons Alfort. The overall volume of waste is assigned a coefficient corresponding to the area occupied by Bpifrance Financement. The data is measured upon removal by the service provider, as is the recycling mode, for which the requested explanations have not yet been obtained.

Waste			
Type of waste (in tonnes)	2017	2016	Change
Business waste	127.46	140	-9%
Maintenance waste	0	0	
Works waste	0	0	
TOTAL	127.46	140	-9%

NOTE: this waste includes 3 tonnes of food waste from the company restaurant, dehydrated on site and subsequently supplied to an anaerobic digestion unit.

% of waste reclamation at LE VAISSEAU		
	2017	2016
Materials	34	50
Energy content	66	50

## PAPER

Copier and reproduction paper is measured for the total perimeter of Bpifrance Financement with the exception of the offices in La Réunion, Guadeloupe, Cayenne and Brussels.

Paper consumption Bpifrance Financement				
	2017	2016	2015	Change 2017/2015
Copy and reproduction paper (tonnes)	92.9	109.6	122.8	- 24%
Other (excluding envelopes and stationery- tonnes)	1.5	2	1.8	- 17%
Total	94.4	111.6	124.6	- 24%
<b>Consumption per person<sup>23</sup> (kg)</b>	<b>44.84</b>	<b>53.9</b>	<b>63.7</b>	<b>- 29.6%</b>

The sustained reduction in the consumption of printer paper was confirmed in 2017, the result of the combined impact of measures taken, employee awareness, dual-sided printing by default on the entire installed base of copiers (excluding individual ones) in 2016 and the increase in the use of digital technology in the business lines. The change in the weight of the A4 copying paper, from 80 to 75g/m<sup>2</sup> initiated in 2015 and generalised in 2016, which affected the changes that were seen over these two years, is now neutralised

### 3. Social indicators

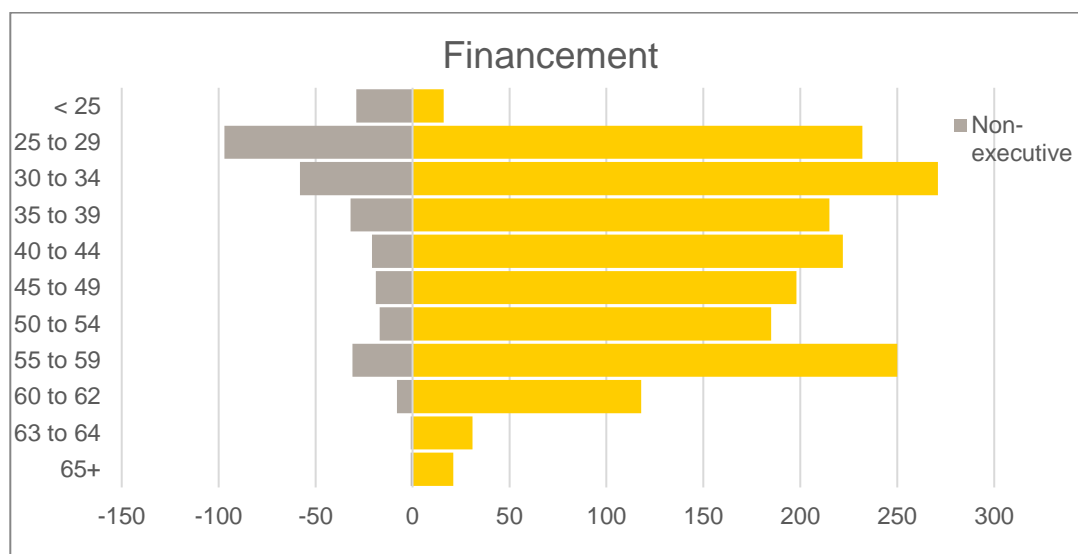
#### 1. Change in workforce

Personnel growth to 31 December <sup>24</sup>	2017	2016
Total personnel	2,073	1,997
Of which permanent contracts*	2,071	1,995
*Of which FTE	1,986	1,908
Of which seconded permanent contracts	0	0
Of which women	1,311	1,270
Of which men	762	727
Of which executives	1,759	1,652
% of executives	87%	83%
Of which non-executives	314	345

<sup>23</sup> Total staff, as defined in the following note.

<sup>24</sup> Number of permanent and fixed-term contracts, including unpaid leave, working full or part-time at 31/12/2017\*, excluding end-of-career leave, apprenticeship contracts, professionalisation contracts and interns

## 2. Age Pyramid



## 3. Distribution of workforce

Network / Head Office distribution			
2017		2016	
network	head office	network	head office
1,183	890	1,159	820
57%	43%	58%	42%

## 4. Change in workforce

4-1 New hires on permanent contracts			
2017		2016	
total	of which <= 25 years old	total	of which <= 25 years old
204	68	185	68

4-2 Permanent contract renewals					
2017			2016		
Permanent staff in 2017	New hires on permanent contracts	Rate of renewal of permanent contracts <sup>25</sup>	Permanent staff in 2016	New hires on permanent contracts	Rate of renewal of permanent contracts <sup>26</sup>
2,071	204	10.2%	1,995	185	9.5%

<sup>25</sup> Number of new hires on permanent contracts in N / Permanent contract workforce on 31/12 in N-1.

<sup>26</sup> Number of new hires on permanent contracts in N / Permanent contract workforce on 31/12 in N-1.

#### 4-3 Departures excluding secondments

2017			2016		
Number <sup>27</sup>	Of which permanent contracts	of which layoffs	Number	Of which permanent contracts	of which layoffs
129	118	8	147	146	3

#### 4-4 Turnover<sup>28</sup>

2017			2016		
Permanent contract resignations	Permanent staff in 2016	Turnover	Permanent contract resignations	Permanent staff in 2015	Turnover
38	1,995	1.9%	45	1,955	2.3%

#### 5. Compensation

#### Amount of the wages<sup>29</sup>

2017	2016	Change
116,383,327	110,463,137	5.36%

#### 6. Training

#### Training

	2017	2016
Amount of the expenses	5,523,237	5,471,762
% of the payroll	4.75%	4.95%
Number of training hours	41,202	37,508
Number of trainees <sup>30</sup>	1,964	1,574
% of the total personnel <sup>31</sup>	91.67%	76.04%

#### 7. Work organisation

#### Work organisation

	2017	2016
Annualised average workweek	35h	35h
Theoretical weekly schedule	37.5 hours	37.5 hours
Number of employees with variable schedules	396	403
Number of flat-rate employees	1,677	1,594
Total Permanent contracts – Fixed-term contracts <sup>32</sup>	2,073	1,997
Number of part-time employees <sup>33</sup>	392	406

<sup>27</sup> Including 10 early retirements.

<sup>28</sup> Number of permanent contract resignations year N / Permanent contract workforce on 31/12/N-1, excluding secondment.

<sup>29</sup> Gross corporate wage bill disclosed in the annual declaration of employee data (DADS), excluding pensions and other retirement benefits

<sup>30</sup> Employees receiving one or more trainings during the year.

<sup>31</sup> Number of participants receiving training, as a percentage of the average workforce.

<sup>32</sup> Excluding secondments and work-study students.

<sup>33</sup> Permanent contracts and term contracts.





## 8. Labour relations

<b>Meetings of the personnel representative bodies</b>		
	<b>2017</b>	<b>2016</b>
Works council	13	12
Personnel delegates	11	12
Trade union organisations and trade union delegates	10	13
Health and safety committee	8	9

### **Report of the independent third party on the company's corporate social responsibility report**

#### **BPI France Financement**

**Report of one of the Statutory Auditors of BPI France SA, appointed as independent third party for BPI France Financement, on the corporate, social and environmental information contained in the management report**

**Fiscal year ended 31 December 2017**



**Report of one of the Statutory Auditors of BPI France SA, appointed as independent third party for BPI France Financement, on the corporate, social and environmental information contained in the management report**

**Fiscal year ended 31 December 2017**

To the shareholders,

In our capacity as Statutory Auditors of BPI France SA appointed independent third party for BPI France Financement and accredited by COFRAC under number 3-1060 (scope described on the website [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you on the corporate, social and environmental information in respect of the fiscal year ended 31 December 2017 as disclosed in the management report (hereinafter the "CSR Information"), pursuant to the provisions of Article L.225-102-1 of the French Commercial Code.

**Management responsibility**

The Board of Directors is responsible for drawing up a management report that includes the CSR Information required under Article R.225-105-1 of the French Commercial Code, prepared in accordance with Guidelines "Procédure Indicateur.DMG.CO<sup>2</sup> Immobilier-Epifrance Financ.2017", "Procédure Indicateur.DMG.PAPIER2017" and "Référentiel Définitions Epifr Fin - Invest - Ass Exp - Epifrance.Exercice 2017", hereinafter referred to as the "Guidelines", available upon request from the Company's head office.

**Independence and quality control**

Our independence is defined by regulatory texts, the industry code of best practice and the provisions laid down in Article L.822-11-3 of the French Commercial Code. Moreover, we have set up a quality assurance system based on documented policies and procedures aimed at ensuring compliance with the rules of ethics and applicable legal and regulatory requirements.

**Auditor's responsibility**

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is contained in the management report or, in the event of omission, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Certification of completeness of the CSR Information);

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*PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex  
Telephone: +33 (0)1 56 57 58 59, Fax: +33 (0)1 56 57 58 60, [www.pwc.fr](http://www.pwc.fr)*

Accounting firm registered with the professional body of chartered accountants of Paris - Île de France. Auditing firm, Member of the Regional Association of Statutory Auditors of Versailles. Simplified limited company with share capital of €2,510,480. Registered office: 63, rue de Villiers, 92200 Neuilly-sur-Seine. Registered at RCS Nanterre under No. 872 006 483. VAT No. FR 76 872 006 483. Siret No. 872 006 483 00362. APE code 8220 Z. Offices: Bordeaux, Grenoble, Lille, Lyon, Marseille, Metz, Nantes, Neuilly-sur-Seine, Nice, Poitiers, Rennes, Rouen, Strasbourg, Toulouse.

- offer limited assurance that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

However, our engagement does not involve presenting an opinion on the compliance of this information with other legal provisions that may be applicable, in particular those laid down in Law 2016-1691 of 9 December 2016 concerning the fight against corruption (known as the Sapin II Law).

Our work was carried out by five people and was conducted between January and March 2018 over a total period of around four weeks. We were assisted in our work by our CSR specialists.

We conducted the work described below in accordance with the Decree of 13 May 2013 defining the way in which the independent third party is to conduct its engagement, and in compliance with the relevant professional auditing standards applicable in France. Concerning our opinion on the fair presentation of the information, we performed our work in accordance with ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

## **1. Statement of completeness of the CSR Information**

### ***Nature and scope of the work***

Based on interviews with the individuals in charge of the relevant departments, we gained an insight into the company's sustainability strategy and from the workforce-related and environmental impacts of its activities and its societal commitments, any resulting actions or initiatives.

We compared the CSR Information disclosed in the management report with the list contained in Article R.225-105-1 of the French Commercial Code.

For any information that was not disclosed, we ensured that explanations were provided in accordance with Article R.225-105, paragraph 3, of the French Commercial Code.

### ***Conclusion***

On the basis of this work, we certify that the required CSR information is present in the management report.



## **2. Reasoned opinion on the fairness of the CSR Information**

### ***Nature and scope of the work***

We conducted six interviews with six individuals responsible for preparing the CSR Information in the departments in charge of collecting the information and responsible for internal control and risk management procedures, where applicable, so as to:

- assess whether the Guidelines are appropriate with regard to their relevance, comprehensiveness, reliability, neutrality and clarity, taking into account industry best practices, where appropriate;
- verify that a process had been put in place for the collection, compilation, processing and control of information, to ensure the comprehensiveness and consistency of the CSR Information and identify the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and scope of our tests and procedures according to the nature and importance of the CSR Information in relation to the characteristics of the company, its corporate and environmental challenges, its sustainability strategy and industry best practices.

Regarding the CSR Information that we consider to be the most significant and which is listed in the Appendix:

- with respect to the reporting entity, we reviewed the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies and actions), we implemented analytical procedures on the quantitative information, verified the calculations using sampling techniques, and verified their consistency and coherence with the other information contained in the management report;
- we held interviews to ascertain that procedures were being correctly followed and conducted detailed tests on a sampling basis, which involved checking the calculations performed and reconciling the data with the supporting documents. The selected sample represented 100% of the workforce, considered as characteristic of the labour component, and 100% of the quantitative environmental information.

For the remaining CSR Information, we assessed its consistency based on our understanding of the Company.

Lastly, we assessed the relevance of any explanations given for the partial or total absence of certain information.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive verification procedures. Due to the use of sampling techniques and other limitations inherent to the performance of any information or internal control system, the risk of not detecting a significant anomaly in the CSR Information cannot be entirely ruled out.

BPI France Financement

Report of one of the Statutory Auditors of BPI France SA, appointed as independent third party for BPI France Financement, on the corporate, social and environmental information contained in the management report  
Fiscal year ended 31 December 2017

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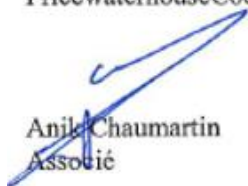
### Conclusion

Based on our work, we did not identify any significant anomaly likely to call into question the fact that the CSR Information, taken as a whole, has been presented fairly and in accordance with the Guidelines.

Neuilly-sur-Seine, 2 April 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit



Anik Chaumartin  
Associé



Pascal Baranger  
Directeur au sein du Département  
Développement Durable

## **Appendix: List of information considered to be the most significant**

### **Corporate information:**

- total workforce and breakdown of employees by gender, age and geographical area, with total workforce and age pyramid indicators;
- compensation and changes thereto, with an indicator of the amounts paid;
- measures taken to promote gender equality, with an indicator of the proportion of women within the Company;
- training policies implemented, with indicators on the number of trainees and training hours.

### **Environmental information:**

- consumption of raw materials and measures taken to improve the efficiency of their use, with a paper consumption indicator;
- energy consumption and measures taken to improve energy efficiency and the use of renewable energies, with indicators on the consumption of electricity and gas in buildings.

### **Social information:**

- local, economic and social impact of the Company's activities in terms of employment and local development;
- measures taken to prevent corruption, with an indicator on the percentage of employees trained in anti-money laundering.





## 5.1.8 Other information

### Main equity interests

The detailed table of subsidiaries and holdings is found on page 190 of the report (note 7.2 of the notes to the separate financial statements). The following are the operations carried out by Bpifrance Financement in 2017, for which the amounts were significant:

1- Disposal of shares held by Bpifrance Financement in the listed British company British Technology Group for €2.8 million

2- Taking a stake in the capital of the company SR-le Club, 150 shares with par value of €1,000

### Free shares, stock options reserved for salaried employees and executives of Bpifrance Financement

No plans were implemented during the fiscal year closed on 31 December 2017, to grant free shares or share subscription (or purchase) options to Bpifrance Financement employees or executives.

### Bpifrance Financement share buyback programme

No share buyback programme was set up by Bpifrance Financement during the year ended 31 December 2017.

### Bpifrance Financement employee profit-sharing

At 31 December 2017, no employees held Bpifrance Financement shares.

### Proposal for the renewal of the terms of office of six directors

The terms of office as directors of Nicolas Dufourcq, Pierre-François Koehl, François-Louis Ricard, Delphine de Chaisemartin, Catherine Halbertsadt and Claire Dumas expire at the close of the General Meeting of 14 May 2018.

The aforementioned General Meeting is requested to renew these terms of office.

### Amendment to the Articles of Association of Bpifrance Financement

A draft amendment to the Articles of Association will be submitted to the General Meeting of Shareholders on 14 May 2018. This draft is intended to rectify a material error in Article 11.1 (Composition of the Board of Directors) of the Articles of Association of Bpifrance Financement by deleting the last paragraph of this Article.

In its current wording, this paragraph specifies that in the case of a vacancy for any reason whatsoever for a director, the replacement for the departing director will only exercise his/her functions for the period remaining until the renewal of the whole of the Board.

This rule applies a principle laid down in subparagraph 2 of Article 11 of the law no. 83-675 dated 26 July 1983 relative to the democratisation of the public sector. As this law does not apply to companies with a publicly-owned equity investment governed by order no. 2014-948 dated 20 August 2014, this provision should not be in the Articles of Association of Bpifrance Financement.

## Proposal for the allocation of earnings from the fiscal year

Bpifrance Financement generated a profit of €200,197,515.46 for 2017. It is proposed that these earnings be allocated as follows:

	Euros
Distributable profit for the year	200,197,515.46
Retained earnings	<u>288,268,959.37</u>
<b>Available balance</b>	<b>488,466,474.83</b>
Transfer to the legal reserve	- 10,009,875.77
<b>Distributable balance</b>	<b>478,456,599.06</b>
Allocation to other reserves	- 0.00
Distribution of a dividend of €0.10 per share (Nominal of €8)	<u>- 10,498,841.50</u>
<b>Retained earnings (credit)</b>	<b>467,957,757.56</b>

## Payment deadlines for suppliers and customers

The balance of accounts payable at 31 December 2017 stood at €202,478.

The balance of accounts receivable at 31 December 2017 stood at €151,824,236.

These balances are broken down according to the due-dates of the debt (for supplier payment deadlines) and the receivables (for payment deadlines by customers) in the following table:

**Outstanding invoices received and issued, in arrears at the closing date**  
(Table I of Article D.441-4)

	Art D.441.1: Outstanding invoices received, in arrears at the closing date						Art D.441.2: Outstanding invoices issued, in arrears at the closing date					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment brackets												
Number of invoices included	2					24	51					1988
Total sum of invoices included (excl. VAT)	140 000	938	19 473	5 000	0	25 411	8 729 076	20 310 537	2 462 749	2 877 240	4 474 274	30 124 800
Percentage of total amount (excl. VAT) of the fiscal year's purchases (excl. VAT)	0%	0%	0%	0%	0%	0%						
Percentage of the fiscal year's turnover (excl. VAT)							0%	0%	0%	0%	0%	0%
(B) Invoices excluded from (A) relating to disputed or unrecorded debts and receivables												
Number of invoices excluded	2	20	2	7	19	48	17	200	373	172	5284	6029
Total sum of invoices excluded	3 169	9 959	194	7 630	19 285	37 067	180 014	1 671 099	8 847 164	4 571 313	97 880 785	112 970 361
(c) Reference payment terms used (contractual or legal - Article L.441-6 or L.443-1 of the French Commercial Code)												
Payment terms used for the calculation of late payments	* Contractual payment terms yes * Legal payment terms: no						* Contractual payment terms yes * Legal payment terms: no					

### Non-deductible charges

The non-deductible charges (Article 39-4 of the French General Tax Code) incurred by Bpifrance Financement during 2017 totalled €743,145.

### Research and development activities

Bpifrance Financement does not have any research and development activities.



## 5.2 Internal control and risk management system

Approved by the French Prudential Control and Resolution Authority (ACPR) as a lending institution, Bpifrance Financement is subject to all of the provisions of the French Monetary and Financial Code and the decree of 3 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.

In addition, since 4 November 2014, the Bpifrance Group, and in particular Bpifrance Financement, is under the supervision of the European Central Bank (ECB) as part of the Single Supervisory Mechanism (SSM). Since then, the Bpifrance Financement credit institution has therefore been directly supervised by the ECB, in conjunction with the ACPR, which retains its sovereign role for issuing regulatory approval and for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

### 5.2.1 Organisation and operation of Bpifrance Financement internal control

The internal control mechanism of the Bpifrance Group is structured around a set of resources, procedures, functions and actions adapted to the characteristics of the group and each of its subsidiaries, including in particular Bpifrance Financement.

This mechanism, which contributes to the control of activities, the efficiency of procedures and the effective use of Bpifrance Financement resources, allows for the appropriate consideration of significant risks it faces, whether they relate to lending, market, operations, finance or non-compliance.

Its definition, implementation and monitoring are the responsibility of the General Management, under the supervision of the Board of Directors.

The internal control mechanism of Bpifrance Financement relies in particular on three departments:

- The **Compliance and Permanent Control Department (DCCP)**, in charge of the compliance and permanent control mechanism.

This refers to all of the procedures, systems and verifications implemented by an institution in order to ensure the compliance of its operations, its adherence to laws, regulations, marketplace rules, internal procedures and instructions and ethics, in addition to its control of the operational risks to which the group is exposed. This leads to the establishment of appropriate mechanisms, in particular for AML/CFT, ethics and regulatory compliance, operational risk management and the introduction of first and second-level permanent controls.

This department, whose director reports directly to the Chief Executive Officer of Bpifrance, reports quarterly to the Board of Directors, notably via the Risk Committee. In addition, it organises a quarterly internal committee meeting dedicated to internal control, the Group Internal Control Committee (CCIG), chaired by the Chief Executive Officer of Bpifrance, which supplements the risk management committee. The CCIG aims to manage the internal control system regarding compliance, second-level permanent control and periodic control.

- **Risk Department**

The role of the Risk Department is to implement the Group's risk monitoring and management strategy. It ensures that the risk policy is effective and that the risk level is within group guidelines.

Bpifrance Financement manages risk in compliance with the applicable standards and European regulations. The Board of Directors of Bpifrance Financement determines the strategic guidelines and risk appetite of Bpifrance Financement, based on which each of the business lines establishes its priority actions and the associated risk management policy under the supervision of the Risk Department of the Bpifrance Group. These fundamentals are reflected in the Group Risk Management Policy.

Four types of bodies are responsible for risk management governance at Bpifrance Financement: the Board of Directors, umbrella committees (Risk Management Committee and Risk Committee of the Board of Directors), cross-functional committees and operational risk monitoring committees.

The functional committees and operational risk monitoring committees correspond to the first level of risk analysis, monitoring or review at Bpifrance Financement. The resulting decisions or guidelines are, when required, referred to a second tier of bodies: the umbrella committees. These issue opinions on matters to be approved by the Board of Directors, which is the third level of risk decision-making within the group.

A description of the committee procedure associated with risk monitoring at Bpifrance (with an indication of the purpose and frequency) is contained in the Group Risk Management Policy and in the annual reports of the companies concerned.

- A periodic control system, overseen by the Bpifrance General Inspection and Audit Department (IGA), covers all activities and companies of the Bpifrance Group, including subsidiaries. Within the context of the Audit Charter, the task of the IGA is to identify the main risk areas, particularly by exercising its role of overseeing the systems for permanent control and compliance, and to recommend and oversee the implementation of remediation plans, particularly through its recommendations to permanent control. Without participating in the management of the internal control systems, it follows their deployment and participates in the control of risks through audit assignments conducted. The IGA also coordinates all the assignments carried out by the external auditors.

#### ● Permanent Control

**The first permanent control level is based** on all of the operational departments of Bpifrance, which constitute the fundamental and essential basis of the control system. As such, each employee, through self-supervision, is involved in the first level permanent control system of Bpifrance, by following the controls integrated within the operating procedures and the automated controls involved in transaction processing.

Each line manager is responsible for all risks associated with the area of which he is in charge, and must ensure that his employees comply with procedures. As activity, regulations, professional standards and processes evolve, it is necessary to develop these procedures accordingly, through the integration of new and adapted controls. If necessary, these first level controls are defined in collaboration with the DCCP.

First level controls ensure, in particular:

- compliance of and with transaction procedures;
- justification of transactions recorded in the management systems and ultimately in the Bpifrance Financement accounts.

**The second level of permanent control**, exercised on a continual basis, is performed by a function independent from the operational functions: the Compliance and Permanent Control Department (DCCP).



In particular, the DCCP performs:

- second level controls of financing files (all products combined both in the process of instruction and decision, and in the process of implementation, management and recovery) and the business line departments to ensure in particular the correct compliance with the applicable internal procedures and instructions;
- analyses with a view to issuing regulatory compliance opinions, particularly in the context of new product creation and launching new activities; in addition, compliance reviews of key legal documents related to these products and activities, as well as the compliance reviews of financial communications and related documents;
- management of the map of operational and compliance risks inherent in the activities of Bpifrance Financement in collaboration with the business lines; it is in charge of the system for declaring and monitoring incidents involving operational and compliance risks.

All of the permanent controls implemented by the DCCP are defined in an annual control plan. This annual control plan, based around the different key business line processes of Bpifrance Financement, defines, according to a risk-based approach, the various controls to carry out during the year and their frequency. It is determined together with the permanent control managers and in collaboration with the operational departments audited. This plan is validated by the General Management of Bpifrance Financement in the CCIG and by the Risk Committee (as part of the Board of Directors), then implemented by the DCCP.

It is subject to formal quarterly monitoring, notably at meetings of the risk committee. This monitoring highlights the development of the results from regular evaluations carried out by the permanent control teams and, where appropriate, enables corporate governance to be alerted about identified risk areas and action plans defined to address them.

- The DCCP is in charge of the compliance function

In this regard, it establishes and controls the compliance policy, the foundation document in the matter. It thus plays a real advisory role to operational staff, generally prior to transactions: it is consulted concerning the management of conflicts of interest, and concerning rules governing the sharing of information; it delivers compliance opinions on new products, services or activities; it plays a key role concerning the right to raise an alert, the protection of personal data or when so-called essential activities are outsourced.

It is the guarantor of the implementation of internal rules relative to ethics and compliance. Thus, in 2017, it established a policy to fight corruption, notably strengthening the rules governing gifts, invitations and other benefits.

It controls the system in matters of the fight against money laundering and terrorist financing, the fight against fraud and against corruption, and ensures compliance with the rules concerning embargoes. In this regard, it intervenes in the definition of systems and in the analysis of transactions/situations on a case-by-case basis.

- Periodic Control

The operation of the General Inspection and Audit Department (IGA), in charge of the Bpifrance Group periodic control, and in particular of the periodic control of Bpifrance Financement, forms part of an audit charter, validated by the Board of Directors of 25 September 2015. This audit charter describes the aims, powers, responsibilities and organisation of the IGA, as well as the general rules applicable to the periodic control. It was established by reference to the decree of 3 November 2014 and to the internal audit professional standards as defined by the French Institute of Audit and Internal Control (IFACI).

The Bpifrance Financement annual audit plan is part of a three-year audit cycle. It is established on the basis of an evaluation of the risk level of each auditable subject in the Bpifrance Financement scope of consolidation. The audit frequency on a subject is determined by the impact of identified risks multiplied by their probability of occurrence. This plan is supplemented by cross-company missions carried out at the Group scale.

The annual audit plan is validated by the Chief Executive Officer and the Risk Committee, who report to the Board of

Directors.

The audit methodologies are referenced according to the key steps described and specifically planned, the diagnosis prior to the assessment of findings and recommendations, on the basis of checks carried out on documents and/or on-the-spot. The audit assignments are based on a detailed ex-ante analysis of the risks, in accordance with the stipulations of the decree of 3 November 2014.

Each audit assignment ends with a report, together with a list of recommendations. These are managed using a dedicated tool which, via a workflow that includes those audited, tracks their completion and enables qualified reporting. The audit assignments are rated according to four levels (satisfactory, acceptable, perfectible and insufficient) corresponding to the nature and density of the risks found. The recommendations are rated Standard, Major or Critical, in order of criticality. The implementation time cannot exceed 12 months, irrespective of the criticality level.

The recommendations are implemented by audited units, under the responsibility of their Management. The management periodically reports to the IGA on its progress and must justify the complete realisation of the recommendations. The IGA performs a monthly follow-up on the level of implementation of the recommendations. A mission is only closed once all of the recommendations have been implemented;

The IGA reports to the Bpifrance Financement executive and deliberating body on the performance of the audit plan, the conclusions of the completed verifications and the implementation of the recommendations.

In 2017, as part of its audit plan, the General Inspection and Audit Department carried out several assignments involving all or part of the head office or network departments on cross-functional issues. This was to verify the level of risk control for all or part of their activities. The purpose of these assignments was to analyse the total risk borne and assess the strength of the control mechanisms in place to tackle them. The missions carried out included coverage of: the leasing activity, pre-financing the Competitiveness and Employment Tax Credit (CICE), the mobilisation of receivables, non-guaranteed loans, the compensation policy, the recruitment policy, the review of the disaster recovery and business continuity plan, the monitoring of certain providers of essential outsourced services, the system for fighting money laundering and terrorist financing and the management of margins.

The subsidiaries Alsabail, the specialised lending institution, and Sogama Crédit Associatif, a finance company guaranteeing loans to associations, are audited every year by the IGA in the context of the periodic control agreement set up in 2011 between them and Bpifrance Financement.

The IGA performs monthly monitoring of the recommendations issued by its own missions, and those issued by the external auditors. This monitoring checks the outstanding recommendations (33% of which were listed as Major at 31/12/2017, excluding external missions). Compliance risks (29%) and operational risks (58%) are the most often cited in the recommendations made.

- The annual summary on changes to the system

The internal control, risk measurement and monitoring report is submitted each year to the Risk Committee and the Board of Directors for validation. It is then sent to the ACPR as required under the regulations.

The report traces the main changes to the internal control system, whether with regard to credit risk, market risk, risks relating to the preparation of accounts or operational risks (including relative to the security of information systems). The system intended to Combat Money Laundering and Terrorist Financing (LCBFT) is also described therein.





In 2017, the DCCP strengthened its actions concerning compliance. Thus the code of ethics of Bpifrance Financement was updated, an anti-corruption policy was established and the right to raise an alert was adapted to comply with the new provisions arising from the Sapin II law. In addition, the function was strengthened in matters of checks relative to embargoes and international sanctions due to the development of the export credit activity. It also set up a system of regulatory oversight.

Moreover, the 2<sup>nd</sup> level permanent control function was significantly strengthened: the number of controls went from 266 to 355 between 2016 and 2017, reflecting the DCCP's desire to improve risk control and have more complete coverage of the activities and operational processes.

These controls related notably to compliance with procedures (eligibility, investigation, powers, delegations, formalisation of 1<sup>st</sup> level permanent controls, etc.), the management and compliance of credit or accounts recognition operations, the quality of data and the security or confidentiality of several management processes or IT processes.

Furthermore, the existing map of operational risks was supplemented and enhanced over the 2017 fiscal year using a bottom-up approach associating the business lines with the identification and evaluation of these risks. Combined with compliance risks, it now has 234 business risks and 138 meta risks (meta risk being the aggregation of a given risk that may occur for several business lines).

This map was presented at the meetings of the CCIG and risk committee in December 2017.

## **5.2.2 Outlook for 2018**

### **Compliance and Permanent Control Department**

In 2018, the DCCP will continue its actions aiming to promote the culture of compliance and internal control.

Thus emphasis will be paid to actions to increase awareness and train the teams, notably concerning the fight against corruption (Sapin II law) and, more generally, on ethics and professional conduct, notably emphasising the management of conflicts of interest.

Furthermore, it will continue to support the development of international activities by setting up an international sanctions policy and strengthening its arrangements in terms of the fight against money laundering and terrorist financing.

The 2018 control plan must, as a last resort, cover the new processes (new controls to be implemented), while taking care to maintain all of the activities that are already in place. The partnership with the business lines must continue in order to help them improve the organisation of their 1<sup>st</sup> level controls.

### **General Inspection and Audit Department**

The General Inspection and Audit Department's audit plan in 2018 calls for the implementation of missions that will concern subjects dedicated to the financing systems and subjects of a cross-company nature, notably regulatory. Also planned are audits of the major functions (accounting, treasury) and the governance of the IT system. This plan therefore continues the coverage of risks as part of the triennial cycle for Bpifrance Financement. Two network departments remain covered by the plan. These will be audited for all or part of their activities as a function of previously identified risks. The subsidiaries Alsabail and Sogama Crédit Associatif will also be checked according to the terms of the agreement between them and Bpifrance Financement.

In parallel, the recommendations will continue to be followed up proactively in order to speed up their implementation.

## 5.3 Development and processing of accounting information

### 5.3.1 General framework of accounting and financial information

The Bpifrance Financement financial statements are prepared in accordance with the accounting regulations applicable to lending institutions.

Bpifrance Financement drafts individual financial statements using the French accounting standards, and consolidated financial statements using the IFRS international accounting guidelines.

The finalisation of the Oracle eBS Accounting Convergence project during 2017 enabled Bpifrance Financement to migrate its accounting data to a single new compatibility tool for all legal entities administered by Bpifrance.

The establishment of a system for controlling this project, and the specific controls that were carried out, made sure that the accounting data taken over was comprehensive and correctly classified during the migration.

- The financial statements to be published

The balance sheets, income statement and off-balance sheet that describe the separate financial statements are prepared each month. These commented documents are disseminated to the Finance Department and to the Management Control department.

The consolidated financial statements are produced quarterly.

The financial statements drawn up at the end of June include simplified notes to the financial statements and are accompanied by a half-year activity report. These documents are subject to limited review by the Statutory Auditors and are published in the French Legal Gazette (BALO).

The financial statements for the year to 31 December include a full set of notes to the financial statements and are verified by the Statutory Auditors. The Audit Committee reviews the financial disclosures and internal accounting control. The annual financial statements are drawn up by the Board of Directors and submitted to the General Meeting of Shareholders for approval. They are then deposited with the Clerk of the Commercial Court and published in the BALO. These financial statements serve as the basis for the Registration Document submitted to the French Financial Markets Authority (AMF).

- Accounting scoreboards

On a quarterly basis, accounting tables are prepared on the basis of these consolidated and individual statements.

On these “scoreboards”, the structure of the balance sheets, off-balance sheet and income defined by regulations are respected. Certain particularly significant headings are detailed in order to cast a more analytical light on the activity.

The accounting scoreboards and interim financial statements are presented to the Audit Committee and the Board of Directors. They are completed by an analytical presentation of the formulation of the income.

- Analysis of the calculation of operating profit

This analysis is performed at the consolidated level by the Management Control Department. For the “financing” sector, it relies on allocating to each commercial use a conventional rate of resources that is based on the market rates. This analysis system identifies the contribution of the NBI (Net Banking Income) of each commercial activity within this sector (lending, finance leases and short-term financing). It is completed by an analysis on the earnings of the “guarantee” sector and of the “innovation” sector. This work is supplemented by an analysis on the risk cost during the elapsed period.

A forecast of the annual income figure is made on the same basis.



All of these figures are presented to the Board of Directors and Audit Committee. The presentation includes a commentary on the main charges and divergences from forecasts.

- Other reports

In addition, within the framework of the SURFI (Unified Financial Reporting System) and of FINREP statements, an accounting report is submitted to the Prudential Control and Resolution Authority, in accordance with the banking regulation in force.

Bpifrance Financement is fully consolidated by Bpifrance. It therefore completes a quarterly consolidation package which is approved every six months by its Statutory Auditors.

Since November 2014, the Bpifrance Group is under the supervision of the European Central Bank as part of the Single Supervision Mechanism.

### **5.3.2 Accounting architecture and organisation**

The Bpifrance Financement accounting is integrated within the Bpifrance Accounting Department.

The Accounting Department includes:

- a Financial Reporting Department with:
  - a Consolidation section in charge of the consolidated financial statements of EPIC BPI-Groupe, SA BPI-Groupe and Bpifrance Financement,
  - a unit in charge of accounting for the holding companies,
  - a unit in charge of accounting for the management companies,
  - a unit in charge of accounting for the finance companies: this unit is in charge of accounting for Bpifrance Financement and its subsidiary Bpifrance Régions,
  - a unit in charge of IT procedures;
- a Financial Accounting Department, in charge of accounting for the lending, leasing, innovation and guarantee businesses. It is responsible for the accuracy of the accounting entries transferred to the general ledger. Entries are generated via an interpreter which captures reports of events from the management systems;
- a cross-functional section in charge of accounting standards and IT practices, that notably has cross-functional competence with regard to harmonisation and the definition of the accounting standards and applied procedures;
- a head of taxation;
- an interbank flows section in charge of managing movements of funds;
- a section in charge of the accounting and payment of overheads and capital costs of the main group companies.

All accounting services are located at the Maisons-Alfort head office. Depending on the concerned products, certain inputs into management systems may be made by Regional offices. However, accounting controls and processing operations are reunited at the head office.

Through its participation in the Finance Division's Management Committees, ALM Committees, the Counterparty Risk Committees, the Group Risk Management Committee and the marketing committees, the Accounting Department is informed of the policy adopted in the areas of financial management and new products.

The Finance division's permanent control service is in charge of the second level accounting controls.



## 6. CORPORATE GOVERNANCE REPORT

### Relating to the fiscal year ended 31 December 2017

The information contained in this report complies with the provisions of Article L. 225-37 of the French Commercial Code. The company Bpifrance Financement does not refer to any corporate governance code prepared by companies' representative organisations, but rather to the decree of 3 November 2014 regarding internal control of companies in the banking, payment services and investment services sector. As such, the company is subject to an annual verification by the [French] Prudential Control and Resolution Authority, which examines the referenced document and verifies its compliance with the regulations of the Financial Markets Authority (AMF).

### 6.1. Governance

#### 6.1.1. Bpifrance Financement executive management approach

At its meeting of 12 July 2013, the Board of Directors agreed to combine the duties of Chairman of the Board of Directors and Chief Executive Officer.

As a result, the Executive Management of Bpifrance Financement is assumed, until further decision to the contrary, by the Chairman of the Board of Directors, Mr Nicolas Dufourcq, for a period of five years, i.e. until the Ordinary General Meeting called in 2018 to approve the accounts for the fiscal year ending on 31 December 2017.

#### 6.1.2. Board of Directors' meeting of 31 December 2017

##### 6.1.1.1 Chairman of the Board of Directors:

###### Nicolas Dufourcq

Date of birth: 18 July 1963

*Chairman and Chief Executive of Bpifrance Financement*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017

##### 6.1.1.2 Board members representing the French State

###### The STATE

Represented by Sébastien Raspiller,

*Deputy Director of Corporate Finance and Financial Markets at the French Treasury*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2021

##### 6.1.1.3 Directors appointed upon recommendation of the State<sup>34</sup>:

###### Christine Costes

Date of birth: 19 July 1969

*Head of the business R&D incentive policy department, Innovation Department, technology transfer and regional action, General Directorate of Research and Innovation - MESRI*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2021

###### Alain Schmitt

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<sup>34</sup> Pursuant to Article 4 I of order no. 2014-948 of 20 August 2014

Date of birth: 19 September 1967

*Head of the SME Competitiveness and Development Department at the Directorate General of Enterprises (DGE)*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2021

#### **6.1.1.4 Directors representing Caisse des Dépôts:**

##### **Delphine de Chaisemartin**

Date of birth: 14 July 1970

*Head of the Financial Institutions Unit in the Caisse des Dépôts Group Steering Department*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017

##### **Pierre-François Koehl**

Date of birth: 7 May 1967

*Deputy Director for Financial Management of the Public Section of Caisse des Dépôts*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017

##### **François-Louis Ricard**

Date of birth: 9 August 1966

*Head of the Financial Stability, Deposits and Results Management Department at the Savings Fund Division of Caisse des Dépôts et Consignations*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017

#### **6.1.1.5 Independent director:**

##### **Claire Dumas**

Date of birth: 23 April 1969

*Deputy CFO of Société Générale group*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017

#### **6.1.1.6 Director appointed on proposal of the minority shareholders of Bpifrance Financement:**

##### **Catherine Halberstadt**

Date of birth: 9 October 1958

*BPCE Group Chief Executive Officer for Human Resources and Internal Communications, General Secretariat*

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017

#### **6.1.1.7 Directors representing the employees**

##### **Elisabeth Henry Perez**

Date of birth: 28 December 1956

*Legal Support Manager within the Litigation Department of Bpifrance Financement*

Current term expires: professional elections in 2019

##### **Eric Verkant**

Date of birth: 23 September 1954



*Head of the Investment/Innovation Unit within the Bpifrance Department of Regional Partnerships and Territorial Action*

Current term expires: professional elections in 2019

#### **6.1.1.8 Non-voting members**

**François Asselin**

*Chairman of CPME*

**Hugues Fauve**

*Legal Affairs Manager at the Bpifrance Financement Medium and Long-Term Financing Department*

**Arnaud Jullian**

*Deputy director of the Budget Department's 3<sup>rd</sup> sub-department*

**Edouard Leher**

*Credit Manager of the Alsace Regional Department of Bpifrance Financement*

**Hugues Maisonnier**

*Director of the BNP Paribas France Credit Risk Department*

**Régis Barbant**

*Project officer within the Caisse des Dépôts Group Steering Department*

**Jean-Luc Petithuguenin**

*Chairman and Chief Executive of the PAPREC France Group*

**Pierre Prioux**

*Chairman of ALCEN*

**Benoist Grossmann**

*Managing Partner of Idinvest Partners*

**Agence Française de Développement (AFD),**

Represented by Jérémie Pellet,

*Deputy Chief Executive Officer of the AFD*

#### **6.1.1.9 Government Commissioner**

**Emmanuel Charron**

*Head of the Economic and financial control service and Bpifrance Government Commissioner*

**Bernard Zakia**

*Economic and Financial Controller-General and Deputy Government Commissioner at Bpifrance*

### **6.1.3 General management**

#### **General Manager**

**Nicolas Dufourcq**

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2017





## 6.2. Absence of convictions of corporate officers

To Bpifrance Financement's knowledge, over the past five years, none of its corporate officers has been convicted of fraud, involved in a bankruptcy, receivership or liquidation, incriminated or publicly sanctioned by a statutory or regulatory authority (including professional bodies), or prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from being involved in the management or business affairs of an issuer.

## 6.3. Information on corporate officers at 31 December 2017

### Chairman and CEO:

#### Nicolas Dufourcq

*Chief Executive of Bpifrance SA*

*Chairman and Chief Executive of Bpifrance Participations*

*Chairman of Bpifrance Investissement*

*Chairman of Bpifrance Assurance Export*

*Chairman and Chief Executive of FT1CI*

*Permanent representative of Bpifrance Participations on the Orange Board of Directors*

*Member of the Supervisory Board of Euler Hermes Group*

*Non-executive Chairman of the Supervisory Board of STMicroelectronics*

After HEC, the ENA and the French tax inspectorate, Nicolas Dufourcq spent a year in the offices of René Teulade, the Minister of Social Affairs, before drafting the Annual Report on France alongside Alain Minc for the year 2000. Meanwhile, together with colleagues from HEC, he created companies in the advertising, plastics and agri-food sectors.

Nicolas Dufourcq joined France Telecom in 1994 and founded the Multimedia Division at the request of Michel Bon, where Wanadoo was launched in January 1996, as well as TPS in the same month, alongside TF1, M6 and FTV. The Division soon took Wanadoo's name, and the group was listed in July 2000, before acquiring internet leaders in the United Kingdom and Spain in December 2000 and April 2002.

In 2003, Nicolas Dufourcq joined Capgemini, where he assumed responsibility for continental Europe. In 2004 he was appointed Group Deputy CEO and Chief Financial Officer, also responsible for the scale-up of IT production and the Lean programme for 8 years.

Nicolas Dufourcq was appointed to head Bpifrance in October 2012.

### Board members representing the French State

#### The STATE, represented by Sébastien Raspiller

*Director representing the State for IFCIC (Institut pour le Financement du Cinéma et des Industries Culturelles) and EPIC Bpifrance*

A graduate of the Ecole Polytechnique, Sébastien Raspiller is Deputy Director of "Corporate financing and financial markets" at the Directorate General of the French Treasury.

A former economist within the "Corporate markets and strategies" division at Insee, where he was a senior administrator. He was then appointed as a member of the "Tax policy" office at the German Federal Ministry of Finances, before becoming head of the insurance markets and products department at the Directorate General of the Treasury, then Secretary General of the Interministerial Committee on Industrial Restructuring (*Comité Interministériel de Restructuration Industrielle* or CIRI).

### Directors appointed upon recommendation of the State:

#### Christine Costes

*No other terms of office*

A director at INSEE, Christine Costes began her career within the statistical departments at various Ministries, as well as at the Court of Auditors and the High Council for the future of health insurance. Since 2017, she has headed the business R&D incentive policies division within the Research and Development department.

### **Alain Schmitt**

*No other terms of office*

A graduate of the Ecole Polytechnique and the Ecole des Mines in Paris, Alain Schmitt is Assistant to the Director General and Head of the Competitiveness, Innovation and Business Development department at the Directorate General for Enterprise (DGE) within the Ministry of Economy and Finances.

His professional background led him to take on a variety of roles in the public policy sector and the areas of corporate, energy and environmental regulation: Deputy CEO at the French Nuclear Safety Authority (*Autorité de sûreté nucléaire*), Head of the Internal market-competition-consumer sector at the General Secretariat for European Affairs (Prime Minister), rapporteur at the Commission of the Development of La Poste (French post office), Head of the Electricity department at the Directorate General for Energy and Raw Materials (Ministry of the Economy) as well as Head of the Regional Industrial Environment division at the Alsace Regional Industry, Research and Environment department. He was an advisor at the offices of Christine Lagarde, Minister of the economy, finances and employment.

### **Directors representing Caisse des Dépôts:**

#### **Delphine de Chaisemartin**

*Director of Société de Financement Local, CNP Assurances, Banque Postale Collectivités Locales, and Qualium Investissement,*

*Director and Chairwoman of the Board of Directors and Chairwoman of CDC Entreprises Elan PME*

Delphine de Chaisemartin began her career as a risk controller and fixed income business auditor at *Compagnie Parisienne de Réescompte*, before taking on the role of Financial Services Audit Manager in 1997 at PriceWaterHouse Coopers. In 2002, she joined Société Générale Corporate & Investment Banking, where she was made Deputy Financial Audit Director and Financial Audit Director for the businesses. In 2006, she joined Société Générale Corporate & Investment Banking's New York offices as Chief Operating Officer for the fixed income, lending and financing markets.

Since 2012, she has been Head of the Financial Institution division at the Group Coordination department at Caisse des Dépôts.

#### **Pierre-François Koehl**

*No other terms of office*

Pierre-François Koehl, a graduate of the Ecole Normale Supérieure in Lyon, with an "agrégé" teaching qualification and a doctorate in Mathematics, began his career in 1994 as an assistant professor at the *Ecole Nationale de la Statistique et de l'Administration Economique*, where he was responsible for training actuaries in particular.

He joined the Caisse des Dépôts group in 1998 as an auditor specialising in the analysis of quantitative models. He then held various positions in financial management at CDC IXIS and IXIS CIB, before returning to Caisse des Dépôts in 2006 to manage its assets and liabilities, then, in 2011, as Deputy Director of the Financial Management Department, where he was responsible for managing the balance sheet.

In July 2017, he was appointed Director of the Financial Department within the Finance Division at the Caisse des Dépôts group.

#### **François-Louis Ricard**

*No other terms of office*



François-Louis Ricard is a graduate of the Ecole Polytechnique and the Paris Institute of Political Studies (*Institut d'études politiques*).

He began his career at Bear Stearns as a financial analyst, before creating the share derivatives division for corporate customers at Société Générale. In 2001, he founded and launched an online asset management bank within the group. After several years spent consulting on Eastern Europe, he joined Morgan Stanley in Paris. In 2012, he was put in charge of managing Fonds d'épargne's balance sheet. In 2017, he became CFO of Fonds d'épargne.

### Independent directors:

#### **Claire Dumas**

*Director of Bpifrance SA*

*Director of Boursorama and SOGEPROM*

*Chairwoman and director of FRANFINANCE, Société Générale SFH and Société Générale SCF*

Claire Dumas began her career in 1992 within the Bank and Financial Institutions department at Deloitte. In 1998, she joined the Société Générale group, where she held various positions at the investment bank. In 2009, she joined the Risk Department as Group Deputy Operational Risk Manager, before being appointed Operational Risk Manager. In 2011, she was put in charge of the group's ERM (Enterprise Risk Management) programme, on behalf of General Management. In October 2014, Claire Dumas was appointed Chief Financial Officer of the retail bank in France, before being appointed Group Deputy CFO in September 2017.

### Director appointed on proposal of the minority shareholders of Bpifrance Financement:

#### **Catherine Halberstadt**

*Director of Crédit Foncier*

*Permanent representative of BPCE SA on the Natixis Board of Directors*

Holding a specialised degree in accounting (DECS) and a diploma of business, administration and finance (DESCAF) from the École Supérieure de Commerce in Clermont-Ferrand, Catherine Halberstadt joined Banque Populaire du Massif Central in 1982, where she was successively appointed Human Resources Director, Chief Financial Officer, Chief Operating Officer and, in 2000, Deputy Chief Executive Officer. In 2008, Catherine Halberstadt was appointed Chief Executive Officer of Natixis Factor.

Between 1 September 2010 and 25 March 2016, Catherine Halberstadt was Chief Executive Officer of Banque Populaire du Massif Central.

Since 1 January 2016, Catherine Halberstadt has been a member of the BPCE Executive Board in charge of Human Resources, Group Internal Communication and the General Secretary of BPCE SA.

### Directors representing the employees:

#### **Elisabeth Henry Perez**

*Vice-Chairwoman of the Board of Directors and Director of Coopérative du CEPME*

*Director representing Bpifrance SA employees*

After having obtained a doctorate in private law from the University of Paris 1 Panthéon-Sorbonne, Elisabeth Henry-Perez spent a year working at a Parisian notary's office, obtaining her diploma in notarial practice. She then joined *Crédit d'Équipement des PME* (CEPME) in 1981, which became Bpifrance Financement in 2012.

Since 2009, Elisabeth Henry-Perez has been responsible for Legal Support within the Litigation Department at Bpifrance Financement.

#### **Eric Verkant**

*Director representing Bpifrance SA employees*

Having graduated from the Institut Supérieur Technique d'Outre-Mer (ISTOM), Eric Verkant spent six years (1976-1983) in Africa (Rwanda and Niger) working in development and professional training in the farming sector. Upon returning to France, he obtained a Master's degree in Plant and Cellular Biology at the University of Lille under a continuous professional training programme. He was hired by the French National Institute of Agricultural Research (INRA) within its International Department as Head of the Developing Countries division (1984-1990). Eric Verkant then joined the Ministry of Research at the Department of Research for Development, before working at the Department of Regional Action until 1997. He joined ANVAR (French National Research Promotion agency), where he was head of



the Creation and Entrepreneurship Division until 2005. Following the creation of OSEO, he was successively appointed Assistant Regional Director/Innovation Delegate of the OSEO East Ile de France Regional Division in 2006, then of the OSEO/Bpifrance Paris Regional Division from 2009 to 2014.

Director representing the employees since 2004 (ANVAR, OSEO, Bpifrance Financement, Bpifrance Group), since September 2014 Eric Verkant has been Head of the Innovation Division at the Regional Partners and Action Division (DIPRAT) at Bpifrance Financement.

#### 6.4. Director and Chief Executive Officer compensation

- Director compensation

The directors of Bpifrance Financement receive directors' fees in respect of their office as director and as committee members (directors representing the French State and those representing Caisse des Dépôts pay their directors' fees to their employer). The overall budget for directors' fees (€205,000) was set by the General Meeting of Bpifrance Financement on 9 May 2016.

The Board of Directors allocates directors' fees on the basis of attendance at meetings of the Board or the committees on which the directors concerned sit, by applying the following distribution formula (the "**Distribution Formula**"):

- €10,000 per director (except for the Chief Executive Officer and the directors representing employees);
- an additional €12,500 for the Chairman of the Audit Committee and for the Chairman of the Risk Committee;
- an additional €7,500 for other members of the Audit Committee and for other members of the Risk Committee;
- Members of the Appointments and Compensation Committees of Bpifrance Financement do not earn directors' fees.

Non-voting directors chairing Business Line Committees are also paid up to €7,500 for attending meetings of those committees.

Directors' fees and compensation paid to non-voting directors chairing Business Line Committees allocated in respect of meetings held during a given fiscal year are paid in the following year.

- Directors' fees and other compensation awarded in respect of 2016 and paid in 2017:

Directors' fees payable to directors and other compensation payable to non-voting directors chairing Business Line Committees of Bpifrance Financement for 2016 were paid on 6 October 2017. Totalling €131,883.65, they were allocated using the Distribution Formula as indicated below.

**Table 3 (AMF nomenclature) – Directors’ fees and other compensation received by non-executive directors and by non-voting directors chairing Business Line Committees**

<b>Directors’ fees and other compensation received by non-executive directors</b>				
(gross amounts in euros)				
<b>Non-executive directors</b>	<b>Amounts paid in fiscal year 2016</b>		<b>Amounts paid in fiscal year 2017</b>	
	Directors’ fees	Other compensation	Directors’ fees	Other compensation
<b>Directors representing Caisse des Dépôts</b>				
Delphine de Chaisemartin	25,000.00	/	19,196.43	/
Pierre-François Koehl	6,666.67	/	13,823.19	/
François-Louis Ricard	/	/	3,340.16	/
Sabine Schimel <sup>(1)</sup>	21,150.68	/	0.00	/
<b>Board members representing the State</b>				
Sébastien Raspiller	21,408.68	/	21,875.00	/
Alain Schmitt	21,547.95	/	13,660.71	/
François Jamet	1,666.67	/	2,857.14	/
<b>Independent directors</b>				
Catherine Halberstadt	17,020.55	/	18,571.43	/
François Asselin	1,539.73	/	0.00	/
Claire Dumas	410.96	/	28,750.00	/
Marie-Christine Levet <sup>(2)</sup>	22,054.79	/	/	/
Jean-François Roubaud <sup>(2)</sup>	0.00	/	/	/
<b>Directors representing the employees</b>				
Elisabeth Henry Perez	/	/	/	/
Eric Verkant	/	/	/	/
<b>Total director’s fees</b>	<b>138,466.67</b>	<b>/</b>	<b>122,074.06</b>	<b>/</b>

(1) resigned during the 2016 fiscal year

(2) resigned during the 2015 fiscal year

<b>Compensation paid to non-voting directors chairing Business Line Committees</b>				
(gross amounts in euros)				
<b>Non-voting directors chairing Business Line Committees</b>	<b>Amounts paid in fiscal year 2016</b>		<b>Amounts paid in fiscal year 2017</b>	
	Directors’ fees	Other compensation	Directors’ fees	Other compensation
Pierre Prieux	/	7,500.00	/	7,500.00



Hughes Maisonnier	/	3,849.32	/	2,309.59
<b>Total compensation</b>	<b>/</b>	<b>11,349.32</b>	<b>/</b>	<b>9,809.59</b>

- Directors' fees awarded for 2017 (to be paid in 2018):

The amount of directors' fees awarded to directors for 2017 will be calculated by the Board of Directors on 14 March 2018 using the Distribution Formula.

- Compensation of the Chief Executive Officer

In accordance with Article L. 225-102-1 of the French Commercial Code, compensation and benefits of any kind received in 2017 from Bpifrance Financement, companies controlled by Bpifrance Financement and Bpifrance SA are stated below.

Nicolas Dufourcq is the sole executive corporate officer of Bpifrance Financement.

**Table 1 of the AMF nomenclature – Summary of compensation payable and options and shares awarded to Nicolas Dufourcq (gross amounts in euros)**

The first table summarises the total amount of compensation payable to Nicolas Dufourcq for the year ended 31 December 2017 and for the previous year.

<b>Summary of compensation awarded to Nicolas Dufourcq, Chief Executive Officer of Bpifrance SA and Chairman and Chief Executive Officer of Bpifrance Financement</b>		
(gross amounts in euros)		
	<b>2016</b>	<b>2017</b>
Compensation payable for the year (detailed in Table 2)	449,500	450,000
Value of options granted during the year	/	/
Value of performance shares awarded during the year	/	/
<b>Total</b>	<b>449,500</b>	<b>450,000</b>

Nicolas Dufourcq's compensation as Chief Executive Officer of Bpifrance SA is set by the Board of Directors of Bpifrance SA on the advice and recommendation of the Compensation Committee and with the approval of the French Minister for the Economy<sup>35</sup>. This compensation, which is subject to the cap set for executives of public companies<sup>35</sup> exclusively comprises fixed compensation (€400,000) and a variable bonus based on the achievement of objectives (€50,000) of which €112,500 was invoiced to Bpifrance Financement.

Nicolas Dufourcq's variable compensation as Chief Executive Officer of Bpifrance SA, is capped at €50,000 gross. The allocation of this compensation is subject to quantitative criteria (representing 60% in 2016 and 2017) and qualitative criteria (40% in 2016 and 2017). These criteria are reviewed every year by the Bpifrance SA Board of Directors, on the opinion of the Bpifrance SA Compensation Committee, according to the Bpifrance group's annual strategy and objectives.

The variable compensation is awarded incrementally provided the criteria are between 70% and 100% achieved. Although clearly identified, details of the criteria used are not disclosed for confidentiality reasons.

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<sup>35</sup>In accordance with Article 3 of Decree no. 53-707 of 9 August 1953 relating to State control of national public companies and some organisations with an economic or social purpose and Decree no. 2013-635 of 12 July 2013 relating to the public investment bank. This Article also caps compensation at €450,000 gross.





Furthermore, Nicolas Dufourcq receives no directors' fees in respect of the duties he exercises at group companies.

**Table 2 (AMF nomenclature) – Summary of compensation awarded to Nicolas Dufourcq (gross amounts in euros)**

<b>Summary of compensation awarded to Nicolas Dufourcq, Chief Executive Officer of Bpifrance SA and Chairman and Chief Executive Officer of Bpifrance Financement</b>				
<b>(gross amounts in euros)</b>				
	2016		2017	
	Amounts due	Amounts due	Amounts due	Amounts paid
Fixed compensation	400,000	400,000	400,000	400,000
Variable compensation	49,500	49,500	50,000	50,000
Exceptional compensation	/	/	/	/
Incentives	/	/	/	/
Directors' fees	/	/	/	/
Benefits in kind	/	/	/	/
Options or performance shares allocated	/	/	/	/
<b>Total</b>	<b>449,500</b>	<b>449,500</b>	<b>450,000</b>	<b>450,000</b>

**Table 4 (AMF nomenclature) – Stock options granted during the year to Nicolas Dufourcq by Bpifrance Financement or by a company in the Bpifrance Group.**

N/A

**Table 5 (AMF nomenclature) – Stock options exercised during the year by Nicolas Dufourcq**

N/A

**Table 6 (AMF nomenclature) – Performance shares awarded during the year to Nicolas Dufourcq by Bpifrance Financement or by a company in the Bpifrance Group**

N/A

**Table 7 (AMF nomenclature) – Performance shares that vested during the year**

N/A

**Table 8 (AMF nomenclature) – History of stock option grants**

N/A

**Table 9 (AMF nomenclature) – Stock options granted to or exercised by the top ten employees other than corporate officers during the year**

N/A

**Table 10 (AMF nomenclature) – History of bonus share awards**

N/A





## Compensation of executives and persons covered by Article L. 511-71 of the French Monetary and Financial Code

The Bpifrance Financement General Meeting will be consulted on the overall amount of compensation paid by the company in 2017 to the executives and persons referred to in Article L. 511-71 of the French Monetary and Financial Code at 2017 year-end.

The total gross amount of this compensation in respect of 2017 was €14,240,629 (i.e. 149.85 FTE)

### Other information concerning Nicolas Dufourcq

Executive corporate officer	Employment contract	Supplementary pension scheme	Compensation or benefits due or likely to be due as a result of termination or change of duties	Compensation under a non-compete clause
Nicolas Dufourcq	No	No	No	No

## 6.5. Conditions for the preparation and organisation of the work of the Board of Directors

The conditions for the preparation and organisation of the work of the Board of Directors are defined by the Company's Articles of Association (pursuant to Decree no. 2013-637 of 12 July 2013), last updated on 16 May 2017, and the Rules of Procedure of the Board of Directors as adopted on 12 July 2013 and last updated on 14 March 2018. A director's charter is an integral part of these Rules of Procedure.

### 6.5.1. Composition and operation of the Board of Directors

The Board of Directors consists of twelve members:

- the Chairman and Chief Executive Officer of Bpifrance Financement;
- six shareholder representatives of Bpifrance SA;
- three independent directors (including one appointed on a proposal from the minority shareholders of Bpifrance Financement);
- two representatives of the employees of Bpifrance Financement and its subsidiaries.

At 31 December 2017, five women and six men have been appointed directors, with one appointment still to be made. In addition to the directors, 10 non-voting members, the Statutory Auditors, the Government Commissioner (or Assistant Government Commissioner) and the Secretary of the Works Council also attend Board meetings.

Each Board meeting is preceded by meetings of the "Business Line" Committees, Audit Committee and Risk Committee. A summary of the conclusions of these bodies is sent to the directors for information and a report is read out by the committee Chairmen at each Board meeting.

The Chairman sends members of the Board of Directors a notice of meeting including the agenda, at least eight days before each meeting. The documents and information needed to properly fulfil their assignment within the Board and Committee are, barring exceptional cases, provided to them at least five days before the meeting date.

The Chairman chairs the Board of Directors meetings, organises and directs the debates and ensures compliance with the legal, regulatory and statutory provisions, and with the rules of procedure. With the exception of certain decisions requiring the Board's authorisation with a qualified majority of 8/12ths, and of the decisions requiring a favourable vote from the State representatives, decisions are made by a simple majority. Minutes are prepared for each meeting and sent to the members at the latest on the day of the convening of the next meeting that will approve them.

### **6.5.2. Activities of the Board of Directors in 2017**

The Board met six times in 2017, and each of its quarterly meetings included an up-to-date presentation of the activity and risks and changes in the company's products. Furthermore, the Board has authorised the conclusion of two regulated agreements and two amendments to regulated agreements, the details of which are presented in the Statutory Auditors' report on regulated agreements.

On 15 March 2017, the Board approved the company's financial statements for 2016, its internal control report for 2016, and the management report for 2016, and called the Annual General Meeting. It examined the company's related party agreements prior to 2016 and which remained in effect during the year. It approved the company's policy on professional equality and equal pay, and replaced a member of the Financing-Guarantee Committee. The Board also authorised, following a study on the feasibility of the opening of export credit to Iran, the deployment of the systems required for the implementation of this offering, in accordance with applicable regulations. The opening of export credit to Iran is subject to the approval of the Board following this deployment work in 2018 if conditions allow.

On 27 April 2017, the Board approved the internal capital adequacy and assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the Pillar III report, the Bpifrance group risk management policy and the documents entitled "Risk Appetite Framework" (RAF) and "Risk Appetite Statement" (RAS). It reviewed the 2017 financing plan.

On 21 July 2017, the Board examined the Bpifrance updated draft strategic plan. The Board also took formal note of the resignation of a director, replaced a member of the Innovation Committee and appointed a new non-voting director.

On 18 September 2017, the Board approved the interim financial statements for the period ending 30 June 2017 and replaced a member of the Financing-Guarantee Committee.

On 20 December 2017, the Board determined the multiplying coefficients and adopted the company's budget and financing plan for 2018. It approved the Recovery Plan, as well as the inclusion of interest recognised in respect of the 2016 fiscal year within the reserve fund and set its schedule for 2018. Finally, it replaced two members of the Innovation Committee and one member of the Financing-Guarantee Committee.

### **6.5.3. Committees under the responsibility of the Board of Directors**

The operation of these Committees under the responsibility of the Board of Directors is defined by its Rules of Procedure. The composition of the various Committees as at 31 December 2017 is presented below.

- The Audit and Risk Committees

The Audit and Risk Committees are each composed of six members appointed from among the directors. Their composition is identical. It includes Claire Dumas (independent director), Chairman, Catherine Halberstadt (independent director), Delphine de Chaisemartin (appointed on the recommendation of Caisse des Dépôts), Pierre-François Koehl (appointed on the recommendation of Caisse des Dépôts), the State represented by Sébastien Raspiller and Alain Schmitt (appointed on the recommendation of the State).

In compliance with Article L. 823-19 of the French Commercial Code, the Audit Committee does not include members with Management functions within the company, and at least one of them has specific skills in financial or accounting matters and is independent in view of the criteria indicated in Article 6.2.1 of the Rules of Procedure (corresponding with the independence criteria of the Afep-Medef Code).



In 2017, the Audit Committee met five times in the presence of the Statutory Auditors and the Government Commissioner. The following people also attended these meetings: the Chief Financial Officer, the Bpifrance group General Inspector, the Head of Compliance and Internal Control, and the Head of Consolidation and Risk.

The Risk Committee met seven times in the same year. Its meetings were attended by the Bpifrance group General Inspector, the Head of Compliance and Internal Control, the Head of Consolidation and Risk, the Statutory Auditors and the Government Commissioner. The Statutory Auditors and the Chief Financial Officer were guests at these meetings.

The Audit Committee examined the company's financial statements to 31 December 2016 and 30 June 2017. It received a quarterly update on the company's financial position and approved Bpifrance Financement's 2018 financing plan. It also examined the impacts of the implementation of IFRS 9 as of 1 January 2018.

The Risk Committee addressed the changes in risks ("business line" risks, sector limits) quarterly, acknowledged the follow-up to the IGA and ACPR recommendations and the status of the outstanding recommendations, and was informed of the overview of the Permanent Control and Compliance reporting and the follow-up monitoring of operational risks.

Furthermore, it issued a favourable opinion on the Bpifrance group risk management policy, the documents entitled "Risk Appetite Framework" (RAF) and "Risk Appetite Statement" (RAS), the Pillar III report, the internal capital adequacy and assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and the recovery plan.

The Risk Committee also reviewed the 2017 internal control report and the 2018 audit plan. It was duly informed of the work relating to the opening of export credit to Iran in 2018. The implementation of this project is subject to the approval of the Board of Directors in 2018 if conditions allow.

#### ● The Appointments and Compensation Committees

The task of the Appointments Committee is to provide the Board of Directors with opinions on all proposals relating to the appointment of the Chairman, Executive Directors and the recruitment of members of the Executive Committee. Finally, it provides an opinion on the hiring, dismissal or signing of settlement agreements involving any employee whose gross annual compensation is more than €250,000.

The task of the Compensation Committee is to provide the Board of Directors with opinions on all proposals relating to setting and modification, in all its components, of the compensation of the Chairman, Executive Directors, and members of the Executive Committee. Finally, it provides an opinion on all compensation and incentive arrangements for the Bpifrance Financement personnel.

Chaired by Catherine Halberstadt, they are composed of three directors: the State, represented by Sébastien Raspiller, Delphine de Chaisemartin (appointed on the recommendation of Caisse des Dépôts) et Catherine Halberstadt (who meets the conditions of independence within the meaning provided in the Afep-Medef Code)

#### ● The "Business line" committees

There are two "Business line" committees: the Financing-Guarantee Committee and the Innovation Committee. As consultative bodies, they meet prior to Board of Directors' meetings and formulate their opinions on technical matters relating to financing, guarantees and innovation (determining multiplier coefficients, guarantee fund investment policy, budget forecasts, etc.).

#### **The "Innovation" Committee**

The Innovation Committee consists of three members appointed from among the directors and non-voting members. They are: Alain Schmitt (appointed on a proposal from the French State), Delphine de Chaisemartin (appointed on a proposal

from Caisse des Dépôts), and Pierre Prioux (who meets the independence criteria under the Afep-Medef Code). Pierre Prioux chairs the Innovation Committee meetings.



The Innovation Committee also includes a panel of experts: François Jamet (Ministry of Research), Matthieu Landon (DGE), Philippe Alix (Budget Department) and Philippe Englebert (Treasury Department), appointed on the recommendation of the State; Régis Barbant, appointed on the recommendation of Caisse des Dépôts; Armelle Weisman (Partner at Deloitte Développement Durable) and Judith Greciet (CEO of ONXEO), appointed on the recommendation of the Chairman of the Board of Directors.

### **The “Financing-Guarantee” Committee**

The Financing-Guarantee Committee consists of three members appointed from among the directors and non-voting members. They are: the State, represented by Sébastien Raspiller, Régis Barbant (appointed on the recommendation of Caisse des Dépôts), and Hugues Maisonnier (who meets the criteria for independence within the meaning provided in the Afp-Medef Code). Hugues Maisonnier chairs the Financing-Guarantee Committee meetings.

The Financing-Guarantee Committee also includes a panel of experts: François Deschamps (Budget Department), Antoine Bergerot (Treasury Department) appointed on the recommendation of the State; Delphine de Chaisemartin, Antoine Beaugendre (Head of Research – Equities Manager at Caisse des Dépôts) and the French Banking Federation, appointed by Caisse des Dépôts; Crédit Agricole, CM-CIC and BPCE Group, appointed on a proposal from the Chairman of the Board of Directors.

#### **6.5.4. Limitations of the powers of the Chief Executive Officer by the Board of Directors**

The General Management of Bpifrance Financement is assured by the Chairman of the Board of Directors. The Chairman and Chief Executive Officer has the broadest possible powers in order to act, in all circumstances, in the company's name. The CEO exercises these powers within the limits of the corporate purpose and subject to the powers that the law expressly attributes to the meetings of the shareholders and to the Board of Directors. He/she represents the company in its relations with third parties.

Under an internal order, the powers of the Chairman and Chief Executive Officer are limited by Article 12.3 of the company's Articles of Association. Pursuant to this Article, certain decisions relative to the Bpifrance Financement company or, if relevant, to any one of its subsidiaries require the prior authorisation of the Board of Directors.

### **6.6. Agreements falling with the scope of Article L. 225-38 of the French Commercial Code**

In accordance with the provisions of Article R. 225-30 of the French Commercial Code, the Statutory Auditors were provided with a summary report of the agreements in accordance with Articles L. 225-38 et seq. of the French Commercial Code, authorised by the Board of Directors of Bpifrance Financement during the fiscal year closed 31 December 2017, or which were signed earlier but continued to be in effect for that fiscal period.

The list of agreements authorised and entered into in 2017 is set out in the Statutory Auditors' report on the regulated agreements.

### **6.7. Review of agreements signed and approved during previous fiscal years whose execution continued in fiscal year 2017**

At its meeting of 14 March 2018, the Board of Directors of Bpifrance Financement reviewed the agreements signed and approved during previous fiscal years and whose execution continued in fiscal year 2017.

## 6.8. Agreements covered in paragraph 2 of Article L. 225-37-4 of the French Commercial Code

Bpifrance Financement has implemented suitable procedures to identify the agreements covered in paragraph 2 of Article L. 225-37-4 of the French Commercial Code<sup>36</sup>. The procedures have shown that there are no agreements under the Article.

## 6.9. Capital increase delegations

None of the delegations granted by the General Meeting of Shareholders of Bpifrance Financement to the Board of Directors for capital increases, pursuant to Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, are currently in effect.

## 7. RESOLUTIONS SUBMITTED TO THE GENERAL MEETING OF 14 MAY 2018

### Ordinary resolutions

- **Resolution 1** (approval of the Board of Directors' report on the company's situation and activity for the year ended 31 December 2017)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, approves the report from the Board of Directors on the company's situation and activity for the year ended 31 December 2017 and all operations discussed therein.

- **Resolution 2** (approval of the separate financial statements for the year ended 31 December 2017)

The General Meeting, deliberating under the quorum and majority conditions required for ordinary general meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' report on the annual financial statements, approves the separate financial statements, namely the balance sheet, the profit and loss statement and the notes, to 31 December 2017, as presented to it, and which show earnings of €200,197,515.46, as well as the transactions represented in these accounts.

- **Resolution 3** (approval of the consolidated financial statements for the year ended 31 December 2017)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' report on the consolidated financial statements for the fiscal year ended 31 December 2017, approves the consolidated financial statements, namely the balance sheet, the profit and loss statement and the notes, to 31 December 2017, as presented to it, and which show earnings (group share of net earnings) of €182.3 million, as well as the transactions accounts.

The General Meeting takes note that the expenses not fiscally deductible (Article 39-4 of the General Tax Code) incurred by the company during the fiscal year ended on 31 December 2017 are equal to €743,145 and correspond to the fraction of the non-deductible lease payments on leased vehicles. The amount of the corresponding tax expense is €293,047.

The General Meeting grants discharge to the directors and members of the Board of Directors for the performance of their terms of office for the fiscal year ended 31 December 2017.

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<sup>36</sup> The agreements covered in paragraph 2 of Article L. 225-37-4 of the French Commercial Code are those agreed between a manager or a shareholder holding more than 10% of the voting rights, of a company, and another company in which the latter directly or indirectly owns over half of the capital.





- **Resolution 4** (allocation of earnings for the year ended 31 December 2017)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, approves the proposal presented by the Board of Directors and decides to allocate earnings for the 2017 fiscal year as follows:

	Euros
Distributable profit for the year	200,197,515.46
Retained earnings	<u>288,268,959.37</u>
<b>Available balance</b>	<b>488,466,474.83</b>
Transfer to the legal reserve	- 10,009,875.77
<b>Distributable balance</b>	<b>478,456,599.06</b>
Allocation to other reserves	- 0,00
Distribution of a dividend of €0.10 per share (Nominal of €8)	<u>- 10,498,841.50</u>
<b>Retained earnings (credit)</b>	<b>467,957,757.56</b>

On a fiscal level, in compliance with the applicable provisions, this dividend does not include a tax credit, but it gives the right, for natural person shareholders with their fiscal residence in France, to apply for a tax reduction calculated on its entire amount.

The General Meeting decided that the dividend in respect of 2017 will be paid out no later than 30 June 2018.

It is recalled, in accordance with the legal provisions, that a dividend of €0.10 per share was distributed in respect of the 2014 and 2015 fiscal years. No dividends were distributed in respect of the 2016 fiscal year.

- **Resolution 5** (approval of a subordinated loan agreement by Bpifrance SA, to Bpifrance Financement)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having read the Statutory Auditors' special report on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code, approves the subordinated loan agreement granted by Bpifrance SA to Bpifrance Financement, authorised by the Board of Directors on 27 April 2017 and signed on 14 June 2017.

- **Resolution 6** (approval of the service agreement for the management of the Business Development Insurance product and its supplemental agreement, entered into with Bpifrance Assurance Export)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having read the Statutory Auditors' special report on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code, approves the service agreement for the management of the Business Development product and its supplemental agreement, authorised by the Board of Directors on 18 September 2017 and 20 December 2017 respectively, and entered into on 25 September 2017 and 20 December 2017 with Bpifrance Assurance Export.

- **Resolution 7** (approval of the Statutory Auditors' special report)

The General Meeting, deliberating under the quorum and majority conditions required for ordinary general meetings, acknowledges and approves the Statutory Auditors' special report on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code.

- **Resolution 8** (reappointment of Nicolas Dufourcq as director)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, hereby decides to reappoint Nicolas Dufourcq as director for a term of five (5) years, i.e. until the General Meeting called in 2023 to approve the financial statements for the fiscal year ending 31 December 2022.

- **Resolution 9** (reappointment of Pierre-François Koehl as director)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, hereby decides to reappoint Pierre-François Koehl as director for a term of five (5) years, i.e. until the General Meeting called in 2023 to approve the financial statements for the fiscal year ending 31 December 2022.

- **Resolution 10** (reappointment of François-Louis Ricard as director)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, hereby decides to reappoint François-Louis Ricard as director for a term of five (5) years, i.e. until the General Meeting called in 2023 to approve the financial statements for the fiscal year ending 31 December 2022.

- **Resolution 11** (reappointment of Claire Dumas as director)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, hereby decides to reappoint Claire Dumas as director for a term of five (5) years, i.e. until the General Meeting called in 2023 to approve the financial statements for the fiscal year ending 31 December 2022.

- **Resolution 12** (reappointment of Catherine Halberstadt as director)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, hereby decides to reappoint Catherine Halberstadt as director for a term of five (5) years, i.e. until the General Meeting called in 2023 to approve the financial statements for the fiscal year ending 31 December 2022.

- **Resolution 13** (reappointment of Delphine de Chaisemartin as director)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, hereby decides to reappoint Delphine de Chaisemartin as director for a term of five (5) years, i.e. until the General Meeting called in 2023 to approve the financial statements for the fiscal year ending 31 December 2022.

- **Resolution 14** (favourable opinion on the overall budget for compensation of any kind paid during the year ended 31 December 2017 to the persons referred to in Article L. 511-71 of the French Monetary and Financial Code for the gross amount of €14,240,629)

The General Meeting, deliberating under the quorum and majority conditions required for ordinary general meetings, consulted pursuant to Article L. 511-73 of the French Monetary and Financial Code, after having reviewed the Board of Directors' report, issues a favourable opinion regarding the overall framework of the compensation of all kinds, amounting to €14,240,629 gross, paid during the fiscal year ended on 31 December 2017 to the persons indicated in Article L. 511-71 of the French Monetary and Financial Code, i.e. 149,85 full-time equivalent persons.



### Extraordinary resolutions

- **Resolution 15** (correction of a material error in the Company's Articles of Association)

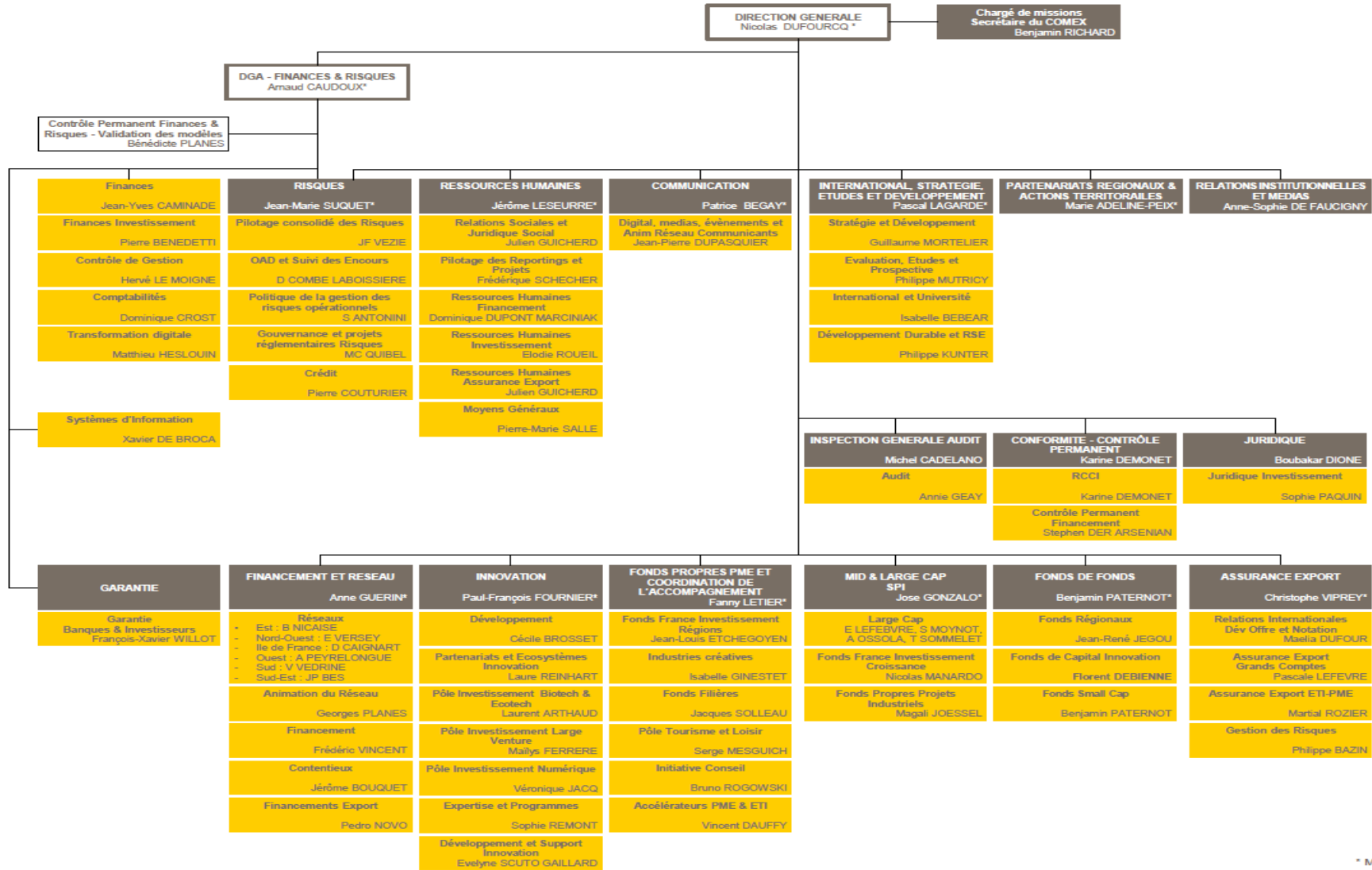
The General Meeting, deliberating under the quorum and majority conditions required for Extraordinary General Meetings, and after reading the Board of Directors' report, hereby decides to delete the final paragraph of Article 11.1 (Composition of Board of Directors) from the Company's Articles of Association in order to correct a material error. The rest of Article 11.1 remains unchanged.

- **Resolution 16** (powers for formalities)

The General Meeting, deliberating under the quorum and majority conditions required for ordinary and Extraordinary General Meetings, grants all powers to the bearer of originals, excerpts or copies of the minutes of this General Meeting in order to perform all required formalities related to filings and disclosures.

## **8. ORGANISATIONAL CHARTS OF BPIFRANCE**

### **8.1. Functional organisational chart**



\* Membre du Comité Exécutif

## 8.2. Organisational chart of the network



Georges PLANES  
Directeur de l'Animation du Réseau
Anne GUERIN  
Directeur Exécutif
Pedro Novo  
Directeur Financements Export

**43 IMPLANTATIONS REGIONALES - 6 DIRECTIONS DE RESEAU - 25 DIRECTIONS REGIONALES - 17 DELÉGATIONS TERRITORIALES**

ILE DE FRANCE / DROM	NORD OUEST	EST	AUVERGNE-RHÔNE-ALPES	SUD	OUEST
<p><b>Dominique Caignart</b> Directeur de Réseau</p> <p>Didier Bois Directeur Gestion Opérations</p> <p>Delphine Jarnier Interrégionale Fonds Propres</p>	<p><b>Eric Versey</b> Directeur de Réseau</p> <p>Philippe Giffard Directeur Gestion Opérations</p> <p>Vincent Stievenard Interrégional Fonds Propres</p>	<p><b>Bernard Nicoise</b> Directeur de Réseau</p> <p>Didier Pichot Directeur Gestion Opérations</p> <p>Olivier Lévy Interrégional Fonds Propres</p>	<p><b>Jean Pierre Bes</b> Directeur de Réseau</p> <p>Pascale Veber Directrice Gestion Opérations</p> <p>Isabelle Galamand Interrégional Fonds Propres</p>	<p><b>Véronique Védrine</b> Directrice de Réseau</p> <p>Christian Semard Directeur Gestion Opérations</p> <p>Thierry Decker Interrégional Fonds Propres</p>	<p><b>Arnaut Peyrelongue</b> Directeur de Réseau</p> <p>Jacques Peres Directeur Gestion Opérations</p> <p>Marc Prevot Interrégional Fonds Propres</p>
<p><b>Angelina Simoni</b> Directrice Régionale <b>Paris</b></p>	<p><b>Marie Poussin</b> Directrice Régionale <b>Saen</b></p>	<p><b>Christian Theriot</b> Directeur Régional <b>Strasbourg</b></p>	<p><b>Caroline Georges</b> Directrice Régionale <b>Clermont Ferrand</b></p>	<p><b>Cécile Donsimoni</b> Directrice Régionale <b>Gerse</b></p>	<p><b>Hervé LeLarge</b> Directeur Régional <b>Rennes</b></p>
<p><b>Jérôme Rousseau</b> Directeur Régional <b>Ile de France Est</b></p>	<p><b>Philippine Lucille</b> Directrice Régionale <b>Rouen</b></p>	<p><b>Mathieu Defresne</b> Directeur Régional <b>Dijon</b></p>	<p><b>Laurent Bouquerel</b> Directeur Régional <b>Lyon</b></p>	<p><b>Nadine Faedo</b> Directrice Régionale <b>Montpellier</b></p>	<p><b>Nicolas Magenties</b> Délégué Territorial <b>Rennes / St-Brieuc</b></p>
<p><b>Hervé Bazin</b> Directeur Régional <b>Ile de France Ouest</b></p>	<p><b>Bertrand Fontaine</b> Directeur Régional <b>Lille</b></p>	<p><b>Stéphane Clerget</b> Délégué Territorial <b>Besançon</b></p>	<p><b>Lauriane Guastini</b> Déléguée Territoriale <b>Saint-Etienne</b></p>	<p><b>Albert Badia</b> Délégué Territorial <b>Perpignan</b></p>	<p><b>Christophe Seillier</b> Délégué Territorial <b>Brest / Lorient</b></p>
<p><b>OUTRE-MER</b></p>	<p><b>Jalil Yaker</b> Directeur Régional <b>Reims</b></p>	<p><b>Grégory Givron</b> Directeur Régional <b>Reims</b></p>	<p><b>Ludovic Pouget</b> Délégué Territorial <b>Bourg en Bresse</b></p>	<p><b>Laurent de Calbiac</b> Directeur Régional <b>Toulouse</b></p>	<p><b>Jean-Marc Ducimetière</b> Directeur Régional <b>Hautes</b></p>
<p><b>Christian Quere</b> Directeur Interrégional <b>Réunion-Mayotte</b></p>	<p><b>Jean-Charles Perrette</b> Délégué Territorial <b>Compiègne</b></p>	<p><b>Délégation Territoriale</b> <b>Troyes</b></p>	<p><b>Marc Auloge</b> Délégué Territorial <b>Valence</b></p>	<p><b>Pierre Villefranque</b> Directeur Régional <b>Marseille</b></p>	<p><b>Nathalie Edouard</b> Déléguée Territoriale <b>Le Mans</b></p>
<p><b>Michèle Papalia</b> Directrice Interrégionale <b>Guadeloupe-Martinique-Guyane</b></p>	<p><b>Thierry Martignon</b> Directeur Régional <b>Orléans</b></p>	<p><b>Sébastien Schmitt</b> Directeur Régional <b>Nancy</b></p>	<p><b>Yvan Demars</b> Directeur Régional <b>Grenoble</b></p>	<p><b>Olivier Vincent</b> Délégué Territorial <b>Nice</b></p>	<p><b>Fabien Bernard</b> Délégué Territorial <b>La Roche sur Yon</b></p>
	<p><b>Tanguy Roudaut</b> Délégué Territorial <b>Toms</b></p>	<p><b>Yannick Da Costa</b> Délégué Territorial <b>Metz</b></p>	<p><b>Charles-Eric Baltoglu</b> Délégué Territorial <b>Anecy</b></p>	<p><b>Stéphane Lo Piccolo</b> Délégué Territorial <b>Avignon</b></p>	<p><b>Mame Dieye</b> Directeur Régional <b>Poitiers</b></p>
					<p><b>Alexandre Colin</b> Délégation Territoriale <b>La Rochelle</b></p>
					<p><b>Sébastien Chillou</b> Délégué Territorial <b>Limoges</b></p>
					<p><b>Bruno Heuclin</b> Directeur Régional <b>Bordeaux</b></p>
					<p><b>Nicolas Roche</b> Délégué Territorial <b>Pau</b></p>

**IF**  
 IdF Est : I. Nguyen – M. Chevallot – K. Thouémet  
 IdF Ouest : E. Treussard-Canard – S. Calgaro – J. Forquin  
 IdF Paris : D. Dabin – T. Barde – A. Drondoe – N. Gherbi

**IF**  
 Lille : S. Hanoca – M. Hebrad – X. Fraval de Coatparquet  
 Hte Normandie : P. Decoussy  
 B. Normandie : A. Barre  
 Picardie : O. Milheiro  
 Centre : J. Renaud

**IF**  
 Strasbourg : Emilie Luong-Le  
 Dijon : D. Blanc  
 Reims : S. Chamy  
 Metz : A. Laurent  
 Nancy : B. Gallrein  
 Anecy : M. Maison

**IF**  
 Clermont-Ferrand : P. Coste  
 Lyon : J.-B. Bodin - Ch. Desplanches – L. Malatrait  
 St-Etienne : F. Ligier  
 Grenoble : S. Misson

**IF**  
 Aquitaine : S. Larrègle  
 Languedoc-R. : S. Oriol  
 Midi-Py. : P. De Oliveira – A. Charrieau – J. Revole  
 PACA : C. Louys

**IF**  
 Rennes : O. Thiard  
 PdL : Th. Pengilly – L. Laguerre  
 Poitou-Ch. : Ch. Colas  
 Pau : W. Larrecq  
 Brest : A. Le Belenger-Xia  
 Le Mans : M. Durand

## 9. FIVE-YEAR FINANCIAL SUMMARY

### FIVE-YEAR FINANCIAL SUMMARY

	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
<b>I - Capital at year end</b>					
a) Capital (in euro equivalent)	750 860 784	759 916 144	839 907 320	839 907 320	<b>839 907 320</b>
b) Number of shares issued	93 857 598	94 989 518	104 988 415	104 988 415	<b>104 988 415</b>
<b>II – Operations and results for the fiscal year (in thousands of euros)</b>					
a) Pre-tax turnover	1 885 234	2 039 384	2 188 860	2 323 587	<b>2 424 817</b>
b) Earnings before taxes, employee profit-sharing, depreciation, amortisation and provisions	176 925	157 511	268 895	334 473	<b>412 557</b>
c) Income tax	23 973	45 887	92 654	96 260	<b>138 193</b>
d) Employee profit-sharing in respect of the fiscal year	7 652	9 070	9 884	11 610	<b>15 095</b>
e) Earnings after taxes, employee profit-sharing, depreciation, amortisation and provisions	12 759	24 123	69 780	175 094	<b>200 198</b>
f) Income paid as dividends	9 386	9 499	10 499	0	<b>10 499</b>
<b>III – Earnings per share (in euros)</b>					
a) Earnings after taxes and employee profit-sharing, but before depreciation, amortisation and provisions	1,55	1,08	1,58	2,16	<b>2,47</b>
b) Earnings after taxes, employee profit-sharing, depreciation, amortisation and provisions	0,14	0,25	0,66	1,67	<b>1,91</b>
c) Dividend attributed to each share	0,10	0,10	0,10	0,00	<b>0,10</b>
<b>IV – Headcount</b>					
a) Number of employees as of 31 December	1 677	1 717	1 803	2 070	<b>2 142</b>
b) Total payroll (in thousands of euros)	100 187	108 843	117 673	121 269	<b>126 883</b>
c) Amount paid in respect of social benefits (Social Security, charitable works, etc.) (in thousands of euros)	47 387	50 064	52 663	54 567	<b>58 237</b>



**10. CONSOLIDATED FINANCIAL STATEMENTS**

## Publishable Consolidated Balance Sheet of Bpifrance Financement

<b>ASSETS</b> (in millions of euros)	<b>Notes</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Cash, central banks	6.1	357,2	882,3
Financial assets at fair value through profit or loss	6.2	0,0	9,8
Derivative hedge instruments	6.3	11,3	93,0
Non-current financial assets available for sale	6.4	820,7	463,7
Loans and receivables due from credit institutions	6.5	462,6	577,6
Loans and receivables due from customers	6.6	34 522,8	32 065,7
Finance lease and equivalent operations	6.7	6 008,6	6 005,1
Innovation financing aids	6.8	491,6	534,1
Revaluation discrepancies of the rate-hedged portfolios		264,4	424,8
Financial assets held-to-maturity	6.9	8 641,8	6 699,5
Current and deferred tax assets	6.10	11,4	5,4
Accruals and miscellaneous assets	6.11	629,6	661,4
Non-current assets held for sale		0,0	0,0
Interests in companies accounted for using the equity method		12,2	11,5
Investment property		0,0	0,0
Tangible fixed assets	6.12	116,1	116,4
Intangible fixed assets	6.12	63,3	56,9
Goodwill		0,5	0,5
<b>TOTAL ASSETS</b>		<b>52 414,1</b>	<b>48 607,7</b>

**Publishable Consolidated Balance Sheet of Bpifrance Financement**

<b>LIABILITIES</b> (in millions of euros)	<b>Notes</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Central banks	6.1	0,0	0,0
Financial liabilities at fair value through profit or loss	6.2	3,5	3,7
Derivative hedge instruments	6.3	7,9	122,4
Due to credit institutions	6.13	12 365,1	12 298,3
Debts due to customers	6.14	3 495,8	4 029,3
Debt securities	6.15	24 786,3	20 654,6
Revaluation discrepancies of the rate-hedged portfolios		211,2	435,3
Current and deferred tax liabilities	6.10	10,0	19,6
Accrued expenses and other liabilities	6.11	996,7	1 825,7
Debts related to non-current assets intended to be sold		0,0	0,0
Litigation provisions	6.16	2 832,6	1 853,0
Net innovation intervention resources	6.17	935,6	805,4
Public guarantee funds	6.18	2 861,9	3 135,0
Subordinated debts	6.19	309,4	7,3
Shareholders' equity		3 598,1	3 418,1
Group share of shareholders' equity		3 598,1	3 417,9
- Capital and related reserves		2 031,8	2 031,8
- Consolidated reserves		1 386,3	1 202,5
- Gains and losses directly recognised in the shareholders' equity		-2,3	-0,2
- Earnings		182,3	183,8
Minority interests		0,0	0,2
- Reserves		0,0	0,2
- Earnings		0,0	0,0
<b>TOTAL LIABILITIES</b>		<b>52 414,1</b>	<b>48 607,7</b>

## Publishable Consolidated Profit and Loss Statement of Bpifrance Financement

(in millions of euros)	Notes	31/12/2017	31/12/2016
Interest Income	7.1	1 557,9	1 450,2
Interest and similar charges	7.1	-865,2	-822,3
Commissions (income)		8,4	7,2
Commissions (expenses)		-1,2	-0,8
Net gains or losses on financial instruments at fair value through profit or loss	7.2	1,0	3,8
Net gains or losses on financial assets available for sale	7.3	2,8	0,1
Income from other activities	7.4	166,5	166,7
Expense from other activities	7.4	-112,0	-122,9
<b>NET BANKING INCOME</b>		<b>758,2</b>	<b>682,0</b>
Operating general expenses	7.5	-378,7	-357,3
Amortisation & depreciation allowances on tangible & intangible fixed assets	7.6	-32,0	-29,6
<b>GROSS OPERATING EARNINGS</b>		<b>347,5</b>	<b>295,1</b>
Cost of risk	7.7	-35,3	-5,9
<b>OPERATING INCOME</b>		<b>312,2</b>	<b>289,2</b>
Share of net income from companies accounting for using the equity method		1,2	1,0
Net gains or losses on other assets		0,5	0,1
Changes in the value of the goodwill		0,0	0,0
<b>PRE-TAX EARNINGS</b>		<b>313,9</b>	<b>290,3</b>
Profits tax (on corporations)	7.8	-131,6	-106,5
Income net of taxes from discontinued activities or activities undergoing disposal		0,0	0,0
<b>NET INCOME</b>		<b>182,3</b>	<b>183,8</b>
Minority interests		0,0	0,0
<b>GROUP SHARE OF NET INCOME</b>		<b>182,3</b>	<b>183,8</b>
* Earnings per share (in euros)		1,74	1,75
* Diluted earnings per share (in euros)		1,74	1,75

**Net earnings and gains and losses directly recognised in Bpifrance Financement  
shareholders' equity**

(in millions of euros)	31/12/2017	31/12/2016
<b>NET INCOME</b>	<b>182,3</b>	<b>183,8</b>
<b>Elements that could be reclassified through net profit or loss</b>		
<i>Revaluation of the financial assets available for sale</i>	-2,0	0,2
<i>Revaluation of derivative hedge instruments</i>	0,0	0,0
<i>Translation differences</i>	0,0	0,0
<i>Share of unrealised or deferred gains or losses on companies accounted for using the equity method</i>	0,0	0,0
<b>Elements that could not be reclassified through net profit or loss</b>		
<i>Revaluation of fixed assets</i>	0,0	0,0
<i>Actuarial gains and losses on defined benefit plans</i>	-0,1	-1,6
<i>Share of unrealised or deferred gains or losses on companies accounted for using the equity method</i>	0,0	0,0
<b>TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>-2,1</b>	<b>-1,4</b>
<b>NET EARNINGS AND GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY</b>	<b>180,2</b>	<b>182,4</b>
* Of which Group share	180,2	182,4
* Of which minority interests	0,0	0,0
	0,0	0,0

## Change in shareholders' equity (Group share)

	Capital and related reserves	Reserves	Gains and losses directly recognised in shareholders' equity	Allocation	Total
(in millions of euros)					
<b>Situation to 31 December 2015</b>	<b>2 031,8</b>	<b>1 089,6</b>	<b>1,2</b>	<b>0,0</b>	<b>3 122,6</b>
<b>2015 earnings</b>				<b>119,2</b>	<b>119,2</b>
Earnings allocated to reserves	0,0	108,6	0,0	-108,6	0,0
Change to gains and losses directly recognised in shareholders' equity	0,0	0,0	0,2	0,0	0,2
<i>Value change of financial instruments, affecting shareholders' equity</i>	0,0	0,0	0,3	0,0	0,3
<i>Value change of financial instruments as related to earnings</i>	0,0	0,0	-0,1	0,0	-0,1
Actuarial gains and losses on defined benefit plans	0,0		-1,6	0,0	-1,6
Distribution of dividends	0,0	0,0	0,0	-10,6	-10,6
Disposal of hybrid securities	0,0	4,3	0,0	0,0	4,3
<b>Situation to 31 December 2016</b>	<b>2 031,8</b>	<b>1 202,5</b>	<b>-0,2</b>	<b>0,0</b>	<b>3 234,1</b>
<b>2016 earnings</b>				<b>183,8</b>	<b>183,8</b>
Earnings allocated to reserves	0,0	183,8	0,0	-183,8	0,0
Change to gains and losses directly recognised in shareholders' equity	0,0	0,0	-2,0	0,0	-2,0
<i>Value change of financial instruments, affecting shareholders' equity</i>	0,0	0,0	-0,3	0,0	-0,3
<i>Value change of financial instruments as related to earnings</i>	0,0	0,0	-1,7	0,0	-1,7
Actuarial gains and losses on defined benefit plans	0,0	0,0	-0,1	0,0	-0,1
Distribution of dividends	0,0	0,0	0,0		0,0
Miscellaneous	0,0	0,0	0,0	0,0	0,0
<b>Situation to 31 December 2017</b>	<b>2 031,8</b>	<b>1 386,3</b>	<b>-2,3</b>	<b>0,0</b>	<b>3 415,8</b>
<b>2017 earnings</b>				<b>182,3</b>	<b>182,3</b>

## Variation in Minority Interests

<b>Minority interests as of 31 December 2015</b>	<b>0,2</b>
Changes to gains and losses directly recognised in shareholders' equity	0,0
<i>Value change of financial instruments, affecting shareholders' equity</i>	0,0
<i>Value change of financial instruments as related to earnings</i>	0,0
Change in interest percentages	0,0
Share of earnings as of 31 December 2016	0,0
<b>Minority interests as of 31 December 2016</b>	<b>0,2</b>
Change to gains and losses directly recognised in shareholders' equity	0,0
<i>Value change of financial instruments, affecting shareholders' equity</i>	0,0
<i>Value change of financial instruments as related to earnings</i>	0,0
Change in interest percentages	-0,2
Share of earnings as of 31 December 2017	0,0
<b>Minority interests as of 31 December 2017</b>	<b>0,0</b>

## Cash flow table

The cash flow table is presented using the indirect method model.

The **operational activities** are representative of the activities that generate earnings for the group, which includes the assets inventoried in the portfolio of investments held until maturity.

The tax flows are entirely presented with the operational activities.

The **investment activities** represent the cash flows for the acquisition and disposal of interests in the consolidated and non-consolidated companies, tangible and intangible assets, and buildings held for investment. This compartment includes the strategic equity securities listed in the portfolio of "Financial assets available for sale".

The **financing activities** result from the changes related to the financial structure operations involving the shareholders' equity and long-term borrowing.

The notion of **net cash** includes the cash, liabilities and debts with central banks and postal accounts, as well as the demand accounts (assets and liabilities) and loans with lending institutions.

## Group Cash Flow Table of Bpifrance Financement

(in millions of euros)	31/12/2017	31/12/2016
<b>Earnings before taxes</b>	<b>313,9</b>	<b>290,3</b>
Net depreciation/amortisation expense on property, plant and equipment, and intangible assets	32,0	29,6
Depreciation of the goodwill and other fixed assets	0,0	0,0
Net allocations to provisions	-251,6	-248,8
Share of earnings related to companies accounted for using the equity method	-1,2	-1,0
Net loss/net gain from investment activities	-0,1	-0,2
Other	959,1	235,6
Other movements (specific to the guarantee funds)	-7,3	110,2
<b>Total of the non-monetary elements included in the net income before taxes, and of the other</b>	<b>730,9</b>	<b>125,4</b>
Flows related to operations with credit institutions	51,9	893,6
Flows related to operations with the clientele	-3 066,2	-4 322,5
Flows related to other operations affecting the financial assets or liabilities	-2 325,8	-116,0
Flows related to other operations affecting the non-financial assets or liabilities	-830,3	112,3
Flows related to other operations affecting the innovation activity	172,7	-34,1
Taxes paid	-98,5	-94,9
<b>Net decrease/(increase) of the assets and liabilities resulting from operational activities</b>	<b>-6 096,2</b>	<b>-3 561,6</b>
<b>Total net cash flows generated by operational activities (A)</b>	<b>-5 051,4</b>	<b>-3 145,9</b>
Flows related to financial assets and equity interests	0,0	2,2
Flows linked to investment buildings	0,0	0,0
Flows related to tangible and intangible fixed assets	-38,0	-35,0
<b>Total net cash flow related to investment operations (B)</b>	<b>-38,0</b>	<b>-32,8</b>
Cash flows coming from or going to shareholders	0,5	-10,0
Other net cash flows resulting from financing activities	4 433,8	3 616,1
<b>Total net cash flow related to financing operations (C)</b>	<b>4 434,3</b>	<b>3 606,1</b>
Effects of exchange rate variations on the cash and cash equivalent (D)	0,0	0,0
<b>Net increase/(decrease) of the cash and cash equivalents (A+B+C+D)</b>	<b>-655,1</b>	<b>427,4</b>
Net cash flows generated by operational activities (A)	-5 051,4	-3 145,9
Net cash flow related to investment operations (B)	-38,0	-32,8
Net cash flow related to financing operations (C)	4 434,3	3 606,1
Effects of exchange rate variations on the cash and cash equivalent (D)	0,0	0,0
<b>Cash and cash equivalents upon opening</b>	<b>1 221,8</b>	<b>794,4</b>
Cash, central banks (assets & liabilities)	882,3	579,9
Accounts (assets & liabilities) and demand loans/borrowing with lending institutions	339,5	214,5
<b>Cash and cash equivalents upon closing</b>	<b>566,7</b>	<b>1 221,8</b>
Cash, central banks (assets & liabilities)	357,2	882,3
Accounts (assets & liabilities) and demand loans/borrowing with lending institutions	209,5	339,5
<b>Change in net cash position</b>	<b>-655,1</b>	<b>427,4</b>

# Notes to the financial statements

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● **Note 1 - Significant events during the fiscal year and events after the closing**

**1.1 Significant events during the fiscal year**

There were no significant events during the fiscal year.

**1.2 Events after the closing**

No significant event occurred after the closing date of the financial statements.

● **Note 2 - Applicable accounting standards**

**2.1 Accounting standards applicable at 31 December 2017**

The 2017 consolidated financial statements are prepared in compliance with the IFRS guidelines as adopted by the European Union and applicable at 31 December 2017.

The entry into force of the standards, amendments and interpretations whose application became mandatory as of 1 January 2017 had no material impact on the group's consolidated financial statements to 31 December 2017.

The group does not apply the standards, interpretations and amendments whose application is currently only optional.

**2.2 Accounting standards that the group will apply in the future**

***IFRS 9 "Financial Instruments"***

*Background*

The current IAS 39 on the recognition and measurement of financial instruments will be replaced by IFRS 9 "Financial Instruments" with mandatory application from 1 January 2018.

IFRS 9 involves three separate phases:

- classification and measurement of financial instruments;
- credit risk impairment of financial assets;
- hedge accounting (optional application as of 1 January 2018).

A separate draft on macro-hedging is still to come.

*Principal changes introduced by IFRS 9*

- Classification and measurement:

IFRS 9 defines three categories of financial assets: amortised cost, fair value through shareholders' equity and fair value through profit or loss. The accounting classification of the financial assets will depend on the contractual characteristics of the instruments and the business model.

Debt instruments (loans, receivables and securities) may be recorded in these three categories depending on the business model, when the cash flows are solely payments of principal and interest.

The provisions of IAS 39 relating to the derecognition of financial assets and liabilities are included without modification in IFRS 9.

- **Impairment:**

The new model for credit impairment established by IFRS 9 requires expected credit losses to be recognised upon initial recognition of the transactions concerned (debt instruments at amortised cost or at fair value through shareholders' equity). From initial recognition, expected credit losses are measured over a 12-month period (notion of bucket 1). If the credit risk has increased significantly (bucket 2) since initial recognition, the expected losses must be calculated over the residual lifetime of the instrument. The assessment of the significant increase in credit risk is based on a comparison of probability of default/ratings on the initial recognition date of financial instruments with that existing on the closing date, or on the fact that they are classified as outstandings on the watch list. Non-performing loans will be classified in bucket 3.

Implementation within the Bpifrance group

Work were carried out for each business line (financial transactions, equity and funds, financing, guarantees, innovation).

Committee meetings are held regularly with the various business line managers, finance/risk managers and the statutory auditors, in order to secure the transition to IFRS 9. Specialised committee meetings will continue to be held after the transition.

The main impacts expected are as follows:

- *Classification and measurement:* given the characteristics of the products and the group's business model, almost all financial assets of the debt instrument type should be recognised at amortised cost;
- *Impairment:*
  - o the current collective impairment method for group lending transactions has been adapted to take new requirements under the standard into account,
  - o as permitted under IFRS 9, the group plans to implement a simplified Low Credit Risk methodology (12-month expected losses) for determining impairment of debt instruments (loans/receivables and securities recorded at amortised cost or at fair value through equity) for which the risk of default is low,
  - o the impairment models are based on probability of default, exposure at the default date, and loss in the event of default;
- *Hedging:* pending the next additional IFRS 9 text relating to macro-hedging, the group expects to maintain at 1 January 2018 all of the provisions of IAS 39 for hedge accounting, including rules relating to hived off global macro-hedging (the "EU carve out");
- *Financial liabilities:* at 31 December 2017, the group had not applied the provisions relating to credit risk of liabilities designated at fair value;
- *Transition:* phases 1 and 2 of IFRS 9 will be applied retrospectively by adjusting the opening balance sheet at 1 January 2018.
- *Other points:*

- the group is not affected by the IFRS 4 amendment relating to insurance activities and the consequences on the application of IFRS 9,
- the fair value measurement model is maintained under IFRS 9 for the accounting for guarantees granted backed by guarantee funds. The accounting treatment for the Innovation business line will also remain unchanged following the IFRS 9 transition. Recoverable Innovation Advances and Innovation Loans are recorded at amortised cost, and are not impaired given the strict backing of guarantee funds (100% credit enhancement). Overall, the accounting treatment of the Guarantee and Innovation businesses remains unchanged, only the presentation relating to the guarantee funds backing these two business lines has been modified:
  - separation under liabilities between guarantee funds that have been "consumed" (commissions, losses on completion, interest) and those that are "available" (amounts available to be granted to new guarantees),
  - cancellation of provisions for risks and impairments on "internal" loans guaranteed by Bpifrance Financement which no longer apply;
- financial information required by IFRS 7 will be supplemented in the annual reports following the new financial instruments requirements.

### ***IFRS 15 “Revenue from Contracts with Customers”***

IFRS 15 relating to revenue from contracts with customers will replace existing standards on revenue and will be mandatory from 1 January 2018. This standard does not cover income from lease contracts, insurance contracts or financial instruments. In view of the group's activities, the expected financial implications of this standard should not be significant at the group level.

### ***IFRS 16 “Leases”***

IFRS 16 relating to leases will replace the current IAS 17 and will be mandatory from 1 January 2019. As a lessor, the expected impact on the group is limited. As a lessee, the group must now recognise all leases, in the form of a right to use a leased asset recorded in fixed assets, and a financial liability in respect of rentals and other payments to be made during the term of the lease. The accounting impacts, which will remain limited in terms of net profit, will be refined in 2018.

## **● Note 3 – Preparation principles for the group consolidated financial statements**

Pursuant to EC regulation no. 1606/2002, the group's consolidated financial statements are prepared using the international IAS/IFRS accounting standards in effect within the European Union at 31 December 2017.

### **3.1 Consolidation principles**

#### ***General principle***

The Bpifrance Financement group consolidated financial statements include all of the companies that the group controls or over which it has significant influence, except ones for which the consolidation would be of a negligible nature relative to the preparation of the statements. Pursuant to this general principle, the material nature of this impact can notably be assessed by means of various criteria such as the size of the earnings or shareholders' equity of the company that is to be consolidated relative to the earnings or shareholders' equity of the consolidated whole.

### ***Notion of control***

The notion of control is assessed irrespective of the nature of the links between the group and the entity that is the subject of an investment. Control applies when the group is exposed or is entitled to variable yields and that it has the ability to influence these yields as a result of the power that it holds.

The group therefore controls a subsidiary if and only if all of the following elements are gathered:

- the group exercises power when it is in possession of the actual rights to direct the subsidiary's relevant activities;
- the group is exposed or is entitled to variable yields, when the yield can vary according to the subsidiary's performance;
- the group has the ability to exercise power such as to influence the amount of the variable yields that it obtains.

Joint control is the contractual sharing of the control exercised over a partnership which can be either a joint activity or a joint venture. Joint control only exists if the decisions regarding the relevant activities require the unanimous approval of the parties sharing control.

Significant influence is the power to participate in decisions relative to the associate's financial and operational policies, but without exerting control or joint control over these policies. This situation is presumed when the group directly or indirectly holds 20% or more of the voting rights. It can also result, for example, from representation within the Board of Directors or an equivalent management body, participation in the process for the preparation of policies, significant transactions between the group and the associate, exchange of management personnel or supply of sensitive technical information.

### ***Special case of the venture capital activity***

When an equity interest in an associate (significant influence) or a joint venture (joint control) is held via a venture capital organisation, the group has chosen to assess this participation at fair value on the basis of the net income, in the category "Financial assets at fair value through profit or loss", in compliance with IAS 39 relating to the accounting and valuation of financial instruments.

## **3.2 Consolidation methods**

The consolidation methods result from the nature of the group's control over the entities that can be consolidated, irrespective of their activity.

The accounts of companies that are totally controlled, including the companies with different account structures, are consolidated according to the full consolidation method.

The equity interests that the group controls together with another co-investor are recognised using the equity method.

The equity interests in which the group exercises notable influence are recognised using the equity method.

## **3.3 Consolidation rules**

### ***Restatements and eliminations***

Restatements needed for the harmonisation of the assessment methods of the consolidated companies are carried out.

Reciprocal receivables, debts and commitments, as well as reciprocal expenses and income are completely eliminated for the totally integrated companies. Intra-group dividends, provisions on consolidated securities, capital gains on internal disposal operations and exceptional depreciation are entirely neutralised for integrated companies in their entirety, and equal with the share held with regard to companies accounted for using the equity method.

### ***Goodwill***

The acquisition cost is equal to the total of the fair values, on the acquisition date, of the delivered assets, net of accrued or assumed liabilities and of the shareholders' equity instruments issued in exchange for control of the acquired entity. The costs directly related to the operation are booked as expenses, except the expenses for the issuing of equity interests that are deducted from the shareholders' equity, as well as the direct costs of the transaction related to financial debts contracted as part of the operation that are deducted from the corresponding financial debts.

The identifiable assets, liabilities, possible liabilities and off-balance sheet elements of the acquired entities are recognised at their fair value on the acquisition date. This initial assessment can be refined within 12 months of the acquisition date.

The positive discrepancy between the entity's acquisition cost and the acquired share of the net assets revalued in this way is listed as an asset in the consolidated balance sheet, under the heading "Goodwill" when the acquired entity is globally integrated, or under the heading "Interests in companies accounted for using the equity method" when the acquired company is accounted for using the equity method. When the discrepancy is negative, it is immediately recorded in profit or loss.

In the event of an increase of the percentage of the group's interest additional acquisition of securities results in the recognition of additional goodwill, determined by comparing the acquisition price of the securities and the net share of the acquired assets.

When the recoverable value is less than the book value, an irreversible impairment of the goodwill is recorded through profit or loss. The recoverable value is generally valued according to the discounted cash flows method.

### 3.4 Presentation of the financial statements and closing date

#### *Presentation of the consolidated financial statements*

The employed presentation of the interim reports is compliant with the one proposed by recommendation no. 2013-04 of 7 November 2013 from the Accounting Standards Authority (ANC) relative to the format of the consolidated financial statements of banking sector establishments according to the international accounting standards.

#### *Closing date*

All companies included in the scope of consolidation close their annual financial statements on 31 December.

#### ● **Note 4 - Scope of consolidation**

The Bpifrance Financement group scope of consolidation to 31 December 2017 changed compared to the last closing of the consolidated financial statements at 31 December 2016. It no longer includes the financial statements of Compagnie Auxiliaire Bpifrance.

The sole shareholder's decision to dissolve the company on 16 May 2017 led to a universal transfer of assets without liquidation of Compagnie Auxiliaire Bpifrance to Bpifrance Financement.

The following table identifies the companies included in the scope of consolidation, the percentage of their capital held directly and indirectly, and the method by which they are consolidated.

Designation	Consolidation method	31/12/2017 % holding	31/12/2017 % voting rights	31/12/2016 % voting rights
Bpifrance Financement - MAISONS-ALFORT	Full	100%	100%	100%
Bpifrance Régions - MAISONS-ALFORT	Full	99,99%	99,99%	98,99%
Auxi-Finances - MAISONS-ALFORT	Full	100%	100%	100%
Compagnie Auxiliaire Bpifrance - MAISONS-ALFORT	Full	-	-	100%
SCI Bpifrance - MAISONS-ALFORT	Full	100%	100%	100%
Alsabail - STRASBOURG	Equity method	40,69%	40,69%	40,69%
Gras Savoye Bpifrance - MAISONS-ALFORT	Equity method	34,00%	34,00%	34,00%

#### ● **Note 5 - Accounting principles and valuation methods**

##### 5.1 Determination of fair value

The IFRS 13 standard establishes the framework for determining the fair value and provides information on how to assess the fair value of assets and liabilities, both financial and non-financial. This corresponds with the price that would be received for the sale of an asset or paid for the transfer of a liability during a normal transaction between market participants on the valuation date. The fair value is therefore based on the exit price.

At the time of initial recognition, a financial instrument's value is normally the negotiation price (i.e. the value of the consideration paid or received).

During subsequent valuations, the fair value of the assets and liabilities must be estimated and determined while using, as a priority, observable market data, while ensuring that all of the parameters comprising this fair value align with the price that “market participants” would use during a transaction.

### 5.1.1 Hierarchy of the fair values

#### *The three levels of fair value*

The standard defines three levels of fair value for financial and non-financial instruments:

Level 1: valuation using market quotations on a liquid market. This involves instruments for which the fair value is determined from quotations on active markets.

Level 2: valuation using observable market data. This fair value level includes instruments listed on an inactive market, and instruments valued using a valuation technique on the basis of parameters that are either directly observable (price) or indirectly observable (price derivative).

Level 3: valuation using non-observable market data. This level includes instruments valued using unknown valuation models and/or that are based on parameters that are not observable on the market, provided that they would be likely to significantly affect the valuation.

#### *Transfers of fair value levels*

Transfers between fair value levels can occur when the instruments meet classification criteria in the new level, with these criteria being dependent on market conditions and products. Changes of the observability, the passage of time and events affecting the life of the instrument are the main factors that can result in transfers. Transfers are considered to have occurred at the end of the period.

### 5.1.2 Assessment techniques

#### *General framework*

The best estimate corresponds with the instrument’s market price when the latter is handled on an active market (prices listed and disseminated). The group uses the price offered for the fair value of a long position (asset) and the requested price for a short position (debt).

In the absence of a market or reliable data, fair value is determined using an appropriate method that is consistent with the valuation methods used in financial markets: using the market value of a comparable instrument as a benchmark, valuation models and, more generally, discounting of the estimated future flows.

The fair value amounts of financial assets and liabilities represent the estimates made on the closing date. These amounts are subject to change in other periods depending on the changes to market conditions or other factors. The completed calculations are based on a certain number of assumptions. In practice, and for the purposes of business continuity, not all of these financial instruments will be the subject of an immediate realisation for the estimated value.

The consideration of the risk of non-execution on derivative liabilities (Debit Value Adjustment) and of the assessment of the counterparty risk on derivative assets (Credit Value Adjustment) has no significant incidence on the fair value valuation of the group's derivatives.

### ***Special case of unlisted shares***

The market value of unlisted shares is determined by comparison with recent transactions involving the capital of the company in question, carried out with an independent third party and under normal market conditions. In the absence of such a reference, the valuation is determined either with the help of commonly used techniques (EBIT or EBITDA multiples), or on the basis of the share of the net assets going to the group, calculated from the most recent available information.

### ***Special case of financial assets and liabilities recognised at cost***

Moreover, in a certain number of cases, the market values come close to the book value:

- variable rate assets or liabilities for which interest changes have no notable influence on the fair value, since the rates of these instruments are frequently adjusted to the market rates;
- transactions for which the fair value cannot be reliably determined, in particular concerning unlisted shares.

## **5.2 Financial assets and liabilities**

Financial assets and liabilities are handled according to the provisions of the IAS 39 standard as adopted by the European Union on 19 November 2004 (EC no. 2086/2004) and completed by the regulation of 15 November 2005 (EC no. 1864/2005), relative to the use of the fair value option.

The effective interest rate is the rate that exactly discounts the disbursements or collections of the future cash flows over the anticipated lifespan of the financial instrument.

The group recognises all loans and borrowing in the balance sheet on the settlement date. All derivative instruments are recognised in the balance sheet on the trading date.

### **5.2.1. Loans and receivables**

Loans and receivables that are not held for trading purposes or that are not intended for sale as of their acquisition or granting are listed in the balance sheet amongst the "Loans and receivables owed by lending institutions" or "Loans and receivables due from customers", depending on the nature of the counterparty. After their initial recognition, they are assessed at their amortised cost on the basis of the effective interest rate and can, if relevant, be the subject of impairment.

Interest accrued on receivables is included in the related receivables account with changes recognised in the profit and loss statement.



***Impairment of receivables***

Receivables are impaired when, after the set-up of the loan, there are one or more objective signs of impairment, for which the impact on the future cash flows can be reliably measured.

***Impairment on an individual basis***

The established nature of the risk is assessed on an individual basis. A risk is established when it is probable that the establishment will not collect all or part of the sums owed pursuant to the commitments assumed by the counterparty, notwithstanding the existence of a guarantee or surety. The adopted criteria when considering an outstanding that shows a recognised credit risk correspond with the following situations:

- there are one or more overdue instalments aged at least three months;
- the establishment is aware of the degraded financial situation of the counterparty, which is represented by a risk of non-collection;
- claim and collection procedures are in place between the institution and its counterparty.

The impairment is equal to the difference between the asset's book value and the value discounted at the original effective interest rate of the future cash flows estimated to be recoverable, while taking effective guarantees into account. The amount of this impairment is recognised as a "Risk charge" in the profit and loss statement, and a financial asset's value is reduced by the establishment of an impairment loss.

***Impairment on a collective basis***

The existence of a credit risk involving a uniform set of receivables results in the recording of impairment, without waiting for the risk to have individually affected one or more receivables.

The methodology implemented by the group is primarily based on an analysis of the internal ratings of the portfolio. The assessment model for collective impairment is based on simulations of stochastic scenarios that, with each counterparty, associate a possible default date and a loss rate given default.

**5.2.2. Financial assets and liabilities at fair value through profit or loss*****Financial assets and liabilities held for trading purposes***

Financial assets and liabilities held for trading purposes are assessed on the basis of their fair value on the closing date and included in the balance sheet under the heading "Financial assets or liabilities at fair value through profit or loss". Fair value variations are recorded in the period's income under the heading "Net gains or losses on financial instruments at fair value through profit or loss".

***Financial assets and liabilities assessed at fair value on option***

Added to the financial assets and liabilities held for trading purposes are the financial assets and liabilities that the group has designated, from inception, for valuation at fair value with changes recognised in the profit and loss statement, in application of the option provided by the IAS 39 standard. The purpose of the group's application of the fair value option is:

- firstly, the elimination or significant reduction of gaps between the between the accounting processes used with certain financial assets and liabilities;
- secondly, the fair value assessment of certain hybrid financial elements without separation of the incorporated derivatives.

Fair value variations are recorded in the period's income under the heading "Net gains or losses on financial instruments at fair value through profit or loss".

### **5.2.3. Held-to-maturity financial assets**

The category "Held-to-maturity financial assets" includes investments with fixed or determinable payments and fixed maturity, that the Group has the intention and ability to hold until maturity. Operations to hedge interest rate risks possibly carried out with this category of securities are not eligible for the hedge accounting defined by the IAS 39 standard.

Securities included in this category are recognised at their amortised cost using the effective interest rate method, which includes the amortisation of premiums and discounts corresponding with the difference between the acquisition value and the redemption value of the securities, as well as the acquisition cost of the securities, if significant. Earnings collected and accrued on these securities are shown under the profit and loss statement heading "Interest and related income".

### **5.2.4. Non-current financial assets available for sale**

The category "Financial assets available for sale" includes the fixed or variable income securities not included in the previous categories.

The securities available for sale are initially recognised at their acquisition price, with transaction costs directly attributable to the acquisition and accrued coupons included. On the closing date, they are assessed at fair value and any variations to this value, excluding accrued income, are shown on a separate line in the shareholders' equity ("Unrealised or deferred gains or losses"). Upon disposal or impairment of these securities (in case of permanent impairment), these unrealised gains or losses are transferred from shareholders' equity to the profit or loss statement, where they are shown on the line "Net gain/loss on financial assets available for sale".

Earnings accrued on fixed income securities are recognised at their amortised cost according to the effective interest rate method, which includes the amortisation of premiums and discounts corresponding with the difference between the acquisition value and the repayment value of the securities, as well as the acquisition cost of the securities, if significant. Earnings collected and accrued on these securities are shown under the profit and loss statement heading "Interest and related income".

The earnings from variable income securities are recorded under the heading of "Net gains or losses on financial assets available for sale".

### **5.2.5. Repurchase agreements**

Securities temporarily sold as part of a repurchase agreement continue to be recorded in the group's balance sheet, in their original portfolio. The corresponding liability is recognised under the appropriate "Debts" heading ("Debts due to credit institutions" or "Debts due to customers").

Securities temporarily purchased as part of a reverse repurchase agreement are not recognised in the group's balance sheet. The corresponding receivable is recognised under the heading of "Loans and Receivables".

### 5.3 Debts

Debts issued by the group and which are not categorised as financial liabilities assessed as a counterparty in the profit and loss statement are initially recorded at their cost, which corresponds with the fair value of the amounts borrowed, net of transaction costs. These debts are assessed at their impaired cost on the closing date by using the effective interest rate method and are recorded in the balance sheet in the “Debts to lending institutions”, and “Debts due to customers” or in the “Debts represented by a security”.

#### *Debts to lending institutions and Debts to the clientele*

Debts due to lending institutions and debts due to customers are broken down according to their initial maturity or the nature of these debts: debts repayable on demand (overnight loans, ordinary accounts) and term borrowings for lending institutions; term borrowings, security deposits and ordinary accounts for customers.

Interest accrued on these debts is included in the related debts account with changes recognised in the profit and loss statement.

#### *Debt securities*

Debt securities are presented according to their form: interbank market securities, negotiable debt instruments and bond loans, with the exception of subordinated securities included amongst the “Subordinated debts”.

Interest accrued attached to these securities is included in a related debts account with changes recognised in the profit and loss statement. Issue or repayment premiums on bond loans are amortised using the effective interest rate method, over the lifespan of the loans in question. The corresponding expense is listed in the “Interest and related expenses”

### 5.4 Subordinated debts

This heading includes debts, whether materialised in the form of a security or not, of fixed or open duration, with which the repayment in case of the debtor’s liquidation is only possible after the other creditors have been discharged.

These debts are assessed at their impaired cost on the closing date by using the effective interest rate method. If relevant, accrued interest attached to subordinated debts is included in an account for related debts, with changes recognised in the profit and loss statement.

This item also includes mutual guarantee deposits.

### 5.5 Derecognition of financial assets and liabilities

The group derecognises a financial asset upon the expiry of the contractual rights to receive the cash flows linked to the financial asset, or when these contractual rights and almost all of the risks and benefits inherent to the asset’s ownership have been transferred. If relevant, the rights and obligations created or retained during the transfer are recognised separately as assets or liabilities.

At the time of the complete derecognition of a financial asset, a disposal gain or loss is recorded in the profit and loss statement in an amount equal to the difference between value of the consideration received, with possible correction for any unrealised profit or loss that might previously have been recognised directly in the shareholders' equity.

The group derecognises a financial liability only when this financial liability has been completely extinguished, i.e. when the obligation indicated in the contract has been extinguished, cancelled or arrives at maturity.

## **5.6 Derivative financial instruments and hedge accounting**

Derivative financial instruments are recognised at their fair value. With each accounts closing date, irrespective of the management intention applicable to their retention (trading or hedging), they are assessed at their fair value.

With the exception of derivatives considered as cash flow hedging for accounting purposes, fair value variations are recognised in the period's profit and loss statement.

Derivative financial instruments are grouped into two categories:

### ***Transaction derivatives***

Transaction derivatives are included in the balance sheet under "Financial assets and liabilities at fair value through profit or loss". Realised or unrealised gains or losses are recorded in the profit and loss statement under the heading "Net gains or losses on financial instruments at fair value through profit or loss".

### ***Hedging derivatives***

Fair value variations of hedging instruments and hedged elements are recorded under the heading "Net gain/loss on financial instruments at fair value through profit or loss". To be able to use a hedge derivative instrument for accounting purposes, it is necessary to document the hedge relationship as of inception (hedge strategy, nature of the hedged risk, designation and characteristics of the hedged element and of the hedge instrument). Moreover, the hedge's efficiency must be demonstrated at inception, and verified retrospectively at the time of each accounts closing date.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge. The group currently only applies fair value hedge accounting.

### **Fair value hedging**

The purpose of fair value hedging is to reduce the risk of any variation to the fair value of the asset or liability in the balance sheet, or of a firm commitment (in particular, hedging of the rate risk from fixed rate assets and liabilities).

The hedged element's revaluation is recorded through profit or loss on a symmetrical basis with the revaluation of the derivative. The hedge's possible inefficiency therefore directly appears through profit or loss.

Interest accrued from the hedge derivative is included in the profit and loss statement on a symmetrical basis with the interest accrued from the hedged element.

With regard to the hedging of an identified asset or liability, the revaluation of the hedged component is attached to the balance sheet by type of hedged element.

Should the hedge relation be interrupted (non-compliance with the efficiency criteria or sale of the derivative or of the hedged element before maturity), the hedge derivative is transferred into the trading portfolio. The revaluation amount listed in the balance sheet relative to the hedged element is amortised over the outstanding period relative to the initial hedge lifespan, as long as the former hedged element remains recognised in the balance sheet.

#### **Hived-off global hedging**

The group's preference is for the application of the provisions of the IAS 39 standard adopted by the European Union (known as the "carve-out") for micro-hedge operations carried out within the framework of the asset-liability management of fixed rate positions.

These provisions make it possible to hedge the rate risk associated with loans with the clientele, or with borrowing and securities portfolios. Micro-hedge instruments are primarily rate swaps intended for fair value hedging of the group's fixed rate usages and of its fixed or revisable rate resources.

The accounting treatment for hived-off global hedge derivatives uses the same principles as the ones previously described as part of the fair value hedge. However, the overall revaluation of the hedged component is included under the item "Revaluation discrepancies of the rate-hedged portfolios". The efficiency of the hedges is ensured prospectively by the fact that all derivatives, on their set-up date, must serve to reduce the rate risk of the underlying portfolio of hedged securities.

#### ***On-balance sheet netting***

Since the application in 2016 of the obligations defined by the European Market Infrastructure Regulation (EMIR), the fair value of interest rate derivatives on transactions subject to EMIR is offset in the balance sheet in accordance with IAS 32.

#### ***Embedded derivatives***

An embedded derivative is the component of a "hybrid" contract, whether financial or not, that complies with the definition of a derivative product. It must be extracted from the host contract and recognised separately if the hybrid instrument is not assessed at fair value for profit or loss, and if the economic characteristics and risks associated with the incorporated derivative are not closely tied to the host contract.

### **5.7 Impairment of securities**

Securities, other than those listed as "Financial assets at fair value through profit or loss", are subject to an impairment as soon as there is an objective indication of impairment.

The impairment indicators for debt securities are, irrespective of their destination portfolio, identical with the ones used as part of the assessment of the recognised risk for the impairment of receivables on an individual basis.

### ***Special case of “Financial assets available for sale”***

As soon as there is an objective sign of a permanent impairment of a financial asset available for sale, the impairment is noted with any change recognised in the profit and loss statement.

If a temporary decrease of the fair value of a financial asset available for sale has been recognised directly on the specific shareholders' equity line entitled “Unrealised or deferred gains or losses”, and if there is subsequently an objective sign of a permanent impairment of this asset, the group records, in the profit and loss statement, the total unrealised loss previously recognised in the shareholders' equity. They are recognised in “Risk cost” for debt instruments and under the heading “Net gains or losses on financial assets available for sale” for variable income securities.

The amount of this total loss is equal to the difference between the acquisition cost (net of any principal repayment and of any amortisation) and the current fair value, possibly less any impairment loss on this financial asset that had previously been recognised through profit or loss.

Impairment losses recognised through profit or loss relative to a shareholders' equity instrument listed as available for sale are not written back through profit or loss. Once a shareholders' equity instrument has been impaired, any addition an additional impairment. On the other hand, for debt instruments, impairment losses are the subject of write-backs through profit or loss in case of subsequent appreciation of their value. For equity instruments, impairments are booked in case of an impairment loss of more than 30%, or over a period of more than 12 months. For debt instruments, the impairment criteria are the same as the ones that apply to the impairment of loans and receivables on an individual basis.

### **5.8 Financing commitments given and received**

The financing commitments relative to the clientele are not included in the balance sheet.

Over the commitment period, a liability provision is recognised in case of probability of the counterparty's default.

### **5.9 Distinction between debts and shareholders' equity**

Issued financial instruments are qualified as debt instruments or shareholders' equity according to whether or not there is a contractual obligation for the issuer to provide cash to the holders of the securities.

### ***Subordinate securities of indefinite duration***

In view of the conditions set down by the IAS 32 standard relative to the presentation of financial instruments in order to analyse the substance of these instruments, and given their intrinsic characteristics, subordinate securities of indefinite duration issued by the group are qualified as debt instruments.

### ***Bpifrance Financement reserve fund***

The reserve fund was set up by the shareholders of the former OSEO garantie; this advance is intended to hedge the outstandings of the guaranteed loans for which it provides backing.

In view of the discretionary nature of the decision to pay interest to the bearers, as well as its repayment if decided upon by the shareholders, the Bpifrance Financement reserve funds are qualified as shareholders' equity instruments.

### **5.10 Currency transactions**

The accounting registration rules depend on the monetary or non-monetary nature of the elements contributing to the foreign currency operations carried out by the group.

#### ***Monetary assets and liabilities denominated in foreign currencies***

Monetary assets and liabilities denominated in foreign currencies are converted, using the closing price, into the group's operating currency, the euro. Exchange discrepancies are recognised through profit or loss. However, this rule has two exceptions:

- only the component of the exchange discrepancy on the amortised cost of the financial assets available for sale is recognised through profit or loss, with the rest being recorded as gains and losses directly recognised in the shareholders' equity;
- the exchange discrepancies on monetary elements designated as cash flow hedging or that are part of a net investment in a foreign entity are recorded as gains and losses directly recognised in the shareholders' equity.

#### ***Non-monetary assets expressed in foreign currencies***

Non-monetary assets recognised at their amortised cost are assessed at the exchange rate on the transaction date. Non-monetary assets recognised at fair value are assessed at the exchange rate on the closing date. Exchange discrepancies on non-monetary elements are recognised through profit and loss if the gain or loss on the non-monetary element is recognised through profit or loss, in the gains and losses directly recognised in the shareholders' equity if monetary element is recognised in the equity capital.

### **5.11 Financial lease contracts and equivalent operations**

Leasing operations are qualified as finance lease operations when they result in the de facto transfer to the lessee of the risks and benefits related to the ownership of the leased asset. Failing that, they are qualified as an operating lease.

Finance lease receivables are included in the balance sheet under the item "Finance lease and equivalent operations" and represent the group's net investment in the leasing contract, which is equal to the discounted value at the contract's implicit rate of the minimum payments that are to be received from the lessee, plus any non-guaranteed residual value.

Finance lease operations are recorded in the balance sheet on the settlement/delivery date.

The interest included in the lease payments is recorded in the "Interest income" line in the profit and loss statement such as to be able to determine a constant periodic profitability rate for the net investment. In case of the decrease of the non-guaranteed residual values used in the calculation of the lessor's gross investment in the finance lease contract, a charge is recorded in order to correct the amount of the already determined financial products.

The Assets Temporarily Not Leased (ATNL) resulting from finance lease operations are likened to stocks and are recorded as balance sheet assets under the heading "Accruals and miscellaneous assets". They are assessed at their net financial value on the termination date, net of possible impairment booked when the recovery value is lower than the financial net value on the termination date.

## **5.12 Tangible and intangible fixed assets**

In compliance with the IAS 16 standard relative to tangible fixed assets and IAS 38 standard relative to intangible fixed assets, a tangible or intangible fixed asset is posted as an asset if:

- it is probable that the future economic benefits associated with this asset will go to the company;
- this asset's cost can be reliably assessed.

Fixed assets are recorded at their acquisition cost, possibly increased by the acquisition expenses that are directly attributable to them.

The group applies the asset recognition method by component to all of its tangible and intangible fixed assets.

After initial recognition, the fixed assets are assessed at their cost, less the total of the amortisations and impairment losses.

Fixed assets are depreciated according to the consumption duration of the expected economic benefits, which generally corresponds with the asset's lifespan. When one or more of a fixed asset's components have a different operational life or provide different economic benefits, these components are amortised according to their own operational lives.

The following amortisation durations have been adopted:

- software: from 1 to 5 years;
- buildings: from 25 to 55 years;
- fittings, furnishings and office equipment: from 4 to 10 years;
- IT hardware: 4 years.

Fixed assets are the subject of an impairment test when signs of possible impairment losses are identified on the closing date. If affirmative, the asset's new recoverable value is compared with the fixed asset's net book value. In case of a loss in value, impairment is noted through profit or loss.

This impairment is written back in case of modification of the recoverable value or the disappearance of the signs of impairment loss.

## **5.13 Investment property**

In compliance with IAS 40 standard relative to investment buildings, a real estate asset is recognised in "Investment buildings" if it is held in order to obtain rental payments or develop the capital. Investment buildings are assessed using the cost method.



Disposal capital gains or losses from investment fixed assets are listed through profit or loss on the lines “Earnings from other activities” or “Expenses from other activities”, as are the other earnings and related expenses (notably rents and depreciation allowances).

Provided for information purposes, the fair value of investment buildings, for its part, is estimated based on “expert opinion”.

#### **5.14 Other personnel benefits**

The Bpifrance Group provides its employees with various types of benefits, falling into four categories:

##### ***Short-term benefits***

They primarily include salaries, holidays, mandatory and voluntary profit sharing, and bonuses payable within 12 months of the closing of the fiscal year to which they pertain. They are recognised in the expenses for the fiscal year, including the amounts still owed at the time of the closing.

##### ***Post-employment benefits***

They include the retirement lump sum payments, the banking sector retirement supplements and health expenses after employment.

These benefits can be divided into two categories: the defined contribution plans (not representative of a commitment to be provisioned by the company) and the defined benefit plans (representative of a commitment at the company’s expense and resulting in an assessment and provisioning).

##### ***Defined contribution plan***

A defined contribution plan is a plan for post-employment benefits according to which an entity pays defined contributions (as an expense) to a separate entity and will have no legal obligation to pay additional contributions if the fund does not have sufficient assets to provide all of the benefits corresponding with the services provided by the personnel during the periods in question.

##### ***Defined benefits plan***

The obligations are assessed using an actuarial method that considers demographic and financial assumptions such as age, seniority, the probability of presence on the date of the awarding of the benefit, and the discounting rate (rate of return from the market for the bonds of high quality companies). This calculation includes a distribution of the expense over time on the basis of the activity period of the personnel members (projected credit units method). The recognition of the obligations takes into account the value of the assets established in order to hedge the obligations and actuarial elements.

The expenses relative to defined benefit plans consist of the cost of the benefits rendered during the year, the interest on the liabilities or net assets relative to the defined benefits (at the market rate of return of the bonds of high-quality companies), the contributions to the employer’s plans, and the benefits paid.

The possible actuarial gains and losses (revaluations), the yields of the plan's assets (excluding interest) and the consequences of the reductions and possible liquidations of plans are booked in other elements of the overall earnings.

### ***Other long-term benefits***

The long-term benefits are generally related to seniority, paid to employees who are still active, but more than 12 months after the fiscal year's closing. This primarily involves the bonuses for labour medals. These commitments are the subject of a provision that corresponds with the value of the commitments at the time of the closing. They are assessed using the same actuarial method as the one applied to the post-employment benefits.

For other long-term benefits, the cost of the benefits, the net interest on the liabilities (the assets) and the revaluations of the liabilities (or assets) are booked in net income.

### ***Cessation of employment compensation***

This involves compensation paid to employees at the time of the termination of their employment contract, prior to retirement, whether in case of dismissal or acceptance of a voluntary departure plan. The end of employment contract allowances are provisioned.

## **5.15 Provisions**

A provision is established when it is likely that a resource outflow representing economic benefits will be necessary in order to fulfil an obligation resulting from a past event amount can be reliably estimated. The amount of such obligations is discounted in order to determine the provision amount, when the impact of this discounting is material.

## **5.16 Current and deferred taxation, tax situation**

### ***Current taxation***

The payable tax on profits is determined on the basis of the rules and rates applicable in France, as the group companies are exclusively located in France.

### ***Deferred tax***

Deferred taxes are recognised when temporary differences are noted between the book value and the tax value of an asset or liability.

The overall calculation method, which involves determining all of the temporary gaps irrespective of the date when the tax will become payable or recoverable, has been adopted for the calculation of the deferred tax.

The tax rate and rules used in the calculation of the deferred taxation are the ones resulting from the applicable fiscal texts, which will be applicable when the tax becomes recoverable and payable.

Deferred taxes are compensated with one another on the level of each tax entity of the consolidated group. Deferred tax debits are only taken into account if it is probable that the entity in question has a recovery prospect over a determined horizon.

Deferred taxes are recognised as a tax income or expense in the profit and loss statement, except for the ones relating to unrealised gains or losses on assets available for sale, and to the value changes of derivatives designated as cash flow hedging, for which the corresponding deferred taxes are charged against the shareholders' equity.

### ***Tax situation***

Bpifrance Financement is the parent company of the tax consolidation group including Auxifinance.

#### **5.17 Interest income and expenses**

In compliance with ANC recommendation no. 2013-04 of 7 November 2013, the items "Interest and related income" and "Interest and related expenses" record the interest from fixed income securities recognised in the category of "Financial assets available for sale", the interest on loans/borrowing and receivables/debts owed by lending institutions and customers (including on the finance lease and equivalent operations). This item also records the interest on "Held-to-maturity financial assets" and on "Derivative hedge instruments".

The income and expenses relative to financial instruments assessed at their amortised cost and to fixed income assets included in the "Financial assets available for sale" are recognised in the profit and loss statement using the effective interest rate method.

#### **5.18 Commissions**

The recognition provisions for the received commissions relating to services or financial instruments depend on the purpose of the services rendered or the recognition method of the financial instruments to which the service is attached.

Commissions remunerating an immediate service are recorded in the income as soon as the service is completed.

Commissions collected as part of a continuing service, such as guarantee commissions and management commissions, are staggered over the duration of the service on a proportional basis.

The commissions that are an integral part of the effective yield of an instrument, such as commissions for financing commitments given or the commissions for the granting of loans, are recognised and amortised as an adjustment of the loan's effective yield over the estimated lifespan of the loan in question, when these commissions are considered to be significant. These commissions are therefore included in the "Interest and related income" rather than in the "Commissions" item.

### **5.19 Net gains or losses on financial instruments at fair value through profit or loss**

This item records the gains or losses at fair value through profit or loss, whether qualified as trading or fair value on option. It therefore primarily includes the fair value variations of derivatives, including interest, not used for hedging. This also applies to fair value variations of derivative instruments used for fair value hedging, but excluding interest.

### **5.20 Net gains or losses on financial assets available for sale**

The net gains or losses on financial assets available for sale primarily include the income from the disposal of securities and the impairment losses on variable income securities.

### **5.21 Personnel costs**

The personnel costs include the wages and salaries, as well as the personnel benefits.

### **5.22 Cost of risk**

The net allowances of write-backs for depreciation and provisions, receivables written off as losses during the fiscal year, recoveries on amortised receivables comprise the risk expense on credit operations and fixed income securities included in "Financial assets available for sale".

### **5.23 Share of earnings of associates**

The entities recognised using the equity method are considered as having an operational nature that proceeds from the group's activity.

Consequently, the share in the net earnings of companies accounted for using the equity method is presented after the operating earnings, in compliance with ANC recommendation no. 2013-04 of 7 November 2013.

### **5.24 Guarantee activity**

#### **5.24.1 Guarantee commitments**

A financial guarantee contract is a contract that requires the issuer to make specific payments in order to repay the holder for a loss that it incurs due to the default of a specified debtor.

Most of the guarantee commitments are carried by Bpifrance Financement and Bpifrance Régions, and are backed by guarantee funds. Information on the progress of the credit risk is primarily supplied to the group by its banking partners. Since 2015, the outstanding amounts of clients declared in default by the partner bank are classed as sound outstandings on watch list.

The overdue outstanding amounts correspond to the outstanding amounts for which the group has information that the counterparty is in default. A provision is calculated on the basis of statistical data on the valuation of the recognised loss.

The impaired outstanding amounts correspond to the outstanding amounts for which the group has been informed of the enforcement of its guarantee after expiry of the loan term or the occurrence of collective proceedings. A provision is calculated and adjusted to account for the recovery potential on the basis of statistical observations.

In compliance with the IAS 39 standard, financial guarantee contracts are initially assessed at their fair value. Thereafter, in compliance with the provisions of the IAS 37 standard “Provisions, Contingent Liabilities and Contingent Assets”, the non-recognised litigation is provisioned. The fair value of the guarantees is assessed from internal default models, for bank loan guarantees, or from a maximum compensation rate for capital guarantee operations. With the exception of risks on capital operations, this assessment is discounted in order to take the time effect into account.

The IFRS 4 standard is not applied to insurance contracts.

The fair value of the guarantees is booked on the liabilities side of the balance sheet, under “Provisions”.

The impact on the group’s earnings is nil as long as the associated guarantee funds are not used up, as future non-recognised litigation is charged against the guarantee funds.

#### **5.24.2. Guarantee funds**

The guarantee funds are similar to reimbursable debt elements, the fair value of which is assessed by deducting the anticipated losses pursuant to the guarantees provided by the group.

In view of their specificity and importance for the group, they are included as balance sheet liabilities in a specific heading entitled “Public guarantee funds”.

The assessment of the guarantee funds also takes into account:

- the assessment of the future and non-recognised litigation representing the fair value of the guarantees, as the latter is charged against the guarantee funds until used up;
- the discounting of the commissions to be received;
- the IFRS impacts on the assessment of the fixed income securities backing the guarantee funds. Primarily classified as “Held-to-maturity financial assets”, the amortised cost assessment of these securities leads to discrepancies relative to the reference base using the French standards. This impact is charged against the guarantee funds since, by agreement, 90% of the income and expenses associated with these securities are attributable to the guarantee funds.

All flows associated with the guarantee funds are recognised as income and expenses, though with no impact on the group’s earnings.

#### **Special case of the securities backing the guarantee funds and included in the “Financial assets available for sale”**

In principle, the securities included in the “Financial assets available for sale” are assessed at their fair value, with the fair value variations from one fiscal year to the next being recognised in the recyclable shareholders’ equity.

However, as 90% of the earnings derived from the securities are attributable to the guarantee funds by agreement, only 10% of these fair value variations are recognised in the group's recyclable shareholders' equity, with the remaining 90% being recognised in a specific heading of the liabilities balance sheet, under the item "Accruals and miscellaneous liabilities".

### 5.25 Innovation activity

The innovation activity involves allocating subsidies, zero-rate loans or repayable advances on behalf of the State or of public partners. This activity is entirely financed by:

- an allocation known as the French State's "intervention allocation", structured as the Intervention guarantee fund;
- allocations from the local authorities.

These allocations are recorded on the line "Net innovation intervention resources".

Such aid takes the shape of subsidies, of zero-rate loans or of repayable advances in case of the project's success, with the effect in the profit and loss statement b intervention allocation.

In all, in terms of the method for the resources, the absence of compensation as well as the operating mode adopted for the depreciations, the innovation activity's operating account should be balanced, thereby conveying the fact that all of the risk is carried by the State or the local authorities.

Repayable advances are included on the balance sheet under the item "Innovation financing aids" and allocations to be received under the item "Receivables with State and Innovation Partners", also on the balance sheet. Any repayable advances not disbursed are not recognised in the balance sheet, and are contained in the off-balance sheet commitments.

Subsidies are recognised directly in the expenses, under the "Expenses on other activities" item. Subsidies granted to companies but not yet disbursed are shown on the liability side of the balance sheet in the "Accruals and miscellaneous liabilities" item, or are recognised in the off-balance sheet until their granting has been contractualised.

The intervention allocations (State and partner financing) are recognised on the liabilities side of the balance sheet in the "Net innovation intervention resources" item once the French State or the other partners have signed the agreements. They are used to finance the subsidies and repayable advances and are written back through profit or loss in keeping with the granting of subsidies to the beneficiaries and the occurrence of findings of failures or of the recognition of the depreciation and losses of repayable advances or of zero-rate loans.

Individual depreciations are recognised as deductions from the repayable advances when there is a recognised risk of non-recovery of all or part of the commitments assumed by the counterparty.

Moreover, collective impairments are calculated on the production of repayable advances or zero-rate loans financed by the State's intervention allocation, and correspond with a financial indicator that allows for an assessment of the possible amount of the repayable advances and loans that may have to be booked as expenses in future profit and loss statements. When the risk becomes recognised, a reclassification is carried out between the collective impairment and the individual impairment.

Individual and collective impairments established in this manner are recognised in the expenses in the profit and loss statement ("Expenses on other activities"). Symmetrically, the allocation consisting of the State's intervention and the partner financing is booked as a counterparty of this item.

Reversals of individual and collective impairment occur:

- when the impaired repayable advances finally become irretrievable and are recognised as expenses;
- when the impairment reversal results from a repayment of the advance.

In the case of an impairment reversal, the liabilities are replenished accordingly.

Income and expenses allocated to the Guarantee Funds are offset under the profit and loss statement under "Expenses from other activities". Note 6.17 and note 7.4 indicate the amount of the expenses and income in question.

### **5.26 Cash and cash equivalents**

The cash and cash equivalents heading includes the cash in hand and demand deposits, the very liquid short-term investments (under three months) that are easily convertible into a known cash amount and that are subject to a negligible risk of changing value. The cash equivalents are held in order to deal with short-term cash commitments.

The cash equivalents consist of current accounts, overnight borrowings and loans, cash accounts, and central bank.

### **5.27 Usage of estimates in the preparation of the Financial Statements**

The preparation of the financial statements requires the formulation of assumptions and estimates that include uncertainties with regard to their future realisation. Using information available on the closing date, these estimates require the managers to make use of their judgement. Future results depend on many factors: interest and exchange rate fluctuations, economic climate, changes to regulations or legislation, etc.

Amongst others, the following assessments require the formulation of assumptions and estimates:

- the fair value of the financial instruments, notably the value relating to non-listed shares included in the "Financial assets available for sale" and the value relating to instruments negotiated over-the-counter and included in the "Financial Assets or Liabilities assessed at their fair value through profit or loss" (notably rate swaps), as well as more generally the value relative to the financial instruments for which this information must be included in the notes to the financial statements;
- the future and non-recognised litigation associated with the financial guarantees provided by Bpifrance Financement and Bpifrance Régions;
- impairment of the credit activity calculated on an individual basis, which is estimated on a discounted basis according to a certain number of parameters (estimate of a recovery schedule, for example), or economic factors;
- impairment of the current activity calculated on a collective basis that notably use estimates of default probabilities and expert opinions;

- the calculations related to the charges for retirement services and future social benefits have been established on the basis of assumptions regarding the discount rate, personnel turnover rate and the change in salaries and social charges;
- by their nature, the provisions are also the subject of estimates, consisting of liabilities for which the maturity or amount are not precisely fixed;
- the amount of the deferred taxes, as a deferred tax asset is only recognised if it is felt that there is a probable future availability of a taxable profit against which the deferred tax debits can be charged.



● **Note 6 - Notes to the balance sheet**

For certain of the balance sheet's accounting categories (in particular the ones that take in financial instruments), information on the contractual terms are provided under the references "Current" and "Non-current".

With reference to the IAS 1 standard "Presentation of Financial Statements", the breakdown between "Current" and "Non-current" is made in view of the contractual residual maturities and of the management intention.

As such, an asset or liability is classified as "Current" in the event of realisations or settlements that will notably take place within the 12 months that follow the closing date. Conversely, realisations and settlements that will take place more than 12 months after the closing date are classified as "Non-current".

**6.1 Cash and central banks (assets and liabilities)**

(in millions of euros)	31/12/2017	31/12/2016
<b>Assets</b>		
Cash, Central Banks	357,2	882,3
<b>Total Assets</b>	<b>357,2</b>	<b>882,3</b>
<b>Liabilities</b>		
Central banks	0,0	0,0
<b>Total Liabilities</b>	<b>0,0</b>	<b>0,0</b>

**6.2 Financial assets and liabilities at fair value through profit or loss**

**Financial assets at fair value through profit or loss**

(in millions of euros)	31/12/2017	31/12/2016
<b>Financial assets held for trading purposes</b>	<b>0,0</b>	<b>0,0</b>
<b>Financial assets at fair value through profit or loss on option</b>		
Bonds & other fixed income securities	0,0	0,0
Equities & other variable income securities	0,0	0,0
Other financial assets	0,0	0,0
<b>Total financial assets at fair value through profit or loss on option</b>	<b>0,0</b>	<b>0,0</b>
<b>Derivative instruments at fair value through profit or loss (*)</b>		
Interest rate derivatives	0,0	0,0
Exchange rate derivative instruments	0,0	9,8
Derivative instruments on equities and indices	0,0	0,0
<b>Total derivative instruments at fair value through profit or loss</b>	<b>0,0</b>	<b>9,8</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>0,0</b>	<b>9,8</b>

(\*) not the subject of hedge accounting

**Breakdown of the financial assets at fair value through profit or loss between current and non-current elements**

(in millions of euros)	31/12/2017	31/12/2016
Current	0,0	9,8
Non-current	0,0	0,0
<b>Total</b>	<b>0,0</b>	<b>9,8</b>

**Financial liabilities at fair value through profit or loss**

(in millions of euros)	31/12/2017	31/12/2016
<b>Financial liabilities held for trading purposes</b>	<b>0,0</b>	<b>0,0</b>
<b>Financial liabilities at fair value through profit or loss on option</b>		
Due to credit institutions	0,0	0,0
Debts due to customers	0,0	0,0
Other financial liabilities	0,0	0,0
<b>Total financial liabilities at fair value through profit or loss on option</b>	<b>0,0</b>	<b>0,0</b>
<b>Derivative instruments at fair value through profit or loss</b>		
Interest rate derivatives	0,0	0,0
Exchange rate derivative instruments	3,5	3,7
Derivative instruments on equities and indices	0,0	0,0
<b>Total derivative instruments at fair value through profit or loss</b>	<b>3,5</b>	<b>3,7</b>
<b>Total financial liabilities at fair value through profit or loss</b>	<b>3,5</b>	<b>3,7</b>

**Breakdown of the financial liabilities at fair value through profit or loss between current and non-current elements**

(in millions of euros)	31/12/2017	31/12/2016
Current	0,0	0,0
Non-current	3,5	3,7
<b>Total</b>	<b>3,5</b>	<b>3,7</b>

**Credit risk associated with the financial liabilities at fair value through profit or loss**

(in millions of euros) 31/12/2017	Book value	Cumulative amount of fair value variations attributable to credit risk	Difference between the book value and the contractually owed amount at maturity
<b>Financial liabilities held for trading purposes</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Financial liabilities at fair value through profit or loss on option</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Derivative instruments at fair value through profit or loss</b>	<b>3,5</b>	<b>0,0</b>	<b>-0,4</b>
- Interest rate derivatives	0,0	0,0	0,0
- Exchange rate derivative instruments	3,5	0,0	-0,4
- Derivative instruments on equities and indices	0,0	0,0	0,0
<b>Total derivative instruments at fair value through profit or loss</b>	<b>3,5</b>	<b>0,0</b>	<b>-0,4</b>
<b>Total financial liabilities at fair value through profit or loss</b>	<b>3,5</b>	<b>0,0</b>	<b>-0,4</b>

## 6.3 Derivative hedge instruments (assets and liabilities)

## Asset hedging derivative instruments

(in millions of euros)	31/12/2017	31/12/2016
<b>Fair value derivative hedge instruments</b>	<b>11,3</b>	<b>93,0</b>
Interest rate derivatives (*)	11,3	93,0
Exchange rate derivative instruments	0,0	0,0
<b>Derivative instruments on equities and indices</b>	<b>0,0</b>	<b>0,0</b>
<b>Cash flow derivative hedge instruments</b>	<b>0,0</b>	<b>0,0</b>
<b>Total derivative hedge instruments (assets)</b>	<b>11,3</b>	<b>93,0</b>
<b>Derivative hedge instruments</b>	<b>11,3</b>	<b>93,0</b>
Individual hedging	0,0	0,0
* including fair value hedging	0,0	0,0
* including cash flow hedging	0,0	0,0
Portfolio rate hedging (fair value hived-off global hedging)	11,3	93,0
Portfolio rate hedging (cash flow hedge)	0,0	0,0
<b>Total derivative hedge instruments (assets)</b>	<b>11,3</b>	<b>93,0</b>

(\*) see Note 5.6 - On-balance sheet netting

## Liability hedging derivative instruments

(in millions of euros)	31/12/2017	31/12/2016
<b>Fair value derivative hedge instruments</b>	<b>7,9</b>	<b>122,4</b>
Interest rate derivatives (*)	7,9	122,4
Exchange rate derivative instruments	0,0	0,0
<b>Derivative instruments on equities and indices</b>	<b>0,0</b>	<b>0,0</b>
<b>Cash flow derivative hedge instruments</b>	<b>0,0</b>	<b>0,0</b>
<b>Total derivative hedge instruments (liabilities)</b>	<b>7,9</b>	<b>122,4</b>
<b>Derivative hedge instruments</b>	<b>7,9</b>	<b>122,4</b>
Individual hedging	0,0	0,0
* including fair value hedging	0,0	0,0
* including cash flow hedging	0,0	0,0
Portfolio rate hedging (fair value hived-off global hedging)	7,9	122,4
Portfolio rate hedging (cash flow hedge)	0,0	0,0
<b>Total derivative hedge instruments (liabilities)</b>	<b>7,9</b>	<b>122,4</b>

(\*) see Note 5.6 - On-balance sheet netting

## Ineffectiveness breakdown of the fair value hedging

(in millions of euros)	31/12/2017	31/12/2016
Fair value variation of the hedged item	0,1	0,2
Fair value variation of the hedging instrument	0,0	0,0
<b>Total</b>	<b>0,1</b>	<b>0,2</b>

#### 6.4 Non-current assets available for sale

(in millions of euros)	31/12/2017	31/12/2016
Negotiable debt instruments	130,3	20,0
Bonds	1,0	1,4
<i>Government Bonds</i>	0,0	0,0
<i>Other obligations</i>	1,0	1,4
Equities & other variable-income securities (*)	664,5	415,0
Non-consolidated equity securities	26,5	29,1
Depreciation on assets available for sale	-1,6	-1,8
<b>Total financial assets available for sale</b>	<b>820,7</b>	<b>463,7</b>

(\*) Money market UCITS

#### Variation table of impairments

(in millions of euros)	31/12/2017	31/12/2016
Total Balance on <sup>1</sup> January	1,8	1,9
<b>Fiscal year impairment</b>	<b>-0,2</b>	<b>-0,1</b>
Impairment loss	0,3	0,2
Depreciation write-back	-0,5	-0,3
Changes in scope	0,0	0,0
<b>Balance on 31 December</b>	<b>1,6</b>	<b>1,8</b>

#### Classification of current and non-current financial assets as being available for sale

(in millions of euros)	31/12/2017	31/12/2016
Current	130,5	20,3
Non-current	690,2	443,4
<b>Total</b>	<b>820,7</b>	<b>463,7</b>

#### 6.5 Loans and receivables due from credit institutions

(in millions of euros)	31/12/2017	31/12/2016
Overdrafts	211,8	344,4
Overnight loans	0,0	0,0
Term loans	249,9	232,4
Individual impairment of loans and receivables	0,0	0,0
Collective impairment of loans and receivables	0,0	0,0
Inter-company receivables	0,9	0,8
<b>Total loans and receivables due from credit institutions</b>	<b>462,6</b>	<b>577,6</b>

#### Breakdown of the loans and receivables due from credit institutions between current and non-current items

(in millions of euros)	31/12/2017	31/12/2016
Current	236,2	364,2
Non-current	226,4	213,4
<b>Total</b>	<b>462,6</b>	<b>577,6</b>

## 6.6 Loans and receivables due from customers

(in millions of euros)	31/12/2017	31/12/2016
Overdrafts, advances on TAP	0,0	0,0
Trade receivables	438,6	422,0
Short-term credit facilities	5 589,4	5 024,2
Medium and long-term loans (1)	13 714,3	12 548,0
Subordinated loans	434,8	389,8
Other credits	10 132,3	8 817,2
Individual impairment of loans and receivables	-506,8	-425,6
* including impairment covered by guarantee funds	-321,3	-260,6
Collective impairment of loans and receivables	-569,4	-583,1
Inter-company receivables	85,3	87,4
Accounts opened with the State – Agence France Trésor	5 204,3	5 785,8
<b>Total loans and receivables due from customers</b>	<b>34 522,8</b>	<b>32 065,7</b>

## Variation tables of individual impairments

(in millions of euros)	31/12/2017			
	Medium & long-term loans	Short-term financing	Other	Total
Total Balance on <sup>1</sup> January	384,9	40,4	0,3	425,6
<b>Fiscal year impairment</b>	<b>67,0</b>	<b>14,1</b>	<b>0,1</b>	<b>81,2</b>
Individual impairments expense	62,0	13,0	0,1	75,1
Individual impairment write-backs	-43,7	-10,2	0,0	-53,9
Accretion effect	-0,7	0,0	0,0	-0,7
Other movements (3)	49,4	11,3	0,0	60,7
Balance on 31 December	451,9	54,5	0,4	506,8

(1) Co-financing activity – Medium and long-term loans

(2) Short-term financing activity

(3) The other movements primarily relate to the allocated guarantee funds

(in millions of euros)	31/12/2016			
	Medium & long-term loans	Short-term financing	Other	Total
Total Balance on <sup>1</sup> January	315,6	29,4	0,2	345,2
<b>Fiscal year impairment</b>	<b>69,3</b>	<b>11,0</b>	<b>0,1</b>	<b>80,4</b>
Individual impairments expense	63,8	9,5	0,1	73,4
Individual impairment write-backs	-40,8	-2,8	0,0	-43,6
Accretion effect	-0,8	0,0	0,0	-0,8
Other movements (3)	47,1	4,3	0,0	51,4
Balance on 31 December	384,9	40,4	0,3	425,6

## Variation tables of collective impairments

(in millions of euros)	31/12/2017			
	Medium & long-term loans	Short-term financing	Other	Total
Total Balance on <sup>1</sup> January	563,1	20,0	0,0	583,1
<b>Fiscal year impairment</b>	<b>-18,1</b>	<b>4,4</b>	<b>0,0</b>	<b>-13,7</b>
Impairment charges net of available write-backs	18,6	8,2	0,0	26,8
Collective depreciation write-back	-42,0	-3,8	0,0	-45,8
Other movements (*)	5,3	0,0	0,0	5,3
Balance on 31 December	545,0	24,4	0,0	569,4

(\*) Other movements primarily relate to the net innovation intervention resources

(in millions of euros)	31/12/2016			
	Medium & long-term loans	Short-term financing	Other	Total
Total Balance on 1 January	573,1	14,4	0,0	587,5
<b>Fiscal year impairment</b>	<b>-10,0</b>	<b>5,6</b>	<b>0,0</b>	<b>-4,4</b>
Impairment charges net of available write-backs	5,3	13,8	0,0	19,1
Collective depreciation write-back	-41,5	-8,2	0,0	-49,7
Other movements (*)	26,2	0,0	0,0	26,2
<b>Balance on 31 December</b>	<b>563,1</b>	<b>20,0</b>	<b>0,0</b>	<b>583,1</b>

### Breakdown of the loans and receivables due from customers between current and non-current items

(in millions of euros)	31/12/2017	31/12/2016
Current	13 907,8	13 170,4
Non-current	20 615,0	18 895,3
<b>Total</b>	<b>34 522,8</b>	<b>32 065,7</b>

### 6.7 Financial lease contracts and equivalent operations

(in millions of euros)	31/12/2017	31/12/2016
Real-estate leasing and equivalent operations	4 303,4	4 304,6
Equipment leasing and equivalent operations	1 784,8	1 764,7
Inter-company receivables	24,4	38,7
Individual impairment	-47,7	-46,4
* including impairment covered by guarantee funds	-17,5	-22,7
Collective impairments	-56,3	-56,5
<b>Total financial leases and equivalent operations</b>	<b>6 008,6</b>	<b>6 005,1</b>

### Variation tables of individual impairments

(in millions of euros)	31/12/2017		
	Real estate leasing	Equipment leasing	Total
Total Balance on 1 January	25,5	20,9	46,4
<b>Fiscal year impairment</b>	<b>6,3</b>	<b>-5,0</b>	<b>1,3</b>
Individual impairments expense	13,9	4,1	18,0
Individual impairment write-backs	-5,3	-6,1	-11,4
Other movements (*)	-2,3	-3,0	-5,3
<b>Balance on 31 December</b>	<b>31,8</b>	<b>15,9</b>	<b>47,7</b>

(\*) Other movements primarily relate to the allocated guarantee funds

(in millions of euros)	31/12/2016		
	Real estate leasing	Equipment leasing	Total
Total Balance on 1 January	30,2	20,4	50,6
<b>Fiscal year impairment</b>	<b>-4,7</b>	<b>0,5</b>	<b>-4,2</b>
Individual impairments expense	5,9	5,3	11,2
Individual impairment write-backs	-9,8	-5,2	-15,0
Other movements (*)	-0,8	0,4	-0,4
<b>Balance on 31 December</b>	<b>25,5</b>	<b>20,9</b>	<b>46,4</b>

(\*) Other movements primarily relate to the allocated guarantee funds

## Variation tables of collective impairments

(in millions of euros)	31/12/2017		
	Real estate leases	Equipment leases	Total
Total Balance on 1 January	45,0	11,5	56,5
<b>Fiscal year impairment</b>	<b>-1,4</b>	<b>1,2</b>	<b>-0,2</b>
Impairment charges net of available write-backs	10,7	1,0	11,7
Collective depreciation write-back	-12,1	0,2	-11,9
<b>Balance on 31 December</b>	<b>43,6</b>	<b>12,7</b>	<b>56,3</b>

(in millions of euros)	31/12/2016		
	Real estate leases	Equipment leases	Total
Total Balance on 1 January	48,0	15,8	63,8
<b>Fiscal year impairment</b>	<b>-3,0</b>	<b>-4,3</b>	<b>-7,3</b>
Impairment charges net of available write-backs	-3,4	-2,6	-6,0
Collective depreciation write-back	0,4	-1,7	-1,3
<b>Balance on 31 December</b>	<b>45,0</b>	<b>11,5</b>	<b>56,5</b>

## Breakdown of financial lease contracts between current and non-current items

(in millions of euros)	31/12/2017	31/12/2016
Current	964,6	948,8
Non-current	5 044,0	5 056,3
<b>Total</b>	<b>6 008,6</b>	<b>6 005,1</b>

## 6.8 Innovation financing aids

(in millions of euros)	31/12/2017	31/12/2016
Innovation repayable advances	1 115,7	1 151,3
Individual impairment	-223,3	-255,5
Collective impairments	-400,8	-361,7
<b>Total aid for financing innovation</b>	<b>491,6</b>	<b>534,1</b>

## 6.9 Held-to-maturity financial assets

(in millions of euros)	31/12/2017	31/12/2016
Negotiable debt instruments	503,5	153,2
Bonds	8 138,3	6 546,3
<i>Government Bonds</i>	7 921,3	6 287,3
<i>Other obligations</i>	217,0	259,0
Impairment of financial assets held to maturity	0,0	0,0
<b>Total financial assets held to maturity</b>	<b>8 641,8</b>	<b>6 699,5</b>

**Breakdown of financial assets held to maturity  
between current and non-current items**

(in millions of euros)	31/12/2017	31/12/2016
Current	1 180,6	613,9
Non-current	7 461,2	6 085,6
<b>Total</b>	<b>8 641,8</b>	<b>6 699,5</b>

**6.10 Current and deferred tax assets and liabilities**

(in millions of euros)	31/12/2017	31/12/2016
Current taxes	11,4	5,4
Deferred taxes	0,0	0,0
<b>Current and deferred tax assets</b>	<b>11,4</b>	<b>5,4</b>
Current taxes	1,6	1,2
Deferred taxes	8,4	18,4
<b>Current and deferred tax liabilities</b>	<b>10,0</b>	<b>19,6</b>

**6.11 Accrued income/expense, and other assets/liabilities**

**Accruals and Other Assets**

(in millions of euros)	31/12/2017	31/12/2016
Discounted value of pending commissions owed to guarantee funds (guaranteed activity)	136,9	132,2
Deferred expenses	50,7	58,2
Accrued income	13,5	17,0
Medium and long-term direct debits in progress	2,6	3,1
Other	16,6	23,2
<b>Total of accruals and deferred income</b>	<b>220,3</b>	<b>233,7</b>

**Miscellaneous assets**

(in millions of euros)	31/12/2017	31/12/2016
Settlement accounts for securities transactions	0,0	0,0
Guarantee margins paid on repurchase transactions and interest rate swap contracts	146,8	213,3
Receivables with State and Innovation partners	134,0	109,0
Guarantee funds to be received	1,0	17,1
Other sundry debtors	110,5	70,5
Stocks and sundry assets	17,0	17,8
<b>Total other assets</b>	<b>409,3</b>	<b>427,7</b>



## Accruals and Deferred Expenses

(in millions of euros)	31/12/2017	31/12/2016
Subsidies to be paid (innovation)	86,2	116,6
Guarantee commissions booked in advance	274,1	250,9
Other deferred income	19,3	16,4
Other tax and social charges to be paid	76,6	71,6
Other charges to be paid	52,4	39,9
Other	223,5	222,6
<b>Total of accruals and deferred income</b>	<b>732,1</b>	<b>718,0</b>

## Miscellaneous assets

(in millions of euros)	31/12/2017	31/12/2016
Outstanding payments on securities not fully paid up	0,0	0,0
Received security deposits	3,8	3,1
Other guarantees received	49,3	62,2
Litigation to be paid on proven risks relating to guarantee commitments (*)	0,0	938,1
Allocated public sector funds – FDES Advances	3,1	3,1
Invoices to be paid on leasing operations	54,6	46,9
Other tax and social debts	18,6	25,4
Guarantee commissions earned in advance from customers	0,3	0,4
Sundry creditors	131,9	28,5
<b>Total other liabilities</b>	<b>261,6</b>	<b>1 107,7</b>

(\*) Litigation to be paid on proven risks relating to guarantee commitments were transferred to provisions (see Note 6.16)

## 6.12 Tangible and intangible fixed assets

(in millions of euros)	31/12/2017	31/12/2016
<b>1 – Tangible fixed assets</b>		
1.1 – Land and buildings	192,4	186,9
Amortisations and depreciations	-83,4	-77,3
<b>Net amount</b>	<b>109,0</b>	<b>109,6</b>
1.2 – Other tangible fixed assets	31,6	28,7
Amortisations and depreciations	-24,5	-21,9
<b>Net amount</b>	<b>7,1</b>	<b>6,8</b>
<b>Total tangible fixed assets</b>	<b>116,1</b>	<b>116,4</b>
<b>2 – Intangible fixed assets</b>		
2.1 – Software	228,7	199,8
Amortisations and depreciations	-166,6	-144,1
<b>Net amount</b>	<b>62,1</b>	<b>55,7</b>
2.2 – Other intangible fixed assets	1,2	1,2
Amortisations and depreciations	0,0	0,0
<b>Net amount</b>	<b>1,2</b>	<b>1,2</b>
<b>Total intangible fixed assets</b>	<b>63,3</b>	<b>56,9</b>

(in millions of euros)	Tangible fixed assets		Intangible fixed assets	
	Land & buildings	Other tangible fixed assets	Software	Other intangible fixed assets
<b>Gross amount as at 31/12/2016</b>	<b>186,9</b>	<b>28,7</b>	<b>199,8</b>	<b>1,2</b>
Acquisitions	12,0	2,9	30,3	0,0
Exits	-6,5	0,0	-1,4	0,0
Other	0,0	0,0	0,0	0,0
<b>Gross amount as at 31/12/2017</b>	<b>192,4</b>	<b>31,6</b>	<b>228,7</b>	<b>1,2</b>
Total depreciation as at 31/12/2017	-83,4	-24,5	-166,6	0,0
<b>Net amount as at 31/12/2017</b>	<b>109,0</b>	<b>7,1</b>	<b>62,1</b>	<b>1,2</b>

### 6.13 Debts due to lending institutions

(in millions of euros)	31/12/2017	31/12/2016
<b>Demand and overnight debts</b>	<b>2,3</b>	<b>4,9</b>
Ordinary deposits and accounts	2,3	4,9
Overnight borrowings and accounts	0,0	0,0
<b>Term debts</b>	<b>12 356,2</b>	<b>12 256,8</b>
Term borrowings and accounts	6 630,4	7 403,3
. including resources from passbook savings accounts (Codevi/Li	3 155,3	4 137,8
. including resources from the KfW and the Council of Europe Dev	131,2	218,9
. including refinancing with the ECB	3 300,0	3 000,0
Securities sold on repo	5 725,8	4 853,5
<b>Attached debts</b>	<b>6,6</b>	<b>36,6</b>
<b>Total debts to lending institutions</b>	<b>12 365,1</b>	<b>12 298,3</b>

Breakdown of debts due to lending institutions between current and non-current items

(in millions of euros)	31/12/2017	31/12/2016
Current	6 697,8	5 925,9
Non-current	5 667,3	6 372,4
<b>Total</b>	<b>12 365,1</b>	<b>12 298,3</b>

### 6.14 Debts due to customers

(in millions of euros)	31/12/2017	31/12/2016
<b>Demand and overnight debts</b>	<b>206,2</b>	<b>458,8</b>
Ordinary deposits and accounts	206,2	458,8
. of which EPIC Bpifrance accounts	84,3	163,5
. of which Bpifrance accounts	23,9	210,2
Overnight accounts and borrowings	0,0	0,0
<b>Term debts</b>	<b>3 273,4</b>	<b>3 254,3</b>
Term borrowings and accounts	2 867,6	2 679,9
. of which EPIC Bpifrance loans	1 967,8	1 883,0
. of which Bpifrance loans	0,0	0,0
Preserved capital guarantee funds (*)	405,8	574,4
Securities sold on repo	0,0	0,0
<b>Attached debts</b>	<b>16,2</b>	<b>16,2</b>
<b>Advance from State shareholder</b>	<b>0,0</b>	<b>300,0</b>
<b>Associated liabilities of the shareholder's advance</b>	<b>0,0</b>	<b>0,0</b>
<b>Total debts due to customers</b>	<b>3 495,8</b>	<b>4 029,3</b>

(\*) Repayments of the 2nd FGKP tranche

**Breakdown of debts due to customers  
between current and non-current items**

(in millions of euros)	31/12/2017	31/12/2016
Current	664,5	953,3
Non-current	2 831,3	3 076,0
<b>Total</b>	<b>3 495,8</b>	<b>4 029,3</b>

**6.15 Debt securities**

(in millions of euros)	31/12/2017	31/12/2016
Bond Issues	20 459,7	15 809,4
<i>EMTN 2011</i>	1 200,0	1 200,0
<i>EMTN 2012</i>	1 464,0	2 614,0
<i>EMTN 2013</i>	2 100,0	2 300,0
<i>EMTN 2014</i>	1 200,0	1 600,0
<i>EMTN 2015</i>	3 550,0	3 550,0
<i>EMTN 2016</i>	4 267,0	4 267,0
<i>EMTN 2017</i>	6 430,0	0,0
<i>Revaluation of micro-hedged loans (net of issue costs)</i>	248,7	278,4
Negotiable debt instruments	4 222,6	4 735,1
Attached debts	104,0	110,1
<b>Total debts represented by a security</b>	<b>24 786,3</b>	<b>20 654,6</b>

**Breakdown of debts represented by a security between current and non-current items**

(in millions of euros)	31/12/2017	31/12/2016
Current	4 125,1	5 785,3
Non-current	20 661,2	14 869,3
<b>Total</b>	<b>24 786,3</b>	<b>20 654,6</b>

## 6.16 Impairment and provisions

### Litigation provisions

(in millions of euros)	31/12/2017	31/12/2016
Provisions on credit risks	2,8	2,8
Provisions for restructuring	3,8	4,4
Provisions for other employee benefit commitments	18,6	16,6
Litigation to be paid on proven risks relating to guarantee commitments (*)	907,8	0,0
Fair value of the guarantees given	1 791,8	1 689,6
Innovation off-balance sheet commitments	91,7	124,0
Other	16,1	15,6
<b>Total provisions</b>	<b>2 832,6</b>	<b>1 853,0</b>

(\*) Litigation to be paid on proven risks relating to guarantee commitments were transferred to provisions (see Note 6.11)

Table of impairment flows and provisions

(in millions of euros)	Impairments and provisions as at 31/12/16	Allowances to impairments and provisions	Write-backs of impairments and available provisions	Write-backs of impairments and provisions used (1)	Other change (2)	Impairments and provisions as at 31/12/17	Risks charged to the guarantee funds	Non-recoverable receivables not covered by provisions	Recoveries on loans and receivables previously written-off	Impact on Earnings (3)
<b>Impairment and provisions for doubtful receivables and credit risks - Fair value of guarantees given</b>	<b>2 804,8</b>	<b>847,4</b>	<b>442,3</b>	<b>284,6</b>	<b>50,0</b>	<b>2 975,3</b>	<b>374,9</b>	<b>7,8</b>	<b>2,7</b>	<b>-35,3</b>
- Impairment of doubtful loans	472,8	93,3	43,9	21,9	54,7	555,0	0,0	7,6	2,7	-54,3
. Interbank loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	-0,1
. Customer loans	425,6	75,1	33,7	20,2	60,0	506,8	0,0	6,6	2,0	-46,0
. Leasing transactions (excluding interest)	46,4	18,0	10,1	1,3	-5,3	47,7	0,0	0,9	0,7	-8,1
. Securities transactions	0,8	0,2	0,1	0,4	0,0	0,5	0,0	0,0	0,0	-0,1
. Sundry debtors	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Provisions on credit risks	2,8	613,4	340,7	262,7	-10,0	2,8	272,7	0,2	0,0	-0,2
- Fair value of the guarantees	1 689,6	102,2	0,0	0,0	0,0	1 791,8	102,2	0,0	0,0	0,0
- Collective impairments	639,6	38,5	57,7	0,0	5,3	625,7	0,0	0,0	0,0	19,2
<b>Provisions for miscellaneous operating contingencies</b>	<b>15,6</b>	<b>1,4</b>	<b>0,9</b>	<b>0,0</b>	<b>0,0</b>	<b>16,1</b>				
<b>Impairment on aids for financing innovation</b>	<b>617,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>6,9</b>	<b>624,1</b>				
<b>Litigation to be paid on proven risks</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>907,8</b>	<b>907,8</b>				
<b>Provisions for innovation aid commitments</b>	<b>124,0</b>	<b>-32,3</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>91,7</b>				
<b>Other provisions</b>	<b>21,0</b>	<b>5,2</b>	<b>0,0</b>	<b>3,8</b>	<b>0,0</b>	<b>22,4</b>				
- Provisions for restructuring	4,4	1,5	0,0	2,1	0,0	3,8				
- Provisions employee benefit	16,6	3,7	0,0	1,7	0,0	18,6				

(1) Write-backs correspond to write-offs as losses

(2) Variations in scope, exchange rate and reclassification of provisions

(3) +/- Net allowances or write-backs

- + Risks charged to guarantee funds
- Non-recoverable receivables
- + Recoveries on loans & receivables previously written-off

## 6.17 Net innovation intervention resources

(in millions of euros)	31/12/2017	31/12/2016
Innovation Stratégie Industrielle (Strategic Industrial Innovation - ISI) aids	370,4	303,6
Programme Mobilisateur pour l'Innovation Industrielle (Industrial Innovation Mobilising Programme - PMII) – ISI 2008	88,7	121,8
FNI-FISO: Fonds National Innovation - Fonds Innovation Sociale (National Innovation Fund - Social Innovation Fund)	4,9	4,9
Aid on partner financing	370,7	302,1
Fonds Régionaux de Garantie de l'Innovation (Innovation Guarantee Regional Fund - FRGI)	100,9	73,0
<b>Total of net innovation intervention resources</b>	<b>935,6</b>	<b>805,4</b>

### Net innovation intervention resources

(in millions of euros)

<b>Net innovation intervention resources as at 31/12/2016</b>	<b>805,4</b>
2017 allocations (net balance)	302,6
Subsidies	-80,1
Repayments and redeployments	-45,2
Provisions, losses and recognised failures	-50,3
Financial earnings & charges	0,0
Miscellaneous proceeds	9,4
Appraisals & miscellaneous expenses	-6,2
<b>Net innovation intervention resources as at 31/12/2017</b>	<b>935,6</b>

## 6.18 Public Guarantee Funds

(in millions of euros)	31/12/2017	31/12/2016
Reserve and mutual fund	879,2	1 165,4
AFT (Agence France Trésor)	1 469,5	1 488,4
CDC	7,6	7,5
Hived-off assets	6,2	6,3
Other funds	119,7	109,7
Bpifrance Regions Fund	379,7	357,7
<b>Total of the public guarantee funds</b>	<b>2 861,9</b>	<b>3 135,0</b>

### Public guarantee funds

(in millions of euros)

<b>Public Guarantee Fund as at 31/12/2016</b>	<b>3 135,0</b>
Appropriations to 2017 Guarantee Fund (net balance)	-9,0
Repayments of Guarantee Funds	-50,2
Guarantee commissions	117,2
Financial proceeds and recoveries	40,7
Cost of risk	-371,8
Discounted provisions	0,0
<b>Public Guarantee Fund as at 31/12/2017</b>	<b>2 861,9</b>

## 6.19 Subordinated debts

(in millions of euros)	31/12/2017	31/12/2016
Bpifrance SA subordinated term loan	300,0	0,0
Mutual guarantee deposits	7,3	7,3
Attached debts	2,1	0,0
<b>Total subordinated debts</b>	<b>309,4</b>	<b>7,3</b>

## Breakdown of subordinated debts between current and non-current items

(in millions of euros)	31/12/2017	31/12/2016
Current	8,9	6,9
Non-current	300,5	0,4
<b>Total</b>	<b>309,4</b>	<b>7,3</b>

## 6.20 Fair value of assets and liabilities

(in millions of euros)	31/12/2017			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<b>Financial assets at fair value through profit or loss</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- Bonds and other fixed income securities		0,0		0,0
- Equities and other variable income securities		0,0		0,0
- Exchange rate derivative instruments		0,0		0,0
<b>Derivative hedge instruments</b>	<b>0,0</b>	<b>11,3</b>	<b>0,0</b>	<b>11,3</b>
- Interest rate derivatives		11,3		11,3
<b>Non-current financial assets available for sale</b>	<b>0,8</b>	<b>130,3</b>	<b>689,6</b>	<b>820,7</b>
- Negotiable debt instruments		130,3		130,3
- Government bonds				0,0
- Other obligations	0,8			0,8
- Equities and other variable income securities			689,6	689,6
<b>Loans and receivables due from credit institutions</b>		<b>462,6</b>		<b>462,6</b>
<b>Loans and receivables due from customers</b>		<b>35 574,8</b>		<b>35 574,8</b>
<b>Finance lease and equivalent operations</b>		<b>6 243,1</b>		<b>6 243,1</b>
<b>Financial assets held-to-maturity</b>	<b>8 904,4</b>	<b>503,5</b>	<b>0,0</b>	<b>9 407,9</b>
- Negotiable debt instruments		503,5		503,5
- Government bonds	8 678,5			8 678,5
- Other obligations	225,9			225,9
<b>LIABILITIES</b>				
<b>Financial liabilities at fair value through profit or loss</b>	<b>0,0</b>	<b>3,5</b>	<b>0,0</b>	<b>3,5</b>
- Exchange rate derivative instruments		3,5		3,5
<b>Derivative hedge instruments</b>	<b>0,0</b>	<b>7,9</b>	<b>0,0</b>	<b>7,9</b>
- Interest rate derivatives		7,9		7,9
<b>Due to credit institutions</b>		<b>12 446,6</b>		<b>12 446,6</b>
<b>Debts due to customers</b>		<b>3 617,6</b>		<b>3 617,6</b>
<b>Debt securities</b>	<b>24 985,5</b>			<b>24 985,5</b>

(in millions of euros)	31/12/2016			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<b>Financial assets at fair value through profit or loss</b>	<b>0,0</b>	<b>9,8</b>	<b>0,0</b>	<b>9,8</b>
- Bonds and other fixed income securities		0,0		0,0
- Equities and other variable income securities		0,0		0,0
- Exchange rate derivative instruments		9,8		9,8
<b>Derivative hedge instruments</b>	<b>0,0</b>	<b>93,0</b>	<b>0,0</b>	<b>93,0</b>
- Interest rate derivatives		93,0		93,0
<b>Non-current financial assets available for sale</b>	<b>0,7</b>	<b>20,0</b>	<b>443,0</b>	<b>463,7</b>
- Negotiable debt instruments		20,0		20,0
- Government bonds				0,0
- Other obligations	0,7			0,7
- Equities and other variable income securities			443,0	443,0
<b>Loans and receivables due from credit institutions</b>		<b>577,6</b>		<b>577,6</b>
<b>Loans and receivables due from customers</b>		<b>33 477,6</b>		<b>33 477,6</b>
<b>Finance lease and equivalent operations</b>		<b>6 309,2</b>		<b>6 309,2</b>
<b>Financial assets held-to-maturity</b>	<b>7 459,8</b>	<b>130,1</b>	<b>0,0</b>	<b>7 589,9</b>
- Negotiable debt instruments	23,1	130,1		153,2
- Government bonds	7 163,2			7 163,2
- Other obligations	273,5			273,5
<b>LIABILITIES</b>				
<b>Financial liabilities at fair value through profit or loss</b>	<b>0,0</b>	<b>3,7</b>	<b>0,0</b>	<b>3,7</b>
- Exchange rate derivative instruments		3,7		3,7
<b>Derivative hedge instruments</b>	<b>0,0</b>	<b>122,4</b>	<b>0,0</b>	<b>122,4</b>
- Interest rate derivatives		122,4		122,4
<b>Due to credit institutions</b>		<b>12 450,4</b>		<b>12 450,4</b>
<b>Debts due to customers</b>		<b>4 219,2</b>		<b>4 219,2</b>
<b>Debt securities</b>	<b>21 019,4</b>			<b>21 019,4</b>

#### 6.21 Euro equivalent of foreign currency transactions

(in millions of euros)	31/12/2017	31/12/2016
Assets	0,9	2,0
Liabilities	11,2	253,5

These net balance sheet positions are hedged using financial instruments negotiated over-the-counter (forward foreign currency and exchange swaps).



- **Note 7 - Notes to the profit and loss statement**

### 7.1 Interest income and expenses

Interest Income		
(in millions of euros)	31/12/2017	31/12/2016
<b>Transactions with lending institutions</b>	49,2	26,3
<b>Customer transactions</b>		
Overdrafts	0,0	0,0
Short-term credit facilities	60,5	56,9
Medium and long-term loans	372,4	358,5
Miscellaneous credits	444,8	415,5
Subordinated debts	12,4	11,4
Variation of discounted future guarantee commissions	4,6	14,2
<b>Subtotal customer loans</b>	<b>894,7</b>	<b>856,5</b>
<b>Finance lease operations</b>		
Rents	1 131,9	1 111,3
Depreciation allowances	-859,3	-834,4
Allowances for special depreciations (Art. 64 & Art. 57)	-136,1	-129,8
Net movements on depreciation or termination compensation	-10,3	-15,5
Other proceeds	24,8	28,5
<b>Subtotal finance lease operations</b>	<b>151,0</b>	<b>160,1</b>
<b>Operations involving financial instruments</b>		
Non-current financial assets available for sale	1,3	1,4
Financial assets held-to-maturity	175,1	167,0
Hedging derivatives	214,0	198,4
<b>Subtotal transactions on financial instruments</b>	<b>390,4</b>	<b>366,8</b>
<b>Other interests and similar income</b>	<b>72,6</b>	<b>40,5</b>
<b>Total interest and similar income (*)</b>	<b>1 557,9</b>	<b>1 450,2</b>

(\*) Of which negative interest on liabilities of €125.1 million in 2017 (€46.8 million in 2016)

Interest and similar charges		
(in millions of euros)	31/12/2017	31/12/2016
<b>Transactions with lending institutions</b>	-113,8	-131,1
<b>Customer transactions</b>	-249,5	-240,7
<i>of which allocation of commission earnings to guarantee funds</i>	-116,3	-119,4
<b>Finance lease operations</b>		
Allowances to depreciations (excluding Art. 64 & Art. 57)	0,0	0,0
Other expenses	-4,3	-5,2
<b>Subtotal finance lease operations</b>	<b>-4,3</b>	<b>-5,2</b>
<b>Operations involving financial instruments</b>		
Debt securities	-281,0	-239,6
Subordinated debts	-2,1	0,0
Hedging derivatives	-177,3	-166,2
<b>Subtotal transactions on financial instruments</b>	<b>-460,4</b>	<b>-405,8</b>
<b>Other interest and similar charges</b>	<b>-37,2</b>	<b>-39,5</b>
<i>of which financial earnings allocated to the guarantee funds</i>	-36,7	-39,2
<b>Total interest-related expenses (*)</b>	<b>-865,2</b>	<b>-822,3</b>

(\*) Of which negative interest on liabilities of €56.4 million in 2017 (€28.0 million in 2016)

## 7.2 Net gains or losses on financial instruments at fair value through profit or loss

(in millions of euros)	31/12/2017	31/12/2016
<b>Net income on trading portfolio</b>	<b>0,0</b>	<b>0,0</b>
<b>Net income on fair value portfolio option</b>	<b>0,0</b>	<b>0,0</b>
<b>Net income on derivative instruments and revaluation of hedged items</b>	<b>1,2</b>	<b>3,8</b>
Individual hedging (ineffectiveness)	0,1	0,2
Hived-off global hedging	0,0	0,0
Isolated swaps	0,3	3,0
Other	0,8	0,6
<b>Net income from exchange transactions</b>	<b>-0,2</b>	<b>0,0</b>
<b>Total net gains or losses on financial instruments at fair value through profit or loss</b>	<b>1,0</b>	<b>3,8</b>

## 7.3 Net gains or losses on financial assets available for sale

(in millions of euros)	31/12/2017	31/12/2016
<b>Dividends</b>	<b>0,0</b>	<b>0,3</b>
<b>Disposal income</b>	<b>2,8</b>	<b>-0,1</b>
Disposal capital gains	2,8	0,2
Disposal capital losses	0,0	-0,6
Depreciation write-backs	0,0	0,3
<b>Impairment losses on variable income securities</b>	<b>0,0</b>	<b>-0,1</b>
<b>Total net gains or losses on financial assets available for sale</b>	<b>2,8</b>	<b>0,1</b>

## 7.4 Income and expenses from other activities

(in millions of euros)	31/12/2017	31/12/2016
<b>Income</b>		
Intervention allocations from partners – (innovation activity)	0,5	0,8
Operating allocations – (innovation activity)	0,0	0,0
Expenses charged back	12,5	8,6
Rebilling land taxes Property leases	92,7	94,1
Commission on recoveries and on insurance sold	12,1	10,5
Capital gains on stock disposals	3,0	1,9
Other proceeds	45,7	50,8
<b>Total income from other activities</b>	<b>166,5</b>	<b>166,7</b>
<b>Expenses</b>		
Land taxes Property lease activity	-92,7	-94,1
Subsidies paid on own funds	0,0	0,0
Provisions and losses on innovation aid	0,0	0,0
Capital losses on stock disposals	-3,2	-9,8
Other expenses	-16,1	-19,0
<b>Total general operating expenses</b>	<b>-112,0</b>	<b>-122,9</b>

## 7.5 Operating general expenses

(in millions of euros)	31/12/2017	31/12/2016
Personnel costs	-216,1	-198,3
Duties and taxes	-30,7	-31,5
Other operating expenses	-130,5	-124,2
Costs related to restructuring	-1,4	-3,3
<b>Total general operating expenses</b>	<b>-378,7</b>	<b>-357,3</b>

## 7.6 Amortisation &amp; depreciation and impairment on tangible &amp; intangible fixed assets

(in millions of euros)	31/12/2017	31/12/2016
Depreciation allowances	-32,0	-29,6
Allowances for impairment losses	0,0	0,0
Write-backs for impairment losses	0,0	0,0
<b>Total amortisation &amp; depreciation allowances on tangible and intangible fixed assets</b>	<b>-32,0</b>	<b>-29,6</b>

## 7.7 Cost of risk

(in millions of euros)	31/12/2017				31/12/2016
	Individual impairments	Collective impairments	Other liabilities	Total	Total
Net allocations to or write-backs from impairment and provisions	-49,5	19,3	0,0	-30,2	-6,6
Non-provisioned losses	-7,6	0,0	-0,2	-7,8	-6,2
Recoveries on impaired receivables	2,7	0,0	0,0	2,7	6,9
<b>Total cost of risk</b>	<b>-54,4</b>	<b>19,3</b>	<b>-0,2</b>	<b>-35,3</b>	<b>-5,9</b>

## 7.8 Taxes

## Income tax

(in millions of euros)	31/12/2017	31/12/2016
Corporation tax	-140,5	-98,5
Deferred taxes	8,9	-8,0
<b>Total income tax</b>	<b>-131,6</b>	<b>-106,5</b>

## Analysis of Income Tax Expenses

(in millions of euros)	31/12/2017	31/12/2016
Group share of earnings	182,3	183,8
Share of net earnings of minority interests	0,0	0,0
Net tax charge booked	131,6	106,5
<b>Earnings before taxes (A)</b>	<b>313,9</b>	<b>290,3</b>
French ordinary law taxation rate (B)	<b>34,43</b>	<b>34,43</b>
<b>Total theoretical tax expense (C)=(A*B)</b>	<b>108,1</b>	<b>100,0</b>
Reconciliation items:		
Capital gains and profits taxed at reduced rates or tax exempted	0,0	0,3
Other permanent differences	7,2	6,1
15% exceptional contribution	17,7	0,0
Tax credits	0,0	-1,4
Other items	-1,4	1,5
<b>Total items reconciled (D)</b>	<b>23,5</b>	<b>6,5</b>
<b>Net tax charge booked (C) + (D)</b>	<b>131,6</b>	<b>106,5</b>

- **Note 8 - Exposure, management and measurement of risks**

### 8.1 General risk management organisation

The risk management policy (including the monitoring of the level of risk tolerance) of Bpifrance Financement is defined and supervised by the Board of Directors of the bank. Since January 2016, Bpifrance SA has had a risk management department.

The Risk Department reports to the Chief Executive Officer and Deputy Chief Executive Officer<sup>37</sup> of Bpifrance SA. The organisation of the Bpifrance Risk Department is structured around:

- a Chief Risk Officer;
- five Departments:
  - Governance and Regulatory Risk Projects Department,
  - Consolidated Risk Management Department (including the development of scoring models),
  - Credit Department<sup>2</sup>,
  - Operational Risk Management Policy Department,
  - OAD Department and Monitoring of Outstandings.

Furthermore, the "Validation of models", "Management and Valuation of Risks" and "Risk and Recovery (S2R)" departments are functionally attached to the Risk Department. Their staff continue to have their existing responsibilities and report hierarchically to their own departments.

<sup>37</sup> Dual reporting effective since 1 January 2017.

<sup>2</sup> Refers to credit risk in the regulatory sense

The role of the Risk Department is to implement the Group's risk monitoring and management strategy. It ensures that the risk policy is effective and that the risk level is within group guidelines.

The main risks inherent in the activity of Bpifrance Financement are:

- **Credit and counterparty risk:** this represents the potential loss, manifesting as asset impairment or payment default, that Bpifrance Financement could incur as a result of the deterioration in a counterparty's solvency. Credit risk includes the counterparty risk associated with market transactions (replacement risk);
- **Operational risk:** this represents the risk of a financial or non-financial impact resulting from a shortcoming or failure of internal processes, personnel or systems, or from external factors;
- **Balance sheet or ALM risks<sup>3</sup> (financial risks):** these include interest rate risk, liquidity risk and currency risk.

### 8.1.2. Role and responsibilities of departments in charge of risk monitoring

Bpifrance Financement manages risk in compliance with the applicable standards and European regulations. The Board of Directors of Bpifrance Financement determines the strategic guidelines and risk appetite of Bpifrance Financement, based on which each of the business lines establishes its priority actions and the associated risk management policy under the supervision of the Risk Department of the Bpifrance Group. These fundamentals are reflected in the Group Risk Management Policy.

This risk management framework is built around five operational departments. It is an integral part of the three lines of defence that constitute the general basis for internal control of authorised credit institutions.

The following departments are in charge of risk monitoring at Bpifrance Financement:

- Network and Financing Department;
- Risk Department;
- Finance Department;
- Compliance and Permanent Control Department;
- General Inspection and Audit Department.

**The Network and Financing Department** represents the first line of defence: it is in charge of monitoring business risks.

**The Risk Department, Finance Department and Compliance and Permanent Control Department** form the second line of defence: they are responsible for the identification, measurement, monitoring and disclosure of risk and for compliance with the internal and external requirements on an individual and consolidated basis for all Bpifrance Financement business lines. They are independent of the first line of defence.

**The General Inspection and Audit Department** represents the third line of defence: through periodic checks, it ensures that internal governance mechanisms and processes are effective and implemented consistently. The internal audit function is also responsible for an independent review of the first two lines of defence.

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<sup>3</sup> Monitored by the Finance Department

Within the three lines of defence, appropriate mechanisms and internal control procedures are established and implemented. These are evaluated by the Board of Directors.

### 8.1.3. Risk oversight

Four types of bodies are responsible for risk management governance at Bpifrance Financement: the Board of Directors, umbrella committees, cross-functional committees and operational risk monitoring committees. The functional committees and operational risk monitoring committees correspond to the first level of risk analysis, monitoring or review at Bpifrance Financement. The resulting decisions or guidelines are, when required, referred to a second tier of bodies: the umbrella committees. These issue opinions on matters to be approved by the Board of Directors, which is the third level of risk decision-making within the group.

- **Board of Directors**

The Board of Directors of Bpifrance Financement decides on the bank's business strategy and oversees its implementation under the conditions required by law. In this respect, it ensures that the bank's activity complies with the regulatory constraints that apply to it in terms of risk.

The Board of Directors is responsible for implementing and monitoring the risks of Bpifrance Financement, since it approves the Group Risk Management Policy and ensures that it is followed correctly. It also approves all documentation concerning the bank's risks to be published and/or sent to the European banking supervisor. It meets quarterly or on an exceptional basis, if circumstances so require.

The Board of Directors also receives analysis from the expert committees that report to it. These are mainly the Audit and Risk Committees, which are umbrella committees for risk monitoring.

- **Umbrella committees**

The umbrella Committees for risk monitoring are the Board of Directors' Risk Committee, the Board of Directors' "Business line" Committees, and the Group Risk Management Committee. They meet quarterly or on an exceptional basis, if circumstances so require.

- **Bpifrance Financement Risk Committee**

The Risk Committee's role is to advise the Board of Directors on the bank's overall strategy and risk appetite and to assist the Board in monitoring the implementation of this strategy by the Executive Directors. To that end, it is periodically informed of changes in liquidity position, compliance with limits, the principal refinancing operations and the bank's risk appetite. It approves the implementation and organisation of the liquidity policy on an annual basis. It also issues an opinion on the bank's recovery plan and all documentation on capital adequacy (ICAAP, ILAAP, RAF, RAS) which it submits to the Board of Directors for approval.

➤ “Business line” committees of the Board of Directors of Bpifrance Financement

The Financing-Guarantee and Innovation Committees are each chaired by a member of the Board of Directors of Bpifrance Financement. They meet once a quarter. They examine the budgets of Bpifrance Financement’s business lines and issue opinions on the creation or termination of partnerships, products or services relating to the business lines. They review the multiplying coefficients for guarantee and innovation products and monitor the profitability of credit operations.

➤ Group Risk Management Committee

The Group Risk Management Committee (RMC) is chaired by the Chief Executive Officer of Bpifrance or by one of the group’s Executive Directors. It is tasked with presenting and analysing consolidated risks and making recommendations as required. The committee meets once a quarter, or more frequently if necessary. The Risk Department acts as the secretariat for the Group Risk Management Committee. As such, it is responsible for preparing the consolidation of contributions from the departments involved in risk management and for coordinating the committee.

• **Cross-functional committees**

Cross-functional committees are intra-group risk monitoring committees covering both the Financing and Investment functions of the Bpifrance Group. They meet on a monthly, quarterly or half-yearly basis, or on an exceptional basis if circumstances so require.

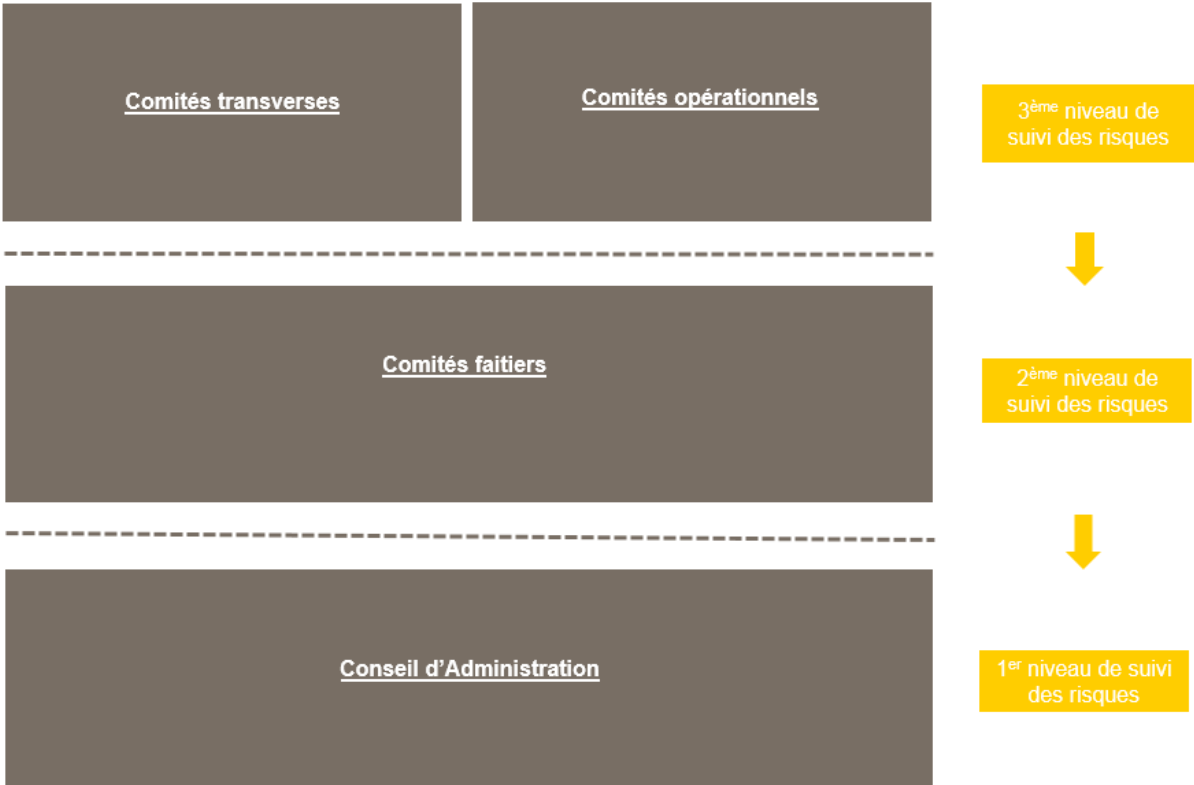
These committees decide on the implementation of new products or services (New Businesses, Products and Services Committee, Group Marketing Committee), the application of risk models (Model Validation Expert Committee), and the monitoring of specific risks associated with the activity of Bpifrance (Operational Risk Monitoring Committee, Group Security Committee and IT Security Committee).

• **Operational risk monitoring committees**

Operational risk monitoring committees assess and monitor risk and take the necessary decisions for the Financing business line. They meet on a monthly, quarterly or half-yearly basis, or on an exceptional basis if circumstances so require.

These include the Credit Committee, Credit Risk Committee, Financial Management Committee, Financial Transaction Counterparty Risk Committee, Credit Portfolio Monitoring Committee, Watch List/Non-Performing Loans Committee, and ALM Committees.

**Decision-making levels attached to risk oversight at Bpifrance Financement**



***Exposure, management and measurement of the risks of the innovation aid activity***

Financed by public allocations, primarily from the State, the Regions and Europe, Bpifrance Financement is active in the financing and support of innovative companies. With a general interest mission within the framework of the economic policy undertaken by the French State in order to promote and develop investment in research and innovation, it provides companies with subsidies and repayable advances.

Therefore, as a consequence of the characteristics of its activities and its method of financing, IAS 39 "Financial Instruments: recognition and measurement" and IFRS 7 "Financial instruments: disclosures" do not apply at Bpifrance Financement.

**8.2 Credit risk**

**8.2.1. Selection system for operations**

For each type of aid, eligibility criteria are defined within the commissioning framework. They can involve the age of the beneficiary company, the business sector, the project's nature, the duration, and the fact of sharing with a bank establishment.

The granting of the loan is subject to an annual investigation that clarifies the risk policy for the year, as validated by the general management.



For each operation analysis, it relies on ratings of the counterparty, the project and the transaction.

The transaction's characteristics pertain primarily to the provision guarantees anticipated in order to reduce the exposure to the credit risk. The sureties and guarantees are those habitually adopted, according to the nature and duration of the credit transactions: assignment of receivables, mortgages, pledges, bank guarantees and backing on guarantee funds.

For all financing, guarantee and innovation activities, the Counterparty Risk Department performs a counter-analysis of files that exceed the delegation level of the Network Departments, for which the decision rests with the commitments committee or Executive Directors.

### **8.2.2. Risk measurement and surveillance system**

The surveillance and control of commitments with the clientele include a limit system that takes into account the capital and outstandings of Bpifrance Financement.

These limits concern MLT and ST outstandings. They are set in the context of the Group Risk Management Policy approved by the Board of Directors.

These limits apply to the total amount of outstandings and notified agreements that have not yet been used.

There are three types of limits: global limits, limits by beneficiary group and sector limits. For each of these limits, alert thresholds are defined. An escalation process, set out in the Group risk management policy, is implemented when the alert threshold is exceeded.

They must be respected when agreeing to any new operation, as well as during any decision for transfers of outstandings, and they are in addition to the possible ceiling rules that are specific to certain products.

#### ***Global limit***

The first limit is global; it is a gross maximum commitment limit (MLT and ST).

#### ***Limits by beneficiary group***

This limit applies to each business sector as defined by the NAF codes assigned to them, according to the distribution prepared by the Risk Department.

These limits are defined on the basis of the total commitment amount planned for the current year, plus 12.5%. This increase is intended to allow some flexibility in distributing the overall maximum allocation between sectors, while remaining strictly within the maximum gross global commitment limit initially set.

These limits are monitored each quarter by the Group Risk Management Committee and by the Board of Directors' Risk Committee, and are reviewed at least annually.

### ***Sector limit***

This involves the financing activity.

This limit applies to each business sector as defined by the NAF codes assigned to them, according to the distribution prepared by the Risk Department in its sector-based follow-up.

They are established on the basis of an allocation of equity (the regulatory capital used for financing activities).

Monitoring compliance with these limits is the responsibility of the Risk Department, which activates an early warning system for the Executive Directors when this limit is close to being reached (outstandings > 90% of the limit).

Any granting decision resulting in these limits being exceeded is submitted to the Commitments Committee, and is under the responsibility of the effective executives.

These limits are monitored each quarter by the Group Risk Management Committee and by the Board of Directors' Risk Committee, and are reviewed at least annually.

### ***Follow-up and analysis of the quality of the loan commitments***

The quality of the credit outstandings is analysed every quarter as part of a re-rating exercise. A quarterly report is presented to the group risk management committee.

### ***Second level controls***

Ex-post controls (second level) on all decisions (delegated and centralised) of the business lines (financing, guarantee and innovation) are performed by the Financing Permanent Control Department, which is part of the Finance Department's Compliance and Permanent Control Department (DCCP).

The controllers verify compliance with the procedures and instructions. The verifications are performed based on documents and by sampling, involving all files coming from the Bpifrance Financement business lines (financing, guarantee and innovation), and are extended to a verification of the implementation and compliance with the Commitment Committee's decisions.

### **8.2.3. Concentration risk**

A review of the major outstandings (representing 37.1% of the MLT outstandings and 34% of the ST outstandings, 21.9% of Innovation outstandings and 4.8% of Guarantee outstandings in September 2017) is produced each quarter and presented to the Risk Management Committee.

### **8.2.4. Credit risk internal rating system**

The credit risk internal rating system, or "Decision Support System" (DSS) is used for all MLT and ST financing transactions, as well as for non-delegated guarantee transactions.

The system is managed by the "OAD Domain" within the OAD and Outstanding Loan Monitoring Department as a proprietary application.

This Domain is in charge of designing rating systems relative to the credit risks of the Bpifrance Financement clientele, their evolution and their performance, on the qualitative level.

The Consolidated Risk Management Department is in charge of preparing statistical models and the annual backtesting report on the tracking of the models.

The notion of "backtesting the models" refers to all surveillance techniques for the default risk models and, more specifically, statistical methods, the analysis of observed default rates relative to anticipated default probabilities, and benchmarking of the rating models.

The quantitative model validation, review and follow-up process changed significantly in 2016 when a model validation unit was set up. This is independent from the modelling teams and has a functional reporting line to the Risk Department. The functioning of the unit and the model validation process is defined in a policy document (2016/0110 Organisation of internal model validation).

Following the presentation of the work of the model validation unit, the model validation expert committee, composed of modelling and user departments and chaired by the Risk Department, decides whether to maintain the same model or make minor changes. Any major changes are referred to the Risk Management Committee for approval.

The monitoring and validation of the internal credit risk rating model are defined in a detailed policy document (2015/0082)

### **8.2.5 Follow-up of doubtful operations**

Strict criteria govern the procedures for acceptance by the Litigation Department, as well as the same department's handling of the dossiers. These rules were updated in memorandum 2016/0007, which contains a summary of the criteria for referral to the Litigation Department, the identification and referral procedures, and the recording, reporting and guidance procedures. In addition, the Bpifrance Financement process portal contains a detailed description for referring cases to Litigation.

The operational processing of the dossiers is provided within the framework of procedural rules that provide for ensuring the efficiency of the collection or re-marketing measures, for quantifying the collection estimates and validating the impairment.

A delegation diagram determines the competency limits on the basis of the nature of the decisions.

The collection estimates are examined with each dossier event and according to a frequency that is at least annual. For each product type, the most significant outstandings are reviewed every three months by the Litigation Committee, which consists of the Litigation Director, the head of the operational section in question, and the back-office manager.

## 8.3 Counterparty risk on financial activities

### 8.3.1. Counterparty risk exposure

#### *Origin*

The group's exposure to the counterparty risk on financial activities originates with three types of operations:

- the investment operations of the guarantee funds;
- the long-term management operations of the liquidity position and of the rate on loan activities;
- the short-term operations to replace the group's temporarily available cash.

#### *Measurement*

A loan's risk is equal to the outstanding capital, the risk on a security is equal to the security's nominal amount, and a derivative product's risk is assessed at 0.75% per outstanding year of the underlying value, after a 67% abatement in order to account for the cash guarantee write-back systems. This calculation provides a risk valuation that is similar to the regulatory valuation method based on the market price.

### 8.3.2. Risk policy

In view of the public nature of most of the managed capital, the emphasis is on risk diversification and the search for the greatest possible security of the transactions:

- the authorised counterparties have at least a rating of "A" as provided by specialised agencies;
- transactions involving financial instruments are systematically the subject of collateral agreements;
- cash transactions are governed by strict duration management rules.

The outcome is that long-term investments are primarily carried out with public authorities, notably for the guarantee funds, while short-term investments and operations involving financial instruments are, for their part, carried out with lending institutions.

### 8.3.3. Management method

The counterparty risk is managed using a limit mechanism based on the ratings assigned to each counterparty by specialised rating agencies. Counterparties are classified into eight categories, with each of them having the following:

a commitment amount limit, calculated using an internal model, on the basis of:

- a) a theoretical allocation of the Bpifrance Financement capital for the overall hedging of its counterparty risks;
- b) the need for capital corresponding with the counterparty's default probability;

- c) a risk division rule that limits the exposure to a given signature;
- d) the consideration of the amount of the counterparty's original equity.

The tracking of the evolution of the quality of the counterparties is performed by the Financial Operations Department, on a double level: legal entities and economic groups. For each counterparty and each group, the Counterparty Risk Committee defines separate limits for the "Financing" and "Guarantee" business lines.

These various parameters can be updated on the basis of changes to the environment, or to the establishment's risk policy.

### 8.3.4. Control and reports

The Market Activity Department monitors these limits and their use on a daily basis and prepares a report on the possible inflows, outflows and variations of overruns recorded for each counterparty. The recipients are the managers of the Market Activity Department, the Finance Department and traders. A monthly report on the main evolutions is also prepared. It is provided to the members of the Bpifrance Financement General Management, and to the Finance Committee members.

This monitoring of limits is part of the risk monitoring mechanism in place throughout the Bpifrance Group. It is summarised in the risk management policy approved by the Board of Directors.

## 8.4 Quantitative analyses of the credit and counterparty risks on financial activities

### *Maximum credit risk exposure*

(in millions of euros)	31/12/2017	31/12/2016
Financial assets at fair value through profit or loss	0,0	9,8
Asset hedging derivative instruments	11,3	93,0
Non-current financial assets available for sale	820,7	463,7
Loans and receivables to lending institutions	462,6	577,6
Loans and receivables to customers	34 522,8	32 065,7
Finance lease and equivalent operations	6 008,6	6 005,1
Financial assets held-to-maturity	8 641,8	6 699,5
Guarantee commitments given and signature commitments	12 163,2	11 734,7
Granting of irrevocable credit lines	5 910,4	4 991,7
<b>Total</b>	<b>68 541,4</b>	<b>62 640,8</b>

### *Quantitative information on the credit risk*

In compliance with the IFRS 7 standard, Bpifrance Financement has defined, within the accounting categories of the IAS 39 financial instruments, asset classes suited to its activity and its internal reporting method. As such, the category "Loans and receivables" provide with the following asset classes:

- PLMT (Long and Medium-Term Loans);
- FCT (Short-Term Financing);
- Other.

The category “Finance lease operations” consists of the following asset class:

- CBI (Real Estate Leasing);
- CBM (Equipment Leasing).

#### Breakdown by nature of loans

(in millions of euros)	31/12/2017				31/12/2016			
Nature of loans and receivables to customers	Medium & long-term loans	FCT	Other	Total	Medium & long-term loans	FCT	Other	Total
Loans and receivables to customers	23 327,9	5 547,5	5 647,4	34 522,8	20 850,8	4 997,7	6 217,2	32 065,7
Granting of irrevocable credit lines	2 675,8	2 239,4	20,0	4 935,2	1 898,9	2 124,6	20,3	4 043,8

(in millions of euros)	31/12/2017			31/12/2016		
Nature of finance lease operations	Property leasing	Equipment leasing	Total	Property leasing	Equipment leasing	Total
Finance lease operations	4 246,4	1 762,2	6 008,6	4 262,0	1 743,1	6 005,1
Granting of irrevocable credit lines	367,7	607,5	975,2	399,3	548,6	947,9

#### Risk concentration by economic activity sector

The activity of Bpifrance Financement Group is entirely concentrated within France.

(in millions of euros)	31/12/2017					
Economic activity sectors	Trade	Industry	Services	PW&CE	Tourism	Total
Loans and receivables to customers	5 230,5	7 320,8	19 295,5	1 210,7	1 465,3	34 522,8
Medium & long-term loans	4 940,6	6 612,2	9 694,8	723,3	1 357,0	23 327,9
FCT	289,9	708,6	3 953,3	487,4	108,3	5 547,5
Other	0,0	0,0	5 647,4 *	0,0	0,0	5 647,4
Finance lease operations	1 209,2	1 119,1	3 089,8	211,5	379,0	6 008,6
Real estate leasing	1 030,0	712,8	2 097,4	58,6	347,6	4 246,4
Equipment leasing	179,2	406,3	992,4	152,9	31,4	1 762,2
<b>Total</b>	<b>6 439,7</b>	<b>8 439,9</b>	<b>22 385,3</b>	<b>1 422,2</b>	<b>1 844,3</b>	<b>40 531,4</b>

\* including accounts opened with the State – Agence France Trésor – for €5,204.3 million

(in millions of euros)	31/12/2016					
Economic activity sectors	Trade	Industry	Services	PW&CE	Tourism	Total
Loans and receivables to customers	5 028,0	6 492,5	18 113,1	1 086,5	1 345,6	32 065,7
Medium & long-term loans	4 725,4	5 830,3	8 318,2	703,7	1 273,2	20 850,8
FCT	302,6	662,2	3 577,7	382,8	72,4	4 997,7
Other	0,0	0,0	6 217,2 *	0,0	0,0	6 217,2
Finance lease operations	1 201,9	1 113,1	3 129,5	191,3	369,3	6 005,1
Real estate leasing	1 035,9	693,2	2 134,2	60,0	338,7	4 262,0
Equipment leasing	166,0	419,9	995,3	131,3	30,6	1 743,1
<b>Total</b>	<b>6 229,9</b>	<b>7 605,6</b>	<b>21 242,6</b>	<b>1 277,8</b>	<b>1 714,9</b>	<b>38 070,8</b>

\* including accounts opened with the State – Agence France Trésor – for €5,785.8 million

(in millions of euros)							
31/12/2017							
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending institutions	Other Financial companies	Non-Financial companies	Households	Total
Guarantee commitments given and signature commitments	4,9	0,0	0,0	0,0	12 158,3	0,0	12 163,2

(in millions of euros)							
31/12/2016							
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending institutions	Other Financial companies	Non-Financial companies	Households	Total
Guarantee commitments given and signature commitments	3,2	0,0	0,0	0,0	11 731,5	0,0	11 734,7

## Risk concentration by counterparty type

(in millions of euros)							
31/12/2017							
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending institutions	Other Financial companies	Non-Financial companies	Households	Total
Financial assets at fair value through profit or loss	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Asset hedge derivative financial instruments	0,0	0,0	11,3	0,0	0,0	0,0	11,3
Non-current financial assets available	0,0	0,0	146,0	669,2	5,5	0,0	820,7
Loans and receivables to lending institutions	0,0	0,0	462,6	0,0	0,0	0,0	462,6
Loans and receivables to customers	0,0	5 640,6	0,0	4,2	28 875,8	2,2	34 522,8
<i>Medium &amp; long-term loans</i>	0,0	0,0	0,0	0,0	23 327,9	0,0	23 327,9
<i>FCT</i>	0,0	0,0	0,0	0,0	5 547,5	0,0	5 547,5
<i>Other</i>	0,0	5 640,6	0,0	4,2	0,4	2,2	5 647,4
Finance lease operations	0,0	0,0	0,0	0,0	6 008,6	0,0	6 008,6
<i>Real estate leasing</i>	0,0	0,0	0,0	0,0	4 246,4	0,0	4 246,4
<i>Equipment leasing</i>	0,0	0,0	0,0	0,0	1 762,2	0,0	1 762,2
Financial assets held-to-maturity	0,0	7 962,2	679,6	0,0	0,0	0,0	8 641,8
<b>Total</b>	<b>0,0</b>	<b>13 602,8</b>	<b>1 299,5</b>	<b>673,4</b>	<b>34 889,9</b>	<b>2,2</b>	<b>50 467,8</b>

(in millions of euros)							
31/12/2016							
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending institutions	Other Financial companies	Non-Financial companies	Households	Total
Financial assets at fair value through profit or loss	0,0	0,0	9,8	0,0	0,0	0,0	9,8
Asset hedge derivative financial instruments	0,0	0,0	93,0	0,0	0,0	0,0	93,0
Non-current financial assets available	0,0	0,0	35,5	421,0	7,2	0,0	463,7
Loans and receivables to lending institutions	0,0	0,0	577,6	0,0	0,0	0,0	577,6
Loans and receivables to customers	0,0	6 209,4	0,0	4,5	25 848,8	3,0	32 065,7
<i>Medium &amp; long-term loans</i>	0,0	0,0	0,0	0,0	20 650,8	0,0	20 650,8
<i>FCT</i>	0,0	0,0	0,0	0,0	4 397,7	0,0	4 397,7
<i>Other</i>	0,0	6 209,4	0,0	4,5	0,3	3,0	6 217,2
Finance lease operations	0,0	0,0	0,0	0,0	6 005,1	0,0	6 005,1
<i>Real estate leasing</i>	0,0	0,0	0,0	0,0	4 262,0	0,0	4 262,0
<i>Equipment leasing</i>	0,0	0,0	0,0	0,0	1 743,1	0,0	1 743,1
Financial assets held-to-maturity	0,0	6 340,5	359,0	0,0	0,0	0,0	6 699,5
<b>Total</b>	<b>0,0</b>	<b>12 549,9</b>	<b>1 074,9</b>	<b>425,5</b>	<b>31 861,1</b>	<b>3,0</b>	<b>45 914,4</b>

(in millions of euros)							
31/12/2017							
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending institutions	Other Financial companies	Non-Financial companies	Households	Total
Guarantee commitments given and signature commitments	4,9	0,0	0,0	0,0	12 158,3	0,0	12 163,2

(in millions of euros)							
31/12/2016							
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending institutions	Other Financial companies	Non-Financial companies	Households	Total
Guarantee commitments given and signature commitments	3,2	0,0	0,0	0,0	11 731,5	0,0	<b>11 734,7</b>

**Quantitative information on the sound outstandings, the overdue outstandings and the depreciated outstandings**

Breakdown of loans and receivables by quality of credits

(in millions of euros)	31/12/2017				31/12/2016			
	Sound	Overdue	Impaired	Total	Sound	Overdue	Impaired	Total
Loans and receivables to lending institutions	462,6	0,0	0,0	462,6	577,6	0,0	0,0	577,6
Loans and receivables to customers	33 810,5	494,0	218,3	34 522,8	31 526,5	338,2	201,0	32 065,7
Medium & long-term loans	22 922,1	195,5	210,3	23 327,9	20 532,3	138,2	180,3	20 850,8
FCT	5 241,3	298,5	7,7	5 547,5	4 777,3	200,0	20,4	4 997,7
Other	5 647,1	0,0	0,3	5 647,4	6 216,9	0,0	0,3	6 217,2
Finance lease operations	5 842,1	115,6	50,9	6 008,6	5 810,6	148,9	45,6	6 005,1
Real estate leasing	4 095,0	107,8	43,6	4 246,4	4 091,0	135,1	35,9	4 262,0
Equipment leasing	1 747,1	7,8	7,3	1 762,2	1 719,6	13,8	9,7	1 743,1
<b>Total</b>	<b>40 115,2</b>	<b>609,6</b>	<b>269,2</b>	<b>40 994,0</b>	<b>37 914,7</b>	<b>487,1</b>	<b>246,6</b>	<b>38 648,4</b>

Breakdown of sound loans and receivables by financial class (neither impaired nor overdue)

(in millions of euros)	31/12/2017						
	Loans and receivables to customers				Finance lease operations		
Internal Rating	Medium & long-term loans	FCT	Other	Total	Real estate leasing	Equipment leasing	Total
Without risk (*)	0,0	0,0	5 211,5	5 211,5	0,0	0,0	0,0
Low risk	14 990,5	1 930,8	0,0	16 921,3	2 269,2	1 262,1	3 531,3
Average risk	5 342,4	2 698,6	0,0	8 041,0	1 133,0	353,7	1 486,7
High risk	145,1	435,2	0,0	580,3	66,3	16,9	83,2
Not rated	2 444,1	176,7	435,6	3 056,4	626,5	114,4	740,9
<b>Total sound loans and receivables</b>	<b>22 922,1</b>	<b>5 241,3</b>	<b>5 647,1</b>	<b>33 810,5</b>	<b>4 095,0</b>	<b>1 747,1</b>	<b>5 842,1</b>

\* including accounts opened with the State – Agence France Trésor – for €5,204.3 million

(in millions of euros)	31/12/2016						
	Loans and receivables to customers				Finance lease operations		
Internal Rating	Medium & long-term loans	FCT	Other	Total	Real estate leasing	Equipment leasing	Total
Without risk (*)	0,0	0,0	5 793,9	5 793,9	0,0	0,0	0,0
Low risk	12 890,6	1 639,4	0,0	14 530,0	2 318,1	1 006,3	3 324,4
Average risk	5 746,3	2 403,8	0,0	8 150,1	1 330,9	616,2	1 947,1
High risk	385,7	616,1	0,0	1 001,8	99,7	37,4	137,1
Not rated	1 509,7	118,0	423,0	2 050,7	342,3	59,7	402,0
<b>Total sound loans and receivables</b>	<b>20 532,3</b>	<b>4 777,3</b>	<b>6 216,9</b>	<b>31 526,5</b>	<b>4 091,0</b>	<b>1 719,6</b>	<b>5 810,6</b>

(\*) including accounts opened with the State – Agence France Trésor – for €5,785.8 million



## Breakdown of the other sound assets by accounting category (neither depreciated nor past due)

(in millions of euros)					
31/12/2017					
Moody's scale rating	Financial assets designated at fair value through profit or loss	Non-current financial assets available for sale	Loans and receivables to lending institutions	Financial assets held-to-maturity	Total
Aaa	0,0	0,0	0,0	114,1	114,1
Aa3 to Aa1	0,0	0,0	0,0	8 144,5	8 144,5
A3 to A1	0,0	795,5	185,1	383,2	1 363,8
<A3	0,0	0,0	0,0	0,0	0,0
Not rated	0,0	25,2	277,5	0,0	302,7
<b>Total sound assets</b>	<b>0,0</b>	<b>820,7</b>	<b>462,6</b>	<b>8 641,8</b>	<b>9 925,1</b>

(in millions of euros)					
31/12/2016					
Moody's scale rating	Financial assets designated at fair value through profit or loss	Non-current financial assets available for sale	Loans and receivables to lending institutions	Financial assets held-to-maturity	Total
Aaa	0,0	0,0	0,0	129,0	129,0
Aa3 to Aa1	0,0	0,0	0,0	6 447,4	6 447,4
A3 to A1	9,8	435,4	301,2	103,2	849,6
<A3	0,0	0,0	0,0	19,9	19,9
Not rated	0,0	28,3	276,4	0,0	304,7
<b>Total sound assets</b>	<b>9,8</b>	<b>463,7</b>	<b>577,6</b>	<b>6 699,5</b>	<b>7 750,6</b>

## Non-impaired overdue financial assets, by age of default

(in millions of euros)					
31/12/2017					
	Under 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Loans and receivables to lending institutions	0,0	0,0	0,0	0,0	0,0
Loans and receivables to customers	171,1	97,0	88,1	137,8	494,0
<i>Medium &amp; long-term loans</i>	72,3	36,4	37,2	49,6	195,5
<i>FCT</i>	98,8	60,6	50,9	88,2	298,5
<i>Other</i>	0,0	0,0	0,0	0,0	0,0
Finance lease operations	24,8	28,2	17,4	45,2	115,6
<i>Real estate leasing</i>	21,6	25,7	16,3	44,2	107,8
<i>Equipment leasing</i>	3,2	2,5	1,1	1,0	7,8
<b>Total</b>	<b>195,9</b>	<b>125,2</b>	<b>105,5</b>	<b>183,0</b>	<b>609,6</b>

(in millions of euros)					
31/12/2016					
	Under 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Loans and receivables to lending institutions	0,0	0,0	0,0	0,0	0,0
Loans and receivables to customers	145,7	51,3	48,4	92,8	338,2
<i>Medium &amp; long-term loans</i>	60,1	18,7	18,9	40,5	138,2
<i>FCT</i>	85,6	32,6	29,5	52,3	200,0
<i>Other</i>	0,0	0,0	0,0	0,0	0,0
Finance lease operations	72,6	28,1	22,3	25,9	148,9
<i>Real estate leasing</i>	63,8	26,4	20,4	24,5	135,1
<i>Equipment leasing</i>	8,8	1,7	1,9	1,4	13,8
<b>Total</b>	<b>218,3</b>	<b>79,4</b>	<b>70,7</b>	<b>118,7</b>	<b>487,1</b>

Individually impaired financial assets by economic activity sector

31/12/2017																
(in millions of euros)	Loans and receivables to lending institutions		Loans and receivables to customers								Finance lease operations					
			Medium & long-term loans		FCT		Other		Total		Real estate leasing		Equipment leasing		Total	
			Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount
Business sectors	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount
Trade	0,0	0,0	102,5	41,5	11,6	2,0	0,0	0,0	114,1	43,5	13,5	10,8	2,8	0,9	16,3	11,7
Industry	0,0	0,0	158,4	60,4	7,3	1,1	0,0	0,0	165,7	61,5	12,3	9,2	9,6	2,8	21,9	12,0
Services	0,0	0,0	245,1	98,0	26,8	3,0	1,3	0,3	273,2	101,3	32,6	16,9	7,4	3,0	40,0	19,9
PW&CE	0,0	0,0	20,6	7,4	16,2	1,6	0,0	0,0	36,8	9,0	0,0	0,0	2,1	0,5	2,1	0,5
Tourism	0,0	0,0	12,6	3,0	0,5	0,0	0,0	0,0	13,1	3,0	12,6	6,7	0,3	0,1	12,9	6,8
<b>Total</b>	<b>0,0</b>	<b>0,0</b>	<b>539,2</b>	<b>210,3</b>	<b>62,4</b>	<b>7,7</b>	<b>1,3</b>	<b>0,3</b>	<b>602,9</b>	<b>218,3</b>	<b>71,0</b>	<b>43,6</b>	<b>22,2</b>	<b>7,3</b>	<b>93,2</b>	<b>50,9</b>

31/12/2016																
(in millions of euros)	Loans and receivables to lending institutions		Loans and receivables to customers								Finance lease operations					
			Medium & long-term loans		FCT		Other		Total		Real estate leasing		Equipment leasing		Total	
			Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount
Business sectors	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount
Trade	0,0	0,0	81,2	33,4	12,0	3,5	0,0	0,0	93,2	36,9	14,6	10,5	3,5	1,4	18,1	11,9
Industry	0,0	0,0	130,9	50,2	4,6	1,3	0,0	0,0	135,5	51,5	10,0	6,4	11,6	3,6	21,6	10,0
Services	0,0	0,0	207,7	83,2	28,3	10,4	1,3	0,3	237,3	93,9	27,0	16,8	9,7	3,5	36,7	20,3
PW&CE	0,0	0,0	24,4	10,0	15,7	5,2	0,0	0,0	40,1	15,2	0,9	0,5	3,3	1,0	4,2	1,5
Tourism	0,0	0,0	11,7	3,5	0,2	0,0	0,0	0,0	11,9	3,5	3,2	1,7	0,3	0,2	3,5	1,9
<b>Total</b>	<b>0,0</b>	<b>0,0</b>	<b>455,9</b>	<b>180,3</b>	<b>60,8</b>	<b>20,4</b>	<b>1,3</b>	<b>0,3</b>	<b>518,0</b>	<b>201,0</b>	<b>55,7</b>	<b>35,9</b>	<b>28,4</b>	<b>9,7</b>	<b>84,1</b>	<b>45,6</b>

**Offsetting of the assets and financial liabilities**

31/12/2017						
	Posted gross amounts	Amounts offset in the balance sheet	Net amounts shown in the balance sheet	Amounts related to financial instruments not offset in the balance sheet		
				Impact of offsetting agreements	Collateral given/received	Net amount
(in millions of euros)						
<b>ASSETS</b>						
Derivative hedge instruments (*)	405,0	393,7	11,3	2,0	9,3	-
Repurchase agreements, securities lending and similar agreements	-	-	-	-	-	-
<b>LIABILITIES</b>						
Derivative hedge instruments (*)	436,9	429,0	7,9	2,1	3,6	2,2
Repurchase agreements, securities lending and similar agreements	5 708,8	-	5 708,8	-	33,9	5 674,9

(\*) see Note 5.6 - On-balance sheet netting

31/12/2016						
	Posted gross amounts	Amounts offset in the balance sheet	Net amounts shown in the balance sheet	Amounts related to financial instruments not offset in the balance sheet		
				Impact of offsetting agreements	Collateral given/received	Net amount
(in millions of euros)						
<b>ASSETS</b>						
Derivative hedge instruments (*)	572,0	479,0	93,0	76,9	60,5	-
Repurchase agreements, securities lending and similar agreements	-	-	-	-	-	-
<b>LIABILITIES</b>						
Derivative hedge instruments (*)	533,3	410,9	122,4	76,9	37,3	8,2
Repurchase agreements, securities lending and similar agreements	4 844,2	-	4 844,2	-	60,8	4 783,4

### ***Quantitative information relating to guarantees held***

The financial effect of the guarantees held on loans and advances (excluding innovation activity) is measured by the maximum amount of the eligible sureties and guarantees under European Directive CRD4 and European Regulation CRR, which went into effect on 1 January 2014. On 31 December 2017, total sureties and guarantees received amounted to €20,738 million.

## **8.5 Market risks**

Financial risks are defined as the risks of losses of economic value resulting from an unfavourable evolution of the market parameters, which affect the overall balance sheet. The market parameters to which Bpifrance Financement is subject are primarily interest rates and exchange rates. The risks related to the usage of the cash of the guarantee funds are managed separately.

### **8.5.1 Objectives of the financial risks management policy**

The financial management implemented by Bpifrance Financement strives to maintain the financial balances in terms of liquidity, interest rates and exchange positions. To optimise the usage of its financial means, the bank strives to limit the risks inherent to the financial markets, while minimising its exposure to risks that are not part of its core business, such as financial, counterparty and operational risks. Within this framework, it should be noted that Bpifrance Financement has no trading book in the regulatory sense.

### **8.5.2 Actors involved in the management of financial risks**

The Executive Committee takes decisions relative to financial risk management within the framework of the powers attributed to it by the Board of Directors. It also decides on isolated overruns of the limits, or on corrective actions to be undertaken in order to absorb these overruns.

The ALM Committee and the Financial Management Committee concerned examine the interest and exchange rate risks, while also ensuring compliance with the established limits.

Outside these periodic meetings, the ALM Committee can be called on to meet, notably in case of a sudden change to the market parameters or if the fixed limits are exceeded.

### **8.5.3 Centralisation of the management of financial risks**

Bpifrance Financement manages its balance sheet in such a way that its overall structure is balanced in terms of interest rate and foreign exchange rate risk. The backing sought between usages and resources is intended to limit the establishment's exposure to financial risks. The overall interest rate and exchange rate risks are measured each month and governed by a system of limits. The rate and exchange risks are hedged by means of future financial instruments negotiated on organised markets or over-the-counter (primarily interest rate and currency swap contracts), or by means of operations involving State securities.

#### 8.5.4. Measurement of the risks and limits

Though the financial risks are presented in an aggregated manner, in keeping with the State's request, the specificity of the general interest missions carried out within the framework of the guarantee funds requires separate and specific management of the financial risks of the guarantee funds.

##### *The rate risk*

Bpifrance Financement manages the overall interest rate risk: all interest rate positions are monitored through macro-hedging at the level of the ALM section within the Finance Department. As such, hedge instruments are kept in an overall management portfolio, and the assessment of their contribution to the establishment's rate risk reduction is integrated into the follow-up system.

The establishment's rate risk is assessed through the variations of two indicators, namely the sensitivity of the short-term interest margin in the case of an earnings risks, and the sensitivity of the balance sheet net present value in case of value risks. The charts of the deadlocks by maturity complete the system.

##### *Analysis of the sensitivity of the cash flows*

An interest rate variation of 100 basis points on the closing date would result in an increase (decrease) of the earnings equal to the amounts indicated below. For the purposes of this analysis, all other variables are presumed to remain constant. As a reminder, using the same basis, a similar analysis is provided for 2016.

(in millions of euros)	Increase of 100 basis points	Decrease of 100 basis points
<b>31 December 2017</b>		
Interest-margin sensitivity, 2017	5,3	0,00
Sensitivity of 2017 balance sheet net present value	41,9	-68,3
<b>31 December 2016</b>		
Interest-margin sensitivity, 2016	23,6	0,00
Sensitivity of 2016 balance sheet net present value	81,8	-27,0

In view of the characteristics of its funding for companies, Bpifrance Financement is only occasionally active in the exchange market. The established limits are intended to desensitise the establishment to the risk of changing exchange rates.

For a currency, the measurement of the exchange risk is the exchange loss due to an immediate variation of +/-15% of the currency price (excluding structural position impact). The overall exchange risk is the sum of the risks per currency. No account is taken of possible correlations between currencies.

## ***Sensitivity analysis***

A 15% increase in the USD/EUR and GBP/EUR exchange rates, as of 31 December 2017, would have resulted in a decrease in earnings of €0.128 million. For the purposes of this analysis, all other variables, and notably interest rates, are presumed to remain constant.

A 15% decrease in the USD/EUR and GBP/EUR exchange rates, at 31 December 2017, would have the same impacts but in the opposite direction from those previously shown, while assuming that all other variables remain constant.

## **8.6 Liquidity risk**

The liquidity risk corresponds with the bank's inability to meet its obligations at an acceptable price, for a given location and currency. This risk can occur in case of non-concomitance of the cash flows. The refinancing risk (an integral part of the liquidity risk) arises when the funds needed to finance the non-liquid assets cannot be obtained within acceptable timeframes and at acceptable prices.

The group's liquidity risk is monitored as part of a liquidity risk management policy defined in the Group Risk Management Policy approved by the Board of Directors. The liquidity situation of Bpifrance Financement is assessed on the basis of internal standards, alarm indicators and regulatory ratios.

### **8.6.1 Objectives of the liquidity risk management policy**

The system in place, specifically defined as part of the ILAAP (Internal Liquidity Adequacy Assessment Process), provides Bpifrance with the necessary liquidity to meet its short-term and medium/long-term liquidity obligations. These measures should enable Bpifrance to fulfil its regulatory obligations.

Bpifrance's risk appetite is based on the following general principles:

- annual independence from the markets in the event of a crisis;
- the reduction in new origination in the event of a crisis;
- the segregated management of liquidity reserves under normal management.

From the viewpoint of cash management, the financial activity of Bpifrance Financement involves gathering the necessary resources and managing them as well as possible in view of the usages, with a general objective of operational balance for Bpifrance Financement and the preservation of its capital. It is also intended to comply with the standards imposed by the banking supervisor.

Overall, the establishment measures its medium and long-term financing needs on the basis of the schedule of operations, new business assumptions and outflow agreements for the transactions without maturities. On these bases, the financing stalemate is externalised.

The forecasts for the financing of new activity needs are updated each month, on a monthly basis for the 12 coming months, then on an annual basis beyond this horizon.

The limits relate to liquidity ratios at one month (LCR) and at twelve months (NSFR).

### 8.6.2. Actors involved in the management of liquidity risk

The Executive Committee makes decisions relative to the liquidity risk management within the framework of the powers attributed to it by the Board of Directors. It also decides on isolated overruns of the limits, or on corrective actions to be undertaken in order to absorb these overruns.

The ALM Committee, which includes members of the Executive Committee and the relevant managers, examines the liquidity risk, while also ensuring compliance with the established limits. Meeting on a monthly basis, the committee makes proposals regarding financial risk management on the basis of dossiers prepared by the ALM section of the Finance Department.

Outside these periodic meetings, the ALM Committee can be called on to meet, notably in case of a sudden change to the market parameters or if the fixed limits are exceeded.

### 8.6.3. Basic principle of the liquidity policy

The establishment measures its overall liquidity risks. A limit system has been established.

The finance division's organisation is based on the principle of the separation of the market operation functions from the steering, scheduling, control and reporting functions, since:

- the operational functions are carried out by the Financial Operations Department through the Markets department, which alone is authorised to be active in the capital markets on behalf of the overall Bpifrance Financement;
- the steering and follow-up functions are provided by the Finance Department.

### 8.6.4. Refinancing sources

Bpifrance Financement manages its balance sheet in such a way that its overall structure is balanced in terms of liquidity. The backing sought between usages and resources is intended to limit the establishment's exposure to financial risks.

Bpifrance Financement is active in the financial markets, and notably on the domestic bond market. Bpifrance Financement also has access to the LDD resources available through the Caisse des Dépôts. Moreover, Bpifrance Financement adds to a portfolio of State securities, for which a repurchase agreement secures access to interbank liquidity under the best rate conditions. Finally, Bpifrance Financement has a stock of private liabilities available for use and eligible for refinancing with the ECB.

## 8.7 Financial risks and liquidity risks of guarantee funds

### 8.7.1. Objectives of the financial management of the guarantee funds

The allocations received from the public authorities are partitioned into guarantee funds that are themselves grouped into financial management blocks, for which the differentiation criterion now revolves around the backer. The financial management blocks correspond with portfolios of similarly managed financial assets. There are three main financial management blocks:

- the AFT (Agence France Trésor) block that includes all of the funds provided by the State. It represents the bulk of the managed assets of the guarantee funds;

- the CDC block as part of the France Investissement funds;
- the “Hived-off assets” block that includes the other small funds all including ERDF Ile de France, UIMM, textile, Garantie de Valeur Liquidative.

It should be noted that other financial management blocks exist within the Bpifrance Financement procedures. As such, the regional guarantee funds are managed in a similar manner as two of the financial management blocks.

### **8.7.2. Actors involved in the financial management of the guarantee funds**

#### **The guarantee financing Business Line Committee**

The Financing-Guarantee Business Line Committee reports to the Bpifrance Financement Board of Directors. Its role is to validate the general asset management orientations and provisions with regard to the investment of the guarantee funds.

#### **The Financial Management Committee**

On the basis of the orientations adopted by the guarantee financing Business Line Committee, the Financial Management Committee meets every quarter in order to implement the investment policy for the guarantee funds.

### **8.7.3. Measurement of the financial management indicators of the guarantee funds**

The financial management of the guarantee funds involves analysing, for the portfolio backing the activities of the guarantee funds, the period’s financial activity, accounting and financial performances and the financial risks relating to them.

#### ***Evolution of the portfolios***

The evolution of the portfolios lists all of the operations and traces the evolution of the portfolio’s composition over the course of the period in question. The securities are classified according to the applicable regulatory texts.

#### ***Liquidity***

The guarantee funds are primarily divided into three blocks (AFT block, CDC and “Hived-off assets”), for which the differentiation criterion revolves around the backer. The liquidity analysis involves ensuring that a financial management block’s available assets (capital and interest from the securities) are higher than the expected compensation.

#### ***The accounting and financial performances***

The purpose of the performance analysis tables is to highlight the accounting and financial profitability of the portfolios during the period in question, and to compare their financial performances with the market rates and indices.

The performances are analysed by classifying the portfolio’s securities according to accounting and internal standards (bond, State, money market and other risks).



## The financial risks

The rate risk of the assets being used in the guarantee funds is measured using two indicators:

- the value risk: impairment loss of the fixed rate asset portfolio in the event of a 1% increase in rates;
- the sensitivity of financial earnings to rate changes over the course of the next twelve months: loss of financial earnings on the assets in the event of a 1% decrease in rates.

### 8.8 Cash flows payable by the Bpifrance Financement group relative to its financial debts, broken down by residual contractual maturity

Annual flows (in million of euros)	31/12/2017						
	Book value	Total incoming /outgoing flows	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years
<b>Repayment of term borrowings</b>	<b>30 689</b>	<b>-30 636</b>	<b>-93</b>	<b>-500</b>	<b>-722</b>	<b>-15 998</b>	<b>-13 323</b>
Bond loans guaranteed by EPIC Bpifrance	20 460	-20 460	21	-12	-38	-8 362	-12 069
Credit establishments borrowings & term accounts	6 637	-6 634	-7	-468	-532	-5 595	-32
Customer borrowings & term accounts	3 290	-3 240	-105	-20	-152	-2 041	-922
Subordinated loan with Bpifrance SA	302	-302	-2	0	0	0	-300
<b>Repayment of short-term financing</b>	<b>10 157</b>	<b>-10 127</b>	<b>-113</b>	<b>-4 994</b>	<b>-4 753</b>	<b>-198</b>	<b>-69</b>
Ordinary accounts	209	-183	-113	-1	0	0	-69
Overnight loans	0	0	0	0	0	0	0
Deposit certificates & MTN (medium-term notes)	4 223	-4 218	0	-1 472	-2 548	-198	0
Securities sold under forward repurchase agreements	5 726	-5 726	0	-3 522	-2 204	0	0
<b>Derivative instruments</b>							
Non-hedging derivatives: outgoing flows		0	0	0	0	0	0
Non-hedging derivatives: incoming flows		0	0	0	0	0	0
Hedging derivatives: outgoing flows		-75	0	-5	0	-7	-63
Hedging derivatives: incoming flows		47	0	0	47	0	0

Annual flows (in million of euros)	31/12/2016						
	Book value	Total incoming /outgoing flows	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years
<b>Repayment of term borrowings</b>	<b>26 820</b>	<b>-28 962</b>	<b>-91</b>	<b>-1 144</b>	<b>-2 490</b>	<b>-14 513</b>	<b>-10 724</b>
Bond loans guaranteed by EPIC Bpifrance	15 809	-17 565	0	-14	-2 044	-5 975	-9 532
Credit establishments borrowings & term accounts	7 440	-7 648	0	-1 009	-164	-6 439	-36
Customer borrowings & term accounts	3 570	-3 750	-91	-121	-283	-2 099	-1 156
<b>Repayment of short-term financing</b>	<b>10 052</b>	<b>-10 030</b>	<b>-464</b>	<b>-2 567</b>	<b>-6 188</b>	<b>-810</b>	<b>0</b>
Ordinary accounts	464	-464	-464	0	0	0	0
Overnight loans	0	0	0	0	0	0	0
Deposit certificates & MTN (medium-term notes)	4 735	-4 732	0	-1 180	-2 741	-810	0
Securities sold under forward repurchase agreements	4 854	-4 834	0	-1 387	-3 447	0	0
<b>Derivative instruments</b>							
Non-hedging derivatives: outgoing flows		0	0	0	0	0	0
Non-hedging derivatives: incoming flows		4	0	4	0	0	0
Hedging derivatives: outgoing flows		-33	0	0	0	0	-33
Hedging derivatives: incoming flows		77	0	0	37	40	0

The financing commitments given of €6.1 billion at the end of 2017, compared with €5.3 billion at the end of 2016, have no contractual schedule. After the contract's signing, they are disbursed at the customer's request. The guarantee commitments given (€12.2 billion at the end of 2017, versus €11.7 billion at the end of 2016) can take the shape of disbursement flows if the company receiving the guaranteed loan is in default and at the end of the recovery process carried out by the guaranteed institution.

Faced with these financial liabilities, the Bpifrance Financement group has recourse to securities that can be mobilised, either at the ECB, or through repurchase agreements, depending on the more favourable rate conditions.

- **Note 9 - Disclosure of interests in other entities**

### 9.1 Material assumptions and judgements

Certain subsidiaries and associated companies have not been included in the scope of consolidation in view of their negligible or of contractual provisions indicating that control is in the hands of another investor.

Setting aside these exclusions, the group does not have control over a not-insignificant subsidiary in which it holds less than half of the voting rights, nor does it exercise significant influence on associated companies in which it holds less than 20% of the voting rights.

### 9.2 Interests in subsidiaries

#### *Minority interests in the group's activities*

The group does not have any equity interests in subsidiaries holding minority interests that are considered to be significant.

#### *Nature and extent of the significant restrictions*

The group is subject to no significant legal, regulatory or contractual restrictions that would limit its ability to access the group's assets liabilities or to settle the group's liabilities.

### 9.3 Interests in partnerships and associated companies

#### *Interests in associated companies considered to be insignificant*

The group holds interests in associated companies that are individually considered to be insignificant.

(in millions of euros)	31/12/2017	31/12/2016
Overall book value	6,4	6,4
Overall amount of the shares		
Net earnings from ongoing activities	1,2	1,2
Net of tax earnings from discontinued operations	0,0	0,0
Other elements of the overall earnings	0,0	0,0
Overall earnings	1,2	1,2

#### 9.4 Interests held in non-consolidated structured entities

As in 2016, non-consolidated structured entities financed by Bpifrance Financement and its partners essentially consisted of a debt fund in 2017. These structures represented a total of €222.1 million in assets as of 31 December 2017 (€227.5 million as of 31 December 2016), the majority of which are presented as loans and advances.

(in millions of euros)	31/12/2017	31/12/2016
<b>Nature and evolution of the risks in the structured non-consolidated entities</b>		
Book value of the assets/liabilities	36,5	38,5
Item in the financial statements under which these assets/liabilities are booked	AFS & Loans and advances	AFS & Loans and advances
Amount of maximum risk of loss exposure (balance sheet and off-balance sheet) (*)	36,5	38,5
Difference between the book value and the maximum risk of loss	0,0	0,0

(\*) The maximum risk of loss exposure was valued by adding the balance sheet outstandings to those from the off-balance sheet commitments, considering that the sum of the amounts already committed and the ones having to be disbursed provides the best representation of the maximum risk of loss in the structured non-consolidated entities.

### ● Note 10 - Personnel benefits and other remuneration

#### 10.1 Personnel costs

(in millions of euros)	31/12/2017	31/12/2016
Salaries and wages	-124,9	-114,8
Other social charges	-44,8	-41,9
Fiscal expenses	-14,0	-13,5
Defined contribution retirement expenses	-13,5	-12,7
Defined benefit retirement expenses	-1,8	-4,0
Incentive and profit-sharing	-15,1	-11,6
Allowances/write-backs for commitments relative to the personnel	-2,0	0,2
<b>Total personnel expenses</b>	<b>-216,1</b>	<b>-198,3</b>

#### 10.2 Other personnel benefits

##### ***Post-employment benefits: defined benefits plan***

The defined benefit post-employment plans are calculated in compliance with IAS 19 "Employee Benefits" and are covered by provisions or group insurance contracts.

Bpifrance Financement contributes to two defined benefit plans, one relative to retirement lump sum benefits and the other relative to the health expenses of pensioners.

### **Retirement lump sum benefits**

All obligations relative to the retirement lump sum payments are covered by a group insurance policy and are estimated on the basis of the commitments assumed for the employees who opted for retirement leave, and assumptions concerning the retirement provisions for the other employees.

### **Health expenses of pensioners**

The estimated commitments for the health expenses of pensioners have been provisioned in compliance with the agreement of 20 December 2006 relative to the health provident fund.

### **Characteristics and risks**

Bpifrance Financement based its estimates on its employee age pyramid, their date of entering active employment and on a preliminary approach to social policy as it may emerge in the light of the provisions of the law of 21 August 2003 on pensions reform, the branch agreement by the Fédération Bancaire Française on 29 March 2005, and the applicable Social Security Financing law. These assumptions will need to be reviewed in the light of future established practice.

The plan benefits for retirement lump sum payments are acquired throughout the career on the basis of the seniority within the company, with a ceiling of six months of gross wages, settled upon retirement.

The plan benefits for health expenses cover the employees and their successors in title, who retired before 31 December 2006. They receive a monthly fixed contribution from the employer in the amount of €27.54.

The fund, set up to hedge the commitments relative to retirement lump sum payments, has been contractually externalised with the CNP. It is managed by the CNP within the framework of an orientation set by the group, which provides its governance.

These defined benefit plans expose Bpifrance Financement to an actuarial risk that is notably linked to the longevity risk (especially for the health expenses plan), to the interest rate risk and to the market risks with regard to the hedge assets.

### **The fund's assets**

The breakdown of the fair value of the plan's assets between different categories on the basis of the nature of the assets and attached risks is the following:

(%)	31/12/2017	31/12/2016
<b>UCITS</b>		
Monetary	1%	3%
Equities	21%	20%
Commitments	78%	77%
	<b>100%</b>	<b>100%</b>

### **Significant actuarial assumptions**

The actuarial mortality assumptions are based on the public statistical mortality tables (TH 00-02 and TF 00-02).

The retirement assumptions are estimated on the basis of the employee's age: 5% of the employees in question would be under 60 years of age, 35% would be between the ages of 60 and 62 years, 55% would be between 62 and 65 years old and 5% would be above 67 years of age.

The job turnover provisions primarily evolve on the basis of the employee's age:

	31/12/2017		31/12/2016	
	Executive	Non-executive	Executive	Non-executive
Under 35 years of age	4,9%	3,4%	5,1%	3,7%
Between 35 and 44 years of age	2,2%	1,1%	2,3%	1,4%
Between 45 and 54 years of age	0,9%	1,4%	0,9%	0,5%
55 years of age or more	0,6%	2,1%	0,9%	1,7%

The adopted discount rate, rate of first category bonds, was determined based on the term for which these commitments would be carried.

The economic assumptions regarding the annual rate of wage increases and the revaluation rate of the commitments for long-service medals are also part of the actuarial assumptions.

**Financing of the fund**

Each quarter, the fund produces an analysis of the investment policy. Based on a prudence principle, it is primarily invested in bond UCITS.

The defined benefit plans are entirely supplied by Bpifrance Financement. The contribution obligations are determined by the contractual provisions based on actuarial elements.

Bpifrance Financement estimates that its contribution to the defined benefit plans for the 2017 fiscal year is equal to €2.1 million.

As on 31 December 2017, the average duration of the obligation relative to the defined benefit plans was 18.8 years for retirement lump sum benefits and 13.0 years for health expenses (respectively 18.7 years and 13.5 years in 2016).

A 0.5% increase in the discount rate would lead to a €1.8 million decrease in the commitment, while a 0.5% decrease would result in a €1.9 million increase in the commitment.

### ***Other long-term benefits***

#### ***Long service awards***

Group employees receive bonus payments to mark the awarding of Medals of Honour in recognition of a long working life. These commitments are provisioned on the basis of the agreement signed on 15 December 2011.

#### ***Supplementary pensions***

The AFB professional agreement dated 13 September 1993 on the reform of retirement schemes for the banking profession applies to the Bpifrance Financement staff. The payment of a supplementary banking pension and rebates not covered by the fund for the vested rights of the staff on 31 December 1993 is covered by a reserve fund with sufficient resources to meet pensioners' needs.

#### ***Early departures***

With regard to early departures, Bpifrance Financement is committed to its personnel. These commitments are provisioned.

## Variation of obligations pursuant to post-employment benefits

Variation of obligations pursuant to post-employment benefits	Retirement lump sum benefits			Health services	Long-service awards	Total 31/12/2017		
	Obligations relating to defined benefits	Plan assets	Liabilities/ (assets) net	Obligations relating to defined benefits	Obligations relating to other long-term benefits	Commitments	Plan assets	Liabilities/ (assets) net
(in millions of euros)								
<b>Opening balance</b>	<b>30,8</b>	<b>26,7</b>	<b>4,0</b>	<b>2,2</b>	<b>1,1</b>	<b>34,0</b>	<b>26,7</b>	<b>7,3</b>
<b>Impact on profit and loss statement</b>	<b>-0,2</b>	<b>2,0</b>	<b>-2,1</b>	<b>-0,1</b>	<b>0,1</b>	<b>-0,2</b>	<b>2,0</b>	<b>-2,2</b>
- Cost of services rendered during the period	1,6	0,0	1,6	0,0	0,1	1,7	0,0	1,7
- Interest on liabilities/assets relating to defined benefits	0,2	0,0	0,2	0,0	0,0	0,3	0,0	0,3
- Cost of past services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Effects of variations of foreign currency prices (n/a)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Contribution to the employer's plan	0,0	4,0	-4,0	0,0	0,0	0,0	4,0	-4,0
- Contribution to the participant's plan	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Profit or loss resulting from the liquidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Paid services	-2,0	-2,0	0,0	-0,2	-0,1	-2,2	-2,0	-0,2
- Actuarial discrepancies (relating to other long-term benefits)	N/A	N/A	N/A	N/A	0,0	0,0	N/A	0,0
<b>Impact on gains and losses booked in shareholders' equity</b>	<b>1,3</b>	<b>1,4</b>	<b>-0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>1,3</b>	<b>1,4</b>	<b>-0,1</b>
- Actuarial discrepancies	1,3	1,4	-0,1	0,0	N/A	1,3	1,4	-0,1
> of which actuarial gains & losses for the period relating to experience adjustments	0,8	0,0	0,8	0,0	N/A	0,8	0,0	0,8
> of which actuarial gains & losses on adjustments relating to demographic assumptions	0,5	0,0	0,5	0,0	N/A	0,5	0,0	0,5
> of which actuarial gains & losses on adjustments to financial assumptions	0,0	1,4	-1,4	0,0	N/A	0,0	1,4	-1,4
- Rate of return of the plan's assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Change of the effect of the asset ceiling	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Closing balance</b>	<b>31,9</b>	<b>30,1</b>	<b>1,8</b>	<b>2,1</b>	<b>1,1</b>	<b>35,1</b>	<b>30,1</b>	<b>5,0</b>

Variation of obligations pursuant to post-employment benefits	Retirement lump sum benefits			Health services	Long-service awards	Total 31/12/2016		
(in millions of euros)	Obligations relating to defined benefits	Plan assets	Liabilities/ (assets) net	Obligations relating to defined benefits	Obligations relating to other long-term benefits	Commitments	Plan assets	Liabilities/ (assets) net
<b>Opening balance</b>	<b>29,4</b>	<b>24,5</b>	<b>4,9</b>	<b>2,3</b>	<b>1,0</b>	<b>32,7</b>	<b>24,5</b>	<b>8,2</b>
<b>Impact on profit and loss statement</b>	<b>-0,5</b>	<b>2,5</b>	<b>-3,0</b>	<b>-0,1</b>	<b>0,1</b>	<b>-0,6</b>	<b>2,5</b>	<b>-3,1</b>
- Cost of services rendered during the period	1,5	0,0	1,5	0,0	0,1	1,6	0,0	1,6
- Interest on liabilities/assets relating to defined benefits	0,3	0,0	0,3	0,0	0,0	0,3	0,0	0,3
- Cost of past services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Effects of variations of foreign currency prices (n/a)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Contribution to the employer's plan	0,0	4,8	-4,8	0,0	0,0	0,0	4,8	-4,8
- Contribution to the participant's plan	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Profit or loss resulting from the liquidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Paid services	-2,3	-2,3	0,0	-0,2	0,0	-2,5	-2,3	-0,2
- Actuarial discrepancies (relating to other long-term benefits)	N/A	N/A	N/A	N/A	0,0	0,0	N/A	0,0
<b>Impact on gains and losses booked in shareholders' equity</b>	<b>1,9</b>	<b>-0,3</b>	<b>2,2</b>	<b>0,0</b>	<b>0,0</b>	<b>1,9</b>	<b>-0,3</b>	<b>2,2</b>
- Actuarial discrepancies	1,9	-0,3	2,2	0,0	N/A	1,9	-0,3	2,2
> of which actuarial gains & losses for the period relating to experience adjustments	1,1	0,0	1,1	0,0	0,0	1,1	0,0	1,1
> of which actuarial gains & losses on adjustments relating to demographic assumptions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
> of which actuarial gains & losses on adjustments to financial assumptions	0,8	-0,3	1,1	0,1	0,0	0,9	-0,3	1,1
- Rate of return of the plan's assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Change of the effect of the asset ceiling	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Closing balance</b>	<b>30,8</b>	<b>26,7</b>	<b>4,0</b>	<b>2,2</b>	<b>1,1</b>	<b>34,0</b>	<b>26,7</b>	<b>7,2</b>



### 10.3 Personnel

The average headcount of fully consolidated companies stood at 2,142 employees in 2017, 80% of whom are executives.

### 10.4 Compensation paid to members of administrative and management bodies

The amount of compensation paid to corporate officers for duties performed within Bpifrance Financement was €112,500 at 31 December 2017. This amount comes from a rebilling from Bpifrance SA, its parent company.

Directors' fees of €131,900 were paid to administrative bodies and business line committees.

#### ● Note 11 - Sector-specific information

The Bpifrance Financement group is primarily active in the following business lines:

- medium and long-term loans: this involves long- and medium-term financing in the form of direct loans, leasing operations on plant & equipment and property, and financial leases; it also includes zero-rate innovation loans;
- short-term financing which includes the operations to participate in the financing of public sector receivables in France and its overseas departments and territories, either directly or by signature;
- the guarantee actions cover banks and equity investment institutions from risks of the failure of the beneficiaries of the financing;
- innovation financing aid in the form of repayable advances or subsidies.

The heading "Other" essentially covers the activities of real estate entities (SCI Bpifrance, Auxi-Finances) and the support activity.

(in millions of euros)

31/12/2017	Financing	Guarantee	Innovation	Other	Total
NBI	606,3	100,6	38,5	12,8	758,2
Operating costs	-239,6	-69,9	-90,7	-10,5	-410,7
Cost of risk	-26,9		-8,4	-0,1	-35,3
Operating income	339,8	30,7	-60,6	2,2	312,2

31/12/2016	Financing	Guarantee	Innovation	Other	Total
NBI	540,0	99,4	32,4	10,2	682,0
Operating costs	-239,9	-56,0	-82,0	-9,0	-386,9
Cost of risk	-0,9	0,0	-4,9	-0,1	-5,9
Operating income	299,2	43,4	-54,5	1,1	289,2

(in millions of euros)

Gross outstandings	31/12/2017	31/12/2016
Medium and long-term loans . including zero rate Innovation loans	30 437,4 949,3	27 906,8 862,3
Short-term financing	5 626,4	5 058,1
Innovation financing aids	491,6	534,1
Guarantees given	12 163,2	11 734,7

Reminder:

Guarantee funds stood at €2,861.9 million in 2017 versus €3,135.0 million in 2016.

Innovation subsidies granted stood at €60.6 million in 2017 versus €105.3 million in 2016.

- **Note 12 – Financing and guarantee commitments**

(in millions of euros)	31/12/2017	31/12/2016
<b>Commitments given</b>	<b>18 306,2</b>	<b>17 034,5</b>
Loan financing commitments	5 910,5	4 991,6
<i>in favour of credit institutions</i>	10,0	10,0
<i>in favour of the clientele</i>	5 900,5	4 981,6
Innovation aid financing commitments	232,5	308,2
Guarantee commitments	12 163,2	11 734,7
<i>in favour of credit institutions</i>	0,0	0,0
<i>in favour of the clientele</i>	12 163,2	11 734,7
Commitments on securities (securities to deliver)	0,0	0,0
<b>Commitments received</b>	<b>2 855,8</b>	<b>2 224,7</b>
Financing commitments received from credit institutions	2 043,2	1 413,2
Guarantee commitments received from credit institutions	812,5	811,4
Commitments on securities (securities to receive)	0,1	0,1

- **Note 13 - Other information**

### 13.1 Related parties

The Bpifrance Financement group's related parties are the companies included in the scope of consolidation shown in note 4, non-consolidated interests, as well as the companies exerting control over the group.

#### *Information relative to related companies*

The transactions common to the fully integrated companies are eliminated in the consolidated financial statements.

The transactions with companies exercising control over the group are listed in the column "Companies exercising joint control". These are transactions carried out with EPIC Bpifrance and Caisse des Dépôts.

The transactions with companies integrated using the equity method are listed in the “Associated companies” column.

The transactions with other related but non-consolidated entities are shown in the column “Other related parties”.

**31 December 2017**

**Balance sheet**

	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
<i>(in millions of euros)</i>					
<b>Assets</b>					
Loans and advances	0,0	0,0	202,3	0,0	202,3
Equity instruments	0,0	0,0	6,4	1,0	7,4
Other receivables	0,0	65,1	0,1	0,3	65,5
<b>Total assets</b>	<b>0,0</b>	<b>65,1</b>	<b>208,8</b>	<b>1,3</b>	<b>275,2</b>
<b>Liabilities</b>					
Deposits	23,9	84,3	0,0	0,1	108,3
Term borrowings	302,1	4 973,5	0,0	0,0	5 275,6
Other liabilities	1,2	21,9	0,2	0,0	23,3
<b>Total liabilities</b>	<b>327,2</b>	<b>5 079,7</b>	<b>0,2</b>	<b>0,1</b>	<b>5 407,2</b>
<b>Miscellaneous information</b>					
Guarantees issued by the group	10,0	0,0	11,3	0,0	21,3
Guaranties received by the group	17 629,3	0,0	0,0	0,0	17 629,3
Impairment of doubtful receivables	0,0	0,0	0,0	0,2	0,2

**Profit and loss statement**

	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
<i>(in millions of euros)</i>					
<b>Total expenses, including:</b>	<b>6,2</b>	<b>168,3</b>	<b>0,0</b>	<b>0,0</b>	<b>174,5</b>
Interest expenses	6,0	168,3	0,0	0,0	174,3
Fees and commissions	0,0	0,0	0,0	0,0	0,0
Services received	0,2	0,0	0,0	0,0	0,2
Other	0,0	0,0	0,0	0,0	0,0
<b>Total proceeds, including:</b>	<b>2,1</b>	<b>1,4</b>	<b>5,7</b>	<b>0,0</b>	<b>9,2</b>
Interest income	0,0	1,1	2,6	0,0	3,7
Fees and commissions	0,0	0,0	0,0	0,0	0,0
Services provided	2,1	0,3	2,6	0,0	5,0
Dividend income	0,0	0,0	0,5	0,0	0,5
Other	0,0	0,0	0,0	0,0	0,0
<b>Other information</b>					
Charges for the year pertaining to doubtful loans	0,0	0,0	0,0	0,0	0,0

31 December 2016

Balance sheet

	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
(in millions of euros)					
<b>Assets</b>					
Loans and advances	0,0	0,0	179,9	0,0	179,9
Equity instruments	0,0	0,0	6,4	1,0	7,4
Other receivables	0,0	73,3	0,0	0,3	73,6
<b>Total assets</b>	<b>0,0</b>	<b>73,3</b>	<b>186,3</b>	<b>1,3</b>	<b>260,9</b>
<b>Liabilities</b>					
Deposits	210,2	163,5	0,0	0,3	374,0
Term borrowings	0,0	5 147,9	0,0	0,0	5 147,9
Other liabilities	0,0	13,8	0,1	0,0	13,9
<b>Total liabilities</b>	<b>210,2</b>	<b>5 325,2</b>	<b>0,1</b>	<b>0,3</b>	<b>5 535,8</b>
<b>Miscellaneous information</b>					
Guarantees issued by the group	10,0	0,0	11,5	0,0	21,5
Guaranties received by the group	15 971,0	0,0	0,0	0,0	15 971,0
Impairment of doubtful receivables	0,0	0,0	0,0	0,2	0,2

Profit and loss statement

	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
(in millions of euros)					
<b>Total expenses, including:</b>	<b>0,2</b>	<b>183,6</b>	<b>0,0</b>	<b>0,0</b>	<b>183,8</b>
Interest expenses	0,0	183,6	0,0	0,0	183,6
Fees and commissions	0,0	0,0	0,0	0,0	0,0
Services received	0,2	0,0	0,0	0,0	0,2
Other	0,0	0,0	0,0	0,0	0,0
<b>Total proceeds, including:</b>	<b>2,3</b>	<b>1,5</b>	<b>4,3</b>	<b>0,0</b>	<b>8,1</b>
Interest income	0,0	1,1	2,2	0,0	3,3
Fees and commissions	0,0	0,0	0,0	0,0	0,0
Services provided	2,3	0,4	1,6	0,0	4,3
Dividend income	0,0	0,0	0,5	0,0	0,5
Other	0,0	0,0	0,0	0,0	0,0
<b>Other information</b>					
Charges for the year pertaining to doubtful loans	0,0	0,0	0,0	0,0	0,0

**13.2 Amount of Statutory Auditors' fees reported in the consolidated profit and loss statement (net amount)**

(in thousands of euros)	Mazars		KPMG Audit	
	2017	2016	2017	2016
Certification of the financial statements	344	458	341	325
Other services	74	103	11	192
<b>Total</b>	<b>418</b>	<b>561</b>	<b>352</b>	<b>517</b>

### 13.3 Activities on behalf of third parties

Operations managed by Bpifrance Financement (agent) on behalf of third parties (principals) are not included in the Bank's consolidated balance sheet.

31/12/2017								
(in millions of euros)	Assets				Liabilities			Off-balance sheet
	Receivables	Principal's account	Cash	Total	Debts	Principal's account	Total	
<b>Financing activity</b>								
ARI(*)	168,5	0,0	0,0	168,5	0,0	168,5	168,5	49,4
Debt funds	176,4	0,0	0,0	176,4	0,0	176,4	176,4	0,0
<b>Guarantee activity</b>								
DROM managed funds	0,0	0,0	63,8	63,8	0,0	63,8	63,8	0,0
Camulor	0,0	0,0	0,2	0,2	0,0	0,2	0,2	0,0
FGRU(*)	0,0	0,0	8,9	8,9	0,0	8,9	8,9	0,0
Student loans	0,0	0,0	24,8	24,8	0,0	24,8	24,8	162,4
<b>Innovation aid activity</b>								
Atout	0,0	0,0	42,7	42,7	0,0	42,7	42,7	0,0
FSN(*)	72,1	426,7	5,3	504,1	237,3	266,8	504,1	111,7
PSIM(*)	19,9	70,1	3,6	93,6	28,3	65,3	93,6	25,3
PSPC(*)	118,6	831,6	25,9	976,1	112,3	863,8	976,1	203,9
Strategic sectors	0,2	67,6	7,4	75,2	36,5	38,7	75,2	0,0
FUI(*)	0,1	350,1	0,0	350,2	232,8	117,4	350,2	15,6
FNI-PR(*)	18,9	16,6	0,0	35,5	3,0	32,5	35,5	9,1
PIAVE(*)	29,3	246,8	0,4	276,5	62,6	213,9	276,5	118,1
French Tech	0,0	0,0	1,1	1,1	1,1	0,0	1,1	0,0
Business Development Insurance	0,0	40,0	0,0	40,0	0,0	40,0	40,0	0,4
<b>Total</b>	<b>604,0</b>	<b>2 049,5</b>	<b>184,1</b>	<b>2 837,6</b>	<b>713,9</b>	<b>2 123,7</b>	<b>2 837,6</b>	<b>695,9</b>

(\*) ARI: Reindustrialisation aids

FGRU: Guarantee Fund for Urban Renewal

FSN: National Digital Society Fund

PSIM: Major Innovation Support Programme

PSPC: Projet de recherche et de développement Structurants des Pôles de Compétitivité (Structuring Research and Development Projects for Competiti

FUI: Fonds Unique Interministériel (Single Interministerial Fund)

FNI-PR: Fonds national d'innovation - Partenariats régionaux d'avenir (National Innovation Fund - Regional Partnerships for the Future)

PIAVE: Projets industriels d'avenir (Industrial Projects for the Future)

31/12/2016								
(in millions of euros)	Assets				Liabilities			Off-balance sheet
	Receivables	Principal's account	Cash	Total	Debts	Principal's account	Total	
<b>Financing activity</b>								
ARI(*)	141,7	0,0	0,0	141,7	0,0	141,7	141,7	93,5
Debt funds	196,9	0,0	0,0	196,9	0,0	196,9	196,9	0,0
<b>Guarantee activity</b>								
DROM managed funds	0,0	0,0	62,9	62,9	0,0	62,9	62,9	0,0
Camulor	0,0	0,0	0,2	0,2	0,0	0,2	0,2	0,0
FGRU(*)	0,0	0,0	10,1	10,1	0,0	10,1	10,1	0,0
Student loans	0,0	0,0	23,1	23,1	0,0	23,1	23,1	169,2
<b>Innovation aid activity</b>								
Atout	0,0	0,0	42,7	42,7	0,0	42,7	42,7	0,0
FSN(*)	54,1	538,5	10,4	603,0	267,1	335,9	603,0	102,7
PSIM(*)	9,5	93,7	4,8	108,0	18,1	89,9	108,0	13,7
PSPC(*)	92,8	356,6	4,7	454,1	97,0	357,1	454,1	176,0
Strategic sectors	0,4	79,2	7,7	87,3	56,6	30,7	87,3	0,0
FUI(*)	0,1	332,4	24,2	356,7	235,4	121,3	356,7	34,4
FNI-PR(*)	14,8	27,9	0,0	42,7	8,3	34,4	42,7	8,5
PIAVE(*)	7,5	272,6	20,4	300,5	53,5	247,0	300,5	110,5
<b>Total</b>	<b>517,8</b>	<b>1 700,9</b>	<b>211,2</b>	<b>2 429,9</b>	<b>736,0</b>	<b>1 693,9</b>	<b>2 429,9</b>	<b>708,5</b>

## **11. SEPARATE FINANCIAL STATEMENTS**

**Bpifrance Financement**  
**PUBLISHABLE INDIVIDUAL FINANCIAL STATEMENTS**  
**TO 31 DECEMBER 2017**

## Publishable balance sheet of Bpifrance Financement

(in millions of euros)

ASSETS	Notes	31/12/2017	31/12/2016
Cash, central banks		357,2	882,3
Treasury notes & similar securities	6	7 726,9	6 097,4
Receivables from credit institutions	3	363,1	382,3
- Sight a/c		112,3	149,0
- Term a/c		250,8	233,3
Customer transactions	4	35 224,6	32 739,3
- Trade receivables		438,6	422,0
- Other customer loans		34 679,3	31 894,1
- Overdrafts		106,7	423,2
Bonds & other fixed income securities	6	677,0	344,1
Equities & other variable income securities	6	522,4	319,0
Equity interests & other long-term securities	7	25,3	25,3
Investments in affiliated companies	7	66,9	70,1
Fin. & plain leasing with purchase option	5	5 750,9	5 688,7
Operating lease	5	160,3	204,8
Intangible fixed assets	8	63,4	57,0
Tangible fixed assets	8	18,8	17,9
Subscribed but unpaid capital		0,0	0,0
Treasury shares		0,0	0,0
Innovation financing aids	9	895,4	899,2
Other assets	10	441,1	394,6
Accruals	11	242,7	261,3
<b>TOTAL ASSETS</b>		<b>52 536,0</b>	<b>48 383,3</b>



## Publishable balance sheet of Bpifrance Financement

(in millions of euros)

LIABILITIES	Notes	31/12/2017	31/12/2016
<b>Central banks</b>		<b>0,0</b>	<b>0,0</b>
<b>Due to credit institutions</b>	12	<b>12 364,8</b>	<b>12 295,8</b>
- <i>Sight a/c</i>		2,3	4,9
- <i>Term a/c</i>		12 362,5	12 290,9
<b>Customer transactions (*)</b>	13	<b>3 512,6</b>	<b>4 073,3</b>
- Other debts		3 512,6	4 073,3
. <i>Sight a/c</i>		206,2	474,7
. <i>Term a/c</i>		3 306,4	3 598,6
<b>Debt securities</b>	14	<b>24 558,6</b>	<b>20 374,7</b>
- <i>Interbank securities &amp; negotiable debt instruments</i>		4 219,4	4 736,5
- <i>Bond loans</i>		20 339,2	15 638,2
<b>Other liabilities</b>	15	<b>1 478,7</b>	<b>1 431,0</b>
<b>Accruals</b>	16	<b>1 241,9</b>	<b>1 242,0</b>
<b>Litigation provisions</b>	17	<b>456,0</b>	<b>474,5</b>
<b>Subordinated debts, mutual guarantee deposits</b>	18	<b>321,4</b>	<b>19,1</b>
<b>Public guarantee funds</b>	19	<b>4 058,9</b>	<b>4 246,6</b>
<b>Net innovation intervention resources</b>	20	<b>1 537,2</b>	<b>1 422,7</b>
<b>Fund for general banking risks</b>		<b>235,2</b>	<b>235,2</b>
<b>Shareholders equity excluding contingencies fund (FRBG)</b>	21	<b>2 770,7</b>	<b>2 568,4</b>
- <i>Subscribed capital</i>		839,9	839,9
- <i>Share premiums</i>		971,6	971,6
- <i>Merger premiums</i>		211,9	211,9
- <i>Reserves</i>		203,0	194,2
- <i>Regulated provisions, investment subsidies</i>		55,8	53,8
- <i>Retained earnings</i>		288,3	121,9
- <i>Profit or loss for the fiscal year</i>		200,2	175,1
<b>TOTAL LIABILITIES</b>		<b>52 536,0</b>	<b>48 383,3</b>

## Publishable off-balance sheet of Bpifrance Financement

<i>(in millions of euros)</i>	Note	31/12/2017	31/12/2016
<b>Commitments given</b>	24		
- <i>Financing commitments</i>			
. Commitments to lending institutions		10,0	10,0
. Commitments to customers		6 133,0	5 289,8
- <i>Guarantee commitments</i>			
. Commitments on behalf of lending institutions		0,0	0,0
. Commitments on behalf of customers		11 432,4	11 077,0
- <i>Commitments on securities</i>			
. Securities acquired with buyback or recovery option		0,0	0,0
. Other commitments given		0,0	0,0
<b>Commitments received</b>	24		
- <i>Financing commitments</i>			
. Commitments received from lending institutions		2 043,2	1 413,2
. Commitments received from customers		0,0	0,0
- <i>Guarantee commitments</i>			
. Commitments received from lending institutions		1 068,5	1 051,6
. Commitments received from customers		18 547,0	16 605,6
- <i>Commitments on securities</i>			
. Securities sold with buyback or recovery option		0,0	0,0
. Other commitments received		0,1	0,1

Bpifrance Financement publishable profit and loss statement

<i>(in millions of euros)</i>	<b>Notes</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Interest Income	26	1 093,6	1 000,6
Interest and similar charges	27	-551,3	-528,6
Income on leasing and related transactions	28	1 158,1	1 147,6
Expense on leasing and plain renting operations	29	-1 016,5	-1 007,9
Proceeds from plain renting operations	28	108,9	113,9
Charges on plain renting operations	29	-96,8	-110,6
Income from variable income securities	30	1,8	1,8
Commissions (income)	31	8,4	7,2
Commissions (expenses)	31	-1,3	-0,8
+/- Gains or losses on trading portfolio transactions	32	-0,2	0,0
+/- Gains or losses on long-term portfolio & similar transactions	33	-0,6	-0,1
Other bank operating income	34	54,8	52,7
Other bank operating expenses	35	-5,2	-6,9
<b>NET BANKING INCOME</b>		<b>753,7</b>	<b>668,9</b>
Operating general expenses	36	-374,0	-356,5
Amortisation & impairment on tangible & intangible fixed assets		-27,3	-25,3
<b>GROSS OPERATING EARNINGS</b>		<b>352,4</b>	<b>287,1</b>
Cost of risk	37	-27,3	-11,3
<b>OPERATING INCOME</b>		<b>325,1</b>	<b>275,8</b>
+/- Gains or losses on non-current assets	38	15,3	-0,2
<b>CURRENT EARNINGS BEFORE TAXES</b>		<b>340,4</b>	<b>275,6</b>
Extraordinary profit or loss		0,0	0,0
Income tax	41	-138,2	-96,3
Charges to/recoveries from the FGFR & regulatory provisions		-2,0	-4,2
<b>NET INCOME</b>		<b>200,2</b>	<b>175,1</b>

# **Bpifrance Financement**

NOTES TO THE PUBLISHABLE INDIVIDUAL FINANCIAL  
STATEMENTS

TO 31 DECEMBER 2017

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## ● **NOTE 1 - PRESENTATION AND ASSESSMENT RULES**

The annual financial statements have been prepared and are presented in accordance with the provisions of the Accounting Standards Authority (ANC) rule no. 2014-07 relating to the financial statements of banking sector companies.

### **1.1 Presentation of the financial statements**

#### ● **Balance sheet**

- Loans and related debts are classified under the asset or liability items on which interest is due to or from.
- The securities portfolio is broken down according to the types of securities held in it: Treasury bills, bonds and other fixed income securities, equities and other variable income securities. The breakdown depends on the intended economic purpose of the securities (trading, short-term or long-term investment) and is described in note 6.2.
- Subordinated assets are classified according to their type either as amounts due from banks or amounts due from customers, or as “bonds and other fixed income securities”.
- Doubtful loans are recorded according to their nature under the asset items to which they are attached, in the amount net of impairment.
- On the liabilities side, mutual guarantee deposits are included under the heading of “subordinated debt”.
- The section “Shareholders’ equity excluding FGBR” covers the following items: “subscribed capital”, “share premiums”, “merger premiums”, “reserves”, “regulatory provisions and investment subsidies”, “retained earnings” and “net income”.
- The equipment subsidies received for leasing transactions are shown in the “other liabilities” section.

#### ● **Profit and loss statement**

The presentation of the profit and loss statement is based on five interim management balances: Net Banking Income, Gross Operating Earnings, Operating Earnings, Pre-tax Earnings and Net Earnings.

The significant components of the profit and loss statement are described in notes 26 to 41.

## 1.2 Accounting principles and methods

### • Credit risk

A distinction is made between sound loans, restructured loans, doubtful loans and doubtful compromised loans.

The classification of credit transactions is based on the concept of established credit risk. The risk is considered to be recognised once it is probable that part of the amounts owed by a counterparty will not be received and that this probability of loss is associated with one of the following situations:

- there are one or more overdue instalments aged at least three months;
- the establishment is aware of the degraded financial situation of the counterparty, which is represented by a risk of non-collection;
- claim and collection procedures are in place between the institution and its counterparty.

### ***Sound outstanding***

The credit transactions that do not generate a confirmed risk, on the other hand, are acknowledged as being sound outstanding.

### ***Restructured outstanding***

The receivables said to be restructured are defined as receivables held on counterparties that have experienced financial difficulties, such that the establishment has had to review the receivable's initial characteristics.

### ***Doubtful outstanding***

Credit transactions that generate a recognised risk are doubtful outstanding, or "bad debt." For a particular counterparty, all these credit transactions will be "propagated" as doubtful loans.

Credit operations become compromised if the recovery prospects are significantly deteriorated, and if an eventual transfer to losses is envisaged (see note 4).

The events that lead to downgrading as a compromised doubtful outstanding loan are:

- expiry of loan term;
- the contract's cancellation;
- closure of relations with the customer.

One year after the classification as a doubtful loan, the loan is considered to be compromised, except if the transfer to losses is not envisaged. The existence of guarantees is taken into account in the consideration of compromised outstanding.

When it is confirmed that the outstanding loans are non-collectible, these assets are transferred to losses.

The compromised doubtful outstanding loans are identified within doubtful outstanding loans.

## ***Segmentation of outstanding loans***

The kind of activity of the institution leads to the outstanding loans being segmented by:

- residual maturity;
- business sector;
- main counterparty types.

As part of its commercial policy, its selection process and its risk control, Bpifrance Financement uses an internal rating system.

## ***Impairment allocated to doubtful loans with the clientele***

Impairment charged against doubtful loans is deducted from the corresponding assets.

Provisions which Bpifrance Financement has deemed necessary to hedge doubtful off-balance sheet commitments are entered as liabilities on the balance sheet.

The impairment amount for medium and long-term loans and other loans, whether or not backed by guarantee funds, is determined dynamically, receivable by receivable, after analysis of the loss estimated on the basis of probable recoveries, guarantees included, discounted at the original loan rate.

On the closing date, the net impairment outstanding is equal to the lower of the historical cost and the current value of the future cash flows expected from interest, repayment of the capital and the value of the guarantees.

The depreciation allowances and write-backs for non-recovery risk are recorded in the cost of risk. The increase of the book value related to the discount amortisation and the depreciation recovery as a result of passing time being recorded as part of the interest margin.

## ***Depreciations of the guarantee commitments given and of the innovation aids***

With regard to the guarantee commitments given, the depreciation corresponds with the capital loss as well as with the contractual interest covered by the guarantee funds. The capital loss is assessed on the basis of a statistical model for estimating potential recoveries. These depreciations do not impact the profit and loss statement, but are charged against the guarantee funds.

Regarding innovation aids, impairment is estimated individually. These depreciations do not impact the profit and loss statement, but are charged against the innovation guarantee funds.

## ***Dynamic collective provisioning***

In 2000, a method for the dynamic provisioning of new loans on generation was implemented by the group.

In 2007, in view of the change to the IFRS standards for the consolidated financial statements, Bpifrance Financement reviewed its methodology for estimating the collective provisioning.



The existence of a credit risk involving a uniform set of receivables results in the recording of a provision, without waiting for the risk to have individually affected one or more receivables.

The methodology implemented by Bpifrance Financement is primarily based on an analysis of the internal ratings of the portfolio. The assessment model for collective provisions is based on simulations of stochastic scenarios that, with each counterparty, associate a possible default date and a loss rate given default.

The approach proposed is open-ended and pragmatic, bearing in mind that the laws of statistics can offer no certainties.

The collective provision is booked on the balance sheet under liabilities. As risks arise, impairment for doubtful debts is booked and charged against the outstanding loans concerned, while the collective provision is recovered at the same rate.

- **Early repayments of loans granted to customers**

Bpifrance Financement directly records, through profit or loss, the compensation for early repayment of loans granted to the clientele, on the realisation date.

- **Leasing transactions**

Bpifrance Financement engages in equipment leasing, finance leasing and real estate leasing activities, a residual part of which is subject to the SICOMI regime.

In the separate financial statements, these transactions appear on the balance sheet in the sections “leasing and rental agreements with purchase option” and “operating leases” and in the profit and loss statement in the sections “proceeds from leasing transactions and similar,” “charges for leasing and similar” and “proceeds from operating leases”, “charges for operating leases”.

The leased or rented property, plant and equipment are reported on the corporate balance sheet at their purchase value, which, for leasing, includes the acquisition costs, the cost of construction and the purchase price of the land.

Accounting depreciation, subject to the limits of both maximum fiscal depreciation and the minimum straight-line allowance, is calculated item by item, with the exception of land which is not depreciated.

If a contract becomes delinquent, if the estimated value of the likely recoveries is less than the property’s book value, the difference is the subject of impairment in the Net Banking Income.

Compensation for contract terminations is posted to “Proceeds from leasing transactions and similar”. Impairment designed to cover the compensation due is also recorded in this account.

Linked to this corporate presentation is a financial presentation, which translates the economic substance of the transactions. Rents are broken down into (a) interest and (b) amortisation of the capital referred to as financial amortisation.

On the financial balance sheet, the financial outstanding appears which is equivalent to the gross value of property, plant and equipment minus the financial amortisation and financial impairment.

In the profit and loss statement, the Net Banking Income takes in the interest included in the rents incurred during the fiscal year and the financial capital gains or losses on the sound financial loans, and in the cost of risk, variations in financial impairment and financial capital gains or losses on the delinquent financial loans.

The financial data are outlined in notes 5, 39 and 40.

- **Operations involving financial instruments**

### ***Balance sheet transactions***

The portfolio consists of marketable securities, Treasury bills, negotiable debt instruments and interbank market certificates.

Depending on the intended economic purpose of the transactions and the risks associated with each, securities are divided into four categories, each subject to specific accounting rules:

### ***Trading securities***

These are securities which are:

- either acquired or sold with the intention of reselling them or buying them in the short term;
- or held by an establishment as a result of its market maker activity;
- or acquired or sold within the framework of specialised portfolio management;
- or the subject of a sale commitment as part of an arbitrage operation.

They are recorded on the date of acquisition at their purchase price, with accrued interest but less expenses. At each accounts closing date, they are marked to market. The overall balance of the differences resulting from price variations is included in the Net Banking Income.

### ***Market securities***

This portfolio consists of securities that cannot be included amongst the trading securities, nor amongst the long-term investment securities, nor amongst the portfolio other securities held for long-term, equity interests and shares in related companies.

They are recorded at their acquisition cost, but without accrued interest or expenses.

The differences between the acquisition price of fixed income securities and their redemption price are staggered over the residual lifespan of these securities, by using the actuarial method.

At the reporting date, these securities are valued at their market value. If this is less than their carrying amount, they are subjected to impairment, which is charged against Net Banking Income.

### ***Investment securities***

These are fixed-income securities acquired with the intention to hold to maturity.

They are financed from specific resources or interest rate hedged. They are recorded at their acquisition price, but excluding accrued coupon and expenses at purchase. The difference between the acquisition cost and the redemption price is actuarially spread over the remaining life of the security. At the accounts closing date, unrealised capital losses are not provisioned unless they carry a counterparty risk.

Should some of these securities be sold before their maturity for a significant amount, the entire portfolio would be downgraded to short-term investment securities, for the current fiscal year and the two following fiscal years, barring exceptions indicated in the texts.

### ***Securities used for portfolio activity***

Portfolio investment relates to securities acquired on a regular basis with the aim of realising a medium-term capital gain and with no intention of long-term investment in the development of issuing company, or of active participation in its management. The activity must be exercised on a significant and ongoing scale within a structured framework that provides the institution with a recurrent return on investment deriving principally from the capital gains on disposals. Included in this category are securities held in the context of a venture capital activity; such securities are posted, depending on their type, to the accounts "Bonds and other fixed securities" and "Shares and other variable income securities".

They are measured at the accounts closing date at the lower of cost price or utility value determined in the light of the general development outlook for the issuer and the length of time for which the securities will be held. If necessary, they are subject to impairment, which is set against Net Banking Income.

### ***Repurchase agreements***

Securities received in repo transactions are shown as assets in an account which reflects the liability generated. The corresponding income is recorded in Net Banking Income.

Securities sold in repo transactions give rise to a liability. They are maintained in their original portfolio and continue to be valued according to the rules applicable to that portfolio.

### ***Off-balance sheet operations***

These transactions are classified on the basis of the notional amount and the market value of the contracts and are distinguished according to their intended economic purpose (see note 25).

Results from these operations are reported in Net Banking Income.

Hedging transactions make up the bulk of the transactions negotiated:

- income and expenses relating to forward financial instruments intended, and so designated from the outset, to hedge an item or homogenous group of items (micro-hedging<sup>38</sup>), are automatically recognised as income and expenses when the hedged elements are booked;
- income and expenses relating to instruments used to adjust the nature of resources to requirements defined within the framework of overall management of interest rate or currency positions (macro-hedging<sup>39</sup>) are recognised pro rata temporis in Net Banking Income.

In the event of cancellation of interest rate or currency swap contracts negotiated as part of overall management of interest rate positions, any payments received or made are spread over the residual life of the cancelled contract.

As regards transactions that constitute opening isolated open positions:

- transactions negotiated on an organised or related market are valued at each accounts closing date. The corresponding gains or losses impact directly on Net Banking Income;
  - the results of transactions negotiated on an over-the-counter market are recognised according to the nature of the instruments, either on unwinding of the contracts or pro rata temporis. Unrealised losses recognised at the accounts closing date impact upon Net Banking Income.
- **Equity interests and shares in related companies, other long-term investment securities**

These securities are listed at the acquisition price, excluding expenses.

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<sup>38</sup> Transactions classified as micro-hedging include interest rate swap contracts negotiated as hedging for operations to refinance business activities or as hedging for the long-term investment securities portfolio, operations on futures markets to hedge interest rate risks on this portfolio, and foreign exchange operations (forward exchange rate agreements, currency swap agreements).

<sup>39</sup> Transactions classified as macro-hedging include interest rate and currency swap contracts negotiated as part of the overall management of the Bpifrance Financement positions. This heading also includes transactions on futures markets to hedge global interest rate risks.

### ***Equity investments, investments in non-consolidated subsidiaries***

Investments in non-consolidated subsidiaries are shares in the capital of companies. Their long-term ownership is considered useful to the activity of the companies which own them, either because it permits the owner to exercise an influence on the issuing company, or because it reflects a partnership relationship.

These securities are valued at the lower of either their cost price or their going price at the year-end. Going price represents the amount the company would be prepared to pay to acquire the securities in view of its intention in holding them. It may be determined by reference to market value, net asset value, the future earnings prospect of the issuing company, the outlook for realisation, economic circumstances. If this value is less than book value, a provision for impairment is charged to "Gains or losses".

### ***Other long-term investment securities***

These are investments in securities made with the intention of promoting the development of lasting professional relationships by creating a privileged relationship with the issuing company, but one that does not create a position of influence on the management of that company in view of the limited number of voting rights held. These securities are valued by the same method as investments in non-consolidated subsidiaries and in affiliates.

- **Tangible and intangible fixed assets**

Fixed assets are depreciable or non-depreciable assets from which the company expects to derive future economic advantage.

The depreciation of a fixed asset is the systematic distribution of its depreciable amount in accordance with its use.

The depreciation allowance appears in the "Depreciation allowances and impairment on intangible and tangible fixed assets" in the profit and loss statement.

Exceptional depreciation resulting from the application of the General Tax Code is recognised under "Charges to/recoveries from the FGBR and regulatory provisions" in the income statement.

- **Guarantee funds and net innovation intervention resources**

In order to deal with its economic general interest mission, the State provides Bpifrance Financement with public resources intended to cover the commitments resulting from this mission. The activities covered by these funds are firstly guarantees for bank loans, and secondly the distribution of innovation aids primarily in the form of subsidies and repayable advances.

The resources provided by the State are shown on the asset side of the balance sheet and are decreased by losses and provisions established on the operations in question. For the bulk of the provided resources, the financial proceeds resulting from cash investments are reallocated.

The main affected items for these economic general interest activities are:

- on the asset side, aid for innovation financing (see note 9) and allocations to be received (see note 10);
- on the liabilities side, guarantee funds (see note 19), innovation intervention resources (see note 20);
- in the off-balance sheet, the guarantees given (see note 24).

Given that they are repayable, the guarantee funds meet the definition of debt instruments. In view of their specificity and importance for the group, they are included as balance sheet liabilities under the specific headings entitled "Public guarantee funds" and "Net resources for innovation investment".

They are assessed at cost. This assessment includes the allocations collected, in addition to the share of the earnings paid to the funds (commissions, net financial proceeds, participation in the capital gains on securities), net of any recognised bad debts (expenses, litigation provisions and pre-litigation provisions).

The gains, losses and provisions assigned to the guarantee funds, as described in notes 19.2 and 20.2, do not transit via the profit and loss statement. The expenses and proceeds are not taxable.

Similarly, public partners, primarily regions, provide Bpifrance Financement with resources intended to finance subsidies and repayable advances. The net amount of these resources is grouped together with the innovation guarantee funds, under the "intervention resources".

- **Fund for general banking risks**

Allocations to the fund for general banking risks are made at the discretion of the directors in order to meet expenses and risks of an exceptional nature in the banking sector.

- **Currency transactions**

Assets, liabilities and off-balance sheet items are converted into euros at the rate prevailing on the accounts closing date.

Differences arising from the mark to market of currency positions are reported in Net Banking Income.

- **Interest and commissions**

Interest and commissions are reported in Net Banking Income using the accrual method.

The commissions and handling charges, if they are insignificant amounts, are not subject to spreading.

- **Borrowing charges**

Bond issue expenses and redemption or issue premiums are spread over the life of the issue pro rata to the accrued interest. The resulting charge is reported in Net Banking Income.

The annual interest expense of loans with a rising interest rate or with a single coupon is accounted for on the basis of the yield to maturity cost.

- **Tax situation**

Bpifrance Financement is the parent company of the tax consolidation group including AUXIFINANCES. Bpifrance Financement is the beneficiary of the overall tax savings, income or expenses achieved by the tax consolidation group due to the application of the consolidation regime.

- **Pensions and other social commitments**

***Post-employment benefits***

They include the retirement lump sum payments, the banking sector retirement supplements and health expenses after employment.

These benefits can be divided into two categories: the defined contribution plans (not representative of a commitment to be provisioned by the company) and the defined benefit plans (representative of a commitment at the company's expense and resulting in an assessment and provisioning).

- **Defined contribution plan**

A defined contribution plan is a plan for post-employment benefits according to which an entity pays defined contributions (as an expense) to a separate entity and will have no legal obligation to pay additional contributions if the fund does not have sufficient assets to provide all of the benefits corresponding with the services provided by the personnel during the periods in question.

- **Defined benefits plan**

The obligations, hedged by an insurance contract, are assessed using an actuarial method that considers demographic and financial assumptions such as age, seniority, the probability of presence on the date of the awarding of the benefit, and the discounting rate (rate of return from the market for the bonds of high quality companies).

This calculation includes a distribution of the expense over time on the basis of the activity period of the personnel members (projected credit units method). The recognition of the obligations takes into account the value of the assets established in order to hedge the obligations and actuarial elements.

The expenses relative to defined benefit plans consist of the cost of the benefits rendered during the year, the interest on the liabilities or net assets relative to the defined benefits (at the market rate of return of the bonds of high-quality companies), the contributions to the employer's plans, and the benefits paid.

The possible actuarial gains and losses (revaluations), the yields of the plan's assets (excluding interest) and the consequences of the reductions and possible liquidations of plans are booked in profit and loss.

### ***Other long-term benefits***

- Long service awards

Group employees receive bonus payments to mark the awarding of Medals of Honour in recognition of a long working life. These commitments are provisioned on the basis of the agreement signed on 15 December 2011.

- Supplementary pensions

The AFB professional agreement dated 13 September 1993 on the reform of retirement schemes for the banking profession applies to the Bpifrance Financement staff. The payment of a supplementary banking pension and rebates not covered by the fund for the rights acquired by staff at 31 December 1993 is covered by a reserve fund with sufficient resources to meet pensioners' needs.

- Early departures

With regard to early departures, Bpifrance Financement is committed to its personnel. These commitments are provisioned.

### ***Cessation of employment compensation***

This involves compensation paid to employees at the time of the termination of their employment contract, prior to retirement, whether in case of dismissal or acceptance of a voluntary departure plan. The end of employment contract allowances are provisioned. The benefits paid more than 12 months after the closing date are the subject of discounting.

### ***Significant actuarial assumptions***

The actuarial mortality assumptions are based on the public statistical mortality tables.

The job turnover provisions primarily evolve on the basis of the employee's age, based on historical statistical data.

The adopted discount rate, rate of first category bonds, was determined based on the term for which these commitments would be carried.

The economic assumptions regarding the annual rate of wage increases and the revaluation rate of the commitments for long-service medals are also part of the actuarial assumptions.



● **NOTE 2 - SIGNIFICANT EVENTS DURING THE FISCAL YEAR AND EVENTS AFTER THE CLOSING**

**2.1 Significant events during the fiscal year**

There were no significant events during the fiscal year.

**2.2 Events after the closing**

No significant event occurred after the closing date of the financial statements.

● **NOTE 3 - RECEIVABLES FROM CREDIT INSTITUTIONS**

(in millions of euros)	31/12/2017	31/12/2016
Demand deposits and overnight loans	112,3	149,0
Term accounts and loans	249,9	232,5
Subordinated loans	0,0	0,0
Securities received in repo transactions	0,0	0,0
Doubtful debts		
. <i>Gross amount</i>	0,0	0,0
. <i>Impairments</i>	0,0	0,0
Net amount of doubtful loans	0,0	0,0
Inter-company receivables	0,9	0,8
<b>Total (*)</b>	<b>363,1</b>	<b>382,3</b>
(*) Of which refinancing loans for subsidiaries or equity interests	202,3	179,9

Breakdown of sound outstandings (excluding related receivables) by residual maturity at 31 December 2017

(in millions of euros)	D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
Sound outstandings	119,2	16,6	90,2	136,2
	<b>362,2</b>			

## ● NOTE 4 - TRANSACTIONS WITH CUSTOMERS - ASSETS

This note describes loan and financing transactions for short-term receivables.

(in millions of euros)	31/12/2017	31/12/2016
Trade receivables	438,6	422,0
Overdrafts (excluding AFT)	8,1	15,6
Short-term credit facilities	5 229,6	4 764,4
Medium and long-term loans(1)	13 476,3	12 345,7
<i>of which restructured credits</i>	154,9	114,2
Accounts opened with Agence France Trésor	5 204,3	5 785,8
Credit export	70,3	55,6
Other loans and subordinated loans	9 976,6	8 701,5
<i>of which restructured credits</i>	135,0	123,3
Loans to financial customers	4,2	4,5
Doubtful debts		
. <i>Gross amount (1)</i>	1 219,1	964,9
. <i>Impairments</i>	-185,5	-165,0
. <i>Allocated callable guarantee funds (2)</i>	-311,7	-249,5
Net amount of doubtful loans	721,9	550,4
Inter-company receivables	94,7	93,8
<b>Total (3)(4)</b>	<b>35 224,6</b>	<b>32 739,3</b>
(1) Before deduction of any guarantees		
(2) This item represents the impairments established on guarantee funds		
(3) Excluding collective provisions shown as balance sheet liabilities		
(4) Of which eligible debts with the Eurosystem (ECB)	8 688,5	7 402,2

The total amount of doubtful receivables is broken down as follows:

(in millions of euros)	Doubtful loans	Impaired doubtful loans	TOTAL
Outstandings	616,0	603,1	1 219,1
Impairments	0,0	-185,5	-185,5
Allocated callable guarantee funds	-122,0	-189,7	-311,7
<b>Net amount</b>	<b>494,0</b>	<b>227,9</b>	<b>721,9</b>

## Breakdown of loans outstanding (excluding related receivables) at 31 December 2017

- By residual maturity

(in millions of euros)	D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
Sound outstandings	6 615,5	6 759,3	13 149,6	7 883,6
	<b>34 408,0</b>			

- By economic business sectors

(in millions of euros)	Trade	Industry	Services	PW&CE	Tourism	TOTAL
Sound outstandings	5 208,2	7 330,7	19 206,6 (*)	1 193,2	1 469,3	<b>34 408,0</b>
Doubtful outstandings	159,9	301,1	641,1	71,7	45,3	<b>1 219,1</b>
Used impairments	-34,3	-42,7	-87,4	-14,3	-6,8	<b>-185,5</b>

(\*) Including €5,204.3 million with the Agence France Trésor

- By major types of counterparty

(in millions of euros)	Central agencies	Lending institutions	Non-credit institutions	Companies	Retail customers	TOTAL
Sound outstandings	5 642,9	0,0	4,2	28 735,4	25,5	<b>34 408,0</b>
Doubtful outstandings	0,0	0,0	0,0	1 218,5	0,6	<b>1 219,1</b>
Used impairments	0,0	0,0	0,0	-185,3	-0,2	<b>-185,5</b>

● **NOTE 5 - FINANCIAL LEASING AND OPERATING LEASE TRANSACTIONS**

Fund flows recorded during the 2017 fiscal year

(in millions of euros)	Property leasing and rental	Equipment leasing and rental	TOTAL
<b>Gross value of prop., plant &amp; equip. as at 31/12/2016</b>	7 363,2	3 292,2	10 655,4
Entries	510,2	621,8	1 132,0
Exits	-421,6	-544,9	-966,5
<b>Gross value of prop., plant &amp; equip. as at 31/12/2017</b>	7 451,8	3 369,1	10 820,9
Total depreciation as at 31/12/2017	-2 166,7	-2 061,7	-4 228,4
Total impairments as at 31/12/2017 (*)	-705,8	-1,4	-707,2
Total allocated guarantee funds as at 31/12/2017	-12,8	-4,7	-17,5
<b>Net value of prop., plant &amp; equip. as at 31/12/2017</b>	4 566,5	1 301,3	5 867,8
Net receivables	32,0	11,4	43,4
<b>Subtotal</b>	4 598,5	1 312,7	5 911,2
Unrealised reserve	38,1	509,8	547,9
<b>Net financial outstanding as at 31/12/2017</b>	4 636,6	1 822,5	6 459,1
(*) Of which - Provisions Art. 64 of the Sicomi Regime	16,6	0,0	16,6
- Provisions Art. 57	668,6	0,0	668,6

● **NOTE 6 - SECURITIES PORTFOLIO**

6.1 Fund flows recorded during the 2017 fiscal year

(in millions of euros)	Public sector bills and similar securities	Bonds and other fixed-income securities	Equities and other variable-income securities
<b>Gross amount as at 31/12/2016</b>	<b>6 097,4</b>	<b>344,9</b>	<b>320,1</b>
Entries & other movements(1)	1 945,4	621,6	204,3
Exits	-315,3	-288,4	-1,1
Change in related receivables	-0,6	-0,7	0,0
<b>Gross amount as at 31/12/2017</b>	<b>7 726,9</b>	<b>677,4</b>	<b>523,3</b>
Total impairments as at 31/12/2017(2)	0,0	-0,4	-0,9
<b>Net amount as at 31/12/2017</b>	<b>7 726,9</b>	<b>677,0</b>	<b>522,4</b>

(1) Including depreciation of premiums/discounts

(2) Impairments of unrealised capital losses and bad debts

The following table gives details of the share of securities held for the use of the guarantee funds:

(in millions of euros)	Public sector bills and similar securities	Bonds and other fixed-income securities	Equities and other variable-income securities
<b>Gross amount as at 31/12/2017</b>	<b>13,8</b>	<b>197,4</b>	<b>0,0</b>
Inter-company receivables	0,0	-0,1	0,0
Total impairment	0,0	0,0	0,0
<b>Net amount as at 31/12/2017</b>	<b>13,8</b>	<b>197,3</b>	<b>0,0</b>

Breakdown of the fixed income securities portfolio by residual maturity as of 31 December 2017

(in millions of euros)	D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years	Related receivables	TOTAL
Public sector bills and similar securities	0,0	524,5	2 645,7	4 474,2	82,5	7 726,9
Bonds and other fixed-income securities	286,2	239,0	93,4	54,8	3,6	677,0
	<b>286,2</b>	<b>763,5</b>	<b>2 739,1</b>	<b>4 529,0</b>	<b>86,1</b>	<b>8 403,9</b>
	<b>8 317,8</b>					

## 6.2 Breakdown by portfolio type (net amounts, including related receivables)

(in millions of euros)	31/12/2017					31/12/2016	
	Public sector bills and similar securities	Bonds and other fixed-income securities		Equities and other variable-income securities		TOTAL	TOTAL
		Investment securities	Non-listed securities	Non-listed securities	Investment securities		
Placements	0,0	0,6	167,0	0,0	522,4	690,0	378,0
Investments	7 726,9	142,5	366,9	0,0	0,0	8 236,3	6 382,5
<b>Total</b>	<b>7 726,9</b>	<b>677,0 (*)</b>			<b>522,4</b>	<b>8 926,3</b>	<b>6 760,5</b>

(\*) Including securities issued by the State or local bodies: 0.0  
 - Securities issued by other issuers: 677.0

Securities sold on repo amounted to €5,223.1 million at the end of 2017 versus €4,167.1 million at the end of 2016 (amounts expressed in net book value).

The net value of investment securities contains a provision for counterparty risk of €0.3 million.

### 6.3 Transfers between portfolios and sale of investment securities before maturity

There were no transfers between portfolios over the course of the year.

### 6.4 Portfolio valuation (including related receivables and excluding doubtful receivables) as of 31 December 2017

(in millions of euros)	Gross book value	Market value	Difference	Unrealised capital losses (excluding doubtful receivables)	Unrealised capital gains
Market securities	691,0	690,0	-1,0	-1,0	
Investment securities(*)	8 236,3	8 981,1	744,8		

(\*) Long-term investment securities, for the most part government bonds (OATs), are a part of the overall management of the establishment's liquidity and interest rate positions, with a general risk hedging objective.

In particular, they are used to meet requirements for securities arising from the securitisation of interbank transactions and exchange systems.

## ● NOTE 7 - EQUITY INVESTMENTS AND OTHER LONG-TERM SECURITIES, INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

### 7.1 Fund flows recorded during the 2017 fiscal year

(in millions of euros)	Equity interests	Other long-term investment securities	Investments in affiliated companies
<b>Gross amount as at 31/12/2016</b>	<b>12,8</b>	<b>13,8</b>	<b>70,2</b>
Entries and other movements	0,1	0,0	0,0
Exits and other movements	-0,1	-0,1	-3,1
Change in related receivables	0,0	0,0	0,0
<b>Gross amount as at 31/12/2017</b>	<b>12,8</b>	<b>13,7</b>	<b>67,1</b>
Total impairments as at 31/12/2017	-0,3	-0,9	-0,2
<b>Net amount as at 31/12/2017(1)</b>	<b>12,5</b>	<b>12,8</b>	<b>66,9</b>
(1) Of which: - Listed securities	0,0	0,0	0,0
- Non-listed securities	12,5	12,8	66,9

## 7.2 Equity interests and subsidiaries

Subsidiaries and equity interests (in thousands of euros)	Financial information				
	Book value of the securities held		Loans and advances granted by the company and not yet repaid	Amount of sureties and endorsements given by the company	Dividends collected by the company during the fiscal year
	Gross	Net			
<b>A - Subsidiaries in which over 50% of the capital is owned by the company</b>					
1) French subsidiaries	67 143	66 993	11 033	0	1 200
2) Foreign subsidiaries					
<b>B - Equity interests in which 10 to 50% of the capital is owned by the Company</b>					
1) Equity interests in French companies ( <i>consolidated information</i> )	22 445	21 489	202 283	10 000	518
2) Equity interests in foreign companies ( <i>consolidated information</i> )					

## 7.3 - Information on related parties

(in millions of euros)

COMMITMENTS GIVEN	31/12/2017
<b>Financing commitments</b>	
- Lending institutions	0,0
- Customers	10,0 (*)
<b>Guarantee commitments</b>	
- Lending institutions	0,0
- Customers	0,0
<b>Commitments on securities</b>	
- Lending institutions	0,0
- Customers	0,0

(\*) - Of which Bpifrance SA: 10.0

Operations with related parties are negotiated at arm's length.



## ● NOTE 8 - TANGIBLE AND INTANGIBLE FIXED ASSETS

(in millions of euros)	Intangible fixed assets	Tangible fixed assets		
		Land and Buildings		Other
		Operating	Non-operating	
<b>Gross amount as at 31/12/2016</b>	<b>201,0</b>	<b>27,8</b>	<b>1,5</b>	<b>28,2</b>
Acquisitions	30,3	4,4	0,0	2,9
Exits	-1,4	-1,4	-0,8	0,0
<b>Gross amount as at 31/12/2017</b>	<b>229,9</b>	<b>30,8</b>	<b>0,7</b>	<b>31,1</b>
Total depreciation as at 31/12/2017	-166,5	-19,2	-0,5	-24,1
<b>Net amount as at 31/12/2017</b>	<b>63,4</b>	<b>11,6</b>	<b>0,2</b>	<b>7,0</b>
<b>Total</b>	<b>63,4</b>	<b>18,8</b>		

Fixed assets are depreciated annually, on a straight line basis for buildings, or fixtures and fittings, or on an accelerated basis for IT equipment, according to their estimated useful life, in general:

- Software : from 1 to 5 years;
- Buildings : from 25 to 55 years;
- fittings, furnishings and office equipment : from 4 to 10 years;
- IT hardware : 4 years.

The amount of exceptional amortisation & depreciation was €55.6 million at 31 December 2017.

## ● NOTE 9 - INNOVATION FINANCING AIDS

(in millions of euros)

Funds	Gross sound amounts	Gross doubtful amounts	Impair- ments	Guarantee funds allocated	TOTAL 31/12/2017	TOTAL 31/12/2016
Innovation aid - ISI(*)	597,8	143,6	0,0	-136,9	604,5	606,8
PMII - ISI 2008(*)	137,3	88,1	0,0	-83,3	142,1	132,8
FRGI(*)	24,1	3,4	0,0	0,0	27,5	25,3
Aid on partner financing	81,7	38,8	0,0	0,0	120,5	133,9
FNI-FISO(*)	0,8	0,1	0,0	-0,1	0,8	0,4
<b>Total</b>	<b>841,7</b>	<b>274,0</b>	<b>0,0</b>	<b>-220,3</b>	<b>895,4</b>	<b>899,2</b>

(\*) ISI: Innovation Stratégie Industrielle (Strategic Industrial Innovation)

PMII: Programme Mobilisateur pour l'Innovation Industrielle (Mobilising Programme for industrial innovation)

initiated by the former AII, Agence pour l'Innovation Industrielle (Industrial Innovation Agency)

FRGI: Fonds Régionaux de Garantie de l'Innovation (Innovation Guarantee Regional Fund)

FNI-FISO: Fonds National d'Innovation - Fonds Innovation Sociale (National Innovation Fund - Social Innovation Fund)

● **NOTE 10 - OTHER ASSETS**

(in millions of euros)	31/12/2017	31/12/2016
Purchased conditional instruments	0,1	0,1
Guarantee margins paid on repurchase transactions and interest rate swap contracts	183,1	213,2
Allocation to be received on guarantee funds	0,0	2,5
Subsidies to be received on leasing operations	1,6	3,0
Allocation to be received on innovation aid financing	134,0	109,1
Other sundry debtors	121,9	66,3
Stocks and sundry assets	0,4	0,4
<b>Total</b>	<b>441,1</b>	<b>394,6</b>

● **NOTE 11 - ACCRUALS - ASSETS**

(in millions of euros)	31/12/2017	31/12/2016
Securities deposited for settlement	3,6	4,7
Adjustment accounts for off-balance sheet operations in foreign currencies(1)	0,0	3,6
Loan issue fees awaiting allocation	21,3	15,7
Loan issue premium awaiting allocation	54,6	42,9
Other prepaid expenses	17,8	17,8
Income receivable on forward financial instruments(2)	72,6	84,9
Proceeds to be received on leasing operations	7,5	8,5
Medium and long-term direct debits in progress	2,6	3,1
Guarantee fee to be spread EMTN EPIC Bpifrance	39,0	47,1
Other	23,7	33,0
<b>Total</b>	<b>242,7</b>	<b>261,3</b>

(1) This item includes revaluation differences on off-balance sheet transactions put in place for hedging purposes involving balance sheet transactions

(2) This income essentially represents the total positive difference between interest receivable and interest payable on each interest rate swap contract

● **NOTE 12 - DEBTS DUE TO LENDING INSTITUTIONS**

(in millions of euros)	31/12/2017	31/12/2016
Demand deposits	2,3	4,9
Overnight borrowings	0,0	0,0
Term borrowings	3 330,1	4 400,7
. including Livret Développement Durable (LDD or Sustainable Development Savings Book)	3 155,0	4 135,2
. including KfW and CEB loans	131,2	218,9
Refinancing with the ECB	3 300,0	3 000,0
Securities sold under forward repurchase agreements (*)	5 725,8	4 853,6
Other payables	0,0	0,0
Associated liabilities	6,6	36,6
<b>Total</b>	<b>12 364,8</b>	<b>12 295,8</b>
(*) Of which - Public sector bills	5 725,8	4 853,6
- Bonds and other fixed-income securities	0,0	0,0

Breakdown of debts (excluding accruals) by residual maturity at 31 December 2017

(in millions of euros)

D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 yrs
3 981,2	2 709,7	5 583,6	83,7
<b>12 358,2</b>			

● **NOTE 13 - TRANSACTIONS WITH CUSTOMERS - LIABILITIES**

(in millions of euros)	31/12/2017	31/12/2016
Loan with EPIC Bpifrance	1 967,8	1 883,0
Security deposits	803,6	705,8
Demand deposits(1)	206,2	474,7
State shareholder advance		
. Preserved Capital Guarantee funds	422,6 (2)	602,6
. Innovation	0,0	300,0
Funds received awaiting allocation:		
. Short-term financing	76,7	75,9
. Medium and long-term loans	19,2	12,8
Other payables	16,5	18,5
<b>Total</b>	<b>3 512,6</b>	<b>4 073,3</b>
(1) Of which - Bpifrance SA	23,9	210,2
EPIC Bpifrance	84,3	163,5
(2) Repayment of the 2nd FGKP tranche of €180 million		

Breakdown of customer deposits by residual maturity as of 31 December 2017

(in millions of euros)	D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
	407,1	274,3	1 622,2	1 209,0
	<b>3 512,6</b>			

● **NOTE 14 - DEBT SECURITIES**

Breakdown of outstanding debts by residual maturity at 31 December 2017

(in millions of euros)	D ≤ 3 m.	3 m. < D ≤ 1 yr	1 year < D ≤ 5 yrs	D > 5 year	Associated liabilities	TOTAL
Interbank market securities and negotiable debt instruments	1 472,5	2 552,1	199,0	0,0	-4,2	4 219,4
Bond loans	0,0	0,0	8 200,0	12 031,0	108,2	20 339,2
<b>Total</b>	<b>1 472,5</b>	<b>2 552,1</b>	<b>8 399,0</b>	<b>12 031,0</b>	<b>104,0</b>	<b>24 558,6</b>

● **NOTE 15 - OTHER LIABILITIES**

(in millions of euros)	31/12/2017	31/12/2016
Payments due on securities not fully paid up	0,1	0,0
Tax and company receivables	18,9	25,5
Guarantee margins received on repurchase agreements and interest rate swap contracts	49,3	131,2
Advances from lessees	294,3	295,6
Equipment subsidies to be received on leasing operations	25,3	27,6
Suppliers of lease finance	54,6	46,9
Other miscellaneous creditors for leasing operations	1,7	6,5
Guarantee commissions earned in advance from customers	0,3	0,4
Disputes to be paid on guarantee funds	923,9	862,0
Other sundry creditors	32,6	16,4
Miscellaneous advances	77,7	18,9
<b>Total</b>	<b>1 478,7</b>	<b>1 431,0</b>

● **NOTE 16 - ACCRUALS - LIABILITIES**

(in millions of euros)	31/12/2017	31/12/2016
Allocation spread Development Participatory Loan	95,0	85,2
Adjustment accounts for off-balance sheet operations in foreign currencies(1)	3,4	0,0
Adjustments related to negotiation or cancellation operations for interest rate swap contracts	5,1	6,3
Other deferred income	334,3	346,3
Expenses payable on forward financial instruments (2)	46,5	50,7
Provisions for paid holidays	31,5	30,5
Deferred lease rent	65,5	68,1
Subsidies to be paid on innovation aids	86,2	116,6
Guarantee commissions booked in advance	274,1	250,9
Innovation pending accounts	14,5	13,6
Miscellaneous	285,8	273,8
<b>Total</b>	<b>1 241,9</b>	<b>1 242,0</b>

(1) This item includes revaluation differences on off-balance sheet transactions put in place for hedging purposes involving balance sheet transactions.

(2) These expenses primarily represent the total negative difference between interest receivable and interest payable for each interest rate swap contract.

● **NOTE 17 - PROVISIONS**

(in millions of euros)	31/12/2017	31/12/2016
Provisions on credit risks	418,5	437,8
Provisions for employee benefit commitments (*)	20,2	19,1
Provisions related to innovation activity	10,1	10,1
Other	7,2	7,5
<b>Total</b>	<b>456,0</b>	<b>474,5</b>

(\*) Retirement lump sum benefits are covered by an insurance policy whose assets total € 30.1 million.

● **NOTE 18 - SUBORDINATED DEBTS, MUTUAL GUARANTEE DEPOSITS**

(in millions of euros)	31/12/2017	31/12/2016
Bpifrance SA subordinated term loan	300,0	0,0
Reserve funds(*)	12,0	11,9
Mutual guarantee deposits	7,3	7,2
Associated liabilities	2,1	0,0
<b>Total</b>	<b>321,4</b>	<b>19,1</b>

(\*) The reserve fund was created by former OSEO guarantee shareholders; its purpose being to hedge the outstanding guaranteed loans backed by it. Reimbursements to the latter require a decision from the shareholders.

● **NOTE 19 - PUBLIC GUARANTEE FUNDS**

**19.1 Accounting position of the guarantee funds**

(en milliers d'euros)

Fonds de garantie	Solde des fonds de garantie au 31 décembre 2016	Dotations 2017	Remboursements et redéploiements 2017	Résultats 2017	Solde des fonds de garantie au 31 décembre 2017	Contentieux et intérêts à payer	Actifs comptables des fonds de garantie
<b>Fonds de réserve</b>							
Fonds de réserve	621612	0	-7255	5256	619 613	0	619 613
Fonds de mutualisation des fonds de garantie	543 712	0	-287 502	3 352	259 563	0	259 563
<b>AFT (Agence France Trésor)</b>							
Création des PME et TPE	560 185	-3 048	92 328	-46 314	603 148	300 007	903 154
Prêt à la Création d'Entreprises	32 858	0	-18 300	-1268	13 292	458	13 750
Transmission des PME et TPE	289 267	0	22 479	-5 304	306 441	129 251	435 690
Renforcement de la structure financière des PME et TPE	145 012	0	22 303	-13 925	153 393	85 795	239 185
Fonds de surmutualisation	49 458	-49 649	0	190	0	0	0
Innovation des PME et TPE	38 154	0	12 963	-17	51 101	52 725	103 825
Financement spécifique court terme des PME et TPE	76 202	0	-19 237	282	57 243	21 855	79 098
Renforcement Trésorerie PME - ETI	61 736	0	0	7 169	68 903	70 066	138 968
Surgarantie Renforcement Trésorerie PME - ETI	9 356	0	0	337	9 696	54 322	64 018
Lignes Crédit Confirmé PME TPE - ETI	1 662	0	0	508	2 168	7 467	9 634
Surgarantie Lignes Crédit Confirmé PME TPE - ETI	2 124	0	0	1 806	3 929	8 925	12 866
FGKP	169 340	0	-14 646	2 248	156 945	85 666	242 616
FASEP	63 473	0	17 340	-3 870	76 942	1 935	78 878
Garantie de fonds propres	129 300	0	15 814	-4 412	140 698	2 149	142 848
Prêt participatif d'amorçage	41 091	12 781	3 200	-5 857	51 216	7 200	58 416
Cautions sur projets innovants	10 918	0	1 061	97	12 077	0	12 078
Biotechnologie garantie	86 158	-41 299	0	-196	44 665	372	45 036
Financements Structurés	39 408	0	7 500	1 078	47 987	0	47 987
Renforcement Haut Bilan	30 145	0	86 703	-14 979	373 183	129 206	502 390
PPM TR	43 201	12 000	0	-1 641	53 561	5 716	59 277
Prêts Verts	72 372	7 350	0	-325	79 398	5 026	84 424
Innovation Développement Durable	7 481	0	0	45	7 526	107	7 632
PPD Bois	4 321	1 000	0	-397	4 925	1 136	6 060
Préfinancement CICE	30 050	0	7 283	375	37 707	218	37 925
Prêts pour l'innovation	54 960	0	18 000	-5 919	67 040	18 296	85 337
Prêts Eco-Energie (PEE)	22 596	0	0	556	23 153	187	23 340
Prêt Numérique	32 340	0	0	2 368	34 709	5 214	39 923
PIPC	1 834	0	0	-295	1 539	356	1 896
Prêt Robotique	35 667	0	0	-1 520	34 147	3 955	38 102
Prêt pour l'Economie Sociale et Solidaire	12 725	0	0	42	12 766	72	12 839
SOFIRED	5 879	1 500	0	-131	7 247	796	8 043
Prêt Croissance Industrie	13 165	0	0	-1 169	13 048	3 784	13 269
Prêt d'Amorçage Investissement	19 903	0	12 000	-2 503	29 401	2 394	31 795
Prêt Entreprises et Quartiers	2 023	0	0	19	2 043	0	2 043
Prêt Croissance Automobile	27 733	0	0	514	28 247	0	28 247
Renforcement Trésorerie Secteur Elevage	12 814	0	0	238	13 052	95	13 147
BEI - Etat	2 258	0	0	19	2 277	0	2 277
Développement des PME et TPE	59 635	0	0	959	60 593	8 560	69 154
Pays de l'Est	17	0	0	0	17	0	17
PIC PME	973	0	0	117	1 090	1 177	2 267
Capital développement et prêts participatifs	180	0	0	6	186	180	366
Installation des jeunes entrepreneurs en milieu rural	78	0	0	1	78	21	99
DROM	129 241	0	-21 500	2 866	110 607	52 176	162 784
<b>CDC (Caisse des Dépôts et Consignations)</b>							
France Investissement Garantie	136 540	10 000	0	-17 982	128 555	14 722	130 028
<b>Autres fonds</b>							
BEI - Développement technologique	0	0	0	0	0	0	0
Garantie de fonds propres - FEDER IDF	1 741	0	0	-135	1 606	-21	1 585
Garantie de Valeur Liquidative	5 774	0	0	0	5 774	0	5 774
UIMM	476	0	-239	1	238	0	238
PPD UIMM Midi-Pyrénées	1 056	0	13	-261	809	1 060	1 868
Réseau Entreprendre Croissance	1 618	0	0	-358	1 260	432	1 693
UIMM Méditerranée	999	0	0	-100	899	0	899
UIMM Limousin Poitou Charentes	992	0	0	-149	842	150	993
CCI Innovation Pays de Loire	986	0	-7	-97	882	100	981
BEST WESTERN	949	0	-468	0	481	0	481
Fédération Nationale de l'Habillement	965	0	-9	1	956	0	957
PPD UIMM Grand Nord Est	1 388	0	0	-329	1 060	330	1 389
PPD UIMM National	992	0	0	-155	837	155	993
PPD UIMM National 2		813	187	-8	992	0	992
Autres gestions(*)	109 702	0	13 319	-3 357	119 664	0	119 664
<b>FONDS DE GARANTIE</b>	<b>4 246 597</b>	<b>-48 552</b>	<b>-36 670</b>	<b>-102 523</b>	<b>4 058 850</b>	<b>1 070 543</b>	<b>5 129 393</b>

(\*) Autres gestions : Fonds National Révitalisation du Territoire, Fonds Rénovation Hotelière, PCE, Crédit Professionnel et divers



## 19.2 Earnings of the guarantee funds at 31 December 2017

(in thousands of euros)

Guarantee Fund	Net financial earnings	Equity interests	Litigation provision		Net litigation	Net litigation	Earnings
	and fees	in capital gains and recoveries	Commissions	-	expenses	provisions	
	-	-	-	-	-	-	
<b>Reserve Fund</b>							
Reserve Fund	5 256	0	0	0	0	0	5 256
Mutual fund for guarantee funds	3 352	0	0	0	0	0	3 352
<b>AFT (Agence France Trésor)</b>							
Creation of SMEs and VSEs	7 417	0	25 507	6 855	-83 782	-2 311	-46 314
Business start-up loans	196	0	114	228	-2 050	244	-1 268
Transfer/buy-out of SMEs and VSEs	3 651	0	15 111	9 804	-30 207	-3 663	-5 304
Strengthening of the financial structure of SMEs and VSEs	19 311	0	58 449	-5 271	-12 314	-4 120	-13 925
Over-mutualisation fund	190	0	0	0	0	0	190
Innovation of SMEs and VSEs	848	0	14 955	3 874	-6 505	271	-17
Specific short-term financing for SMEs and VSEs	749	0	796	108	-764	-607	282
Cash-strengthening SMEs and mid-tier companies	12 100	0	409	16 353	-9 900	-903	7 169
Supplementary guarantee cash strengthening SMEs and mid-tier companies	567	0	179	6 860	-7 990	721	337
Confirmed credit lines for SMEs, VSEs and mid-tier companies	85	0	4	1 144	-725	0	508
Supplementary guarantee cash strengthening SMEs, VSEs and mid-tier companies	118	0	63	3 225	-1 645	45	1 806
FGKP	2 247	0	14 637	603	-14 556	-683	2 248
FASEP	6 111	0	380	-1 049	-3 812	0	-3 870
Own funds guarantee	1 149	519	86	-647	-5 519	0	-4 412
Participatory Priming Loans (PPA)	395	0	16 755	-1 247	-6 319	-361	-5 857
Sureties on innovative projects	97	0	0	0	0	0	97
Biotechnology guarantee	539	15	140	241	-944	-187	-196
Structured financing	372	0	362	0	344	0	1 078
Strengthening top of the balance sheet	3 854	0	28 325	-21 190	-24 401	-1 567	-14 979
PPM TR	1 378	0	218	-1 181	-967	-1 089	-1 641
Green Loans	691	0	1 539	-427	-2 362	234	-325
Sustainable Development Innovation	64	0	18	-37	0	0	45
Wood PPD	51	0	0	23	-201	-270	-397
CICE pre-financing	290	0	2	83	0	0	375
Innovation loans	648	0	2 906	-1 846	-3 883	-3 744	-5 919
Eco-Energy Loans (PEE)	613	0	34	-66	-44	19	556
Digital loans	333	0	1 234	-336	-427	1 564	2 368
LICC	16	0	46	26	-383	0	-295
Robotics Loans	313	0	1 492	-1 652	0	-1 673	-1 520
Interdependent Economy (French acronym ESS) Loan	109	0	11	-19	-93	34	42
SOFIRED	59	0	0	40	-349	119	-131
Prêt Croissance Industrie (Industry Growth Loan)	1 118	0	1 497	0	0	-3 784	-1 169
Prêt d'Amorçage Investissement (Investment Seed Loan)	205	0	1 361	-1 061	-1 971	-1 037	-2 503
Prêt Entreprises et Quartiers (Company and Neighbourhood Growth Loan)	17	0	2	0	0	0	19
Prêt Croissance Automobile (Automotive Growth Loan)	237	0	277	0	0	0	514
Cash-Strengthening for Livestock Farming	110	0	223	-95	0	0	238
EIB – State	19	0	0	0	0	0	19
Development of SMEs and VSEs	586	0	45	1 069	-930	189	959
Eastern countries	0	0	0	0	0	0	0
PIC SME	19	0	0	103	-5	0	117
Development capital & equity loans	3	0	0	0	3	0	6
Set-up of young entrepreneurs in rural settings	1	0	0	0	0	0	1
DROM	1 463	0	487	2 039	-739	-384	2 866
<b>CDC (Caisse des Dépôts et Consignations)</b>							
France Investissement Garantie	0	3 352	80	234	-21 648	0	-17 982
<b>Other funds</b>							
EIB – Technological Development	0	0	0	0	0	0	0
Own funds guarantee – IDF ERDF	0	18	4	28	-185	0	-135
Net asset value guarantee	0	0	0	0	0	0	0
UIMM	0	0	1	0	0	0	1
PPD UIMM Midi-Pyrénées	0	0	0	-350	-151	240	-261
"Entreprendre Croissance" Network	0	0	29	-165	0	-222	-358
UIMM Méditerranée	0	0	0	0	-100	0	-100
UIMM Limousin Poitou Charentes	0	0	1	-50	0	-100	-149
CCI – Innovation Pays de Loire	0	0	3	0	0	-100	-97
BEST WESTERN	0	0	0	0	0	0	0
National Clothing Federation	0	0	1	0	0	0	1
PPD UIMM Grand Nord Est	0	0	1	-330	0	0	-329
PPD UIMM National	0	0	0	0	0	-155	-155
PPD UIMM National 2	-8	0	0	0	0	0	-8
Other management	0	0	927	0	-4 284	0	-3 357
<b>GUARANTEE FUND</b>	<b>43 169</b>	<b>3 904</b>	<b>107 571</b>	<b>15 921</b>	<b>-249 808</b>	<b>-23 280</b>	<b>-102 523</b>

## ● NOTE 20 - NET INNOVATION INTERVENTION RESOURCES

### 20.1 Accounting position of the guarantee funds

(in millions of euros)

Funds	Balance as at 31/12/2016	Allowances 2017	Repayments and redeployments 2017	Earnings 2017	Balance as at 31/12/2017	Bad debts and interest to be paid	Recoverable advances	PTZI interest-free loans
Innovation aid - ISI	928,3	129,5	0,0	-81,8	976,0	0,0	597,8	818,5
PMII – ISI 2008	187,5	0,0	-19,5	17,7	185,7	0,0	137,3	0,0
FRGI	0,0	0,0	0,0	0,0	0,0	0,0	24,1	32,2
Aid on partner financing	302,0	105,8	0,0	-37,2	370,6	0,0	81,7	31,6
FNI-FISO	4,9	0,0	0,0	0,0	4,9	0,0	0,8	0,9
<b>Total</b>	<b>1 422,7</b>	<b>235,3</b>	<b>-19,5</b>	<b>-101,3</b>	<b>1 537,2</b>	<b>0,0</b>	<b>841,7</b>	<b>883,2</b>

### 20.2 Earnings of the guarantee funds at 31 December 2017

(in millions of euros)

Funds	Subsidies	Provisions, losses & recognised failures	Appraisals & miscellaneous expenses	Financial earnings & charges	Miscellaneous proceeds	2017 earnings
Innovation aid - ISI	-38,8	-48,7	-0,1	0,0	5,8	<b>-81,8</b>
PMII – ISI 2008	10,7	5,2	0,0	0,0	1,8	<b>17,7</b>
Aid on partner financing	-32,6	-4,1	-2,3	0,0	1,8	<b>-37,2</b>
FNI-FISO	0,0	0,0	0,0	0,0	0,0	<b>0,0</b>
<b>Total</b>	<b>-60,7</b>	<b>-47,6</b>	<b>-2,4</b>	<b>0,0</b>	<b>9,4</b>	<b>-101,3</b>

## ● NOTE 21 - CHANGE IN SHAREHOLDERS' EQUITY

Shareholders' funds prior to appropriation of results changed as follows:

(in millions of euros)	31/12/2016	Allocation of earnings 2016	Other movements	31/12/2017
Subscribed capital	839,9	0,0	0,0	839,9
Share premiums	971,6	0,0	0,0	971,6
Merger premiums	211,9	0,0	0,0	211,9
Legal reserve	29,6	8,8	0,0	38,4
Other reserves	164,6	0,0	0,0	164,6
Regulated provisions, investment subsidies	53,8		2,0 (1)	55,8
Retained earnings	121,9	166,3	0,1	288,3
Profit or loss for the fiscal year	175,1	-175,1	200,2 (2)	200,2
<b>Total</b>	<b>2 568,4</b>	<b>0,0 (3)</b>	<b>202,3</b>	<b>2 770,7</b>

(1) Exceptional amortisation allowance for software

(2) 2017 earnings

(3) No dividend was paid out on 2016 earnings

The share capital consists of 104,988,415 ordinary shares with a face value of €8, all fully paid-up.

The majority of the share capital must remain in the ownership of the French state, a state institution, public body or public corporation.

## ● NOTE 22 - EURO EQUIVALENT OF FOREIGN CURRENCY TRANSACTIONS

(in millions of euros)	31/12/2017	31/12/2016
Assets	0,9	4,4
Liabilities	11,2	253,5

These net balance sheet positions are covered by off-balance-sheet operations.

● **NOTE 23 - TABLE OF IMPAIRMENT FLOWS AND PROVISIONS**

(in millions of euros)	Impairments and Provisions as at 31/12/16	Allowances for impairments and provisions	Write-backs of available impairments and provisions	Write-backs of used impairments and provisions (1)	Other variations (2)	Impairments and Provisions as at 31/12/17	Non-recoverable receivables not covered by provisions	Recoveries on loans & receivables previously written-off	IMPACT ON EARNINGS (3)
<b>Depreciations &amp; provisions for bad debts and credit risk</b>	<b>604,3</b>	<b>113,8</b>	<b>91,4</b>	<b>21,7</b>	<b>-0,7</b>	<b>604,3</b>	<b>6,9</b>	<b>2,0</b>	<b>-27,3</b>
- <i>Impairment of doubtful loans</i>	166,5	75,4	33,7	21,7	-0,7	185,8	6,7	2,0	-46,4
. Interbank loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Customer loans	165,0	75,1	33,7	20,2	-0,7	185,5	6,7	2,0	-46,1
. Securities & other transactions	1,5	0,3	0,0	1,5	0,0	0,3	0,0	0,0	-0,3
- <i>Collective credit risk provision</i>	435,0	38,4	57,7	0,0	0,0	415,7	0,0	0,0	19,3
- <i>Other provisions</i>	2,8	0,0	0,0	0,0	0,0	2,8	0,2	0,0	-0,2
<b>Other operating provisions</b>	<b>32,3</b>	<b>5,5</b>	<b>0,9</b>	<b>3,9</b>	<b>4,4</b>	<b>37,4</b>			
<b>Fund for general banking risks</b>	<b>235,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>235,2</b>			
<b>Provisions for non-recurring events</b>	<b>4,4</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-4,4</b>	<b>0,0</b>			
- Provisions for restructuring	4,4	0,0	0,0	0,0	-4,4	0,0			

(1) Write-backs correspond to write-offs as losses

(2) Variations in scope, exchange rate and reclassification of provisions

(3) -/+ Net allowances or write-backs

- Non-recoverable receivables

+ Recoveries on loans & receivables previously written-off

## ● NOTE 24 - OFF-BALANCE SHEET COMMITMENTS

### 24.1 Commitments given

	31/12/2017	31/12/2016
(in thousands of euros)		
<b>AFT (Agence France Trésor)</b>		
Creation of SMEs and VSEs	3 907 402	3 610 193
Transfer/buy-out of SMEs and VSEs	2 175 183	2 046 520
Strengthening of the financial structure of SMEs and VSEs	591 079	626 689
Innovation of SMEs and VSEs	191 647	198 082
Specific short-term financing for SMEs and VSEs	239 654	249 800
Cash-strengthening SMEs and mid-tier companies	20 089	34 717
Supplementary guarantee cash strengthening SMEs & mid-tier	4 438	9 884
Confirmed credit lines for SMEs, VSEs and mid-tier companies	172	145
Supplementary guarantee cash strengthening SMEs, VSEs & m	469	31
FGKP	1 846 418	1 808 048
FASEP	91 467	80 817
Ow n funds guarantee (excluding IDF ERDF)	41 196	41 204
Participatory Priming Loans (PPA)	40	40
Sureties on innovative projects	223	0
Biotechnology guarantee	20 485	20 795
Structured financing	27 806	28 444
PPMTR	53	131
Sustainable Development Innovation	2 726	3 292
CICE pre-financing	736	381
Development of SMEs and VSEs	3 995	9 193
Cash-Strengthening for Livestock Farming	42 250	26 621
PIC SME	9	72
<b>CDC (Caisse des Dépôts et Consignations)</b>		
France Investissement Garantie	134 440	149 658
<b>Other funds</b>		
Ow n funds guarantee (IDF ERDF)	0	0
UIMM	115	231
Other management	198 426	217 177
<b>DROM</b>		
DROM	81 282	113 495
<b>Guarantee fund commitments</b>	<b>9 621 800</b>	<b>9 275 660</b>
<b>Doubtful guarantee fund commitments</b>	<b>1 810 612</b>	<b>1 801 303</b>
<b>Total guarantee fund commitments</b>	<b>11 432 412</b>	<b>11 076 963</b>

Guarantee commitments correspond to repayment guarantees on loans distributed by other institutions. They are primarily backing guarantee funds.

Furthermore, guarantee contracts not yet completed as of 31 December 2017 totalled €667.5 million.

Financing commitments amounting to €6,143.0 million correspond chiefly to confirmed loan agreements issued by Bpifrance Financement.

### 24.2 Commitments received

Under guarantee commitments received from customers, €3,413.7 million in commitments received from Bpifrance SA have not yet been used.

● **NOTE 25 - FOREIGN CURRENCY TRANSACTIONS AND FORWARD FINANCIAL INSTRUMENTS**

	31/12/2017								31/12/2016	
	Hedge				Management of positions (*)		TOTAL		TOTAL	
	Micro		Macro		Nominal	Market value	Nominal	Market value	Nominal	Market value
	Nominal	Market value	Nominal	Market value						
(in millions of euros)										
<u>OTC transactions performed</u>										
. Currency swap contracts	25,9	-3,5	0,0	0,0	0,0	0,0	25,9	-3,5	498,6	3,6
. Interest rate swap contracts	1 365,8	57,4	35 824,6	-110,2	0,0	0,0	37 190,4	-52,8	28 966,3	13,1
. Purchase of rate cap & floor contracts	0,0	0,0	14,7	0,0	0,0	0,0	14,7	0,0	17,0	0,0
<u>Operations carried out on official markets</u>										
. Interest rate contracts sold firm	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Interest rate contracts purchased firm	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total</b>	<b>1 391,7</b>	<b>53,9</b>	<b>35 839,3</b>	<b>-110,2</b>	<b>0,0</b>	<b>0,0</b>	<b>37 231,0</b>	<b>-56,3</b>	<b>29 481,9</b>	<b>16,7</b>

(\*) Isolated open positions

No provisioning for credit risk was made on the forward instruments.

Breakdown by residual maturity at 31 December 2017

(in millions of euros)	D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
OTC transactions performed	9 818,9	15 314,6	12 097,5
Operations carried out on official markets	0,0	0,0	0,0

The notional amount of contracts listed above serves only as an indication of activity volume; the counterparty risk attached to the forward financial instruments used by Bpifrance Financement is assessed according to the methodology used to calculate European prudential ratios as at 31 December. As such, it takes account of the impact of the offset contracts in effect at that date and of the guarantees received. The amount is broken down as follows:

(in millions of euros)	31/12/2017	31/12/2016
<i>Positive replacement cost(1)</i>	391,4	578,2
Risk with central administrations and equivalents	0,0	0,0
Risk with lending establishments in zone A(3)	391,4	578,2
Customer risks	0,0	0,0
<i>Potential credit risk(2)</i>	258,5	238,2
<b>Total exposure (1)+(2)</b>	<b>649,9</b>	<b>816,4</b>
Incidence of offsetting agreements	-536,9	-609,0
Incidence of guarantees received	-45,6	-96,5
<b>Total after the impact of offsetting agreements and guarantees received</b>	<b>67,4</b>	<b>110,9</b>
<b>Equivalent weighted credit risk (4)</b>	<b>1,8</b>	<b>5,5</b>
(1) Corresponds to the positive net unrealised capital gains, before application of weighting rates associated with the nature of the counterparty:		
- interest rate instruments	391,4	568,4
- exchange rate instruments	0,0	9,8

(2) The potential credit risk is calculated from the nominal total multiplied by the mark-up factors related to the residual maturity of the transactions and the nature of the contracts, before allocation of weighting rates.

This estimated amount represents the potential modification to the replacement cost up to maturity.

(3) Zone A consists of: European Union Member States or parties to the European Economic Area Agreement, other Organisation for Economic Cooperation and Development (OECD) member states, countries with special lending agreements with the International Monetary Fund (IMF) within the IMF's general framework of lending agreements.

(4) The exposure after the effect of the offsetting agreements and guarantees received is weighted according to the nature of the counterparty.

## ● NOTE 26 - INTEREST AND RELATED INCOME

(in millions of euros)	31/12/2017	31/12/2016
Transactions with lending institutions	53,9	21,9
Customer transactions (1)	727,7	684,1
- <i>Overdrafts</i>	0,0	0,0
- <i>Export loans</i>	0,9	0,6
- <i>Short-term credit facilities</i>	60,5	56,9
- <i>Medium &amp; long-term loans</i>	325,5	308,8
- <i>Sundry loans &amp; subordinated debt</i>	229,6	211,7
- <i>Off-balance sheet operations</i>	111,2	106,1
Bonds & other fixed income securities	311,0	291,0
Financial instruments for hedging purposes	1,0	3,6
<b>Total (2)</b>	<b>1 093,6</b>	<b>1 000,6</b>
(1) Of which depreciation write-back for doubtful receivables as a result of the time elapsed (see note 1.2)	0,7	0,8
(2) Of which negative interest on liabilities and issuance of securities	61,4	46,8

## ● NOTE 27 - INTEREST AND SIMILAR EXPENSES

(in millions of euros)	31/12/2017	31/12/2016
Transactions with lending institutions	-117,3	-123,1
Customer transactions (*)	-133,9	-121,9
Bonds & other fixed income securities	-281,3	-239,7
- <i>Bonds</i>	-281,0	-239,0
- <i>Negotiable debt instruments</i>	-0,3	-0,7
- <i>Subordinated securities</i>	0,0	0,0
- <i>Result of micro-hedging</i>	0,0	0,0
Other interest and similar charges	-0,2	-0,2
Macro-hedging financial instruments	-18,6	-43,7
<b>Total (*)</b>	<b>-551,3</b>	<b>-528,6</b>
(*) Of which negative interest on loans & receivables and share portfolios	-1,6	-28,0



● **NOTE 28 - PROCEEDS FROM FINANCE LEASE AND OPERATING LEASE OPERATIONS**

(in millions of euros)	31/12/2017	31/12/2016
Rents	1 143,0	1 130,0
Other proceeds	98,2	99,6
Capital gains	46,5	40,5
Cost of risk	-20,7	-8,6
<b>Total</b>	<b>1 267,0</b>	<b>1 261,5</b>

● **NOTE 29 - EXPENSES ON FINANCE LEASE AND OPERATING LEASE OPERATIONS**

(in millions of euros)	31/12/2017	31/12/2016
Depreciation charge	-851,1	-855,2
Allocation to special provisions	-136,1	-129,8
Capital losses	-30,6	-35,9
Other expenses	-95,5	-97,6
<b>Total</b>	<b>-1 113,3</b>	<b>-1 118,5</b>

● **NOTE 30 - INCOME FROM VARIABLE INCOME SECURITIES**

(in millions of euros)	31/12/2017	31/12/2016
Equity interests	0,5	0,5
Other long-term investment securities	0,1	0,3
Investments in affiliated companies	1,2	1,0
<b>Total</b>	<b>1,8</b>	<b>1,8</b>

● **NOTE 31 - COMMISSIONS**

(in millions of euros)	31/12/2017	31/12/2016
<b>Income</b>		
Commissions on operations with customers	8,3	7,1
Commissions on the delivery of financial services	0,1	0,1
<b>Total</b>	<b>8,4</b>	<b>7,2</b>
<b>Expenses</b>		
Expenses on securities operations	-1,3	-0,8
<b>Total</b>	<b>-1,3</b>	<b>-0,8</b>

● **NOTE 32 - GAINS OR LOSSES ON TRADING PORTFOLIO TRANSACTIONS**

(in millions of euros)	31/12/2017	31/12/2016
Trading securities	0,0	0,0
Exchange operations	-0,2	0,0
Operations involving financial instruments	0,0	0,0
<b>Total</b>	<b>-0,2</b>	<b>0,0</b>

● **NOTE 33 - GAINS OR LOSSES ON LONG-TERM PORTFOLIO AND SIMILAR TRANSACTIONS**

(in millions of euros)	31/12/2017	31/12/2016
Net allocations to or write-backs from depreciations	-0,6	-0,1
Disposal capital losses	0,0	0,0
Disposal capital gains	0,0	0,0
<b>Total</b>	<b>-0,6</b>	<b>-0,1</b>

● **NOTE 34 - OTHER BANK OPERATING INCOME**

(in millions of euros)	31/12/2017	31/12/2016
Income charged to Group companies	12,9	9,2
Other expenses charged back	1,4	1,3
Usage of partner resources to finance innovation aid	0,4	0,8
Commissions on recoveries and insurance products	12,1	10,5
Recovery of available provisions	0,9	0,1
Share of investment subsidies	1,0	1,3
Miscellaneous proceeds related to innovation activity	11,8	11,9
Management proceeds on DROM managed funds	1,0	1,1
Other proceeds	13,3	16,5
<b>Total</b>	<b>54,8</b>	<b>52,7</b>

● **NOTE 35 - OTHER BANK OPERATING EXPENSES**

(in millions of euros)	31/12/2017	31/12/2016
Depreciation allowances on non-operating tangible and intangible fixed assets	0,0	0,0
Allocations to provisions for liability litigations & bank operations	0,0	-3,5
Repayment of proceeds of subsidies from the Regional Department of Industry, Research & Environment	-0,4	-0,6
Other expenses on banking operations	-4,8	-2,8
<b>Total</b>	<b>-5,2</b>	<b>-6,9</b>

● **NOTE 36 - OPERATING GENERAL EXPENSES**

(in millions of euros)	31/12/2017	31/12/2016
<b>Personnel costs</b>		
- Salaries & wages	-123,7	-116,0
- Defined contribution retirement expenses	-13,4	-12,6
- Defined benefit retirement expenses	-1,8	-4,1
- Other social charges	-44,5	-41,0
- Incentives and profit-sharing	-15,1	-11,6
- Fiscal expenses	-14,0	-13,5
- Allowances/write-backs for commitments relating to the personnel	-5,2	-5,2
<b>Subtotal</b>	<b>-217,7</b>	<b>-204,0</b>
<b>Duties and taxes</b>	<b>-28,3</b>	<b>-27,2</b>
<b>Other administrative costs</b>	<b>-128,0</b>	<b>-125,3</b>
<b>Total</b>	<b>-374,0</b>	<b>-356,5</b>

### 36.1 Breakdown of fair value of assets covering retirement commitments

The breakdown of the fair value of the plan's assets between different categories is based on the nature of the assets and on the attached risks.

	31/12/2017	31/12/2016
	in %	in %
<b>UCITS</b>		
Monetary	1%	3%
Equity	23%	20%
Bond	76%	77%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 36.2 Variation of obligations in respect of post-employment benefits

(in millions of euros)	Retirement lump sum benefits			Health services	Long-service awards	TOTAL 31/12/2017		
	Obligations relating to defined benefits	Plan assets	Liabilities/ (assets) net	Obligations relating to defined benefits	Obligations relating to other long-term benefits	Commitments	Plan assets	Liabilities/ (assets) net
<b>Opening balance</b>	30,8	26,8	4,0	2,2	1,0	34,0	26,8	7,2
- Cost of services rendered during the period	1,6	0,0	1,6	0,0	0,1	1,7	0,0	1,7
- Interest on liabilities/assets relating to defined benefits	0,2	0,0	0,2	0,0	0,0	0,2	0,0	0,2
- Cost of past services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Effects of variations of foreign currency prices	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Contribution to the employer's plan	0,0	4,0	-4,0	0,0	0,0	0,0	4,0	-4,0
- Contribution to the participant's plan	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Profit or loss resulting from the liquidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Paid services	-2,0	-2,0	0,0	-0,1	0,0	-2,1	-2,0	-0,1
- Actuarial discrepancies	1,3	1,3	0,0	0,0	0,0	1,3	1,3	0,0
> of which actuarial gains & losses for the period relating to experience adjustments	0,8	0,0	0,8	0,0	0,0	0,8	0,0	0,8
> of which actuarial gains & losses on adjustments relating to demographic assumptions	0,5	0,0	0,5	0,0	0,0	0,5	0,0	0,5
> of which actuarial gains & losses on adjustments of financial assumptions	0,0	1,4	-1,4	0,0	0,0	0,0	1,4	-1,4
<b>Closing balance</b>	31,9	30,1	1,8	2,1	1,1	35,1	30,1	5,0

(in millions of euros)	Retirement lump sum benefits			Health services	Long-service awards	TOTAL 31/12/2016		
	Obligations relating to defined benefits	Plan assets	Liabilities/ (assets) net	Obligations relating to defined benefits	Obligations relating to other long-term benefits	Commitments	Plan assets	Liabilities/ (assets) net
<b>Opening balance</b>	29,4	24,5	4,9	2,3	1,0	32,7	24,5	8,2
- Cost of services rendered during the period	1,5	0,0	1,5	0,0	0,1	1,6	0,0	1,6
- Interest on liabilities/assets relating to defined benefits	0,3	0,0	0,3	0,0	0,0	0,3	0,0	0,3
- Cost of past services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Effects of variations of foreign currency prices	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Contribution to the employer's plan	0,0	4,8	-4,8	0,0	0,0	0,0	4,8	-4,8
- Contribution to the participant's plan	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Profit or loss resulting from the liquidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Paid services	-2,3	-2,3	0,0	-0,2	-0,1	-2,6	-2,3	-0,3
- Actuarial discrepancies	1,9	-0,2	2,1	0,1	0,0	2,0	-0,2	2,2
> of which actuarial gains & losses for the period relating to experience adjustments	1,1	0,0	1,1	0,0	0,0	1,1	0,0	1,1
> of which actuarial gains & losses on adjustments relating to demographic assumptions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
> of which actuarial gains & losses on adjustments of financial assumptions	0,8	-0,2	1,0	0,1	0,0	0,9	-0,2	1,1
<b>Closing balance</b>	30,8	26,8	4,0	2,2	1,0	34,0	26,8	7,2

## ● NOTE 37 - COST OF RISK

(in millions of euros)	31/12/2017			
	Subtractive assets	Collective provision	Other Liabilities	TOTAL
Net allocations to or write-backs from impairments & provisions	-41,7	19,3	0,0	-22,4
Non-provisioned losses	-6,7	0,0	-0,2	-6,9
Recoveries on loans & receivables previously written-off	2,0	0,0	0,0	2,0
<b>Balance</b>	<b>-46,4</b>	<b>19,3</b>	<b>-0,2</b>	<b>-27,3</b>

(in millions of euros)	31/12/2016			
	Subtractive assets	Collective provisions	Other Liabilities	TOTAL
Net allocations to or write-backs from impairments & provisions	-47,4	37,8	0,0	-9,6
Non-provisioned losses	-5,5	0,0	-0,1	-5,6
Recoveries on loans & receivables previously written-off	3,9	0,0	0,0	3,9
<b>Balance</b>	<b>-49,0</b>	<b>37,8</b>	<b>-0,1</b>	<b>-11,3</b>

## ● NOTE 38 - GAINS OR LOSSES ON NON-CURRENT ASSETS

(in millions of euros)	31/12/2017				31/12/2016
	Investment securities	Operating intangible & tangible fixed assets	Equity interests and other long-term investment securities Investments in affiliated companies	TOTAL	TOTAL
Allowances to impairments	0,0	0,0	-0,1	-0,1	0,0
Write-back of impairments	0,0	0,0	0,0	0,0	0,2
Disposal capital losses	0,0	0,0	0,0	0,0	-0,6
Disposal capital gains	0,0	0,0	15,4	15,4	0,2
<b>Balance</b>	<b>0,0</b>	<b>0,0</b>	<b>15,3</b>	<b>15,3</b>	<b>-0,2</b>

● **NOTE 39 - RECONCILIATION BETWEEN THE CORPORATE RESULT AND FINANCIAL RESULT**

	31/12/2017		
	Property leasing and rental	Equipment leasing and rental	TOTAL
(in millions of euros)			
Allocations to accounting depreciation & amortisation	-318,8	-532,3	-851,1
Accounting capital gains or losses	5,8	10,1	15,9
<b>Total</b>	<b>-313,0</b>	<b>-522,2</b>	<b>-835,2</b>
Allocations to financial depreciation & amortisation	-325,3	-539,2	-864,5
Financial capital gains or losses	5,8	1,9	7,7
Financial depreciation on asset items	1,4	-1,8	-0,4
<b>Total</b>	<b>-318,1</b>	<b>-539,1</b>	<b>-857,2</b>
Variation in latent reserve	-5,1	-16,9	-22,0

● **NOTE 40 - MAIN INTERIM FINANCIAL MANAGEMENT BALANCES**

(in millions of euros)	31/12/2017	31/12/2016
<b>NET BANKING INCOME</b>	<b>743,6</b>	<b>678,9</b>
Operating general expenses	-374,0	-356,5
Amortisation & depreciation allowances on tangible and intangible fixed assets	-27,3	-25,3
<b>GROSS OPERATING EARNINGS</b>	<b>342,3</b>	<b>297,1</b>
Cost of risk	-39,2	-12,6
<b>OPERATING INCOME</b>	<b>303,1</b>	<b>284,5</b>
Gains or losses on non-current assets	15,3	-0,2
<b>CURRENT EARNINGS BEFORE TAXES</b>	<b>318,4</b>	<b>284,3</b>
Extraordinary profit or loss	0,0	0,0
Income tax	-138,2	-96,3
Charges to/recoveries from the FGBR & regulatory provisions	-2,0	-4,2
<b>Net income</b>	<b>178,2</b>	<b>183,8</b>



● **NOTE 41 - TAX SITUATION**

Corporate tax is recording using the tax payable method.

The taxable income of the company for 2017 (provisional) at the basic rate is a profit of €350.1 million, taking into account the main net add-backs or deductions as follows:

(in millions of euros)

<b>Pre-tax book income for the year</b>	<b>338,4</b>
Net allowance of collective provision	-19,3
Merger surplus Compagnie Auxiliaire Bpifrance	-12,6
Handling and administration charges to be spread	12,3
Miscellaneous non-deductible taxes	21,3
Misc. social security provisions	7,3
Other	2,7
<b>Taxable income</b>	<b>350,1</b>

At the basic rate of tax of 34.43%, these taxable earnings generate a tax charge of €121.0 million after allocation of tax credits.

An exceptional contribution at a rate of 15% was recorded during the fiscal year totalling €17.8 million.

The total tax charge after offsetting tax credits amounted to €138.8 million.

No tax expense is recognised for taxable earnings at the lower rate of 15%.

## ● NOTE 42 - SECTOR-SPECIFIC INFORMATION

Bpifrance Financement operates primarily in the following business lines:

- medium and long-term loans: this involves long- and medium-term financing in the form of direct loans, leasing operations on plant & equipment and property, and financial leases; it also includes zero-rate innovation loans;
- short-term financing which includes the operations to participate in the financing of public sector receivables in France and its overseas departments and territories, either directly or by signature;
- the guarantee actions cover banks and equity investment institutions from risks of the failure of the beneficiaries of the financing;
- innovation financing aid in the form of repayable advances or subsidies.

By agreement, the “Other” heading includes the proceeds from the capital, re-invoicing and, to a lesser degree, income from equity interests.

(in millions of euros)	31/12/2017		31/12/2016	
	Financial NBI	Average outstandings	Financial NBI	Average outstandings
Medium and long-term loans	489,6	28 196,5	445,3	25 174,0
- of which lease	83,0	6 057,6	83,2	6 016,0
Short-term financing	121,1	5 706,6	108,5	4 914,0
Guarantee	97,5	14 920,0	95,7	13 892,3
- of which commissions	92,0		89,2	
- of which financial earnings	5,5		6,5	
Innovation	15,6		15,2	
Other	19,8		14,2	

● **NOTE 43 - ACTIVITIES ON BEHALF OF THIRD PARTIES**

Operations managed by Bpifrance Financement (agent) on behalf of third parties (principal) are not included in the bank's balance sheet.

	31/12/2017							
	Assets				Liabilities			Off-balance sheet
	Receivables	Principal's account	Cash	Total	Debts	Principal's account	Total	
(in millions of euros)								
<b>Financing activity</b>								
ARI(*)	168,5	0,0	0,0	168,5	0,0	168,5	168,5	49,4
Debt funds	176,4	0,0	0,0	176,4	0,0	176,4	176,4	0,0
<b>Guarantee activity</b>								
DROM managed funds	0,0	0,0	63,8	63,8	0,0	63,8	63,8	0,0
Camulor	0,0	0,0	0,2	0,2	0,0	0,2	0,2	0,0
FGRU(*)	0,0	0,0	8,9	8,9	0,0	8,9	8,9	0,0
Student loans	0,0	0,0	24,8	24,8	0,0	24,8	24,8	162,4
<b>Innovation aid activity</b>								
Atout	0,0	0,0	42,7	42,7	0,0	42,7	42,7	0,0
FSN(*)	72,1	426,7	5,3	504,1	237,3	266,8	504,1	111,7
PSIM(*)	19,9	70,1	3,6	93,6	28,3	65,3	93,6	25,3
PSPC(*)	118,6	831,6	25,9	976,1	112,3	863,8	976,1	203,9
Strategic sectors	0,2	67,6	7,4	75,2	36,5	38,7	75,2	0,0
FUI(*)	0,1	350,1	0,0	350,2	232,8	117,4	350,2	15,6
FNI-PRI(*)	18,9	16,6	0,0	35,5	3,0	32,5	35,5	9,1
PIAVE(*)	29,3	246,8	0,4	276,5	62,6	213,9	276,5	118,1
French Tech	0,0	0,0	1,1	1,1	1,1	0,0	1,1	0,0
Business Development Insurance	0,0	40,0	0,0	40,0	0,0	40,0	40,0	0,4
<b>Total</b>	<b>604,0</b>	<b>2 049,5</b>	<b>184,1</b>	<b>2 837,6</b>	<b>713,9</b>	<b>2 123,7</b>	<b>2 837,6</b>	<b>695,9</b>

(\*) ARI: Reindustrialisation aids

FGRU: Guarantee Fund for Urban Renewal

FSN: National Digital Society Fund

PSIM: Major Innovation Support Programme

PSPC: Projet de recherche et de développement Structurants des Pôles de Compétitivité (Structuring Research and Development Projects for

FUI: Fonds Unique Interministériel (Single Interministerial Fund)

FNI-PRI: Fonds national d'innovation - Partenariats régionaux d'avenir (National Innovation Fund - Regional Partnerships for the Future)

PIAVE: Projets Industriels d'avenir (Industrial Projects for the Future)

- **NOTE 44 - PERSONNEL**

The average headcount stood at 2,142 employees in 2017, 80.02% of whom are executives.

- **NOTE 45 - COMPENSATION PAID TO MEMBERS OF EXECUTIVE AND SUPERVISORY BOARDS**

Directors' fees of €131,900 were paid to administrative bodies and business line committees.

- **NOTE 46 - IDENTITY OF THE PARENT COMPANY CONSOLIDATING THE COMPANY FINANCIAL STATEMENTS**

**Bpifrance SA (Group)**

27-31 avenue du Général Leclerc  
94710 Maisons-Alfort Cedex  
Créteil Trade and Companies Registration no. 507 523 678

The consolidated financial statements of the company referred to above are available on the website at [www.bpifrance.fr](http://www.bpifrance.fr)

## 12. REPORTS FROM THE STATUTORY AUDITORS

### 12.1. Report on the consolidated financial statements

# **Bpifrance Financement S.A.**

Public limited company with capital of €839,907,320

Registered office: 27-31 avenue du Général Leclerc - 94710 Maisons-Alfort

Créteil Trade and Companies Registration No.: B 320 252 489

## Report from the Statutory Auditors on the consolidated financial statements

Fiscal year ended 31/12/2017

KPMG S.A.

MAZARS

## Report from the statutory auditors on the consolidated financial statements

To the Shareholders,

### Opinion

In performing the assignment entrusted to us by the General Meeting, we conducted an audit of the Bpifrance Financement consolidated financial statements for the fiscal year ended 31/12/2017, as appended hereto.

We certify that, in accordance with the IFRS reference base adopted by the European Union, the consolidated financial statements are truthful and in order and present a fair picture of the results of the operations of the past fiscal year, as well as the financial situation and asset base, at fiscal year-end, of the organisation consisting of the persons and entities included in the consolidation.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

### Basis for the opinion

#### Audit guidelines

We conducted our audit in accordance with the professional standards applicable in France. We believe that the elements we have collected provide a sufficient and appropriate basis for our opinion.

The responsibilities incumbent on us pursuant to these standards are included in the section entitled "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements," in this report.

#### Independence

We conducted our audit in compliance with the rules of independence that are applicable to us, during the period from 01/01/2017 until the date on which our report was issued, and specifically, we did not provide any services prohibited by Article 5, paragraph 1, of EU Regulation no. 537/2014 or by the professional code of ethics for Statutory Auditors.

### Justification of our assessments - Key audit points

Pursuant to Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we hereby bring to your attention the key audit points relating to risks of significant anomalies that, in our professional judgement, were the most important for the audit of the consolidated financial statements for the fiscal year, as well as the responses we have provided in light of such risks.

The assessments made are part of our audit of the consolidated financial statements, taken as a whole, and have contributed to forming the opinion we expressed above. We do not express an opinion on any items in these consolidated financial statements taken separately.

## 1. Credit risk provisioning

- **Risk identified:**

Bpifrance Financement recognises impairment in order to cover identified risks of losses resulting from its customers' inability to meet their financial commitments.

Impairment is estimated on an individual or collective basis by taking into account the value of the guarantees held. As stated in Note 5.2.1 to the consolidated financial statements, management calculates impairment on an individual basis, based on the difference between the carrying amount of the asset with proven credit risk and the present value at the EIR of future cash flows that it considers recoverable after the call on guarantees has been taken into account.

Collective impairment is calculated on a portion of the non-doubtful loans by analysing the credit risk of a uniform set of loans, identified by means of internal portfolio ratings. As stated in Note 5.1.2 to the financial statements, it is estimated based on stochastic scenario simulations that associate each counterparty with a potential default date and a loss rate given default.

The assessment of impairment requires judgement in identifying exposure (or groups with similar exposure) that presents a risk of non-recovery or in determining future recoverable cash flows and recovery periods.

We considered the calculation of impairment on receivables for credit risk to be a key audit point, due to:

- the risk of material impact on the bank's results;
- the complexity of estimating the likelihood of default, losses given default, including the value of related guarantees;
- the sensitivity of calculation parameters to the assumptions applied by management.

- **Audit approach:**

We took note of the internal control procedures implemented by the bank to identify the loans concerned and assess the amount of the related impairment. We also tested the operational design and effectiveness of the key controls performed under these procedures.

- For impairment estimated on an individual basis, we tested the automated controls on the downgrading of loans on a sample of credit files, and controls relating to the estimation of impairment amounts (in particular the value of guarantees).
- For impairment estimated on a collective basis, we performed a critical review of all of the documentation made available in order to justify the methodology applied, the applicable parameters and their updates, the audit trail and controls carried out on the bases, and ensured that impairments were correctly transferred to the accounting system.

We also implemented the following substantive procedures:

- for impairment calculated on an individual basis, we verified the suitability of the impairment recorded with regard to future cash flow forecasts estimated by the bank, via sampling of credit files;
- for collective impairment, we verified the completeness of the basis for assessment, assessed the reasonable nature of the main parameters applied and reviewed the provision calculations at 31 December.

## **2. Accounting data migration**

- **Risk identified:**

The finalisation of the Oracle eBS Accounting Convergence project during 2017 enabled Bpifrance Financement to migrate its accounting data to a single new compatibility tool for all legal entities administered by Bpifrance. The existence of a management system for this project and work carried out in order to ensure the completeness of data included and correct classification during migration are key controls for ensuring the reliable preparation of financial data.

We considered a key audit point to be the correct implementation of this project, aiming to develop the accounting application framework connected to the various information processing chains that contribute to the preparation of accounting and financial information.

- **Audit approach:**

The work we carried out, with the assistance of our IT specialists, focused on the migration project management system and the reliability of post-migration data. Our work consisted in:

- familiarising ourselves with the systems, processes and controls underlying the accounting and financial information;
- assessing the project organisation in place and the relevance of monitoring indicators;
- verifying the implementation of methodology enabling the quality of the data to be ensured (specifically comprehensiveness and correct granularity) and testing, through sampling, the quality of this data;
- verifying the correct roll-out of the functional acceptance phase and testing operational efficiency based on a selection of these functional acceptances;
- corroborating the comprehensiveness and accuracy of post-migration data in the new system, compared to the data in the previous system;
- assessing the quality of the post-migration control system for monitoring anomalies, authorisation management and the control of manual accounting entries.



### **Verification of information on the group provided in the management report**

We also proceeded, in accordance with the professional standards applicable in France, with the specific verification, required by law, of the information on the group, which was provided in the Board of Directors' Management Report.

We have no comments to make regarding their sincerity or their consistency with the consolidated financial statements.

### **Information required by other statutory and regulatory obligations**

#### **Appointment of the Statutory Auditors**

We were appointed as the Statutory Auditors of Bpifrance Financement by the General Meetings held on 28/05/2009, for KPMG Audit, and 18/05/2004, for Mazars (taking into account the mergers of firms since this date); Mazars' history as Statutory Auditor could not be traced prior to this date.

At 31 December 2017, KPMG Audit was completing its ninth uninterrupted year. At this date, the duration of Mazars' uninterrupted appointment as Statutory Auditor was more than 24 years.

### **Responsibilities of senior management and persons establishing the corporate governance relating to the consolidated financial statements**

It is the responsibility of senior management to prepare the consolidated financial statements presenting a true and fair view, in accordance with IFRS as adopted in the European Union, as well as to set up the internal control that it deems necessary to the preparation of consolidated financial statements that do not contain any significant misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is incumbent on senior management to assess the company's capacity to continue operating; to present in these financial statements, as applicable, the necessary information on its business continuity and to apply the accounting convention of business continuity, unless there is a plan to liquidate the company or discontinue operations.

It is the Audit Committee's responsibility to monitor the preparation of financial information and the effectiveness of the internal control and risk management systems, as well as internal audit systems, where applicable, concerning procedures for the preparation and processing of accounting and financial information.

The consolidated financial statements were prepared by your Board of Directors.

### **Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements**

#### **Audit objective and process**

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements do not contain any significant misstatements. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with the applicable professional standards will systematically detect any and all significant misstatements. Misstatements may be due to fraud or error and are considered significant when they can reasonably be expected, taken individually or together, to influence the economic decisions that users of the financial statements make on the basis thereof.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our certification assignment for the financial statements does not consist in guaranteeing the viability or quality of your company's management.

In the context of an audit conducted in accordance with the professional standards applicable in France, the Statutory Auditor exercises his or her professional judgment throughout that audit.

Moreover:

- the Statutory Auditor identifies the risks that the consolidated financial statements contain significant misstatements, whether these are the result of fraud or error, defines and implements audit procedures to deal with these risks, and gathers the materials that he/she deems sufficient and appropriate to form his/her opinion. The risk of a failure to detect a significant misstatement resulting from fraud is higher than that of a significant misstatement resulting from an error, because fraud can involve collusion, falsification, wilful omissions, false statements, or circumvention of internal control;
- he/she familiarizes him/herself with the internal control relevant to the audit in order to define the appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- he/she appraises the appropriateness of the accounting methods applied and the reasonable nature of accounting estimates made by management, as well as the information about them supplied in the consolidated financial statements;
- he/she appraises the appropriateness of management's application of the accounting policy of business continuity and, based on the items collected, the existence or not of significant uncertainty relating to events or circumstances that may call into question the company's capacity to continue operating. This assessment is based on the items collected up until the date of the report; however, subsequent circumstances or events could compromise business continuity. If the Statutory Auditor concludes that there is significant uncertainty, he/she draws the readers' attention to the information provided in the consolidated financial statements about such uncertainty or, if this information is not provided or not relevant, formulates a qualified certification or a refusal to certify;
- he/she reviews the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying operations and events in such a way as to provide a true and fair view;
- with respect to the financial information of the persons or entities included in the scope of consolidation, he/she collects those items he/she considers sufficient and appropriate to express an opinion on the consolidated financial statements. He/she is responsible for the management, supervision, and completion of the audit of the consolidated financial statements, as well as the opinion expressed on those financial statements.

#### Report submitted to the Audit Committee

We submit to the Audit Committee a report presenting in particular the scope of the audit work conducted and work schedule followed, as well as the findings resulting from our work. We also inform it of any major internal control deficiencies that we have identified with regard to the procedures for preparing and processing accounting and financial information.

The information provided in the report to the Audit Committee includes risks of significant anomalies that we considered to have been the most important for the audit of the consolidated financial statements and that therefore constitute key audit points, which we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of EU Regulation no. 537-2014 confirming our independence, pursuant to rules applicable in France, as set out in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Statutory Auditors' professional code of ethics. Where relevant, we inform the Audit Committee of any risks to our independence and the safeguards applied.

The Statutory Auditors

Paris La Défense, le 23 mars 2018

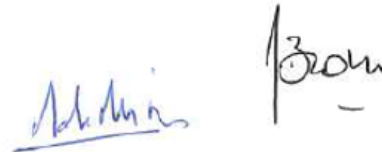
KPMG S.A.



Ulrich Sarfati

Courbevoie, le 23 mars 2018

Mazars



Charles De Boisriou

Matthew Brown

## 12.2. Report on the separate financial statements

### **Bpifrance Financement S.A.**

Public limited company with capital of €839,907,320

Registered office | 27-31, avenue du Général Leclerc - 94710 Maisons-  
Alfort

Créteil Trade and Companies Registration No.: B 320 252 489

### Report from the Statutory Auditors on the individual financial statements

Fiscal year ended 31/12/2017

KPMG S.A.

MAZARS

## Report from the Statutory Auditors on the individual financial statements

To the Shareholders,

### Opinion

In performing the assignment entrusted to us by your General Meeting, we conducted an audit of the Epifrance Financement individual financial statements for the fiscal year ended 31/12/2017, as appended hereto.

We certify that the individual financial statements are, with respect to French accounting rules and principles, truthful and sincere and provide a fair picture of the results of the operations of the past fiscal year and of the financial situation and asset base of the company at the end of the fiscal year.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

### Basis for the opinion

#### Audit guidelines

We conducted our audit in accordance with the professional standards applicable in France. We believe that the elements we have collected provide a sufficient and appropriate basis for our opinion.

The responsibilities incumbent on us pursuant to these standards are included in the section entitled "Responsibilities of the Statutory Auditors relating to the audit of the annual financial statements," in this report.

#### Independence

We conducted our audit in compliance with the rules of independence that are applicable to us, during the period from 01/01/2017 until the date on which our report was issued, and specifically, we did not provide any services prohibited by Article 5, paragraph 1, of EU Regulation no. 537/2014 or by the professional code of ethics for Statutory Auditors.

### Justification of our assessments - Key audit points

Pursuant to Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we hereby bring to your attention the key audit points relating to risks of significant anomalies that, in our professional judgement, were the most important for the audit of the individual financial statements for the fiscal year, as well as the responses we have provided in light of such risks.

The assessments made are part of our audit of the annual financial statements, taken as a whole, and have contributed to forming the opinion we expressed above. We do not express an opinion on any items in these annual financial statements taken separately.

## 1. Credit risk provisioning

- **Risk identified:**

Bpifrance Financement recognises impairment in order to cover identified risks of losses resulting from its customers' inability to meet their financial commitments.

Impairment is estimated on an individual or collective basis by taking into account the value of the guarantees held. As stated in Note 1.2 to the financial statements, management calculates impairment on an individual basis, based on the difference between the carrying amount of the asset with proven credit risk and the present value at the original contract rate of future cash flows that it considers recoverable after the call on guarantees has been taken into account.

Collective impairment is calculated on a portion of the loans that is non-doubtful by analysing the credit risk of a uniform set of loans, identified by means of internal portfolio ratings. As stated in Note 1.2 to the financial statements, it is estimated based on stochastic scenario simulations that associate each counterparty with a potential default date and a loss rate given default.

The assessment of impairment requires judgement in identifying exposure (or groups with similar exposure) that presents a risk of non-recovery or in determining future recoverable cash flows and recovery periods.

We considered the calculation of impairment on receivables for credit risk to be a key audit point, due to:

- the risk of material impact on the bank's results;
- the complexity of estimating the likelihood of default, losses given default, including the value of related guarantees;
- the sensitivity of calculation parameters to the assumptions applied by management.

- **Audit approach:**

We took note of the internal control procedures implemented by the bank to identify the loans concerned and assess the amount of the related impairment. We also tested the operational design and effectiveness of the key controls performed under these procedures.

- For impairment estimated on an individual basis, we tested the automated controls on the downgrading of loans on a sample of credit files, and controls relating to the estimation of impairment amounts (in particular the value of guarantees).
- For impairment estimated on a collective basis, we performed a critical review of all of the documentation made available in order to justify the methodology applied, the applicable parameters and their updates, the audit trail and controls carried out on the bases, and ensured that impairments were correctly transferred to the accounting system.

We also implemented the following substantive procedures:

- for impairment calculated on an individual basis, we verified the suitability of the impairment recorded with regard to future cash flow forecasts estimated by the bank, via sampling of credit files;
- for collective impairment, we verified the completeness of the basis for assessment, assessed the reasonable nature of the main parameters applied and reviewed the provision calculations at 31 December.

## 2. Accounting data migration

- **Risk identified:**

The finalisation of the Oracle eBS Accounting Convergence project during 2017 enabled Bpifrance Financement to migrate its accounting data to a single new compatibility tool for all legal entities administered by Bpifrance. The existence of a management system for this project and work carried out in order to ensure the completeness of data included and correct classification during migration are key controls for ensuring the reliable preparation of financial data.

We considered a key audit point to be the correct implementation of this project, aiming to develop the accounting application framework connected to the various information processing chains that contribute to the preparation of accounting and financial information.

- **Audit approach:**

The work we carried out, with the assistance of our IT specialists, focused on the migration project management system and the reliability of post-migration data. Our work consisted in:

- familiarising ourselves with the systems, processes and controls underlying the accounting and financial information;
- assessing the project organisation in place and the relevance of monitoring indicators;
- verifying the implementation of methodology enabling the quality of the data to be ensured (specifically comprehensiveness and correct granularity) and testing, through sampling, the quality of this data;
- verifying the correct roll-out of the functional acceptance phase and testing operational efficiency based on a selection of these functional acceptances;
- corroborating the comprehensiveness and accuracy of post-migration data in the new system, compared to the data in the previous system;
- assessing the quality of the post-migration control system for monitoring anomalies, authorisation management and the control of manual accounting entries.

## **Verification of the management report and other documents sent to shareholders**

We also proceeded, in accordance with the professional standards applicable in France, with the specific checks required by law.

### Information provided in the management report and other documents sent to shareholders about the financial position and annual financial statements

We have no comments to make regarding the sincerity and consistency with the individual financial statements of the information provided in the Board of Directors' management report and in the other documents provided to the shareholders regarding the financial situation and individual financial statements.

### Corporate governance information

We hereby certify that information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code has been included in the "corporate governance" section of the Annual Report.

With respect to the information provided in application of the provisions of Article L. 225-37-3 of the French Commercial Code on the remuneration and benefits paid to corporate officers and the commitments made in their favour, we have verified their consistency with the financial statements or with the data used to establish the financial statements and, if applicable, with the items collected by your company from the companies controlling your company or controlled by it. Based on this work, we attest to the accuracy and sincerity of this information.

### Other information

Pursuant to the law, we ensured that information relating to equity interests and takeovers, as well as the identity of holders of the share capital or voting rights and cross-shareholdings, has been provided in the management report.

## **Information required by other statutory and regulatory obligations**

### Appointment of the Statutory Auditors

We were appointed as the Statutory Auditors of Bpifrance Financement by the General Meetings held on 28/05/2009, for KPMG SA, and 18/05/2004, for Mazars (taking into account the mergers of firms since this date); Mazars' history as Statutory Auditor could not be traced prior to this date.

At 31 December 2017, KPMG SA was completing its ninth uninterrupted year. At this date, the duration of Mazars' uninterrupted appointment as Statutory Auditor was more than 24 years.



## **Responsibilities of senior management and persons establishing the corporate governance relating to the annual financial statements**

It is the responsibility of senior management to prepare the annual financial statements presenting a true and fair view, in accordance with French accounting rules and principles, as well as setting up the internal control that it deems necessary to the preparation of annual financial statements that do not contain any significant misstatements, whether due to fraud or error.

When preparing the individual financial statements, it is incumbent on senior management to assess the company's capacity to continue operating; to present in these financial statements, as applicable, the necessary information on its business continuity and to apply the accounting convention of business continuity, unless there is a plan to liquidate the company or discontinue operations.

It is the Audit Committee's responsibility to monitor the preparation of financial information and the effectiveness of the internal control and risk management systems, as well as internal audit systems, where applicable, concerning procedures for the preparation and processing of accounting and financial information.

The individual financial statements were prepared by the Board of Directors.

## **Responsibilities of the Statutory Auditors relating to the audit of the annual financial statements**

### Audit objective and process

Our responsibility is to prepare a report on the individual financial statements. Our objective is to obtain reasonable assurance that the individual financial statements do not contain any significant misstatements. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with the applicable professional standards will systematically detect any and all significant misstatements. Misstatements may be due to fraud or error and are considered significant when they can reasonably be expected, taken individually or together, to influence the economic decisions that users of the financial statements make on the basis thereof.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our certification assignment for the financial statements does not consist in guaranteeing the viability or quality of your company's management.

In the context of an audit conducted in accordance with the professional standards applicable in France, the Statutory Auditor exercises his or her professional judgment throughout the audit.

Moreover:

- the Statutory Auditor identifies the risks that the annual financial statements contain significant misstatements, whether these are the result of fraud or error, defines and implements audit procedures to deal with these risks, and gathers the materials that he/she deems sufficient and appropriate to form his/her opinion. The risk of a failure to detect a significant misstatement resulting from fraud is higher than that of a significant misstatement resulting from an error, because fraud can involve collusion, falsification, wilful omissions, false statements, or circumvention of internal control;
- he/she familiarizes him/herself with the internal control relevant to the audit in order to define the appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- he/she appraises the appropriateness of the accounting methods applied and the reasonable nature of accounting estimates made by management, as well as information about them supplied in the annual financial statements;
- he/she appraises the appropriateness of management's application of the accounting policy of business continuity and, based on the items collected, the existence or not of significant uncertainty relating to events or circumstances that may call into question the company's capacity to continue operating. This assessment is based on the items collected up until the date of the report; however, subsequent circumstances or events could compromise business continuity. If the Statutory Auditor concludes that there is significant uncertainty, he/she draws the readers' attention to the information provided in the annual financial statements about such uncertainty or, if this information is not provided or not relevant, formulates a qualified certification or a refusal to certify;
- he/she reviews the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect underlying operations and events in such a way as to provide a true and fair view.

#### Report submitted to the Audit Committee

We submit to the Audit Committee a report presenting in particular the scope of the audit work conducted and work schedule followed, as well as the findings resulting from our work. We also inform it of any major internal control deficiencies that we have identified with regard to the procedures for preparing and processing accounting and financial information.

The information provided in the report to the Audit Committee includes risks of significant anomalies, which we considered to have been the most important for the audit of the individual financial statements and that therefore constitute key audit points, which we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of EU Regulation no. 537-2014 confirming our independence, pursuant to rules applicable in France, as set out in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Statutory Auditors' professional code of ethics. Where relevant, we inform the Audit Committee of any risks to our independence and the safeguards applied.

The Statutory Auditors

Paris La Défense, le 23 mars 2018

Courbevoic, le 23 mars 2018

KPMG S.A.

Mazars



Ulrich Sarfati



Charles De Boisriou



Matthew Brown

### **12.3. Report on related party agreements**



KPMG S.A.  
Siège social  
Tour EQHO  
2 avenue Gambetta  
CS 60055  
92066 Paris La Défense Cedex  
France



Tour Exaltis  
61 Rue Henri Regnault  
94200 - Courbevoie  
France

# *Bpifrance Financement S.A.*

***Statutory Auditor's special report on regulated  
agreements and commitments***

General Meeting called to approve the financial statements for the fiscal  
year ended 31 December 2017

Bpifrance Financement S.A.

27/31 avenue du Général Leclerc – 94710 Maisons-Alfort

*This report contains 16 pages*

US-181-06 appx



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92066 Paris La Défense Cedex  
France



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94200 - Courbevoie  
France

## **Bpifrance Financement S.A.**

Registered office: 27/31 avenue du Général Leclerc - 94710 Maisons-Alfort  
Issued capital: €839,907,320

### **Statutory Auditor's special report on regulated agreements and commitments**

General Meeting called to approve the financial statements for the fiscal year ended 31 December 2017

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to inform you, based on the information provided to us, of the essential characteristics and procedures of the agreements and commitments of which we have been informed and which we discovered during our assignment and of the reasons justifying the Company's interest in them, without providing an opinion as to their usefulness or their soundness or investigating the existence of other agreements or commitments. It is also our responsibility, according to the terms of Article R. 225-31 of the French Commercial Code, to assess why it was important to enter into these agreements and commitments in view of their approval.

It is also our responsibility, where applicable, to provide you with the information indicated in Article R. 225-31 of the French Commercial Code regarding the execution, over the past fiscal year, of the agreements and commitments already approved by the General Meeting.

We have carried out the due diligence reviews we considered necessary in view of the professional doctrine of the Compagnie nationale des commissaires aux comptes for this assignment. These due diligence reviews consisted in verifying that the information provided to us is in accordance with the underlying documents from which it was produced.

#### **AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL MEETING**

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments which were previously approved by your Board of Directors.

- **Counter-guarantee from Bpifrance SA to Bpifrance Financement**

#### **Contracting party**

## Bpifrance SA

### Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Chief Executive Officer of Bpifrance SA;
- the Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance SA, represented by Delphine de Chaisemartin, Pierre-François Koehl and François-Louis Ricard;
- Elisabeth Henry Perez, as a director of both Bpifrance Financement and Bpifrance SA;
- Eric Verkant, as a director of both Bpifrance Financement and Bpifrance SA;
- Bpifrance SA, as the shareholding legal entity with over 10% of the voting rights.

### Nature, purpose, and operation provisions:

Your Board of Directors meetings held on 15 March 2017 authorised this agreement, which replaces and supersedes the agreement authorised by your Board of Directors on 15 December 2016 and signed on 20 December 2016, for the purpose of establishing a counter-guarantee provided by Bpifrance SA to Bpifrance Financement, covering the guarantee commitments given by Bpifrance Financement for bank financing operations.

This counter-guarantee covers an initial period of five years, which may be extended during the first three years by way of tacit renewal for a further five-year term, the remuneration of which comprises two components: the level of the expected loss and the additional capital required by the operation, i.e. 2.6 basis points of your company's commitments in respect of the guarantee activity up to a maximum amount defined in the agreement.

Under this agreement, an amount of €17,629,266,395.00 was recognised in off-balance sheet commitments in respect of guarantee commitments received for the year ended 31 December 2017.

Your company recorded an expense of €3,861,982.96 corresponding to the remuneration of this counter-guarantee for the fiscal year ended 31 December 2017.

### Reason for the benefit of the agreement:

The agreement signed on 29 March 2017 is part of the new minimum regulatory solvency requirements imposed under the "Supervisory Review and Evaluation Process" (SREP). It enables Bpifrance Financement to maintain the economy of regulatory capital requirements over its guarantee operations included in the risk-weighted asset base (RWA).

- **Subordinated loan agreement entered into between Bpifrance SA and Bpifrance Financement**

Contracting party

Bpifrance SA

Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement, Chairman and Chief Executive Officer of Bpifrance Participations, and Chief Executive Officer of Bpifrance SA;
- the Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance SA, represented by Delphine de Chaisemartin, Pierre-François Koehl and François-Louis Ricard;
- Elisabeth Henry Perez, as a director of both Bpifrance Financement and Bpifrance SA;
- Eric Verkant, as a director of both Bpifrance Financement and Bpifrance SA.

Nature, purpose, and operation provisions:

On 27 April 2017, your Board of Directors authorised the signing of this agreement, which is intended to formalise the terms and conditions for taking out a 10-year €300 million subordinated loan with Bpifrance SA, at a fixed rate equal to the TEC10 rate at 15 June 2017 + a margin of 69 basis points. The agreement was signed on 14 June 2017.

Reason for the benefit of the agreement:

This subordinated loan enables your Company to increase its "Tier 2" capital, and thus fully satisfy the global requirement of 12% for prudential solvency ratios, pursuant to the ECB recommendation.

Under this agreement, a €302,132,054.79 loan was recorded on the balance sheet for the year ending 31 December 2017.

Your company recorded a €2,132,054.79 expense corresponding to accrued interest during 2017.

- **Agreement and supplemental agreement relating to the provision of services for the management of the Business Development Insurance product.**

Contracting party:

Bpifrance Assurance Export





Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Chairman of Bpifrance Assurance Export.

Nature, purpose, and operation provisions:

Your Board of Directors, on 18 September 2017 and 20 December 2017, authorised the signing of this agreement and its supplemental agreement between Bpifrance Assurance Export and Bpifrance Financement. They were signed on 25 September 2017 and 20 December 2017, as part of the transformation of Bpifrance Assurance Export.

Products that can be managed in Bpifrance Financement's IT systems will be designed, in order to facilitate instruction and management within the Bpifrance network.

Under the terms of this agreement, the "Business Development Insurance" product would be subject to testing by the regional departments between 1 October and 15 March 2018.

Reason for the benefit of the agreement:

This agreement responds to the desire to pool resources and develop synergies within the Bpifrance group. It provides for remuneration enabling your company to cover all of the expenses incurred in order to provide these services.

Pursuant to this agreement, during 2017 your company received remuneration of €30,000.

**AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING**

**a) Agreements and commitments approved during previous financial years that remained in effect during the year**

Pursuant to the Article R. 225-30 of the French Commercial Code, we were informed that the execution of the following agreements and commitments already approved by the General Meeting during previous fiscal periods continued over the past fiscal year.

- Agreement on the implementation of the EPIC Bpifrance guarantee for Bpifrance Financement refinancing transactions

Contracting party:

EPIC Bpifrance

Managers and/or directors involved:

- The French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions:

The agreement concerns a guarantee granted by EPIC Bpifrance to investors subscribing for EMTNs, BMTNs, bilateral loans and certificates of deposit issued by the company. It provides for remuneration for EPIC Bpifrance, given the benefit received by Bpifrance Financement.

The remuneration on the guarantee will be reviewed annually by the Board of Directors of EPIC Bpifrance. It is initially set at

- 0.15% of the outstanding amount of securities issued under medium and long-term funding programmes.
- 0.02% of the outstanding amount of securities issued under short-term funding programmes.

Under this agreement, a total charge of €30,034,616.01 was recorded by your company for the fiscal year ended 31 December 2017.

- **Agreement for the provision of services for the implementation of the Fonds Régionaux de Garantie Innovation between Bpifrance Financement and Bpifrance Régions**

Contracting party:

Bpifrance Régions

Managers and/or directors involved:

- The Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel.

Nature, purpose, and operation provisions:

The purpose of the agreement is to define the operation of the FRGI system and the nature of the services between Bpifrance Financement and Bpifrance Régions. As part of this mechanism, local authorities provide Bpifrance Régions with funds to create the FRGI whose purpose is to hedge the risks and cost of liquidity resulting from the assistance granted by your company's network.

The agreement sets the remuneration for services provided at 4.80%, net of taxes, of the amount of funds paid out as part of the eligible innovation assistance to the FRGI.

Under this agreement, the company recorded income of €1,898,104.75 for the year ended 31 December 2017.

- **Intragroup services agreement between EPIC Bpifrance - Bpifrance Financement - Bpifrance Régions - AUXI FINANCES - SCI Bpifrance**

Contracting parties:

EPIC Bpifrance, Bpifrance Régions, AUXI-FINANCES and SCI Bpifrance.

Managers and/or directors involved:

- The French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.
- The Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel.
- Bpifrance Financement, as the shareholding legal entity with over 10% of the voting rights of AUXI FINANCES, SCI Bpifrance and Bpifrance Régions.

Nature, purpose, and operation provisions

The purpose of the agreement, signed on 17 March 2008, is to define the framework for intercompany services and establish the general principles for re-invoicing between the different parties.

On 29 March 2011, the Board of Directors also approved an amendment to the agreement concerning Bpifrance Régions. The amendment, signed on 30 March 2011, defines the types of services provided by the company to its subsidiary and sets the remuneration conditions, namely:

- €300,000 net of taxes for services related to accounting and financial management, the monitoring of the guarantee funds and legal follow-up for Bpifrance Régions;
- 0.45% of the amounts charged to the guarantee funds during the previous year for services related to the marketing and granting of guarantees provided by Bpifrance Régions;
- 0.2% net of taxes of the amounts charged to the guarantee funds during the previous year for operation management services.

Under this agreement, the company recorded the following for the year ended 31 December 2017:

- income of €315,556.67 in respect of the re-invoicing to EPIC Bpifrance of payroll costs;
- income of €1,430,118.47 in respect of the re-invoicing to Bpifrance Régions of business services and payroll costs;

- income of €343,228.76 in respect of the re-invoicing to AUXI FINANCES of payroll costs.

**b) Agreements and commitments approved in prior years but not executed during the year**

We were also informed of the continuation of the following agreements and commitments, already approved by the General Meeting in prior years, which were not executed during the period.

- **Agreements on the transfer of securities held by Bpifrance Financement in venture capital companies to FPMEI (managed by Bpifrance Investissement)**

Contracting party:

Bpifrance Investissement

Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Bpifrance Investissement;
- the Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel;
- the French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by Christine Costes, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions:

Initially authorised by the Board of Directors at its meeting on 15 December 2014, these agreements were concluded between Bpifrance Financement and FPMEI (private equity fund managed by Bpifrance Investissement) on the basis of modified terms authorised by the Board of Directors on 22 July 2016.

These agreements were signed on 27 July 2016 and 12 October 2016. They concern the acquisition, by FPMEI, of securities held by Bpifrance Financement in venture capital companies (SORIDEC, IDEB, Institut Lorrain de Participation, MPC, Bretagne Jeunes Entreprises, Bretagne Participations, Institut Régional de Développement-Midi Pyrénées, IRPAC Développement and RAC I). Moreover, the changes made to the versions of the agreements initially authorised by the Board took into account the independent financial valuation by Degroof Petercam. This firm was appointed at the request of the Bpifrance Investissement compliance officer owing to the potential conflict of interest, since the transfer had taken place between entities controlled by Bpifrance.

Reason for the benefit of the agreement:

There were two main reasons for the transfers: firstly, to complete the streamlining and ensure the consistency of the Bpifrance Group's capital structure, which, at the time, was organised around two business units: the "financing" unit and the "investment" unit. Each unit had holdings related to its specific activities; and secondly, to optimise the management of the business lines in question (managed by two different teams prior to the transfer).

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Agreement concerning the loan agreement in the event of liquidity stress at Bpifrance Financement**

Contracting parties:

Bpifrance S.A. and Bpifrance Participations

Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement, Chairman and Chief Executive Officer of Bpifrance Participations, and Chief Executive Officer of Bpifrance SA;
- the Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and François-Louis Ricard;
- Elisabeth Henry Perez, as a director of both Bpifrance Financement and Bpifrance SA;
- Eric Verkant, as a director of both Bpifrance Financement and Bpifrance SA;
- Bpifrance SA, as the shareholding legal entity with over 10% of the voting rights.

Nature, purpose and reason for the interest in the agreement:

At its meeting on 15 December 2016, the Board of Directors authorised the signing of this agreement, which is intended to formalise the terms of the mobilisation by Bpifrance SA and Bpifrance Participations, for the benefit of Bpifrance Financement, of some of their available cash in the event of cash flow problems at Bpifrance Financement, pending a permanent solution. This agreement was signed on 21 December 2016.

Operation provisions:

In application of the agreement, the loan interest is calculated on a daily basis. It is equal to the product of the balance, of that day's EONIA rate plus a Bpifrance Financement average refinancing spread of three months, on an exact day basis of 365 days.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Financial agreement between Bpifrance Financement and Bpifrance Assurance Export relating to the opening of a current account**

Contracting party:

Bpifrance Assurance Export

Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Chairman of Bpifrance Assurance Export SAS.

Nature, purpose, and operation provisions:

The Board of Directors authorised this agreement at its meeting on 16 December 2016. The purpose of the agreement is to define the conditions in which Bpifrance Financement, as a credit institution, manages cash deposits for Bpifrance Assurance Export or provides it with liquidity.

In application of the agreement, the loan interest is calculated on a daily basis. It is equal to the product of the balance, of that day's EONIA rate plus a Bpifrance Financement average refinancing spread of three months, on an exact day basis of 365 days.

Interest is paid monthly and debited from or credited to the account with effect from the first day of the following month.

As a guide, and based on an annual EONIA rate of -0.354% (the rate as of 16 December 2016), the annual percentage rate is assumed to be zero on the date of signature of the agreement.

The agreement was signed on 20 December 2016 and a current account was consequently opened. At 31 December 2016, the account had a credit balance of €5,591,705.33.

Reason for the benefit of the agreement:

As a credit institution with access to money markets, Bpifrance Financement will be actively involved in the cash management of the different Bpifrance Group entities by opening current accounts for each one on market terms.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Agreement between Bpifrance Financement and Bpifrance Participations on the backup of market transactions**

Contracting party:

Bpifrance Participations

Managers and/or directors involved:



- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Bpifrance Participations;
- The Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel.

Nature and purpose:

At its meeting on 17 December 2015, the Board of Directors authorised the signing of this agreement between Bpifrance Participations and Bpifrance Financement. The agreement was signed on 14 January 2016 to enable Bpifrance Participations to entrust Bpifrance Financement with the transmission on the financial markets of orders for the acquisition or sale of all types of securities and the acquisition or sale of all types of financial assets.

The agreement sets out the framework for the relationship between Bpifrance Financement and Bpifrance Equity interests.

The agreement took effect on 14 January 2016 and will be tacitly renewed for subsequent periods of one year unless terminated by one of the Parties.

Reason for the benefit of the agreement:

The agreement was signed to ensure continuity within the Bpifrance Group such that the market transactions of Bpifrance Participations will be executed even when the Bpifrance Investissement employees responsible for the transactions are absent, as well as to reduce operational risk.

Operation provisions:

In application of the agreement, the assignments carried out within the framework defined will be invoiced a fixed amount of twenty thousand euros excluding taxes.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Service agreement between Bpifrance Financement and Bpifrance Participations relating to financial contracts and derivative instruments (equity swaps) entered into by Bpifrance Participations**

Contracting party:

Bpifrance Participation

Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Bpifrance Participations;
- The Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel.

Nature and purpose:

The agreement was signed on 15 September 2015. Its purpose is to provide a framework for the services supplied by Bpifrance Financement to Bpifrance Participations related to financial contracts and derivative instruments entered into by Bpifrance Participations.

Operation provisions:

In application of the agreement, the assignments carried out within the framework defined will be invoiced the fixed amount of fifty thousand euros excluding taxes per year plus ten thousand euros excluding tax per transaction based on a number of transactions less than or equal to ten equity swap transactions. By amendment, the remuneration will then be adjusted annually based on the actual volume and the prospects for growth in financial contracts and derivative instruments.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Agreement relative to the implementation of the Restaurant Modernisation Fund of 22 October 2009 between the State, EPIC Bpifrance and Bpifrance Financement**

Contracting party:  
EPIC Bpifrance

Managers and/or directors involved:

- The French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions

The agreement on the implementation of the Prêts de Modernisation et de Transmission de la Restauration (PPMTR) calls for the implementation of two funds: the PMR guarantee fund (formerly the PPMTR guarantee fund) and the zero-rate PMR subsidy compensation fund.

The State pays the amounts from the proceeds of the annual contribution on restaurant sector sales as anticipated by law to EPIC Bpifrance, which releases them to the funds based on your company's calls for funds.

The Board of Directors authorised this agreement on 27 September 2011 to allow EPIC Bpifrance to transfer a maximum of €7.9 million to Bpifrance Financement to cover specific requirements. The funds will be used to finance promotional initiatives in the Catering sector and sets out the terms of the contributions paid to the FMR. The agreement also divides the PPMTR into two types of loans for the modernisation of catering businesses to accommodate the needs of smaller establishments.

The agreement had no financial impact for the fiscal year ended 31 December 2017.





- **Agreements on the transfer to Bpifrance Investissement of securities held by Bpifrance Financement in companies with investment and private equity activities**

Contracting party:

Bpifrance Investissement

Managers and/or directors involved:

- Nicolas Dufourcq, as Chairman and Chief Executive Officer of Bpifrance Financement and Bpifrance Investissement;
- the Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Investissement, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel;
- the French State, as a director of both Bpifrance Financement and Bpifrance Investissement, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions:

These 11 agreements were authorised by the Board of Directors at its meetings on 15 December 2014 and 26 March 2015, and concern the readjustment of the sale terms. These agreements were signed on 30 March 2015 between the seller Bpifrance Financement and the buyers Bpifrance Investissement (three agreements), FSI PME Portefeuille (seven agreements) and FFI B Prime (one agreement). They concern the acquisition of securities held by Bpifrance Financement in investment companies and private equity funds.

These agreements had no financial impact for the fiscal year ended 31 December 2017.

- **Regulated agreement for periodic audits with Sogama Crédit Associatif**

Contracting party:

SOGAMA Crédit Associatif

Person involved:

Bpifrance Financement, as the shareholding legal entity with over 10% of the voting rights of SOGAMA Crédit Associatif.

Nature, purpose, and operation provisions:

The agreement, signed on 28 October 2014, authorises Bpifrance Financement to provide audit services for SOGAMA Crédit Associatif, as required by the Decree of 3 November 2014.

The agreement took effect on 1 January 2015 for an initial period ending 31 December 2017. It is tacitly renewable for periods of three years.

Pursuant to this agreement, the assignments carried out within this framework will be invoiced in the set amount of fifteen thousand euros excluding taxes per year. This can be revised at the end of the first agreement period.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Periodic audit service agreement signed between Bpifrance Financement and Alsabail**

Contracting party:  
Alsabail

Person involved:

Bpifrance Financement, as the shareholding legal entity with over 10% of the voting rights of Alsabail.

Nature, purpose, and operation provisions:

The purpose of this agreement is to define the nature and arrangements for the periodic audit services required under the Decree of 3 November 2014 and provided for Alsabail by your company's Audit department.

This agreement stipulates that the services will be provided in accordance with the Bpifrance Financement audit charter and will be described in an audit plan, the contents and procedures of which are approved annually.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Financial management agreement between EPIC Bpifrance and Bpifrance Financement**

Contracting party:

EPIC Bpifrance

Managers and/or directors involved:

the French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions

This agreement defines the nature of the services and the procedures for the implementation and management of investment and refinancing transactions in the financial markets, which your company provides for EPIC Bpifrance. As part of this set-up, EPIC Bpifrance has delegated the power to implement the transactions to the Financial Operations Department of your company. This agreement does not provide for remuneration.

- **Current account and cash pooling agreement between EPIC Bpifrance and Bpifrance Financement**

Contracting party:

EPIC Bpifrance

Managers and/or directors involved:

the French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions

This agreement defines the operation and procedures for the remuneration of the current account opened in the name of your company for centralised cash management.

Since no funds have been deposited in the account under this agreement, no interest income or expense was recognised by the company for the year ended 31 December 2017.

- **ERDF fund agreement**

Contracting party:

Bpifrance Régions

Managers and/or directors involved:

The Caisse des Dépôts et Consignations, as a director of both Bpifrance Financement and Bpifrance Régions, represented by Delphine de Chaisemartin, Pierre-François Koehl and Sabine Schimel.

Nature, purpose, and operation provisions

This agreement defines the operation of the ERDF system between Bpifrance Financement and Bpifrance Régions.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

- **Shareholder loan agreements**

Contracting party:

the French State, as a director of both Bpifrance Financement and EPIC Bpifrance, represented by François Jamet, Sébastien Raspiller and Alain Schmitt.

Nature, purpose, and operation provisions



*Bpifrance Financement S.A.  
Statutory Auditor's special report on regulated agreements and commitments  
23 mars 2018*

These agreements relate to the set-up of advances granted by the French State to your company as part of the creation of the over-mutualisation fund and the preserved capital fund.

The agreement had no financial impact for the fiscal year ended 31 December 2017.

Paris La Défense, 23 March 2018

KPMG S.A.

Ulrich Sarfati

*Partner*

Courbevoie, 23 March 2018

Mazars

Charles de Boisriou

*Partner*

Matthew Brown

*Partner*

|

## 13. GENERAL INFORMATION CONCERNING BPIFRANCE FINANCEMENT

Bpifrance Financement is a public limited company with share capital of €839,907,320, registered in the Créteil Trade and Companies Register under the number 320 252 489 (APE code 6492 Z).

Bpifrance Financement was created on 22 December 1980 under the name of Crédit d'Équipement des PME. The term of the company is set at 99 years starting on 14 November 1980.

The registered office is located at 27-31, avenue du Général Leclerc, 94710 Maisons-Alfort, Paris (Tel: +33 (0)1 41 79 80 00).

### 13.1. History and development of Bpifrance Financement

The EPIC (Public Establishment with an Industrial and Commercial Nature) OSEO was born in 2005 from the merger of ANVAR (*Agence nationale de valorisation de la recherche*), the BDPME (*Banque du Développement des PME*) and its subsidiary Sofaris (*Société française de garantie des financements des PME*). Through these three companies, which are now subsidiaries of EPIC and have been renamed OSEO Innovation, OSEO Financement and OSEO Garantie, EPIC OSEO was entrusted with the financing and support of SMEs across three business lines: support for innovation, the financing of investments and the operating cycle in partnership with banks, and guarantees for bank financing and equity investments.

In 2007, as part of the Government's policy to promote and develop the investments devoted to research and innovation, priority was given to supporting innovation within medium-sized companies. To achieve this, the Government decided to merge the *Agence de l'Innovation Industrielle* (All) with OSEO, in view of the general interest mission shared by them: financing and supporting companies during the most decisive phases of their life cycle. As such, on 1 January 2008 and after the dissolution of the All, the "Industrial Strategic Innovation" activity was transferred by the French State to OSEO innovation.

In order to improve OSEO's responsiveness and effectiveness, and therefore the quality of its services, while also helping to clarify and simplify its organisation, the project to merge the group's operational entities was initiated in 2008. It was made possible by law no. 2010-1249 on banking and financial regulation of 22 October 2010, and took the form of a merger through absorption by OSEO Financement, which became OSEO SA, of the companies OSEO Garantie, OSEO Innovation and OSEO Bretagne.

On 6 June 2012, the Minister for the Economy announced the creation of the *Banque Publique d'Investissement* (BPI - Public Investment Bank). A public group intended to support the financing and development of companies, acting in accordance with public policies implemented by the State and by the Regions, the group gathers the activities of OSEO, CDC Entreprises and the Strategic Investment Fund. The creation of the Public Investment Bank was made official under law no. 2012-1559 of 31 December 2012, which amended Order no. 2005-722 of 29 June 2005 relating to the creation of the public institution OSEO, which became EPIC BPI-Groupe, and OSEO SA. A *société anonyme* (public limited company) and finance company, it has been held since 12 July 2013 in equal shares by the French State via the EPIC BPI-Groupe, and Caisse des Dépôts. OSEO, now called Bpifrance Financement, became a subsidiary of BPI-Groupe, in the same way as the entities that include the equity activities of CDC Entreprises and the FSI, became Bpifrance Investissement and Bpifrance Participations. Finally, law no. 2015.990 of 6 August 2015 for growth, business and equal economic opportunity amended Order no. 2005-722 of 29 June 2005 relating to the public investment bank and allowed harmonisation of the corporate names of all the group entities, with EPIC BPI-Groupe and BPI-Groupe becoming, respectively, EPIC Bpifrance and Bpifrance SA.

### 13.2. Corporate purpose of Bpifrance Financement

Pursuant to Order no. 2005-722 of 29 June 2005 on the public investment bank, the purpose of Bpifrance Financement is to fulfil the following general interest missions:

- foster growth through innovation and technology transfer under the conditions set out in Article 9 of said Order;
- contribute to economic development by taking on some of the risk resulting from loans to small and medium-sized enterprises;

- meet the specific financing needs of small and medium-sized enterprises in terms of their capital expenditure and operating receivables.

To that end, Bpifrance Financement may engage in any securities or real estate transactions, including the purchase and sale of property, the acceptance or conferral of leaseholds or emphyteutic leases, and any building construction.

### **13.3. General meetings**

Shareholders' meetings are called and held subject to the conditions provided by law. Each share gives the holder the right to attend General Meetings and to vote under the conditions laid down by law.

### **13.4. Other general information concerning the issuer**

#### **13.4.1. Information included for reference**

Pursuant to Article 28 of European Commission regulation (EC) no. 809/2004, the following information is included for reference in the Registration Document:

- for the 2016 fiscal year, the Registration Document for 2014 was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on 27 April 2017, under number D.17-0468. The consolidated financial statements appear on pages 81 to 170 and the corresponding audit report is on pages 225 to 228. The declaration by the persons responsible for the registration document is on page 251;
- for the 2015 fiscal year, the Registration Document for 2015 was deposited with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on 20 April 2016, under deposit number D.16-0370. The consolidated financial statements appear on pages 73 to 153 and the corresponding audit report is on pages 201 to 204. The declaration by the persons responsible for the registration document is on page 231.

#### **13.4.2. Trend information**

Bpifrance Financement certifies that no significant deterioration has affected its prospects since the date of its last audited and published financial statements.

#### **13.4.3. Legal proceedings and arbitration**

Bpifrance Financement certifies that over the last 12 months, no government, legal or arbitration proceedings of which it is aware, which are pending or by which it is threatened, are likely to have or have had any significant effect on the financial position or profitability of the company or the group.

#### **13.4.4. Significant change in the issuer's financial position**

Bpifrance Financement certifies that no significant change in the group's end of the last fiscal year for which audited financial statements were published.

### 13.4.5. Conflicts of interest at the level of the administrative and management bodies

To the knowledge of the persons responsible for this Registration Document, there is no conflict of interest between the obligations towards the issuer of any of the members of the Board of Directors and their private interests and/or other obligations.

### 13.4.6. Documents available to the public

Bpifrance Financement certifies that:

- copies of the act of incorporation and updated Articles of association of the issuer may be consulted at its registered offices, 27-31 avenue du Général Leclerc, 94710 Maisons-Alfort Cedex;
- the 2017 annual report of the Bpifrance Financement company can be accessed on its website: bpifrance.fr;
- the 2015 and 2016 annual reports, serving as Registration Documents, are available for consultation on the website: bpifrance.fr.

## 14. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND AUDITS

### 14.1. Persons responsible

Mr Nicolas Dufourcq, Chairman and Chief Executive of Bpifrance Financement, and Mr Arnaud Caudoux, Executive Director, are responsible for the information contained in this document.

#### 14.1.1. Statement of the Chairman and Chief Executive Officer and the Executive Director

We hereby certify, having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to the best of our knowledge, a true representation of the facts and contains no omission likely to affect its interpretation.

We certify that, to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards, and provide a fair picture of the assets, financial situation and earnings of the Company and of all of the companies included in the consolidation, and that the management report contained in this Registration Document includes a faithful picture of the evolution of the business, results and financial situation of the Company and of all of the companies included in the consolidation, as well as a description of the main risks and uncertainties with which they are faced.

We have obtained from the Statutory Auditors a certificate of completion in which they indicate that they have examined the information bearing on the financial position and financial statements contained in this Registration Document and that they have read the Document in its entirety.

26 April 2018



Nicolas Dufourcq  
Chairman and CEO



Arnaud Caudoux  
Executive Director

## 14.2. Statutory Auditors

### 14.2.1. Current Statutory Auditors

**MAZARS**, member of the Regional Association of Versailles, Exaltis – 61 rue Henri Regnault 92075 La Défense Cedex – appointed for the first time in 1996 and whose term of office was renewed by the Ordinary General Meeting on 9 May 2016 and that expires at the close of the General Meeting called to approve the financial statements of the fiscal year to 31 December 2021, represented by Charles de Boisriou and Matthew Brown.

The separate and consolidated financial statements for the year ended 31 December 2015 were audited and certified by Charles de Boisriou, while those for the year ended 31 December 2016 were audited and certified by Charles de Boisriou and Matthew Brown.

**KPMG SA**, member of the Regional Association of Versailles – 2, avenue Gambetta – CS 60055 – 92066 Paris la Défense – appointed for the first time in 2009, whose term of office was renewed by the Combined General Meeting on 12 May 2015 and expires at the close of the General Meeting called to approve the financial statements for the year ending 31 December 2020, represented by Ulrich Sarfati.

The separate and consolidated financial statements for the year ended 31 December 2015 were audited and certified by Marie-Christine Ferron-Jolys, while those for the year ended 31 December 2016 were audited and certified by Marie-Christine Ferron-Jolys and Ulrich Sarfati.

### 14.2.2. Alternate auditors

Mr Franck Boyer  
61 rue Henri Regnault – 92075 La Défense Cedex  
Appointed by the General Meeting of 27 May 2010 for a term of 6 fiscal years  
Member of the Regional Association of Versailles  
The term of office for Bpifrance Financement expires in 2022.

KPMG Audit FS I  
2, avenue Gambetta – CS 60055 – 92066 Paris la Défense  
Appointed by the General Meeting of 12 May 2015 for a term of six fiscal years  
Member of the Regional Association of Versailles  
The term of office for Bpifrance Financement expires in 2021.



## 15. CROSS-REFERENCE TABLES

### 1. Cross-reference table for the Registration Document

Commission Regulation (EC) no. 809/2004 of 29 April 2004

This cross-reference table, in view of each of the sections provided for in Annex I to Commission Regulation (EC) no. 809/2004 of 29 April 2004 (the "Regulation"), contains the numbers of the paragraph(s) of this Registration Document containing the information referred to in each section of the Regulation.

Unless otherwise stated, the references to notes contained in this cross-reference table refer to the notes to the consolidated financial statements.

Annex I to Regulation (EC) no. 809/2004			Registration Document
			Section(s)
<b>I</b>		<b>Persons responsible</b>	
1.		Persons responsible for the information given in the Registration Document	14.1
2.		Declaration by the persons responsible for the Registration Document	14.1
<b>II</b>		<b>Statutory Auditors</b>	
1.		Names and addresses of the issuer's Auditors	14.2
2.		Auditors who have resigned, been removed or not been re-appointed	Not applicable
<b>III</b>		<b>Selected financial information</b>	
1.		Selected historical financial information	9
2.		Selected financial information for interim periods and comparative data from the same periods in the prior financial year	Not applicable
<b>IV</b>		<b>Risk factors</b>	
		<b>Information about the issuer</b>	
1.		History and development of the issuer	13.1
2.		Investments	5.1.8
<b>VI</b>		<b>Business overview</b>	
1.		Main activities	3 and 5.1.2
2.		Main markets	3 and 5.1.2
3.		Events that influenced the information provided under sections VI.1 and VI.2	Not applicable
4.		Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	Not applicable
5.		Basis for any statements made by the issuer regarding its competitive position	3
<b>VII</b>		<b>Organisational charts</b>	
1.		Capital structure of the Bpifrance Group and the issuer's position within the group	4
2.		List of the issuer's significant subsidiaries	5.1.8

Annex I to Regulation (EC) no. 809/2004			Registration Document
			Section(s)
<b>VIII</b>		<b>Property, plant and equipment</b>	
1.		Existing or planned material tangible fixed assets	Note 5.12
2.		Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	5.1.7
<b>IX</b>		<b>Operating and financial review</b>	
1.		Financial position	5.1.3
2.		Operating income	2.1 and Note 40 (Notes to the separate financial statements)
<b>X</b>		<b>Capital resources</b>	
1.		Issuer's capital resources	5.1.5
2.		Sources and amounts of the issuer's cash flows	10
3.		Information on the borrowing conditions and funding structure of the issuer	5.1.3
4.		Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	5.2
5.		Information regarding the anticipated sources of funds	Note 8.6.4
<b>XI</b>		<b>Research and development, patents and licences</b>	Not applicable
<b>XII</b>		<b>Trend information</b>	5.1.6 and 13.4.2
<b>XIII</b>		<b>Profit forecasts or estimates</b>	Not applicable
<b>XIV</b>		<b>Administrative, management and supervisory bodies and senior management</b>	
1.		Information on activities, absence of convictions and corporate office	6.1, 6.2 and 6.3
2.		Conflicts of interest within administrative, management and supervisory bodies and senior management	13.4.5
<b>XV</b>		<b>Remuneration and benefits paid to persons referred to in item XIV.1</b>	
1.		Amount of remuneration paid and benefits in kind granted by the issuer and its subsidiaries	6.4
2.		Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	10, note 10



<b>Annex I to Regulation (EC) no. 809/2004</b>		<b>Registration Document</b>
		<b>Section(s)</b>
<b>XVI</b>	<b>Board and management practices</b>	
1.	Date of expiration of the current term of office of members of administrative, management and supervisory bodies	6.1.2 and 6.1.3
2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries	Not applicable
3.	Information about the issuer's audit committee and remuneration committee	6.5.1, 6.5.2, 6.5.3 and 5.3.1
4.	Compliance with the applicable corporate governance regime	6.5 (preamble)
<b>XVII</b>	<b>Employees</b>	
1.	Number of employees at the end of the period covered by the historical financial information or the average number for each financial year in the period and a breakdown of employees	9 and note 44 (Notes to the separate financial statements)
2.	Directors' shareholdings and stock options	Not applicable
3.	Description of any arrangements for involving the employees in the capital of the issuer	Not applicable
<b>XVIII</b>	<b>Main shareholders</b>	
1.	Name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law	Not applicable
2.	Differences between the voting rights of major shareholders	Not applicable
3.	Ownership or control of the issuer and measures in place to ensure that such control is not abused	2.2
4.	Any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	Not applicable
<b>XIX</b>	<b>Related party transactions</b>	
		5.1.8, 6.5.2, 12.3, note 13.1
<b>XX</b>	<b>Financial information concerning the issuer's assets and liabilities, financial position and profits and losses</b>	
1.	Historical financial information	9
2.	Pro forma financial information and description of the influence of any restructuring	Not applicable
3.	Annual financial statements (separate and consolidated financial statements)	10 and 11
4.	Auditing of historical financial information	14.2.1
5.	Age of latest audited financial information	9
6.	Interim and other financial information	Not applicable
7.	Dividend policy	5.1.8

8.	Legal proceedings and arbitration	13.4.3
9.	Significant change in the financial or trading position since the end of the previous financial year	13.4.4

<b>Annex I to Regulation (EC) no. 809/2004</b>		<b>Registration Document</b>
		<b>Section(s)</b>
<b>XXI</b>	<b>Additional information</b>	
1.	Issued Capital	13 (preamble)
2.	Memorandum and Articles of Association	13.4.6
<b>XXII</b>	<b>Material contracts</b>	Not applicable
<b>XXIII</b>	<b>Third party information and statements by experts and declarations of interest</b>	Not applicable
<b>XXIV</b>	<b>Documents available to the public</b>	13.4.6
<b>XXV</b>	<b>Information on holdings</b>	5.1.8, note 7.2 (Notes to the separate financial statements)

## 2. Cross-reference table for the annual financial report

This Registration Document includes all items from the annual financial report referred to in Article L. 451-1-2, subsection I of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulation. The following cross-reference table refers to sections of the Registration Document corresponding to the different sections of the annual financial report.

The references to notes contained in this cross-reference table refer to the notes to the consolidated financial statements.

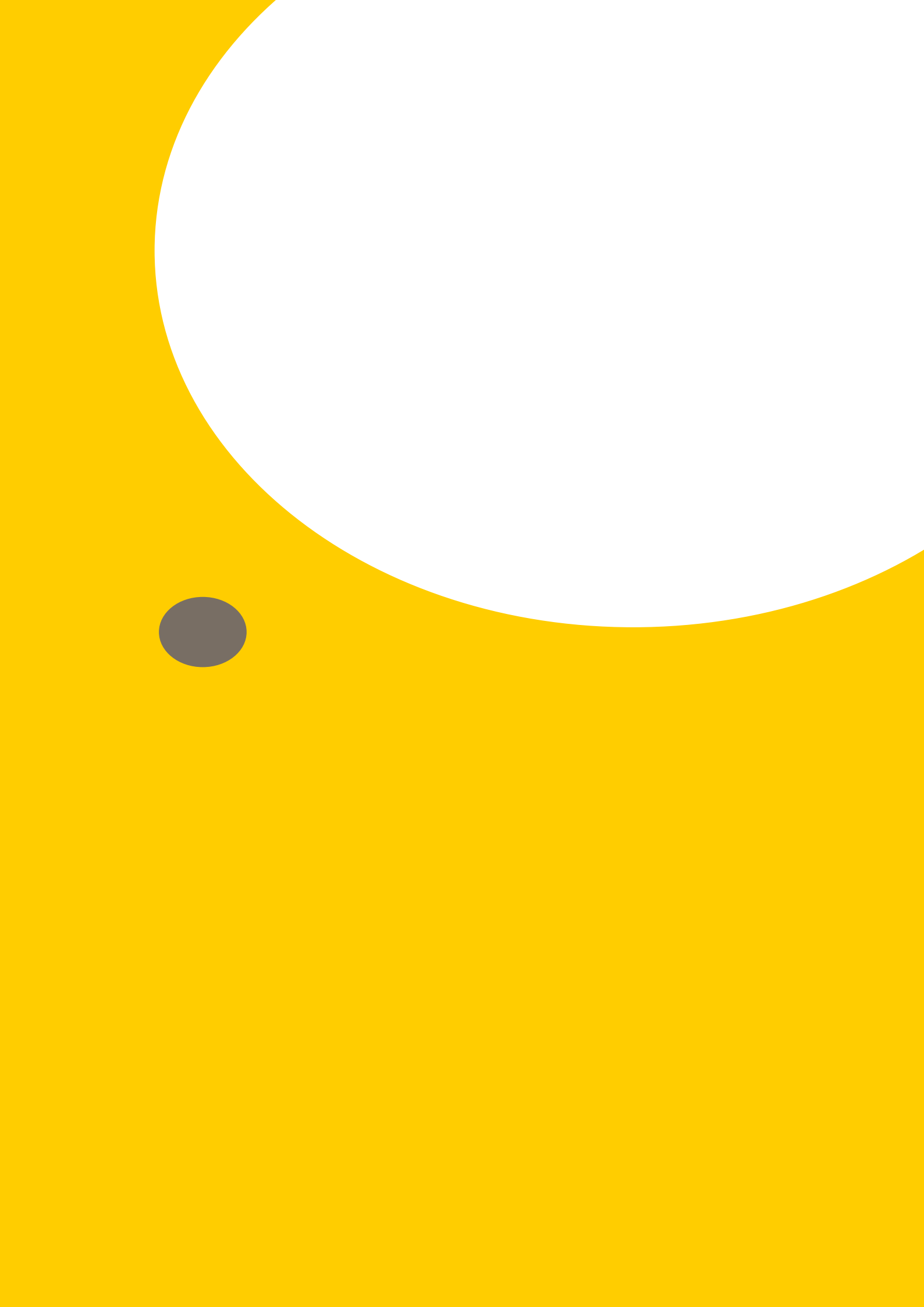
<b>Annual financial report</b>		<b>Registration Document</b>
		<b>Section(s)</b>
<b>I</b>	<b>Annual financial statements of the Company</b>	11
<b>II</b>	<b>Consolidated financial statements of the Company</b>	10
<b>III</b>	<b>Management report containing at least the information referred to in Articles L. 225-100, L. 255-102, L. 225-100-3 and L. 225-211, paragraph 2 of the French Commercial Code</b>	
1	Information referred to in Articles L. 225-100 and L. 225-102 of the French Commercial Code: - Analysis of results - Analysis of financial position - Key human resource and environmental indicators - Principal risks and uncertainties - Capital increase delegations in effect	5.1.5 5.1.3 5.1.7 5.1.4 6.9

	Information referred to in Article L. 225-100-3 of the French Commercial Code: - Factors that may be relevant in the event of a tender offer	Not applicable
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<b>Annual financial report</b>		<b>Registration Document</b>
		<b>Section(s)</b>
3.	Information referred to in Article L. 225-211 of the French Commercial Code: - Buyback by the Company of its own shares	5.1.8
<b>IV</b>	<b>Declaration by the persons responsible for the annual financial report</b>	14.1
<b>V</b>	<b>Report from the Statutory Auditors on the annual and consolidated financial statements</b>	12.2 and 12.1
<b>VI</b>	<b>Fees paid to Statutory Auditors</b>	Note 13.2
<b>VII</b>	<b>Board of Directors' corporate governance report</b>	6
<b>VIII</b>	<b>Statutory Auditors' report on the Board of Directors' Report</b>	12.4







**bpi**france

**Bpifrance Financement**

Public Limited Company with a Board of Directors

With capital of €839,907,320

Créteil Trade and Companies Registration no. 320 252 489

**Registered office**

27-31, avenue du Général Leclerc

94710 Maisons-Alfort Cedex

Tel: +33 (0)1 41 79 80 00 - Fax: +33 (0)1 41 79 80 01

[www.bpifrance.fr](http://www.bpifrance.fr)