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ANNUAL FINANCIAL REPORT

Bpifrance Financement

2018

Registration Document

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This Registration Document was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on 15 April 2019, 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 CHIEF EXECUTIVE OFFICER

Once again, 2018 was a record year in financing investment and growing companies. It was also a year of major changes, whether to the group's organization or the development of its offering.
The bank actively supported business investment by mobilizing, alongside private banks, its investment credit supply (€7.5 billion in 2018, +7.0% on 2017). Bpifrance focused its attention on industries (e.g. international, financing intangible assets) and sectors (e.g. Energy and Environmental Transition, French Fab) insufficiently covered by the market. By mobilizing its range of guarantees (€8.7bn in guaranteed bank loans in 2018, made to nearly 61,000 beneficiary companies), Bpifrance gave major support to the development of the private supply of credits on the riskiest segments (e.g. start-ups, VSEs).

In spite of strict budgetary constraints, Bpifrance provided €1.2bn in aid to innovation (subsidies, repayable advances, and zero-rate loans), representing more than 5,600 projects financed, asserting itself as a leading partner of French Tech.
In an economic environment that was still favourable in 2018, the group mobilised the entire range of its capital investment schemes to support companies' growth projects. Thus equity investments totalled €2bn in 2018, including nearly €1bn from partner funds, demonstrating the role that Bpifrance plays in structuring and training the French private equity ecosystem.

International projects and support continued to increase within Bpifrance's offering, in order to help entrepreneurs to meet their challenges in terms of internationalisation and transformation, in particular digital. In 2018, the Export activity posted 10% growth in the number of SMEs and mid-sized businesses it supported, while the performance of the main export insurance products continued the steady rise seen since Bpifrance took on the activity in 2017.
Support, provided by every team since 2015, has become a separate business line at Bpifrance. In 2018, more than 3,600 specific support missions were carried out for companies, with more than 2,600 of these providing international support. Lastly, since the launch of its initial Accelerator programme in 2015, Bpifrance has now supported more than 640 companies (+87% on 2017) by deploying special customized programmes, in conjunction with the Regions and industry sectors.

Lastly, in an effort to align the activities of the Caisse des Dépôts and Bpifrance, several activities were transferred to Bpifrance. First, this involved the co-investment activity alongside sovereign funds, the takeover of which should allow Bpifrance to meet the major challenge of increased mobilization of equity to French companies. Then, at the tail-end of the year, the transfer to Bpifrance of all missions to support business start-ups and entrepreneurs (previously handled by the Caisse des Dépôts), as well as that of Agence France Entrepreneur, was formalized. In addition, 2019 will be marked by the roll-out of these new missions across the country.

Ever attuned to the needs of entrepreneurs, in 2019 Bpifrance will continue its action as a powerful catalyst for company growth, woven as it is into the economic fabric.

Nicolas Dufourcq
Chief Executive of Bpifrance Financement

2. KEY FIGURES

2.1. 2018 Balance sheet

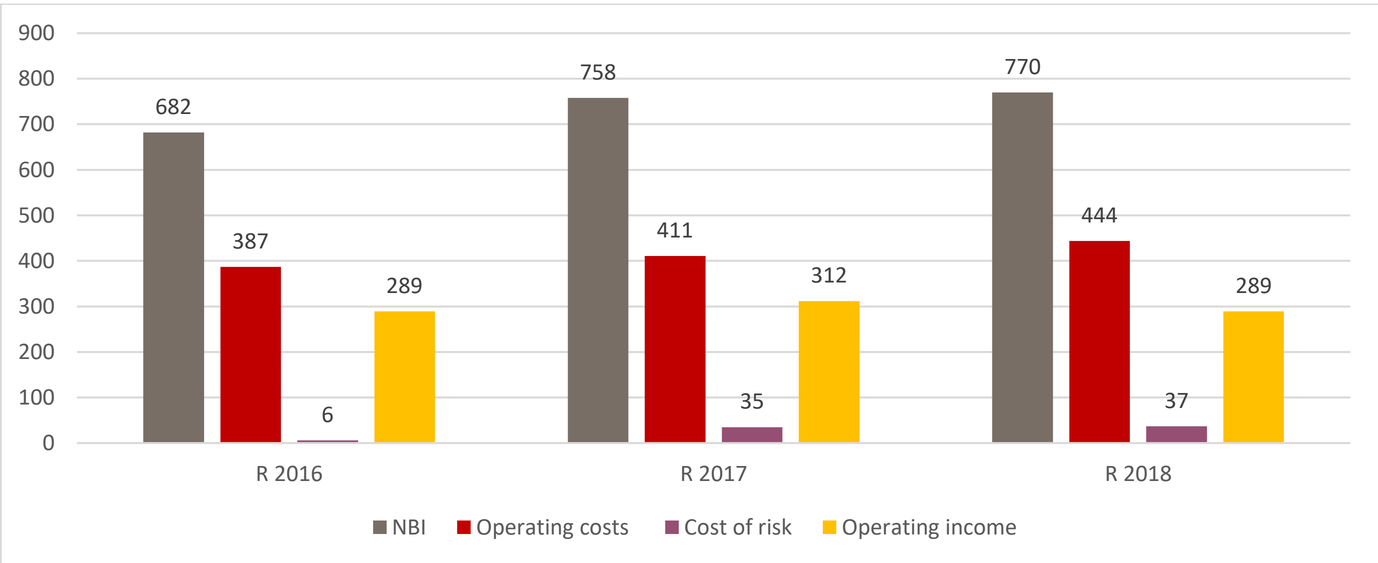
(in millions)	2016	2017	2017 change	2018	2018 change
ACTIVITY					
Innovation aids (AI, ISI, FIS, PSPC, FSN, CMI, FNI, IFP)	937	931	-0.64%	727	-21.95%
Amount of risks guaranteed (excluding internal funds)	3,557	3,695	3.88%	3,728	0.89%
Amount of Bpifrance Regions' guaranteed risks	238	301	26.42%	310	2.79%
Investment co-financing	7,111	7,480	5.19%	8,216	9.84%
Mobilisation of Receivables	3,567	3,620	1.48%	3,771	4.17%
Pre-financing of the CICE	4,287	4,982	16.23%	5,375	7.88%
PERSONNEL (1)	**1,879**	**1,940**		**2,008**	
Group share of earnings	184	182	-1%	167	-8.23%
ROE (2)	5.38%	5.07%		4.45%	

(1) Average salaried personnel on permanent contracts, as full-time equivalent on 31 December
(2) Earnings / Shareholders' equity of which income - uncalled capital - distribution of dividends for the year

Operating ratio 57%

Operating ratio 54%

Operating ratio 58%



2.2. Capital and shareholding

On 31 December 2018, 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) and the European Central Bank.

Breakdown of the capital and voting rights at 31 December 2018

	Number	Amount (€)	Capital distribution	Breakdown of voting rights
Bpifrance SA	95,302,123	762,416,984	90.77%	90.77%
BPCE SA	1,706,393	13,651,144	1.63%	1.63%
Banks and miscellaneous	7,979,899	63,839,192	7.60%	7.60%
Total	**104,988,415**	**839,907,320**	**100%**	**100%**

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

Bpifrance Financement is active in three main business lines[1] 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;
- 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;

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[1] *See also Note 11 to the consolidated financial statements.*

- 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 Général à l'Investissement* to promote investment during the most critical, high-potential phases: export, industries 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 for this 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.

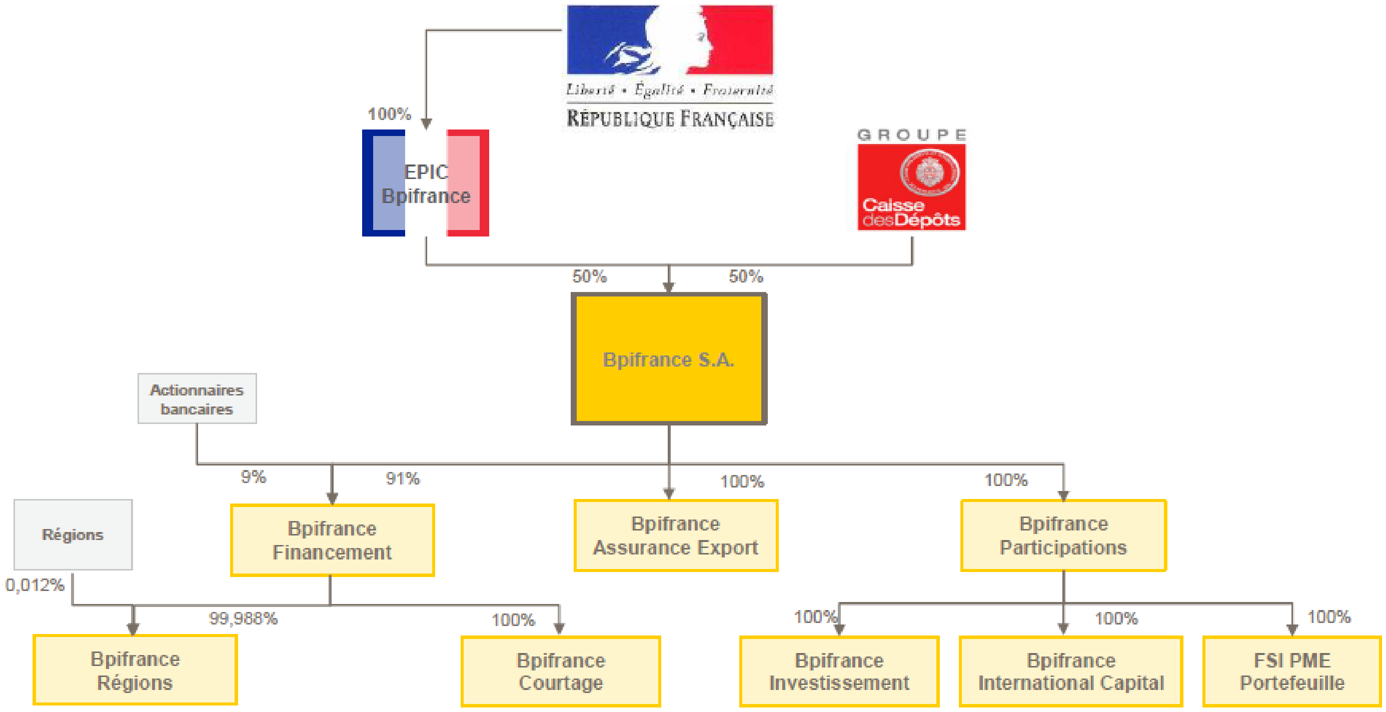
The innovation financing of the activities of companies are divided into three main categories:

- individual aid (in the form of subsidies, recoverable advances, zero-rate loans, and R&D innovation loans) and loans without guarantees (start-up equity loans, innovation loans, etc.), from the State Budget (including P192, PIA and, since 2019, FII), Regions and Partners, and provided by the Bpifrance network in all of the Regions;
- individual aid provided through assistance from the State Budget (PIA and FII), in the form of recoverable subsidies and advances, provided by the Bpifrance Appraisal Department;
- the financing of collaborative projects (FUI, PSPC, FSN, PIAVE, CMI) carried out by the Bpifrance Expertise and Programmes Department in Paris, in the form of subsidies and recoverable advances.

Bpifrance has also developed a support offering on all growth phases of the companies (primarily start-ups and SMEs) with advice, training, contacts, international immersion missions, and missions to support the creation of international collaborative projects.

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

5.1.1 Key events of 2018

New financing products

In 2018, Bpifrance enhanced its range of Financing solutions:

- reloaded Finance Lease: This lease finances the additional valuation of a building under an existing property lease contracted with Bpifrance;
- the French Fab Loan: Created for the Investing in the Future Programme, this €500 thousand to €5 million loan funds ambitious and structural investment programmes for the industrial site, targeting industrialization of production, services, or processes. In 2018, it had an excellent grant record (+30%) with nearly €300 million in financing for 200 industrial companies;
- the EIB Loan: Granted with the financial support of the European Investment Bank, this €500 thousand and €15 million loan mobilizes additional resources for mid-sized businesses.

Change in innovation financing solutions

Developments in 2018 included

- Start-up financing, still substantial with 4,000 start-ups financed, reflected the momentum of French Tech.
- Roll-out of localised PIA actions in connection with the Regions.
- Development of the Deep Tech Plan, whose purpose is to double the number of Deep Tech start-ups by 2023 by creating a financing and support continuum, from creation to equity investment, supported by a new benchmark (Deep Tech Generation) as well as significant resources given by the State through the Fund for Innovation.

Change in guarantee solutions

Guarantees remain the preferred form of assistance, particularly among smaller companies, during the most sensitive phases of creation and transmission.

Thanks to the delegation of loan guarantees for up to €200,000, available to all banks in the French financial market, 46,000 companies secured approval without delay in 2018, out of a total of 63,000 recipients of loans guaranteed by Bpifrance. This offering covered nearly 90% of start-up projects guaranteed by Bpifrance.

5.1.2 Bpifrance's strategic ambitions for 2018-2023

The 2018-2023 strategic plan will drive Bpifrance to renew its commitment to entrepreneurs, remaining the patient bank of all businesses by helping them to overcome their structural challenges, in particular in terms of non-cost competitiveness, innovation and internationalisation, and to mobilize all resources to support the major transformations of tomorrow's economy: Deep Tech, French Fab, and the Energy and Ecological Transition.

To fulfil its mission, the group will rely on the methods that have already contributed to its success: an exceptional bond of trust with entrepreneurs, an offering that is suited to companies' needs, a strong relationship with the Regions, and a dense network of key partners nationally and worldwide, with whom Bpifrance, on the strength of its balance sheet, will continue to assert itself as a market bank and investor.

Bpifrance's 2018-2023 strategy is built around 10 focus areas:

1. Taking targeted action to finance companies, alongside banks and investors, while asserting its role as a French sovereign fund;

2. Giving French capitalism new life by helping unicorns to develop and structuring the Deep Tech ecosystem;

3. Becoming the key synergistic platform for insurance and financing of French companies' internationalization;

4. Supporting the creation of companies and magnifying support to VSEs;

5. Fighting the rise in inequality between areas: extending the financing continuum to include neighbourhood entrepreneurs;

6. Supporting the rebirth of French industry;

7. Expanding available support solutions to include Bpifrance's new missions and intensifying its deployment with partners' backing;

8. Intensifying the development of expertise and the sharing of it to gain a better understanding of the industries' sector-specific challenges and priorities;

9. Making digital transformation the major lever of the client relationship;

10. Increasing partnerships with the Regions, European institutions, and sovereign funds.

5.1.3 The activity by business line and key figures

Innovation activity

- Subsidies/advances/loans distribution

(in € millions)	2017	2018
Individual aids	459	458
. Subsidies	105	127
of which partners	49%	57%
. Repayable advances	137	133
of which partners	12%	17%
. Zero-rate loans	205	134
of which partners	6%	8%
. Zero-rate loans+	12	23
of which partners	52%	51%
. R&D Innovation Loan	-	41
of which partners		0%
Development loans	327	442
. Seeding Loan (PA and PAI EIF)	108	157
. Innovation Loan (PI EIF)	219	285
Financing of collaborative projects	472	269
. PSPC	121	102
. C-INN	-	76
. SECTOR	-	5
. FIS	0	3
. FSN	122	34
. CMI	50	0
. FNI	9	1
. PIAVE	96	17
. FTT	4	0
. FUI	70	31

- **Business development review:**

Innovation financing in 2018 amounted to €1.17 billion, a fall of -7.1% from 2017.

There was a slight decline in individual innovation aids from the State Budget because of a significant reduction in P192 allocations, offset by the use over the first half of 2018 of the two regional initiatives, "Projets d'innovation" [Innovation Projects](€69 million) and "Accompagnement et transformation de Filières" [Support and Transformation of Industry sectors] (€10 million) co-financed from PIA3 and Regions budgets. Other aid from Partner budgets (Regions and other agreements) were down slightly, with production accordingly at €79 million (from €86.5 million in 2017)

The contribution of the INPI to the "Bourse French Tech" [French Tech Awards] initiative was nearly €3 billion out of a total budget of €16 billion. In 2018, 608 French Tech Awards were granted.

Loans without guarantees dedicated to start-ups (PA and PAI EIF) to industrial and commercial launches (PI EIF) showed a 35% increase in commitment. In 2018, €442 million in loans (as commitments) were made to 1,536 companies thanks to the counter-guarantee of the European Investment Fund (EIF) for PAI and PI.

As for collaborative projects and financing, the business in 2018 was affected by the end of the PIAVE and FSN programmes, for which no new funds were raised. The average amount of aid granted to PSPC projects declined, and the programme's selectivity increased, which explains the reduction in PSPC aids (-16%) despite a greater number of projects (13 projects in 2018 compared to 10 in 2017). These projects bring together public actors (research laboratories) as well as private (SMEs, mid-sized companies, large corporations), with the majority of financing going to SMEs (48%).

A new call for projects was launched in the Strategic Sectors programme with a selection rate of just 10% for €3 million in aid approved in 2018.

The Concours Innovation PIA 3 (PIA 3 Innovation Financing) replaced the CMI (Concours Mondial Innovation - Global Innovation Financing) and the CIN (*Concours Innovation Numérique* - Digital Innovation Financing). Two rounds were carried out in 2018, each with four themes chosen by Bpifrance, resulting in €40 million in aid approved in 2018 for Bpifrance on 61 projects. Selectivity was high, averaging 15%.

For the FUI commitments in 2018 were limited by a lack of State allocations.

Guarantee Activity

- Key figures (amounts in €m)

ACTIVITY (excluding overall line)	**2017**	**2018**	**Change as a %**
Amount of risks (excluding internal funds)	**3,695**	**3,728**	**0.9%**
Creation	1,542	1,586	2.9%
Transfer/buy-out	798	807	1.1%
Development (2)	696	702	0.8%
Innovation	83	71	-14.4%
International	131	130	-0.9%
Cash (1) (2)	445	432	-2.9%
Distribution by type of guarantee intervention	**3,695**	**3,728**	**0.9%**
Bank loans	3,357	3,367	0.3%
Capital	127	123	-3 ,4%
Short-term	211	238	12.7%
Number of guaranteed loans	**74,522**	**74,500**	**0.0%**
Net amount of covered risks	**5,103**	**5,095**	**-0.2%**
Total risk outstandings on 31 December (sound)	**15,678**	**16,243**	**3.6%**

(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)	2017	2018
Creation	41.73%	42.56%
Transfer/buy-out	21.61%	21.66%
Development	18.85%	18.83%
Innovation	2.24%	1.90%
International	3.55%	3.48%
Cash	12.02%	11.57%
Total	100%	100%

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

- **Breakdown of guaranteed loans by purpose (by percentage):**

Breakdown of loans guaranteed by purpose	2017	2018
Creation	30.21%	31.14%
Transfer/buy-out	15.65%	15.85%
Development	38.44%	37.62%
Innovation	4.42%	4.37%
International	2.57%	2.55%
Cash	8.71%	8.47%
Total	100%	100%

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

Breakdown of loans guaranteed by business sector	2017	2018
Industry	22.36%	22.03%
Construction	7.77%	7.40%
Trade – Transportation	26.09%	23.33%
Services for companies	11.64%	12.67%
Services for individuals	20.46%	20.93%
Tourism	11.68%	13.64%
Total	100%	100%

- **Comments on the evolution of the activity**

In a stable environment in terms of the number of interventions, the three historical activities, start-ups, transfers/buy-outs, and development, continued to support growth in guarantees and made up more than 80% of activity. Within this, creation itself counted for over 40% and posted the highest growth.

Cash-strengthening activity continued to stagnate in a growth-friendly economy, while innovative and international projects used guarantees in limited numbers.

Distribution by business sector showed a considerable decline in Trade-Transportation, while the Tourism sector showed sharp growth.

- **Key figures for Bpifrance Régions:**

Activity (in € millions)	2017	2018	Change as a %
Amount of guaranteed loans	**1,195**	**1,218**	**1.9%**
Creation	361	381	5.4%
Transfer/buy-out	486	493	1.5%
Development	252	242	-3.8%
Cash	96	102	5.6%
Distribution by type of guarantee intervention	**1,195**	**1,218**	1.9%
Bank loans	1,195	1,216	1.7%
Capital	0	0	
Short term	0	2	
Number of guaranteed loans	**3,120**	**3165**	1.4%
Net amount of covered risks	301	310	2.8%
Total risk outstandings on 31 December	**873**	**933**	6.9%

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

Breakdown of loans guaranteed by business sector	2017	2018
Industry	21.11%	19.53%
Construction	8.96%	7.72%
Trade – Transportation	21.30%	19.39%
Services for companies	13.91%	16.86%
Services for individuals	19.84%	20.95%
Tourism	14.88%	15.55%
Total	100%	100%

Financing activity

- Distribution by financing type

(in € millions)	2017	2018	Change as a %
ACTIVITY			
Financing			
New production (1)(2)	**7,480**	**8,216**	**9.8%**
Outstandings as at 31 December (1)(2)	30,004	32,472	8.2%
Medium and Long-Term Co-financing	**4,610**	**5,273**	**14.4%**
Long and medium-term loans	3,531	4,051	14.7%
Finance lease	1,079	1,222	13.3%
Loans without guarantees (2)	**2,870**	**2,943**	**2.6%**
Of which Growth loan	999	889	-11.0%
Of which, Export Loan	614	596	**-2.9%**
Short term (3)			
Mobilisation of Receivables	3620	3,771	4.2%
Pre-financing of the CICE	4982	5,375	7.9%

(1) Excluding short-term financing
(2) Of which non-guaranteed Innovation loans 2017: €327 million – 2018: €442 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	2017	2018
Industry	24.97%	27.51%
Construction	4.06%	4.14%
Trade – Transportation	22.76%	19.01%
Services for companies	11.48%	11.84%
Services for individuals	31.35%	31.39%
Tourism	5.38%	6.11%
Total	100.00%	100.00%

- **Comments on the evolution of the activity**

Medium and long-term financing

Financing was particularly dynamic in 2018 with nearly €18 billion in financing provided to companies:

Annual commitments for medium and long-term loans came to €7.5 billion (+7%) for nearly 7,000 customers.

- This increase in activity stemmed from the nearly 13% growth in Loans With Guarantees, which stood at €5 billion thanks to brisk business in real estate financing. This confirms Bpifrance's place as a co-financier of long-term investments in partnership with banks, and in equipment financing, driven by very good momentum on productive investments. With €1.4 billion in credit provisioned, financing for the Energy and Environmental Transition (EET) remains dynamic.
- In addition, Bpifrance confirmed its positioning on intangible assets in 2018, with €2.5 billion in Loans Without Guarantees. These loans, which round out the banks' interventions to finance the intangible assets component and the growing working capital requirements for development projects and external growth in France and abroad, represented 1/3 of MLT financing. With these loans, Bpifrance intensified its support for Very Small Enterprises and French Fab, with two dedicated offerings, which saw a significant increase in 2018:
    - with growth of more than 60%, the VSE Growth Loan was used to support more than 1,000 VSEs for €44 million;
    - the French Fab Loan, set up as part of the Investing in the Future Programme (PIA), saw good growth in loans granted (+30%), with nearly €300 million in financing granted to 200 companies.

Short-term financing

- In short-term financing, Bpifrance injected €8.7 billion in advances into cash for businesses. This level of activity, up 14% over 2017, embodies the increased financing needs of these growing companies.
- Activities related to the pre-financing of the CICE also grew by 11%, reaching €1.6 billion.

International Focus

Export financing

In 2018, in accordance with its strategic plan, Bpifrance continued to promote the globalisation of companies, and of SMEs and mid-sized companies in particular. It continued to extend and distribute its line of export products.
Following an exceptional year in 2017, fulfilments of export loans without guarantees was stable in 2018, with €596 million in loans granted, further entrenching this product as one of the key tools in Bpifrance's international offering. In addition to this supply of loans without guarantees, the now-broad range of export solutions continued its ramp-up, with Avance + Export for the mobilisation of export receivables, and Export Credit for medium and long-term investment. For 2017, Avance + Export mobilised €137 million in commitments, up 14% over 2016. Export Credit had a dynamic year, with €300 million in 2018, a 61% increase year-on-year.

Europe, the focus of the strategy of Bpifrance

In 2018, Bpifrance continued to work with the European institutions to contribute to better adaptation of the Union's instruments and policies to the needs of businesses, with the publication of 12 proposals for encouraging entrepreneurship in Europe and intensive preparation work on the instruments of the Financial Framework 2021-2027: InvestEU, the European Council on Innovation, and the next generation of structural funds. Bpifrance has set up two new European facilities for businesses by contracting a guarantee to a €500 million portfolio of loans to mid-sized companies with the EIB group as well as a guarantee agreement for financing renewable energy (wind and photovoltaic). Rollout of the structural funds was enhanced in partnership with the Regions, with Bpifrance continuing to roll out the funds already obtained under the Juncker Plan (several loan and investment products). At the same time, enhanced support offered to SMEs to access funding in the Horizon 2020 programme and the EuroQuity platform reinforced its position as a key matchmaking service between SMEs and European investors by being selected by the Commission as part of the InvestHorizon project.
Bpifrance is also supporting the Greek government in creating its national development bank, the Hellenic Development Bank

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. It also participates in the creation of financing and support tools for African companies, its customers' potential partners.

This year, two new partnerships were signed with Société Générale, in Republic of Côte d'Ivoire and Senegal, to provide their customers with the e-learning platform, www.bpifrance-universite.fr.
Thanks to EuroQuity, its relationship platform, Bpifrance has expanded its cooperation with pan-African bank AttijariWafa. The AttijariWafa Business Link community, created on EuroQuity to service the bank's customers in Africa and open the door for them to numerous partnerships in France and Europe, now includes 1,700 companies.

In addition, Bpifrance, under its partnership with Africarena, a conference organised by FrenchTech Cape Town, has empowered French and European companies and investors to seek out the most promising ecosystems and start-ups in Africa. With the EuroQuity platform, they were able to attend the presentation of selected companies during webcasts;

Lastly, Bpifrance is carrying out technical appraisals with governments or institutions who want the benefit of the bank's expertise. Among the missions completed or currently under way, two are particularly iconic: the creation of a fund of funds dedicated to innovation in Tunisia, in partnership with the Tunisian CDC and the AFD, and the optimisation study on public financing structures for companies in Senegal. Other innovation and guarantee missions were carried out in Gabon, Niger, and Morocco.

As a member of the Board of Directors, the Audit and Risk Committee and the Investment Committee of Proparco, in 2018 Bpifrance continued its cooperative actions with this major international partner.
Founded in 2016, the investment fund for Africa, Averroès Finance III, co-sponsored by Proparco, continued its investments in two new African funds: Maghreb Private Equity Fund IV for the growth of promising SMEs and mid-sized companies in the Maghreb, and Amethis II for African SMEs and mid-sized companies. To date, the African portfolio of Bpifrance is composed of 22 venture capital and development capital funds.

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

As part of the integration of CDC International Capital, Bpifrance has set up an ad hoc organisation to continue developing the co-investment partnerships already created by CDCIC with five sovereign funds: Mubadala in the UAE, QIA in Qatar, RDIF in Russia, CIC in China, and KIC in South Korea, as well as with the Saudi company Kingdom Holding Company. Add to this list the partnerships already signed by Bpifrance with China Development Bank for the creation of Franco-Chinese funds, and with Mubadala for investment in innovative French companies. Bpifrance's ambition is to pursue this strategy of attracting long-term sovereign funds and investors to invest in French companies, either directly or via investment capital funds.

Additionally, an agreement was signed with the Uzbekistan Reconstruction and Development Fund and Korea Small & Medium Business Corporation (SBC).

5.1.4 Structure and financial management of Bpifrance Financement

The financial markets in 2018

In 2018, the risks identified in 2017 were realised, both economically (normalisation of monetary policy in the US, exit from the ECB's accommodating policies, slowdown in Chinese growth, and increase in the likelihood of a US recession) and politically (Chinese-American trade war, Brexit, Italian elections)

The ECB began to apply its exit strategy in 2018, announcing that it would discontinue its net asset purchasing under the APP programme at the tail-end of the year. Since that announcement, and following the unrest in Italy, the economy has taken a turn for the worse since June. However, through the reinvestment of government bonds held (representing more than €2,000 billion), the central bank continued to keep the yield on eurozone sovereign bonds low. Moreover, the overall environment, with inflation looking less likely and the ECB's depricing of the boom, have driven rates down. 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 (0.65%).

Meanwhile, in the US, with vigourous growth and inflation back near 2%, the Fed decided to continue gradually tightening its monetary policy by raising rates by 25bp per quarter. At the end of its December meeting, the target range of Fed fund rates was 2.25%-2.50%, leading to significant inflows to US monetary funds.
On the bond market, the action was mainly focused on the short-term. The commitment to monetary tightening and the preference for short maturities resulted in the inversion of the 2-5 segment.

Closing out in the red, the equity markets weathered several periods of stress triggered by North American bond repricing, fears of a slowdown in the global economy, the US Federal Reserve's aggressive push for normalisation, and geopolitical tensions. It was hard to reconcile the plunging indices with the fundamentals, reflecting a severe downturn in risk appetite. The year-end sell-off was punctuated by the most erratic trading seen since 2008 (the sharpest weekly and monthly drops in the SPX in December since 2008 and the biggest daily gain since 2009 on 26/12, etc.).

In the United Kingdom, assets showed high volatility, especially at year-end, faced with low visibility on Brexit, given the deep rifts within the Tory Party. The country was also penalised by the slowdown in British growth and specifically inflation, which helped quell anticipations that the BoE would raise rates.

Despite the growing illegibility of the US administration's policy culminating with the government shutdown at year-end, the dollar was up against all currencies except the yen as 2018 came to a close. The dollar's strong appreciation was the result of a net return to risk aversion, as well as relatively firm American growth boosted by tax reform. The Fed's continued monetary tightening led to greater divergence with the other large central banks on key interest rates. The EUR corrected by nearly 5% against the USD down to a low of 1.1215 before recovering to around 1.14 at year-end.

The financial structure of Bpifrance Financement

The consolidated balance sheet total of Bpifrance Financement totalled €57.4 billion at 31 December 2018, versus €52.4 billion at 31 December 2017, i.e. an increase of €4.97 billion. After 8% growth in 2017, the balance sheet total increased by nearly €8.8 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 €3.1 billion (+8.8%), while financial assets remained relatively stable in 2018.

The balance sheet structure reflects this change: customer loans (of which 88% in business loans and 12% in deposits with Agence France Trésor) accounted for 76.1% of total assets, compared with 77% at 31 December 2017. Financial assets accounted for 16.3% of the balance sheet total.

Loans to companies amounted to €38.4 billion at 31 December 2018, versus €35.3 billion at 31 December 2017. The various outstandings have evolved in the following manner:

- leasing remained stable overall, with a disparity between property leasing, which is down (-2.2-%), and equipment leasing, which saw a sharp increase (+7%);
- outstanding equipment loans continued to rise appreciably (+11.5%);
- the increase in cash credits slowed again (+5.48% instead of +11.1%), with outstanding pre-financing for the Competitiveness and Employment Tax Credit (CICE) stable in 2018 at €4.6 billion, and up slightly over conventional short-term loans.

Commitments pursuant to guarantee agreements continued their growth: €12.5 billion at 31 December 2018 against €12.2 billion at 31 December 2017, representing +2.8%.

Total financial assets at 31 December 2018 were €9,373 million. These now constitute for 91% the portfolio established as part of the loan activity. This portfolio is made up in the following manner:

- €8,324 million in securities intended to be held to maturity, corresponding to €7,435 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;
- €930.3 million in investment securities, of which €210.2 million at fair value through equity and €720.1 million at fair value through profit or loss: these consist only of securities purchased to invest the company's cash or guarantee funds that it manages. A large portion of these investments were made in the form of units of UCITS. At the time of the initial application of the new IFRS 9, €576 million in units of UCITS were reclassified as financial assets at fair value through profit or loss;
- €102.1 million in equity securities (of which €75.4 million in consolidated subsidiaries);
- €5.8 million recognised on the asset side due to interest rate swap operations with a positive valuation; those with a negative valuation are recorded under liabilities, in the amount of €4.7 million;
- €7.3 million recognised on the asset side at fair value through profit or loss, due to currency swap operations with a positive valuation.

As at 31 December 2018, the distribution of medium and long-term financing of loans to clients according to the origin of resources, i.e. €31.8 billion in outstandings, was as follows:

- €23.7 billion, i.e. 72%, in resources recruited in the financial market as part of EMTN programmes (€23 billion) or NEU MTN (€0.7 billion);
- €2.2 billion, or 7%, in the form of contractual loans with financial institutions with resources from *Livret Développement Durable* (LDD or Sustainable Development Passbook) deposits;
- €2.5 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 10%, in the form of medium-term refinancing operations with the ECB (TLTRO).

The resources backed by the Bpifrance Financement and Bpifrance Régions guarantee activity, in the amount of €6 billion at 31 December 2018 remained relatively stable in 2018.

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.

Bond resources fell significantly compared with the previous year (-57%), with total issues for the year of €2.8 billion in 2018:

2018	Type of transaction	Issue date	Maturity date	duration	Nominal (€M)
Quarter 1	Syndication	14/02/2018	14/02/2023	5	1 000
	Private placement - retap	22/02/2018	19/02/2021	3	150
	Private placement - retap	22/02/2018	19/02/2021	3	150
	Private placement - retap	28/02/2018	19/02/2021	3	100
Quarter 2	Private placement - retap	23/04/2018	25/11/2022	5	100
Quarter 3	Syndication	18/09/2018	26/09/2028	10	500
Quarter 4	Private placement - retap	16/10/2018	25/10/2025	7	125
	Private placement - retap	05/11/2018	26/09/2023	5	100
	Syndication	13/11/2018	25/05/2026	8	500
	Private placement	14/12/2018	21/12/2033	15	50
Total EMTN 2018					**2 775**

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 2018 was supplemented by the issuance of medium-term notes for €0.5 billion.

The EMTN programme therefore accounted for 85% of the medium and long-term refinancing carried out by Bpifrance Financement in 2018. The overall distribution of refinancing commitments by lender was as follows at 31 December 2018: investors in the EMTN and BMTN programmes represent 72% of outstandings; the Caisse des Dépôts, 7%; the European Central Bank, 10.4%; EPIC Bpifrance, 6.4%; international banks, 0.3%.

Short-term interbank refinancing outstandings (certificates of deposit and securities sold under forward repurchase agreements) were €10.7 billion at 31 December 2018, compared to €9.3 billion at 31 December 2017, i.e. an increase of 15%. This increase is due in particular to the growth in securities given under repurchase agreements which stood at €6.8 billion at 31 December 2018, against €5.7 billion at 31 December 2017, representing an increase of 19%.

Outstanding certificates of deposit stood at €3.9 billion at 31 December 2018, against €3.5 billion at 31 December 2017.

Bpifrance Financement issued a total of €6.8 million in certificates of deposit in 2018. At 31 December 2018, refinancing with the European Central Bank consisted of €3.3 billion in resources recruited as part of the TLTRO.

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 €8.5 billion on 31 December 2018. It consisted primarily of OAT (€7.5 billion, i.e. 91%) and included bonds issued by public agencies (€152 million) and major European commercial banks (€125 million), as well as covered bonds (€72 million). Cash investments in the form of purchases of certificates of deposit stood at €275 million at 31 December 2018, with an average duration of 6 months, issued by banks with a P1 short-term rating.

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.

Financial assets representing Bpifrance Financement and Bpifrance Régions "Guarantee Funds" totalled €6 billion at 31 December 2018. The bulk of these assets was composed of deposits with Agence France Trésor (€5.2 billion). The balance of assets was invested in bonds issued by the French government and public agencies (€208.7 million), large banks and corporations (€48.3 million), covered (€16 million), Mutual Funds (€174 million), and negotiable debt securities (€304 million).

5.1.5 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 2018, guarantee and signature commitments, in the amount of €12.5 billion, accounted for nearly 17.3% of the maximum exposure above.

Bpifrance Financement's maximum credit risk exposure amounted to €72.1 billion at 31 December 2018 compared to €68.5 billion at 31 December 2017, an increase of 5.3%.

The share of loan activity (long and medium-term loans and short-term financing) and lease financing (property and equipment leasing) was €38.1 billion, compared with €34.9 billion in 2017, an increase of 9.2%.

- **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 framed by a system of limits•••[1] 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, property leasing, equipment leasing, etc.) is divided into two categories: performing for €42,395.4 million (97.1%) and impaired for €1,263.3 million (2.9%).

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 €37 million in 2018, compared to €35.3 million in 2017.

The financial activity risks

- **The 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 €10.055 billion on 31 December 2018, versus €9.925 billion at 31 December 2017.

	Counterparty risks as at 31/12/2018 (in € million)					
Counterparty category	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Loans and receivables to lending institutions	Financial assets at amortised cost	Total	Distribution
Central government agencies*	-	-	-	7,873.5	7,873.5	78.3%
Lending Institutions	10.2	285.3	688.4	384.0	1,367.9	13.6%
Companies	-	-	-	14.2	14.2	0.1%
Other institutions	-	0.3	-	52.3	52.3	0.5%
Money market UCITS	720.2	-	-	-	720.2	7.2%
Total counterparty risks	**730.4**	**285.5**	**688.4**	**8,324.0**	**10,028.3**	**99.7%**
Securities used for portfolio activity	-	-	-		-	0.0%
Investment securities	-	26.7	-		26.7	0.3%
Total financial income	**730.4**	**312.3**	**688.4**	**8,324.0**	**10,055.1**	**100.0%**

* 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 (78.3%), primarily the French State, and lending institutions (13.6%).
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.

● The 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.

Liquidity risk monitoring is defined under the internal liquidity adequacy assessment process (ILAAP), approved by the Board of Directors. Liquidity risk appetite is based on the key principles of annual autonomy with regard to markets in a crisis, reduction of new production in a crisis, and the segregated management of liquidity reserves under normal management.
Management of the liquidity situation of Bpifrance Financement is assessed on the basis of internal indicators, subject to alarm thresholds and limits.

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 2018, the short-term liquidity coefficient (LCR) implemented under Delegated Regulation 2015/61, was estimated at 370% (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 2018:

- an immediate 1% rise in short-term rates lasting for the next 12 months would have a positive impact estimated at €15.76 million on the net banking income of the institution;
- a +1% translation across the yield curve would result in an increase in unrealised income estimated at +€14.9 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 €6.7 million at 31 December 2018.

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 are in the amount of €200 million for all risks combined. They cover the risks related to Bpifrance Financement's property holdings, including special risks (the once-in-a-hundred-years flood risk) and those related to the safety of its staff: damage to property and to 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 €20 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.

- The political and macro-economic risks, and the 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 2018, the total solvency ratio of Bpifrance Financement was 13.76%.

Solvency ratio: capital and weighted risks

(in millions of €)	31/12/2017	31/12/2018
Regulatory capital	**3 970**	**4 303**
of which core capital	3 520	3 663
of which additional capital(1)	450	640
Weighted risks	**28 380**	**31 275**
Credit risk*	27 109	29 833
Balance sheet items	24 407	27 020
Off-balance sheet items(2)	2 702	2 814
Operational risk**	1 270	1 436
Credit Value Adjustment (CVA)	0	6
Solvency ratio	**13.99%**	**13.76%**
of which core capital	12.40%	11.71%
(1) of which:		
Guarantee Fund	138	142
Reserve Fund	12	47
Subordinated loans	300	450
Subordinate securities of indefinite duration	0	0
Redeemable Subordinate Securities	0	0
(2) including forward financial instruments	2	10

*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 2017 and 31 December 2018 resulted from:

- an increase in weighted outstandings due to growth in exposures on the financing business lines (particularly medium & long-term loans);

- an increase in capital related to the recognition of earnings for the 2018 year, the increase in additional capital (Tier 2) further to the issue of a subordinated loan of €150 million fully subscribed by Bpifrance SA, as well as the contribution in Tier 2 of guarantee funds.

Regulation concerning major risks

The regulations for major risks require a declaration to the regulator at the end of each quarter[2].

A major risk is exposure to a client or a group of connected clients whose total value, after the exemptions allowed for by regulations[3], reaches or exceeds 10% of the eligible capital of the institution making[4] the declaration, without the exposure exceeding 25% of said capital[5].

The quarterly reporting requirement includes the twenty most significant risks, as well as the ten greatest risks for lending institutions and the ten greatest risks for non-regulated financial[6] entities 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 2018, established on a consolidated basis, is as follows:

At 31/12/2017	Number of Major Risks	Cumulative Major Risks[7]
Bpifrance Financement	3	32.78%

Three major risks were identified at 31 December 2018, but did not exceed the individual regulatory limit of 25% of capital.

5.1.6. Consolidated and corporate results of Bpifrance Financement

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 €770.1 million versus €758.2 million in 2017. This progress was driven by financing activity, served by increased production of new medium and long-term loans, particularly the growth in short-term financing activities, from which the CICE benefited in its last year.

With respect to the guarantee activity, the average outstandings used now amount to €16.2 billion, up 3.8%. This increase resulted in a commission level of nearly €100 million, up by more than €3 million, in spite of the cost of the intra-group guarantee of €4.7 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 €3.9 million, down after recognition of the negative remuneration on the guarantee funds.

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[2] Articles 387 to 403 of Regulation EU 575/2013 of 26 June 2013 on the prudential requirements applicable to lending institutions and investment companies.
[3] Article 400 of the above-cited regulation.
[4] Article 392 of the above-cited regulation.
[5] Article 395 of the above-cited regulation.
[6] Article 394 of the above-cited regulation.
[7] In % of regulatory capital.

Concerning innovation activity, the NBI generated pursuant to the activity of providing aid to innovation was again marked by an increase of €41 million (+6.7%), 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 (+27%) in spite of the slowdown in management commissions for the Investing in the Future Programmes.

Concerning financing activity, the level of activity in 2018 of medium and long-term financing products (€7.7 billion against €7.1 billion in 2017) and the increase in short-term financing activities enabled outstandings to increase again by nearly 9% and therefore to increase the volume of commercial NBI, in spite of the drop in margins, which had already begun in 2016 but was stabilised on the transactions put in place in *2018 (commercial NBI = interest invoiced, ancillary income and commissions less the standard refinancing cost)*. Despite everything, the continuing context of very low rates contained the increase in early redemptions, which remained very limited. Although the CICE facility has been abandoned for 2019, it made up nearly 3/4 of average short-term outstandings and marked a solid increase in NBI. For all short-term financing products, this came to €135 million, nearly 21% of total commercial NBI.

Operating expenses (personnel, other operating and investment expenses) totalled €443.9 million, up 8% from 2017. This was mainly due to the increase in the number of FTE and therefore the payroll, the bank's digitalisation and internalisation efforts, and tax increases. Weaker growth in NBI combined with the bank's ambitions to expand its presence increased the operating ratio (57.7%) compared to 2017 (54.1%).

The net cost of risk was €37 million for 2018. It integrated the application of IFRS 9 provisioning Expected Credit Loss. The initial application resulted in recognition in the net financial position of a provision adjustment of -€6.2 million on the opening balance sheet. During fiscal year 2018, a €20.7 million reversal was recorded, bringing the total amount of the ECL provision to €389 million. It is offset by a cost of risk on individual transactions that increased by 6% to €58.2 million. This increase was particularly pronounced on medium and long-term loan financing, while the cost of risk on lease financing was down sharply.

The group share of net income amounted to €167.3 million, down 8% compared to 2017.

- **The consolidated balance sheet**

The balance sheet total amounted to €57.4 billion, an increase of €5 billion (of which €1 billion linked to the first-time application of IFRS 9).

Group share of equity before appropriation of earnings was €3.7 billion at the end of 2018, up 4%.
Receivables due from customers stood at €37.6 billion, an increase of €3.1 billion on end-2017, after €575 million in impairment for credit risk; These loans were supplemented by €6 billion in finance leases.

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 financial accounting, corporate 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 €214.5 million, thereby generating a change in the unrealised reserve on finance lease operations of €67 million.

5.1.7 Outlook for 2019

The financing of investments and of the operating cycle

For 2019, we estimate our financing capacity (excluding CICE) at €11.4 billion (€15.525 billion with CICE) in commitments, divided between €3.9 billion (€8.025 billion with CICE) for short-term and €7.5 billion for MLT loans.

- Investment cofinancing should stand at €5 billion, with a still significant portion in favour of the EET (€1.45 billion).
- In 2019, production levels in Loans Without Guarantees will be held at €2.5 billion thanks to the establishment of new facilities such as the PSG Méthanisation (methanisation loan without guarantee) and Prêt Filière Bois (timber industry loan).
- Short-term financing will be aiming at production of €3.9 billion in commitments (and €8.025 billion with CICE) in 2019. The sales campaign will address continuing growth in the use of lines for traditional Avance+ customers.

Bank loan guarantee

A decline in overall activity is expected in 2019, with growth on the start-up, transfer/buy-out, and development purposes, but shrinkage on liquidity support and short-term guarantees.

Innovation

The 2019 budget stands at €1.3 billion, up 12% over the 2018 actual figures, driven by the launch of Innovation Aid funded from F2I allocations under the Deep Tech Plan (2019 target of €82 million in aid granted).

5.1.8 Statement of Non-Financial Performance

This chapter concerns corporate, social, and environmental information required under Article R.225-102-1 of the French Commercial Code, as amended by Order 2017-1180 and its implementing decree 2017-1265, transposing Directive 2014/95/EU of the European Parliament and the Council of 22 October 2014 relating to the publication of non-financial information.

The Statement of Non-Financial Performance ("SNFP") details the challenges, the processes implemented, and the indicators that Bpifrance Financement has decided to follow to assess its impacts.
The methodological note and cross-reference table on the main risks, challenges, and indicators appear at the end of this chapter.

5.1.8.1 Bpifrance Financement's business model

The business model of Bpifrance Financement, as required by the SNFP, is described in this annual report, in which it is included.
The main activities performed are described in Chapter "3. Presentation of Bpifrance Finacement's activities, missions, and business lines," along with involvement with stakeholders.
Chapter "2. Key figures" describes the trend in these activities over the past three years. Chapter "5.1.3 Activities by business line and key figures" specifies the results by activity and their developments.
Chapter "5.1.4 Structure and financial management of Bpifrance Financement," following a section on the situation on the financial markets in 2018, contains information about the financial resources of Bpifrance Financement. Information relating to other resources, including human resources, appear in this SNFP, in the section "Social responsibility of Bpifrance in its practices".
Lastly, after a summary of the key events of 2018 (5.1.1), the strategic ambitions of Bpifrance Financement for the 2018-2023 period are covered in Chapter 5.1.2.

5.1.8.1.a Main Social Responsibility risks and challenges for Bpifrance Financement

Bpifrance is engaged in a mission of general interest to support sustainable growth and jobs, and make the economy more competitive. Inherent in this mission is the non-financial dimension that Bpifrance has incorporated into its operating methods, by adopting a social responsibility charter and publishing its responsibility policy and its reports.
This non-financial dimension is fully embraced by its subsidiary Bpifrance Financement, in terms of its governance and internal functioning as well as the exercise of its financing and supporting innovation and entrepreneurs business lines.

The non-financial risks of Bpifrance and the associated challenges were analysed in 2018, with the guidance of the Sustainable Development and CSR Department, and in step with the process carried out by the Caisse des Dépôts group.
The following risk-mapping method was used:

- identification of potential risks;
- identification of measures and means to control these risks;
- risk ranking and scoring using a methodology suited to the issues in evaluating non-financial topics.

This analysis was further developed for Bpifrance Financement, along with validated macro-risks, major impacts, and CSR challenges.

The table below describes the macro-risks identified and related CSR challenges:

MACRO-RISKS	MAJOR IMPACTS IDENTIFIED	CSR CHALLENGES
GOVERNANCE AND ETHICS	Financing or supporting companies or projects that contribute to money-laundering or terrorist financing, or are based on corruption Legal and reputational risks Lack of confidence of customers and stakeholders Risk of financial losses	Business Ethics Data security Fund security
FAILING TO CARRY OUT MISSIONS OF GENERAL INTEREST	Not supporting companies in the developments that are key to their sustainability: consideration of climate change in their activities and the digital transformation Not factoring balance into economic planning of the territories in its activities	Ecological and Energy Transition Economic development of the territories Digital transformation
STAKEHOLDER SATISFACTION	Loss of customers and failure to make companies and the economy more competitive, due to a mismatch in the supply of products and services Generating environmental, company, or social risks	Customers Quality of Offering Other Stakeholders
CONSIDERATION OF Environmental, Social, and Governance ("ESG") CHALLENGES in its business lines	Not increasing awareness or commitment in the companies to account for the environmental, social and societal risks in their activities, specifically to combat climate change and increase their positive impacts on the economy and society	Consideration of the challenges in the review and lending decision
HUMAN CAPITAL	Reduction in the Group's attractiveness Mediocre motivation generating customer and partner dissatisfaction Failure to adapt to change Mismatch between profiles and the needs of new business lines and organisations	Quality of life in the workplace Diversity and Equal Opportunity Labour relations Human Capital (training, talent, etc.)

Policies and approaches connected with CSR challenges have been identified, and monitoring indicators defined:

CSR CHALLENGES	Policies and Processes	Monitoring Indicators
Business Ethics	Policy Compliance Policy Anti-Money Laundering and Terrorist Financing Policy (AML/TF) Group Anti-Corruption Policy Outsourcing Policy Whistleblowing Policy Permanent Control and Compliance Department Intranet Page (procedures and instruction notes) Employee training in AML/TF and Anti-Corruption Procedures Bpifrance Ethics and Compliance Space Approved supplier platform	Percentage of employees trained in AML/TF and anti-corruption procedures
Data security	Information system security policy Internal compliance procedures and instructions IT applications and systems authorization procedure and tools Secured access to premises procedures and mechanisms Anti-intrusion testing	Number of anti-intrusion tests
Fund security	Anti-corruption policy Employee training in AML/TF and Anti-Corruption Procedures Separate automated commitment/approval/payment systems No cash on sites	Percentage of employees trained in AML/TF and anti-corruption procedures
Ecological and Energy Transition (EET)	Policy Bpifrance Group Societal Responsibility Charter Successive strategic plans (2015-2018, 2016-2019, 2018-2023) Climate commitments	Weight of EET financing in activity
Economic development of the territories	Policy Bpifrance Group Societal Responsibility Charter Successive strategic plans (2015-2018, 2016-2019, 2018-2023) Regional partnerships	Weight of financing compared to economic potential of regions
Digital transformation	Policy Bpifrance Group Societal Responsibility Charter Successive strategic plans (2015-2018, 2016-2019, 2018-2023)	Weight of "Numetic" financing in activity

CSR CHALLENGES	Policies and Processes	Monitoring Indicators
CUSTOMERS	Policy Bpifrance Group Societal Responsibility Charter Successive strategic plans (2015-2018, 2016-2019, 2018-2023) Decentralised Organisation Networking: Bpifrance Excellence- Bpifrance Inno Génération- Sports Partnerships Financial and Non-Financial Offering (Support and University)	NPS and Customer Satisfaction Rate (Group Level)
QUALITY of Offering	Annual Customer Satisfaction Survey Customer and Partner Proximity (Decentralised Organisation, Networking, Events) A constantly-evolving continuum of products and services to support all companies, whatever their size, at every stage in their development, with all their financial and non-financial issues Quarterly Cross-Functional Committee on the Group Offering	NPS and Customer Satisfaction Rate (Group Level)
Other Stakeholders	Policy Partnerships and Agreements (excluding delegated guarantee) Joint Intervention Principle	Number of complaints and claims filed against the entity regarding its impact on the environment, society, or human rights
Inclusion of Environmental, Social, and Governance (ESG) Challenges	Inclusion of ESG analysis in financing activity Raising companies' CSR awareness: e-learning, webinars, "Déclic RSE" morning events, semi-collective sessions	Procedures for including ESG analysis
Quality of Life in the Workplace (QLW)	Framework and Bpifrance Group QLW Agreements Commitments and associated mechanisms: preventive healthcare at work -well-being measures (annual interviews, mobility, information access, support mechanisms) -management's role -coordination of working hours -remote work -parenting: special leave -emergency childcare, creche places - donation of days off	Average number of sick days excluding long-term illness Employee satisfaction (Group)
Diversity and Equal Opportunity	Gender Parity and Disability Agreements Diversity commitment	Women hired on permanent contracts and fixed-term contracts. Legal rate of employment of people with a disability (direct + indirect) Percentage of young people under 30 and seniors over 50 among new hires
Labour relations	Labour relations mechanism Employee representative bodies for the Group and Group companies Number of agreements and addenda signed during the year	Subjects of the agreements

		Number of agreements and addenda signed during the year
CSR CHALLENGES	**Policies and Processes**	**Monitoring Indicators**
Human Capital (training, talent, etc.)	Training Policies Process of Defining the Offering Diversity of Training Solutions and Modes	Rate of access to training Turnover of employees in permanent contracts

5.1.8.1 b Governance and Ethics

Strong Governance

The Bpifrance Financement Board of Directors met six times in 2018.
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.
The average rate of attendance of directors was 81.67% over the year.
The Chairman of the Board of Directors reports, in the company's activity report, on the conditions to prepare the work of the Board and the composition of the committees under its responsibility: the Audit and Risk Committees, the Appointments and Compensation Committees, 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.
Internal control, organised in compliance with the requirements of the supervisory authorities, ensures that operations are properly conducted and in compliance, and that Bpifrance and its subsidiaries meet their regulatory obligations
Such obligations are strictly followed in terms of the preparation and delivery of documents to the supervisory authorities and rating agencies, which are consulted as needed. The employees in every structure are made aware of and trained in anti-money laundering and terrorist financing, and carry out their activities under codes of ethics that are developed in each of the group's entities. Each member of staff is asked to learn about its provisions and to commit to carrying out their activities in strict compliance with it.
Bpifrance Group and its subsidiaries including Bpifrance Financement, held by the State and the Caisse des Dépôts, pays all its taxes in France where all of its turnover is realised.

Best Practices, Ethics, and Security of Data & Funds

Bpifrance's activity is at the crossroads between public interest and market interest, supporting French companies according to the values that guide its action: Proximity, Simplicity, Willingness, and Optimism, and these values of Bpifrance are also reflected in ethics and compliance matters:

- Willingness: to comply with the best standards;
- Optimism: respect for exemplary values for a climate of trust conducive to growing business;
- Simplicity: translation of a vast and complex regulatory environment into simple rules shared by everyone;
- Proximity: commitment of a Compliance team that is available and close to everyone.

An "Ethics and Compliance" space on the Bpifrance website informs the stakeholders of Bpifrance of the commitment of its Chief Executive Officer and provides them with Bpifrance's Ethics Charter.
Employees must act with loyalty, integrity, professionalism and honesty, and systems are in place to define and supervise these terms:
Group compliance and anti-corruption policies apply to Bpifrance Financement, and the company has a code of ethics approved at end 2017, as well as an anti-money laundering and terrorist financing policy.
These policies, the training given to employees, and the processes in place help to combat tax evasion in the commitment decisions of Bpifrance Financement.

The ethics charter defines the applicable rules in terms of good conduct; the fight against corruption, fraud, money laundering and terrorism; the protection of personal data; confidentiality and professional secrecy; integrity; loyalty and professionalism; conflicts of interest; independence and impartiality by Bpifrance in relation to third parties and business relationships, business gifts and invitations, and the use of whistleblowing.
Training to combat money laundering and terrorist financing was provided via e-learning to 1,366 employees in 2017 and 248 interns in 2018; in 2018, 1,542 interns received anti-corruption training.
Bpifrance Financement employees trained in these two modules during the 2018 year amounted to 83.8% of personnel.

A series of tutorials and fact sheets on corruption, along with informational meetings, were provided by the Compliance and Permanent Control Department throughout 2018.
A system of decision delegations structured by sector and risk level, as well as decision-assistance tools, have long been in place to secure the decision- and risk-monitoring processes.

An electronic Group Approved Supplier Platform has been created to increase transparency, facilitate consistency across processes, assess suppliers and service providers, and ensure monitoring of the anti-corruption mechanisms pursuant to Act 2016-1691 of 9 December 2016, known as "Sapin II," by applying 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.

These delegation systems structure, by sector and risk level, the decision-making processes capable of strengthening the trust of entrepreneurs and all stakeholders of the bank.
In addition, policies, processes, and tools have long been deployed to ensure data security and the security of funds entrusted or received by Bpifrance Financement:

- secure access to the premises;
- a tool for managing authorisations for Bpifrance applications and systems;
- the Bpifrance Information Systems (IS) User Guidelines, the IS security policy and its control policy are completed by mechanisms for securing the workstation and for intrusion testing;
- strict rules regarding separation of payment requests and approvals are monitored closely;
- no cash at all on sites;
- anti-corruption training and policy for employees;
- the internal control mechanism.

Anti-intrusion testing is carried out each year on both Group tools and business line tools (39 in 2018 on Group cross-functional, support, and business line applications, of which 13 on tools and applications specific to Bpifrance Financement business lines).

5.1.8.1.c Sustainable growth of companies - Stakeholders

Quality of the offering and customer satisfaction: the raison d’être of Bpifrance

The entire Bpifrance organisation and its resources are focused on this target:

- decentralised organisation, with 48 regional locations, as close as possible to the companies and their ecosystem; of the 2,136 employees in permanent contracts and term contracts at Bpifrance Financement, 1,210 are in so-called "network" positions, in direct contact with the companies and partners;
- a constantly-evolving continuum of financing to support all the companies, whatever their size, at every stage in their development and with all their issues;
- a Group proposal of non-financial support: advice, training, and national, regional, and sectoral accelerators;
- Group networking events: e.g. Bpifrance Excellence, Euroquity, and Bpifrance Inno Génération;
- Group digital communication on news items and surveys;
- Group studies and publications;
- an annual satisfaction survey.

A few items to illustrate this constant attention:

- new functions were created to better support upgrades to the offering in the Regions: Support managers, International managers;

- a record year in financing with €17.8 billion in business loans (€7.5 billion in investment loans, €10.4 billion in short-term financing) and €1.2 billion in innovation financing;
- more than 60,000 businesses supported in guarantees, 90% of which were VSEs;
- launch of a Deeptech plan with the goal of supporting and financing more than 2,000 start-ups by 2023;
- Creation of a continuum of solutions supporting companies abroad, with a redefinition of business development insurance, to better meet companies' needs;
- 15,000 training and advisory actions rolled out group-wide:
    - 600 managers or members of management committees trained over some 30 face-to-face sessions by Bpifrance University; 8,000 e-learners benefited from more than 75 Bpifrance University modules on all subjects, from GDPR to the employer brand; 320 worked on their "pitch and win",
    - 1,200 advisory missions were carried out on some 15 modules,
    - 10,000 entrepreneurs at 67 events in France benefited from targeted matchmaking; 13 large groups accelerated their partnerships with start-ups,
    - Close to 100 French Tech Passes were issued and 3,700 missions completed;
- six studies were published by the LAB following surveys and interviews with companies;
- Impact indicators on Bpifrance's actions, as well as the results of the annual customer satisfaction survey; were published on the Bpifrance website: at Bpifrance Group level, the 2018 survey showed a stable satisfaction score of 7.5 and a Net Promoter Score of 35.

The purpose of this annual survey is to measure Bpifrance customer satisfaction and identify expectations, with the aim of potentially upgrading the offering. The missions of the Committee on the group Offering, which meets every quarter, are to review new products and services or planned transformations upstream, issue an opinion upstream before presentation to the Executive Committee, and define the cross-functional projects to be launched.
The results of the annual survey, and of the cross-functional communities of different business lines created across the major sectors (EET, Mobility, Agro-Business, ESS, and Impact) were key ingredients in these review processes, which may also be fueled by the "Tomorrow" project.
The "Tomorrow" project, launched in 2018, around nine major challenges for the world of tomorrow, all correlated with the Sustainable Development Goals, is a cross-functional, group intelligence project that involves everyone in order to work together better and support companies in the face of major challenges to the world's transformation, by striving to identify solutions, challenges, and technologies for each of these issues, anticipate transformations in the economy, prepare for breakthrough changes to come, and build a vision of the future.
For its fourth edition on 11 October 2018, Bpifrance Inno Génération brought in 43,000 registrations for this day including 25 foreign delegations, to hear the success stories of dozens of entrepreneurs, large and small, and attend 300 workshops on topics ranging from governance to transfers/buy-outs to exports, with close to 1,000 speakers.
Like companies, sports associations are important economic actors in the regions. The purpose of the partnerships forged with Bpifrance with 44 professional women's and men's team sports clubs in every region in France (basketball, volleyball, handball, football, ice hockey, water polo and rugby) is, by bringing together sports clubs and companies, to expand their sports situation and develop the network of companies, relying on a local economic network represented by the partner networks. Together, the business branches of sports clubs include more than 10,000 companies.

Satisfaction of other stakeholders

The Bpifrance website and its spaces, public or restricted, are for use by customers and partners to find offers matching their needs, key people to contact, services, information about the impact of Bpifrance's initiatives, news and access to LAB's projects and research, free online training from Bpifrance University, calls for tender launched by Bpifrance, all under the strong values conveyed by Bpifrance: proximity, simplicity, willingness, and optimism.
Online spaces and tools are specially dedicated to certain stakeholders (e.g. Regions, Suppliers, Investor Guarantee Partners, I-Lab Competition participants) in order to fluidify, submit, and manage discussions.
The Group's Legal Department is not aware of any grievances or complaints against Bpifrance or any of its subsidiaries regarding its impact on the environment, society, or human rights.

5.1.8.1.d Missions of general interest

Bpifrance's Societal Responsibility is inherent in its general interest mission to "finance and develop companies, in support of public policy... with the aim of supporting sustainable growth and jobs, and making the economy more competitive", and resides, as a priority, in the effectiveness of its action to create and maintain sustainable growth of companies that lasts and creates economic value.

To fulfill this ambition of "Serving the Future," Bpifrance has deployed the strong values that have structured all of the group's actions since its creation: proximity, simplicity, willingness, and optimism.

Bpifrance's policy, presented to the French National Assembly and Senate on 15 May 2013, defines the intervention policy of Bpifrance and its subsidiaries Bpifrance Financement and Bpifrance Investissement, and its commitments: to be a tool serving companies for revitalising the territories, working towards innovation as a competitiveness and growth factor that is adjusted to specific needs through a close relationship with the companies and strong partnerships with the Regions.

To supplement this, the strategic plan is revised each year to closely reflect the needs of the companies and the cyclical and sectoral trends. It is the product of in-depth updating work and broad consultations, submitted to all representative bodies of the group's stakeholders, and approved by the governing bodies.

Three major challenges were applied, without which the target of serving sustainable growth and jobs, and making the economy more competitive, cannot be achieved:

- commit to, finance, and support the ecological and energy transition;
- finance and support the digital transformation;
- contribute to the economic development of the territories.

Furthermore, Bpifrance strives to measure the impact of its activities and publish it; a special appendix was added to the 2018-2023 Strategic Plan, and an impact booklet is available on the Bpifrance website that details its actions, the sectors and outcomes in terms of growth in revenue, jobs, and resilience of the companies receiving support.

The Ecological and Energy Transition (EET)

Bpifrance's support of the EET is one of the missions that was entrusted to it by lawmakers in the establishing act, and included in the intervention policy, first of the CSR Charter proposed by Bpifrance to its stakeholders and governing bodies and approved in 2014, and also in the strategic plans.
The role of the companies in the EET is crucial, and Bpifrance's commitment to this major sustainable competitiveness challenge is total:

- over the 2014-2017 period, Bpifrance completed €4.7 billion in financing as innovation loans and aids, and, all activities combined excluding investment, over the same period, more than €6.7 billion benefiting more than 10,000 companies. In 2017, Bpifrance Financement supported nearly 2,500 companies in the EET sector or companies performing energy efficiency and renewable energy development projects, for more than €2 billion, which marks a more than 33% increase over 2016 and represents just over 10% of its total activity for the year. Bpifrance's action for industry is backed primarily by its special medium-long-term financing solution, supplemented by Bpifrance's traditional line (guarantees, innovation aids and loans, short-term financing, direct investments or those via partner funds);
- along with the Caisse des Dépôts, Bpifrance has committed to further increasing its medium-long-term innovation and investment financing to participate at the level of €5 billion in the CDC group's aggregate commitment of €16 billion and to discontinue investing - either directly or through funds - in companies whose activity's carbon exposure exceeds 10% of revenue;
- the group is a signatory to the Global Declaration on Climate Change, and more specifically for the investment trades, the Montreal and Paris Accords and the Financial Institutions' Declaration of Intent on Energy Efficiency. In December 2017, as a French public investor, it committed to implementing six principles defined in a common charter with the Caisse des Dépôts, the French Development Agency (*Agence Française de Développement* - AFD), the French Retirement Reserve Fund (*Fonds de Réserve pour les Retraites* - FRR), and the ERAFP[8]. Moreover, Bpifrance committed to supporting and promoting the ACT (Assessing low Carbon Transition) initiative driven by the ADEME and the CDP (CARBON Disclosure Project), by signing the Charter of 27 November 2018 along with the Caisse des Dépôts, the French Government Shareholding Agency (*Agence des Participations de l'Etat* - APE), the FRR, the ERAFP, and IRCANTEC[9], and participates in the Caisse des Dépôts group's work on a 2nd roadmap;
- the challenges and questions connected with the EET are addressed in the analytical grid set up on the financing and innovation business lines, beyond certain thresholds, measuring the company based on its control

[8] *Establishment of supplemental pension for Public Service*
[9] *Institution of supplementary pension for non-statutory employees of the French State and public entities*

of energy use, greenhouse gas emissions, use of natural resources, and implementation of eco-design, pollution, and waste;
- Bpifrance is a partner of CDC Biodiversité under the Nature 2050 Programme and a member of Club B4B+ (companies for positive biodiversity' club); this topic will continue into 2019 through several events (the Bpifrance awards at Festival Le Temps Presse ('no time to lose' festival), a round table at Produrable, the Salon de la RSE (CSR Exhibition), and more.

Company awareness about EET challenges is also raised through communication about them, and Bpifrance contributes to this by publishing reports, studies and articles; through its entrepreneur profiles and its examples of committed companies[10;] and through its free and open-access training programme on Bpifrance University.

Successful EET has also been chosen as one of the major issues for the world of tomorrow, including three challenges: controlling energy storage, developing smart energy, and promoting the circular economy. For each of these, solutions have been identified and are - or will be - the subject of matrices, constructed by ad hoc working groups, for the "tomorrow" project, with two objectives: to forge conviction, to be more prepared for the changes and provide better support to companies through the coming disruptions.

The Digital Transformation

Like support for the EET, participation in the digital conversion is on Bpifrance's roadmap, and among its objectives since the digital transformation is the construction of its intervention policy.
For Bpifrance, this transformation must now be an essential component in any business strategy, improving customer experience and optimising productivity.
Thus in addition to the financial tools, Bpifrance's proposal is to support entrepreneurs in measuring their company's maturity in this area, primarily through the use of a self-diagnostic tool, the "digitalometre," and then potentially the support of an expert third party. E-learning is available to them on Bpifrance University, or peer exchanges facilitated by networking, or even a step further - a course within an accelerator. A practical guide to education on this issue has been published to help VSEs and SMEs prepare for the GDPR, along with feedback from entrepreneurs.

Bpifrance's actions in this area are measured in a field called "numetics," analysed as follows:

TOPICS	DEVELOPMENT POTENTIAL
•Digital	•Cybersecurity
•Microelectronics	• Smart Cities
•Photonics	•Smart Grids
•Nanotechnologies -Nanoelectronics	•Factories of the Future
•Innovative Materials	•Augmented Reality
•Systems	•Cloud Computing
•Software and Onboard Systems	•Contactless Services
•Exploiting Big Data	•E-Education

In 2017, support for growth sectors made up 36% of Bpifrance's overall activity, and "numetics" alone was 11% of overall activity excluding holdings (€17.5 billion), i.e. nearly €2 billion[11], of which €1.6 million on Bpifrance Financement activities (9.8% of its overall activity excluding holdings).

[10] *Example: https://www.bpifrance.fr/A-la-une/Actualites/Les-PME-entament-leur-transition-energetique-38441*
[11] *€1.97 billion*

Economic Development of the Territories

Partnerships with the Regions around common mechanisms are a major focus of involvement in and with the territories, for companies; by offering each Region the tools that are suited to the priorities of its economic and innovation development strategy, and that meet the companies' needs at different stages in their development, access to available financing is simplified for them, while the need for public allocation is limited.
These partnerships are used to develop a financing offer suited to territorial specifics via common tools, particularly for financing innovation (Regional Innovation Fund) and companies' access to credit (Regional Guarantee Fund) covering most of the companies' creation, innovation, and development needs.
Moreover, regional and inter-regional investment funds were often set up alongside the Regions to facilitate SMEs' access to equity. Pooling financial resources between Bpifrance and the Regions makes interventions more effective, furthering territorial and job growth.

Bpifrance and the 18 French Regions have entered into partnership agreements, and more than 4,700 companies received the €1.6 billion mobilised using the systems put in place, while €310 million in loans were guaranteed using regional resources.
VSE Growth loans were deployed in nine Regions and 1,000 VSEs were thus financed for the amount of €44 million.
Finally, the regionalised Investing in the Future 3 Programme financed more than 300 companies with innovation projects, for nearly €70 million.

Lastly, in matters of support for the companies, Bpifrance paired up with the Regions for the deployment of Start-up Accelerators, SMEs, and mid-sized companies.
In its impact indicators, Bpifrance tracks the Region's weight in total Bpifrance financing with regard to the Region's economic potential, and reports each Region's own indicators to it.

The table below shows the weight of Bpifrance Financement's financing in 2017 compared to the economic potential of the Regions:

REGION	GDP 2015 (source: INSEE)- € million	Economic potential of the Region in domestic GDP	Weight of 2017 financing compared to the economic potential of the Regions
Auvergne-Rhône-Alpes	250,120	11.4%	14.50%
Bourgogne-Franche-Comté	73,942	3.4%	2.85%
Brittany	91,910	4.2%	4.08%
Centre-Val De Loire	70,355	3.2%	3.15%
Corsica	8,868	0.4%	0.59%
Grand Est	152,170	6.9%	7.70%
Hauts-de-France	156,922	7.2%	6.64%
Ile-de-France	668,823	30.5%	29.34%
Normandy	91,740	4.2%	3.00%
Nouvelle-Aquitaine	163,898	7.5%	6.40%
Occitanie	159,115	7.3%	6.71%
Overseas Departments and Territories	41,692	1.9%	2.22%
Pays-de-la-Loire	109,767	5.0%	6.00%
Provence-Alpes-Côte-d'Azur	154,879	7.1%	6.82%

5.1.8.1.e Consideration of Environmental, Corporate, Social, and Governance Challenges

The more specific consideration of environmental, corporate, social, and governance (ESG) challenges is included in the strategic plans as well as policy, consistent with the Bpifrance Social Responsibility Charter, presented and approved by the stakeholders of Bpifrance (CNO and employee representatives) and by its governing bodies. The Charter defines Bpifrance's commitments, in both its internal functioning and its business lines, and the major challenges its efforts will be applied to.
Bpifrance's CSR approach is guided by the Sustainable Development and CSR Department, reporting to the Executive Director of International, Strategy, Research, and Development.
This approach is cross-functional in its company education actions and the strengthening of its position as a market player, and business-specific in its operational breakdown of the consideration of ESG challenges or the commitments made by Bpifrance Investissement.
Its actions are structured around focus areas:

- educating companies about csr;
- strengthening the market player position;
- considering the CSR aspect in business processes and within Bpifrance.

Educating companies about CSR

CSR education / training actions were deployed at 122 companies in 2018, 31 in the context of a semi-collective programme, "Entreprises de demain" (companies of the future) (including one in the Regions, launched by a Financing representative), and 91 as part of the "Déclic RSE" morning events organised in the regions, while three webinars brought in some 400 participants.
These actions are carried out in a cross-functional framework and are not targeted by business line.
A programme supporting year-on-year operational implementation of a CSR approach is in the experimental phase in three SMEs/mid-sized companies in the agri-food sector, and a partnership has been created to support the companies of the AFISE[12] in a process of training and support for industry CSR certification.

Strengthening the market player position

Education of both the entrepreneurs and business lines is also done through the actions carried out with Bpifrance as a market player by:

- participating in market work: france invest, orse (*observatoire de la rse*), and events (c3d, cpme, institut choiseul, observatoire de l'immatériel, medef [french business confederation], ordre des experts-comptables [organisation of chartered accountants]);
- directing interventions at Bpifrance Inno Génération (round table and interviews);
- presenting at CSR exhibitions or demonstrations as part of our partnerships, inviting companies (start-ups/VSEs/SMEs and mid-sized companies): Produrable in Paris (more than 6,000 people): for our fourth year of partnership: the Tech4Good pavilion brought in 20 start-ups, and our two round tables 125 participants; Forum Reset in Marseille (1,000 people); e5t energy seminar in La Rochelle, the business forum with IREFI in Rome, and the Forum de l'Energie in Paris, Club Gravelle Entreprendre with the elected representatives, and the entrepreneur clubs of Maisons-Alfort, Charenton-le-Pont, and Saint-Maurice;
- participating in panels and awards ceremonies: Entreprises et Environnement (with the French Ministry of the Ecological and Solidarity Transition), UNICLEN, EcoVisionnaires, Entrepreneuriat au Féminin CPME, Idinvest, les festivals Le Temps Presse, Deauville Green Awards, Atmosphère;
- organising events such as the HandiTech Trophy, and the new "Midi Entrepreneures" concept, where a woman entrepreneur gives an "unfiltered" report on her experience.

A Social Responsibility Survey of the company was completed by the Bpifrance LAB and published under the title "Une aventure humaine, les PME ETI et la RSE" (A human adventure: SMEs, mid-sized companies, and CSR), after a survey of more than 1,100 entrepreneurs.

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[12] *Association Française des Industries de la détergence (French association of detergency industries)*

Considering the CSR aspect in business processes of Bpifrance Financement and within Bpifrance

As an operating subsidiary of Bpifrance for direct investment and investment in funds of funds, Bpifrance Financement is invested in the exercise of these business lines for the general interest mission entrusted to Bpifrance, and has embraced the societal responsibility commitments and priorities that Bpifrance publicly set for itself in its CSR Charter:

- development of employment, particularly for young people;
- the Ecological and Energy Transition, particularly the optimised use of energy resources;
- governance and management quality, specifically by promoting the inclusion of women;
- promotion of women entrepreneurs.

Consideration of CSR in financing activities

A simplified analysis, in 11 questions, of the company's ESG practices is provided for credit or innovation support applications beyond certain thresholds.
These questions address the following:

- for environmental issues: energy consumption, greenhouse gas emissions, use of natural resources, deployment of eco-design, pollution, and waste;
- corporate issues: job numbers (including among those younger than 25), job quality, workplace health and safety, dialogue and corporate climate, and human resource management;
- social issues: transparency and fair business practices, involvement with the local community;
- governance of the company.

Like the respect for human rights, tax practices are reviewed in the normal course of a financing study if these issues prove relevant.
For the account manager, ESR analysis of the company consists of formalising points that are often addressed in the review of a credit application, without straining its required operational agility.
With respect to the information they have, account managers rate the company's position on these issues on a scale of 1-3; the purpose of this non-financial analysis is to inform the decision.
This mechanism is being phased into the analysis tools, with the aim of simplifying the process in operational phase during fiscal year 2019, and rating the company's consideration of these issues on a scale of 1-4.

Bpifrance's societal responsibility in its practices

Human capital

Since the founding of Bpifrance, the human resources policy has striven to create and lead a community of employees with multiple skills, around the company's values.
Bringing in employees from new areas (Bpifrance Assurance Export at 1 January 2017, and at 1 January 2019, and staff from CDC International Capital and the *Agence Française des Entrepreneurs* [French entrepreneurs' agency] is sustaining this challenge.
The continuous growth of activities, the expansion of products and services, the increasing digitalisation of processes, and the creation of new business lines, in support especially, are strengthening and upgrading internal skills as well as recruiting new skill sets.
Labour relations and quality of life in the workplace, diversity and equal opportunity, and a structured training policy that is responsive to needs are the key factors in the success of the Bpifrance human community that is empowered and attached to the company and its values.
In this respect, the group results of the survey conducted in 2018[13] ("s'engager ensemble" - committed together), are satisfactory in terms of both the 83% participation rate (79% last year) and the answers to the main questions, with:

- a total score of 68.8% positive opinion (68.3% in 2017) and virtual stability reflected across all categories of questions;
- a very strong feeling of pride (93% positive responses) and trust in the company.

Two expectations are still on the table: cooperation among the business lines and sharing of information.

[13] *Scope: Bpifrance Financement, Bpifrance Investissement, Bpifrance Assurance Export*

Labour relations within Bpifrance Financement are strong:

11 - LABOUR RELATIONS	Number of meetings in 2018				Number of agreements reached during the year
	CE	DP	OS et DS	CHSCT	
Financing	13	11	10	6	10
Brokerage	ND	ND	ND	ND	8
TOTAL					18

Agreements are in place on these topics: Quality of Life in the Workplace, Equal Opportunity, Disability, working conditions and hours, and employee savings.
The Group Quality of Life in the Workplace agreement reaffirms Bpifrance's commitment to pursue and develop actions already undertaken by its subsidiaries in terms of improving employee QLW, including equal opportunity employment, age, disability, and diversity.
Pursuant to Article 13 of the rider signed in May 2016, Bpifrance is committed to combating all forms of discrimination, and Bpifrance has also signed the Diversity Charter to educate and train its employees in diversity.
In order to fully incorporate diversity and non-discrimination into its hiring and career management practices, the Company has set up procedures within the gender parity action plan, procedures concerning gender diversity in hiring, specifically the introduction of a waiting period until as many applications from women as from men are collected before reviewing them, and transfer of these methods to the firms with which the company is involved.
Bpifrance Financement has calculated its gender parity index, in keeping with current laws; it is 77.
In 2018, Bpifrance hosted six "speed interview" sessions (402 young people, 114 recruiters, 912 qualified companies) to promote meetings between companies and applicants in working-class neighbourhoods through "job dating," and produced its PaQte (corporate/neighbourhood pact) report.
On 6 February 2018, Nicolas Dufourcq, Chief Executive Officer of Bpifrance, spoke to 30 high-school students at the Lycée Marcelin Berthelot in Pantin as part of a neighbourhood entrepreneurship month.
Lastly, a partnership was forged with the charity “Nos Quartiers ont du Talent”, an organisation that aims to help graduates under the age of 30 from modest backgrounds, some of whom are living in working-class neighbourhoods, 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 job seeking, how to write a CV and covering letter, preparing for interviews and networking.

Health and safety provisions in the QLW agreements stipulate: - an annual review with the CHSCT (committee on health, safety and working conditions) - coordination of the occupational doctor at the head office with the occupational doctors in the provinces - annual activity plan from the occupational doctor (2017: returning after a serious illness) - educational programmes: nutrition, smoking - expansion of alert procedure on psycho-social risks to Bpifrance Group.
The QLW agreement covers working conditions, specifically topics related to health, workplace stress, psycho-social risks, harassment and workplace violence.
The average number of days absence for permanent staff, excluding long-term illness, varied little at Bpifrance Financement (from 3.8 days in 2017 to 3.9 days in 2018), reflecting employees' appreciation of their conditions and quality of life at work.

In 2018, 266 people were hired for permanent jobs by the Bpifrance Financement group (of which 265 for the corporate entity compared to 204 in 2017), bringing the total number of permanent staff to 2,133 at 31 December 2018 compared to 2,071 at 31 December 2017 for Bpifrance Financement, and to 2,144 including Bpifrance Courtage. Permanent staff represented 99.8% of total staff (excluding apprenticeships and professional training contracts).
54% of these new hires were women; 57% of those hired were under the age of 30, and 2.6% were over 50 on their date of hire. Women made up 40% of the five fixed-term contract hires in 2018.
The average age of Bpifrance Financement employees went from 42.3 years to 41.6 years. Turnover of employees in permanent contracts was 3.14% in 2018 (vs. 1.9% in 2017).

Bpifrance has an active policy of support and skills enhancement for young people in training by means of its School and University policies:

- at the end of 2018, 448 students were welcomed by Bpifrance in the context of work-study contracts and final-year internships;
- appearances and events with major universities in Paris and the regions, and partnerships (some specifically about employment and jobs for students with disabilities).

The following were notable events for the University Partnerships:

- recruitment of students with disabilities in professional training contracts and apprenticeships to enhance their skills: after three years of the agreement, an average of three students per year had been given work-study contracts, and three had been hired on permanent contracts;
- renewal of the partnership with Université Paris Dauphine;
- establishment of new University partnerships: NEOMA BS and KEDGE BS for job placement of students with disabilities;
- student coaching: visit to partner Universities by the head of the Disability mission; interview simulations, help with writing a CV, etc.
- funding for technical aids (acquisition of ultralight computers, ergonomic chairs) and human assistance (educational support, exam secretaries, contract staff);
- tuition assistance for five scholarship winners in engineering school (ESIEE).

For 2018, total direct employment of people with disabilities by Bpifrance Financement was 2.70%, with indirect employment at 3.78%, and the total after adjustments was 4.73%.

In 2018, Bpifrance Financement dedicated 4.7% of its payroll to employee training; 2,096 employees completed training once or more during the year, i.e. More than 92% of personnel in permanent contracts, term contracts, apprenticeships, and professional training contracts.
Training solutions are revised each year and adjusted for changes in business lines and processes. They factor in the requests and findings from the annual review campaign in which all employees take part. They are prepared in consultation with the business departments, presented to employee representative bodies and the management committee for approval.
The solutions are structured as modules (strategic topics, business skills, professional aptitudes, tools and security, on-the-job training), and developed based on digital tools that are adapted to the mobility, or face-to-face sessions, and internal and external skills.

Raising employee awareness

Cross-functional employee awareness-raising about environmental and corporate issues continued, with quizzes and competitions about waste, mobility, and a new "Midi Planète" concept - debate on an environmental, social or societal topics based on the projection of two short films offered by our partner, Le Temps Presse.
As a follow-up to these events, seven workshops of about ten participants were created, from all departments, on a voluntary basis to develop discussions about frugal innovations as part of the methodology developed by start-up Ecofrugal.
Collaboration with the General Services Department was strengthened with the establishment of an action plan with follow-up dates.
The CSR aspect was included in the approval process for Bpifrance suppliers, in coordination with Bpifrance Management Control.

Environmental management

The General Resources Department (DMG) manages all head office facilities and the Bpifrance network, as well as providing logistical resources for 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. In its operations, the circular economy is not a particular concern for Bpifrance Financement; nonetheless, the actions of the DMG are guided by consumption and emissions reduction targets.

Due to its service activities, combating food insecurity, respecting animal welfare and responsible, fair, and sustainable food, and combating food waste are not relevant material challenges. Nevertheless, with the installation of a waste dehydrator at the head office, food residue and waste are being recycled.
The certification "High-environmental quality operational service-sector building" (HQE) 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.

In 2018, a second site in Paris obtained the same "excellent" HQE certification as an operating commercial building.

Indicators on energy consumption and greenhouse gas emissions resulting from the use of 50 Bpifrance sites and business travel, as well as paper use, are closely monitored.

ENERGY and CO_2 emissions allocated to Bpifrance Financement's activities

ENERGY CONSUMPTION on property locations (1)			
(kWh)	2018	2017	Change
HEAD OFFICE (Le Vaisseau)	4,979,973	4,939,641	0.82%
On a m² occupied basis	*185.6*	*184.1*	
OTHER LOCATIONS	3,021,976	3,044,281	- 0.7%
TOTAL	**8,001,948**	**7,983,921**	**0.23%**
On a m² basis	4,979,973	4,939,641	0.82%

CO_2 EMISSIONS (in kg CO_2eq) from the consumption of energy as billed[14] on property locations (1)			
	2018	2017	Change
CO_2 Emissions - Head Office (Le Vaisseau)	533,764	531,003	0.5%
OTHER LOCATIONS	272,601	249,631	9.2%
TOTAL	**806,365**	**780,634**	**3.3%**
On a m² basis	*11*	*10.7*	

Energy consumption and CO2 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. Distribution is carried out between Bpifrance's operational subsidiaries based on distribution keys that account for the number of employees on their sites in Maisons-Alfort (head office), Haussmann, and Drouot. All other sites are fully allocated to Bpifrance Financement.
The weak increase observed at the head office stems from the completion of the site reorganisation and night-time changing of electrical and air circuits carried out over several months.

[14] These data correspond with the invoiced data on the electricity (kWh) and gas consumption (kWh PCS) 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.

Business travel:

	Bpifrance Financement		CHANGE
	2018	**2017**	
TRAIN	12,455	11,850	**5.1%**
AIR TRAVEL	475,620	515,784	**-7.8%**
VEHICLES	1,421,183	1,387,178	**-2.5%**
TOTAL	**1,909,258**	**1,917,426**	**0.4%**

Paper consumption:

Paper consumption[15] (tonnes) Bpifrance SA			
	2018	2017	Change
Bpifrance Financement	69.2	94.4	-27%
Consumption per person[16] (kg)	32.4	45.5	-29%

Group social commitments

Carbon Offset: to combat climate change

To offset its incompressible Group emissions of 3,511 TCO_{2eq} over 2018, Bpifrance has implemented an offset operation for a total volume of 4,300 TCO_2eq, which includes a portion of the emissions generated by events it organised.
These 4,300 TCO_2eq were broken down as follows:

- 370 t CO_2 from Project 1. Efficient cooking stoves in Ghana;
- 2,030 t CO_2 from Project 3. Wastewater and Biogas Technologies in Rural Uganda;
- 2,000 t CO_2 from Project 4. Nouakchott 30 MW Wind Power Plant.

CAP LUNE: furniture adapted to people with a disability

At the European Week for People With Disabilities, Bpifrance launched the "Cap Lune" Challenge. From 16-25 November, the goal for individuals or teams was to walk, run, or pedal 384,400 km, the distance between Earth and the Moon.
For this unified, collective and connected challenge, all of Bpifrance's employees, the 4,000 members of its Bpifrance Excellence community, and its 44 partner sports clubs were invited to join in, and their cooperation generated a gift of €10,000 to the "Comme les Autres" association which works for the integration of people with disabilities into social and professional life.
(Founded in 2011 by Michaël, Carolyn and Jonathan Jérémiasz, "Comme les Autres" supports people who have been disabled by an accident through their physical, psychological, and social rehabilitation. Its aim is also to contribute to the necessary changes in attitudes between the disabled and able-bodied worlds.)

Supporting the employment of young people

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[15] *Printing and copying paper, excluding letterhead paper and works entrusted to printers*
[16] *Total personnel*

In addition to its involvement in universities and job fairs, since 2015 Bpifrance has also been engaged in supporting:

- 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;
- 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 job seeking, how to write a CV and covering letter, preparing for interviews and networking.

Methodology note on calcuating non-financial risk indicators

The statement of non-financial performance in this chapter is an integral part of the annual report of Bpifrance Financement. It formally specifies the exclusions and includes the mandatory information required by law, with the exception of the description of missions and business lines of Bpifrance Financement and its business model, shown in Part 3 of said annual report.

Scope:
The scope of this Statement of Non-Financial Performance is that of the operational activities and structures of Bpifrance Financement, fully consolidated at 31 December 2018, namely Bpifrance Financement, for financing, guarantee and short-term activities, as well as those of its subsidiaries Bpifrance Régions and Bpifrance Courtage, it being specified that operating activities are performed within Bpifrance Financement, except for those of Bpifrance Courtage; only certain of that subsidiary's indicators were consolidated, in view of its integration into the Group in the second half of 2018.

Some topics were excluded from the scope of the review because they were immaterial with regard to the activities carried out by the Bpifrance Financement Group and, furthermore, to its functional issues and the procedures for carrying out those activities. These are combating food insecurity and waste, respect for animal welfare, and responsible, fair and sustainable food.

Data collection:
The definition of each of the data collected is specified in a reporting procedure and revised each year. Details are added to the definition as needed to facilitate understanding and reporting.

Collection process:
Data are collected by the Sustainable Development and CSR Department from the responsible departments (e.g. Human Resources for HR data; General Resources for data on property locations and their management, and energy consumption relating to business travel; the Assessment division of the Assessment, Research and Forecasting Department).
Data are analysed and tested (changes, consistency testing) to validate their consistency and reliability before they are published and explained.

Limits to collection and reliability:
There many be certain limits to accuracy and comparability, notably if data are unavailable; in such cases, appropriate explanations are provided.
The purpose of processes in place is to limit these inaccuracies in order to present information with satisfactory reliability, which are checked by an independent third-party organisation.

CSR CHALLENGES	Monitoring Indicators	Definition	2018 Indicator
Business Ethics	Percentage of employees trained in AML/TF and anti-corruption procedures	**Scope: Bpifrance Financement** Number of employees trained in AML/TF and Anti-Corruption Procedures/Total number of employees who completed training once or more during the year (in permanent contracts, fixed-term contracts, work-study, and professional training**)** across the Bpifrance Financement scope	83.80%
Data security	Number of anti-intrusion tests	**Scope: Bpifrance Financement** Number of anti-intrusion tests carried out during the **year**	13 (out of 39 at Bpifrance Group level)
Fund security	Percentage of employees trained in AML/TF and anti-corruption procedures	**Scope: Bpifrance Financement** Number of employees trained in AML/TF and Anti-Corruption Procedures/Total number of employees who completed training once or more during the year (in permanent contracts, fixed-term contracts, work-study, and professional training**)** across the Bpifrance Financement scope	83.80%
Ecological and Energy Transition (EET)	Weight of EET Financing in the year's activity	**Scope: Bpifrance Financement** Weight of EET in amounts of intervention in all of Bpifrance's actions excluding short-term financing (Year N-1). Scope: All supported companies in sectors addressing: • power generation from renewable sources; • optimisation of consumption; • and life-cycle management of natural resources. All supported companies not belonging to the sectors listed above but having an EET project identified • by the financing mechanism • By the investment fund strategy • By the project purpose • by affiliation with a competitiveness division connected to the EET	10%
Economic development of the territories	Weight of financing for the fiscal year compared to the economic potential of the Regions	**Scope: Bpifrance Financement** Weight of Bpifrance financing for Year N-1, compared to the economic potential of the Regions (GDP of the Region against domestic GDP, published by INSEE)	See Table §3.1.7.1.d Missions of General Interest... Digital Transformation

CSR CHALLENGES	Monitoring Indicators	Definition	2018 Indicator
Digital transformation	Weight of "Numetic" financing in the year's activity	**Scope: Bpifrance Financement** Weight of "numetic" in amounts of intervention - excluding holdings - in all of Bpifrance's actions excluding short-term financing (Year N-1). "Numetic" covers Bpifrance's interventions in Digital, Microelectronics, Photonics, Nanotechnologies - Nanoelectronics, Innovative Materials, Systems, Software and Onboard Systems, Exploiting Big Data.	9.8%
CUSTOMERS	NPS and Customer Satisfaction (Score)	**2018 Scope: Financing, Investment, Export Insurance** The Net Promoter Score is an indicator for measuring the net recommendation, positive or negative, that customers make about Bpifrance. It is calculated by subtracting the percentage of detractors (scores of 0-6) from the percentage of promoters (scores of 9-10). Customer satisfaction (score)	NPS 35 Customer satisfaction (score): 7.5
QUALITY of Offering	NPS and Customer Satisfaction (Score)	**2018 Scope: Financement, Investissement, Assurance Export** The Net Promoter Score is an indicator for measuring the net recommendation, positive or negative, that customers make about Bpifrance. It is calculated by subtracting the percentage of detractors (scores of 0-6) from the percentage of promoters (scores of 9-10). Customer satisfaction (score)	NPS 35 Customer satisfaction (score): 7.5
Other Stakeholders	Number of complaints and claims filed against the entity regarding its impact on the environment, society, or human rights	**2018 Scope: Financing activities** Number of complaints and claims filed against the entity regarding its impact on the environment, society, or human rights during the year in question, brought to the attention of the Group Legal Department	0

CSR CHALLENGES	Monitoring Indicators	Definition	2018 Indicator
Inclusion of Environmental, Social, and Governance (ESG) Challenges	Consideration of the challenges in the review and lending decision	**2018 Scope: Bpifrance Financement** Consideration of the challenges in the review and lending decision	See above, "Consideration of CSR in financing activities"
Quality of Life in the Workplace (QLW)	Absences due to illness	**Scope: Bpifrance Financement** Total number of days' absence for illness excluding long-term illness, compared to total personnel at 31/12 of Year N, excluding unpaid leave	3,9
	Employee satisfaction	**Scope: Bpifrance Financement, Investissement, Assurance Export** Employee satisfaction: satisfaction expressed by the number of employees answering the annual survey, "s'engager ensemble" - committed together**, carried out in** Year N in cooperation with an outside firm	68.8% (out of a population of 83% of employees responding to the satisfaction survey in 2018)
Diversity and Equal Opportunity	Women hired on permanent contracts and fixed-term contracts.	**Scope: Bpifrance Financement (including Bpifrance Courtage)** Number of women hired on permanent or term contracts out of the total number of employees hired on permanent or fixed-term contracts during Year N	54% of 2018 permanent contracts were women 40% of 2018 term contracts were women
	Legal rate of employment of people with a disability (direct + indirect)	Scope: Bpifrance Financement Number of direct full-time equivalent (FTE) with a recognised disability out of the reference total personnel Number of FTE workers with disabilities in the company for Year N, resulting from subcontracting protected workers in associations to players in the sector Number of direct + indirect FTE out of reference total personnel	Direct legal employment rate of Bpifrance Financement: 2.7% Indirect legal employment rate of Bpifrance Financement: 3.78% Total legal employment rate of Bpifrance Financement with reductions: 4.73%
	Percentage of young people under 30 and seniors over 50 among new hires on permanent contracts	**Scope: Bpifrance Financement (including Bpifrance Courtage)** Number of young people under 30 and seniors over 50 on their date of hire on a permanent contract, out of the total number of employees hired on permanent contracts in Year N	57% of employees hired on permanent contracts in 2018 were under 30 on their hiring date 2.6% were above 50 on their permanent hire date

CSR CHALLENGES	Monitoring Indicators	Definition	2018 Indicator
Labour relations	Subjects of the agreements Number of agreements and addenda signed during the year	**Scope: Bpifrance Financement (including Bpifrance Courtage)** Subjects of the agreements Number of agreements and addenda signed during the year	Quality of Life in the Workplace, Equal Opportunity Employment, Disability, working conditions and hours, and employee savings 18
Human Capital (training, talent, etc.)	Access to Training Turnover of employees in permanent contracts	**Scope: Bpifrance Financement** Number of employees receiving one or more trainings during the year. (Permanent contracts, fixed-term contracts, work-study contracts, professionalisation contracts) compared to total number of employees 31/12 of Year N (Permanent contracts, fixed-term contracts, work-study contracts, professionalisation contracts) **Scope: Bpifrance Financement** Number of permanent contract resignations in Year N compared to permanent contract workforce on 31/12/Year N-1	92.2% 3.14%

Report by the independent third party on the consolidated non-financial statement included in the management report of Bpifrance Financement

For the year ended December 31st, 2018

To the shareholders,

In our capacity as independent third party, certified by COFRAC (scope available at www.cofrac.fr), and member of the Mazars network of one of the company's Statutory Auditors, we hereby report to you on the non-financial statement for the year ended December 31st, 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory requirements of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Management Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement (or which are available online or on request from the entity's head office).

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

– the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
– the fairness of the information provided in accordance with article R. 225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

– the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax evasion legislation;
– the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information.*

Our procedures allowed us to assess the compliance of the Statement with regulatory requirements and the fairness of the Information:

1

- we obtained an understanding of the entity's activity, the description of the social and environmental risks associated with its activity and, where applicable, the impact of this activity on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under article L. 225-102-1 III, 2 of the French Commercial Code;
- we verified that the Statement presents the business model and the key risks associated with the entity's activity, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II of the French Commercial Code;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes[1] that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work covers 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important[2];
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of 5 people between October 2018 and March 2019 and took a total of 6 weeks.

[1] **Human capital:** Recruitment rate of women; Recruitment rate of individuals under the age of 30 and above the age of 55; Renewal rate of permanent contract; Turnover rate; Legal employment rate for disability (direct and indirect); Rate of access to training; Average number of sick leave days per employee;
Governance and Ethic: Percentage of collaborators trained in anti-money laundering, combating the financing of terrorism and anti-corruption; Number of entry test conducted;
Mission of general interest: Weight of investment related to the energy and ecological transition; Weight of investment related to digital technology and ICT; Weight of enterprises financed by region in relation to the economic weight of regions;
Satisfaction of stakeholders: NPS; Customer satisfaction rate; Number of grievances and complaints filed regarding the environmental, societal impact or the impact on Human rights;

[2] Collective agreements topics; Inclusion of ESG issues in credit granting analysis and decision making;

We conducted about fifteen interviews with the people responsible for preparing the Statement, representing in particular the Sustainability Department, the Human Resources Department, the Information System Department, the Directorate of Evaluation, Studies and Foresight, the Direction of Strategy and the Legal Department.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respect.

Comments

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

- The validation process of the main non-financial risks was carried out at the level of Bpifrance SA Sustainability Department.
- The KPIs related to the "Failing in our missions of general interest"[3] risk cover the full year 2017. Indeed, the 2018 input data used for the calculation of these KPIs are not fully available at the time of publication of this declaration.
- The entity does not have any KPI related to the "inclusion of environmental, societal and governance issues in its activity" due to the ongoing recast of the ESG analysis arrangements and the related tools on the Bpifrance Financement scope.

MAZARS SAS

Matthew BROWN

Associé

Edwige REY

Associée RSE & Développement Durable

[3] Poids du volume financé en lien avec la TEE, Poids du volume financé en lien avec le numérique et les TIC, Poids des entreprises financées par région rapporté au poids économique des régions

5

[3] Weight of investment related to the energy and ecological transition; Weight of investment related to digital technology and ICT; Weight of enterprises financed by region in relation to the economic weight of regions;

3

5.1.9 Other information

Main equity interests

The detailed table of subsidiaries and holdings is found on page 215 of the report (note 7.2 of the notes to the separate financial statements).
A transaction in a significant amount was carried out by Bpifrance Financement in the course of fiscal year 2018: the full consolidation of Gras Savoye Bpifrance (€2 million), now Bpifrance Courtage.

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 2018, 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 2018.

Bpifrance Financement employee profit-sharing

At 31 Decembre 2018, no employee held any share in Bpifrance Financement.

Proposed ratification of the co-optation of directors

On 26 September 2018, following the resignation of Delpine de Chaisemartin as director, the Board of Directors co-opted Gisèle Rossat-Mignod as a director of the company, for the remaining term of office of Delphine de Chaisemartin, i.e. until the end of the Ordinary General Meeting to be held in 2023 to approve the financial statements for fiscal year 2022.

Ms Rossat-Mignod is Director of the Territorial Bank Network with Caisse des Dépôts.

On 14 March 2019, following the resignation of François-Louis Ricard as director, the Board of Directors co-opted Olivier Fabas as a director of the company, for the remaining term of office of François-Louis Ricard, i.e. until the end of the Ordinary General Meeting to be held in 2023 to approve the financial statements for fiscal year 2022.

Mr Fabas is Head of the Financial Institutions and Investment Capital Unit with Caisse des Dépôts.

Additional information about Gisèle Rossat-Mignod and Olivier Fabas subsequent to Article R. 225-83 of the French Commercial Code has been made available to shareholders under the conditions indicated in Articles R. 225-88 and R. 225-89 of that same code.

Allocation of directors' fees

It is proposed that the total annual amount of directors' fees allocated to the Board of Directors be increased from €205,000 to €217,500 for fiscal year 2018 and subsequent fiscal years, until further decision to the contrary. The Board of Directors is responsible for distributing this sum among its members. This change comes in response to the decision to separate the functions of Chairman of the Board of Directors and Chief Executive Officer.

Proposal for the allocation of earnings from the fiscal year

Bpifrance Financement earnings for 2018 were €214,502,436.74. It is proposed that these earnings be allocated as follows:

	In euros
Distributable profit for the year	214,502,436.74
Retained earnings	467,957,757.56
Available balance	***682,460,194.30***
Transfer to the legal reserve	10,725,121.84
Distributable balance	**671,735,072.46**
Allocation to other reserves	0.00
Distribution of dividends	0.00
Allocation to retained earnings	203,777,314.90
Total retained earnings after allocation of earnings	***671,735,072.46***

Payment deadlines for suppliers and customers

The balance of accounts payable at 31 December 2018 stood at €211,847.
The balance of accounts receivable at 31 December 2018 stood at €179,709,316.

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: The information below does not include banking transactions or related transactions:

Outstanding invoices received,
in arrears at the closing date (table provided I of Article D. 441-4)

	Article D. 441I.1°: Invoices received and not paid at the closing date, in arrears						Article D. 441I.2°: Invoices issued and not paid at the closing date, in arrears					
	0 days (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)	0 days (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment brackets												
Number of invoices concerned	0					12	112					4841
Total amount of invoices concerned excl. tax	0	144,818	25,800	0	35,763	206,381	5,459,511	19,125,986	2,353,928	2,652,198	28,513,322	52,645,433
Percentage of the total amount excl. tax of the purchases excl. tax the fiscal year	0%	1%	0%	0%	0%	1%						
Percentage of revenue excl. tax the fiscal year							1%	1%	0%	0%	1%	2%
(B) Invoices excluded from (A) relating to disputed or unrecorded debts and receivables												
Number of invoices excluded	1	8	4	2	8	22	43	288	128	115	2659	3190
Total amount of invoices excluded	480	1,997	225	136	2,628	4,986	871,183	5,285,665	1,618,623	3,134,310	110,694,591	120,733,189
(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 terms: yes * Legal terms: No						* Contractual terms: yes * Legal terms: No					

Non-deductible charges

The non-deductible charges (Article 39-4 of the General Tax Code) incurred by Bpifrance Financement during 2018 totalled €782,105.80.

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 The organisation and operation of the 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 department manages all of the procedures, systems and verifications implemented by the institution in order to ensure the compliance of its operations and their adherence to laws, regulations, marketplace rules, and internal procedures and instructions. It is in charge of setting up Anti-Money Laundering and Terrorist Financing (AML/TF) and anti-corruption mechanisms.

  Reporting directly to the Chief Executive Officer of Bpifrance, the Director of the DCCP reports every quarter to the Board of Directors via the Bpifrance Financement Risk Committee.
  As a member of the internal Risk Management Committee, the DCCP also reports to Bpifrance General Management by leading the Group Internal Control Committee dedicated to exchanges on internal control (permanent control and periodic control) and compliance.

- **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

First-level permanent control means all operational controls performed by all of the operational departments of Bpifrance. First-level permanent control is the indispensable and essential foundation of the control mechanism. 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 need be, and as much as necessary, these first-level controls are set in cooperation with the DCCP, which supports the business lines in defining these essential controls.

First level controls ensure, in particular:

- following the processing procedures for all transactions and their compliance;
- justification of transactions recorded in the management systems and ultimately in the Bpifrance Financement accounts.

Second-level permanent control is performed by a function independent of the operational functions, the DCCP.

As such, the DCCP performs:

- second-level controls (after the fact) on the key business processes of Bpifrance Financement, ensure in particular the correct compliance with the applicable internal procedures and instructions (based on a sampling of transactions);
- analyses with a view to issuing regulatory compliance opinions, particularly in the context of new product creation and launching new activities; in matters of conflict of interest and/or transactions that can carry the risk of money laundering, terrorist financing or corruption;
- 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 developed in cooperation with the operational departments being controlled. This plan is validated by the General Management of Bpifrance Financement in the Group Internal Control Committee and by the Risk Committee (as part of the Board of Directors), then implemented by the DCCP.

It is the subject of formalised quarterly tracking. 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.

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.
It is the preferred point of contact for regulators regarding anti-corruption and anti-money laundering and terrorist financing procedures.

- 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 2018, 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 completed missions covered: investor guarantees, export credit, innovation aid and loans, monitoring of certain PSEE (*Prestataires de Services Essentiels Externalisés* - outsourced key service providers), a review of the PUPA (*Plan d'Urgence et de Poursuite d'Activité* - contingency and business continuity plans), IT security, the accounting function, operational risk, client claims, prudential reporting, and first-line permanent control.

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 (35% of which were listed as Major at 31/12/2018, excluding external missions). Compliance risks (23%) 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 2018, the DCCP worked very hard to improve the anti-corruption mechanism after the group was tested by the *Agence Française Anticorruption* for compliance with Article 17 of the Act of 9 December 2016 on transparency, the fight against corruption, and the modernisation of the economy.

In this context, the existing map of operational and non-compliance risks was supplemented and enhanced over the 2018 fiscal year using a bottom-up approach associating the business lines with the identification and evaluation of these risks. A special focus on the risks of fraud and the risks of corruption was added. It now has 661 business risks (compared to 234 in 2017) and 230 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 Group Internal Control Committee (CCIG) and the Audit and Risk Committee in December 2018.

Moreover, team educational/training actions were enhanced (on incidents and the fight against corruption), and the processes for assessing third parties (customers and suppliers) were redesigned.

In the context of its continuous improvement approach, the documentation on managing operational risk, reporting incidents, managing conflicts of interest, combating fraud, and combating corruption was expanded with updates and new publications.

IT tools deployed to support these mechanisms also became key in addressing the underlying risks; all of the data used also had to be compliant with GDPR, and compliance was pending. As such, it was notable that the Data Protection Officer (DPO) was appointed in 2018, reporting to the DCCP.

Furthermore, the second-level permanent control function continued to reinforce its actions. The number of control occurrences rose from 355 to 377 between 2017 and 2018, reflecting the will for greater control over risks and for more complete coverage of operational activities and processes by the DCCP. At the same time, the DCCP continued to support the business lines, helping them structure their first-level controls better.

These controls related notably to compliance with procedures (eligibility, investigation, powers, delegations, formalisation of 1st 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.

5.2.2 Outlook for 2019

Compliance and Permanent Control Department

In 2019, the DCCP will continue its actions aiming to promote the culture of compliance and internal control.
Thus actions to increase awareness and train the teams, specifically in the regions, will be deployed, particularly on the detection of operational risk incidents, 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 improving its Financial Security mechanism (international sanctions policy and updated arrangements in terms of the fight against money laundering and terrorist financing, etc.).
Finally, the DCCP will support consolidation of the former Agence France Entrepreneur and the subsidiary Bpifrance Courtage with the update of procedures, ethics training for the teams, deployment of permanent controls, and integration in the operational and non-compliance risk map.

General Inspection and Audit Department

The General Inspection and Audit Department's audit plan in 2019 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 a major function (budget process) 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 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 examines the financial information and the accounting internal 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 on the calculation of the operating result (profit or loss)**

This analysis is performed at the consolidated level by the Management Control Department. For the "financing" sector, it relies on allocating each commercial use with 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 into Bpifrance's accounts. 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 domain in charge of the consolidated financial statements of EPIC Bpifrance, Bpifrance SA 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, guarantee, and market transactions 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 tax section;
- 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 on 31 December 2018

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 26 September 2018, the Board of Directors agreed to separate the duties of Chairman of the Board of Directors and Chief Executive Officer.

As a result, until further decision to the contrary, the Chair of the Board of Directors of the company is assumed, until further decision to the contrary, by Joël Darnaud, and the Executive Management by Nicolas Dufourcq, in both cases for a period of five years, i.e. until the Ordinary General Meeting called in 2023 to approve the financial statement for the fiscal year ending on 31 December 2022.

6.1.2. Board of Directors' meeting of 31 December 2018

6.1.2.1 Chairman of the Board of Directors and Independent Director:

Joël Darnaud
Date of birth: 6 March 1952
Chairman of the Board of Directors of Bpifrance Financement

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2022

6.1.2.2 Director and Chief Executive Officer:

Nicolas Dufourcq
Date of birth: 18 July 1963
Chief Executive Officer of Bpifrance Financement

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2022

6.1.2.3 The French State, Director

The FRENCH STATE
Represented by Yann Pouëzat
Date of birth: 27 June 1976
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

6.1.2.4 Directors appointed upon recommendation of the State[17]:

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
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

6.1.2.5 Directors representing Caisse des Dépôts:

Gisèle Rossat-Mignod
Date of birth: 17 February 1970
Director of the Territorial Bank Network with Caisse des Dépôts

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2022

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 2022

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 2022

6.1.2.6 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 2022

6.1.2.7 Independent Director appointed on proposal of the minority shareholders of Bpifrance Financement:

Catherine Halberstadt
Date of birth: 9 October 1958
Member of the Executive Board of BPCE, Chief Executive Officer in charge of Human Resources

Current term expires: Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2022

[17] *Pursuant to Article 4 I of order no. 2014-948 of 20 August 2014*

6.1.2.8 Directors representing the employees

Laëtitia Montanier
Date of birth: 13 May 1980
Innovation Business Manager at the Regional Office of Montpellier

Current term expires: professional elections in 2023

Christophe Seillier
Date of birth: 23 January 1978
Territorial Representative, Brest/Lorient, Bpifrance West Network

Current term expires: professional elections in 2023

6.1.2.9 Non-voting members

François Asselin
Chairman of CPME

Marie Deléage
Head of IT Tools in the Bpifrance Assistance and Support Tools Section

Jean-Louis Delcloy
Equity Interest Officer in the Caisse des Dépôts Group Steering Department

Benoist Grossmann
Managing Partner of Idinvest Partners

Arnaud Jullian
Deputy director of the Budget Department's 3rd sub-department

***Agence Française de Développement* (AFD)**
Represented by Jérémie Pellet,
Deputy Chief Executive Officer of the AFD

Hugues Maisonnier
Director of the BNP Paribas France Credit Risk Department

Jean-Luc Petithuguenin
Chairman and Chief Executive of the PAPREC France Group

Pierre Prieux
Chairman of ALCEN

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

6.1.2.10 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 2022

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 2018

Chairman of the Board of Directors and Independent Director:

Joël Darnaud
No other terms of office

Joël Darnaud holds a DES (Postgraduate Diploma) in Finance and Banking from *Institut Technique de Banque* (ITB), and a strong background in corporate financing.

He started his career as an Inspector at *Caisse Nationale des Marchés de l'Etat* (CNME) in 1977, before a position as account manager in the Rhône Alpes region. In 1981, he supported the creation of the CEPME, a product of the merger between Crédit Hôtelier and Caisse des Marchés d'Etat. Mr Darnaud quickly took on supervisory responsibilities in the network (from 1983 to 1996), first as Deputy Director for the Franche Comté region and later for the Provence-Alpes-Côte d'Azur region, before being appointed Regional Director of CEPME in Rouen, Toulouse, the Midi-Pyrénées region, and the Languedoc-Roussillon region. In 1996, he participated in the birth of the new BDPME, the product of a merger of CEPME and Sofaris, and became Director of the Network and Partnerships.

When OSEO was created in 2005, Joël Darnaud was appointed Executive Vice President, and is involved in managing the Innovation, Guarantees, and Financing business lines. At that time, he held different offices as a member of the OSEO Financement Management Board and Managing Director of OSEO Garantie. In 2013 he became Executive Director of Financing and Network Control. On 1 January 2017, Mr Darnaud was appointed Deputy General Manager and Advisor to the General Manager. On 1 January 2018, he retired from the position.

General Manager:

Nicolas Dufourcq
Chief Executive of Bpifrance SA
Chief Executive Officer of Bpifrance Financement
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.
Non-executive Chairman of the Supervisory Board of STMicroelectronics

Nicolas Dufourcq has been Chief Executive Officer of Bpifrance, the public investment bank, since February 2013.

Mr Dufourcq graduated from HEC and the ENA, and worked for the French tax inspectorate. He began his career in the office of the Minister of the Economy and Finance, then moved to the Ministry of Health and Social Affairs in 1992. In 1994, he joined France Telecom, where he founded the Multimedia Division before becoming Chairman of Wanadoo, France Telecom's Internet and Yellow Pages subsidiary.

In 2003 he joined Capgemini, where he led a successful recovery as Director of the Central Europe & Southern Europe Region. In September 2004, he was named Chief Financial Officer of the Group and a member of the Executive Committee. In 2005, he became Deputy Chief Executive Officer in charge of Finance, Risk Management, IT, Delivery, and Purchasing, and, starting in 2007, monitoring the Group's major accounts. Mr Dufourcq is also the non-executive Chairman of the Supervisory Board at STMicroelectronics.

The French State, Director

THE FRENCH STATE, represented by **Yann Pouëzat**

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

With degrees from the Institut d'Etudes Politiques (IEP) in Paris and the Ecole des Hautes Etudes Commerciales (HEC) Business School, Yann Pouëzat is also an alumnus of the Ecole Nationale d'Administration (National School of Public Administration). He has been Deputy Director of Corporate Financing and Financial Markets at the Directorate-General of the French Treasury since July 2018.

As a Senior Civil Administrator, he spent the bulk of his career with the Directorate-Generale of the French Treasury.

After holding two positions in the "International Forecasts" and "IMF and International Summits Preparation" offices, he was Financial Counsellor, Deputy Chief of Regional Economics at the City of London Corporation, then Head of the Banking Affairs Unit within the Directorate-General of the French Treasury and, finally, Head of the Economic Department in Hong Kong.

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:

Gisèle Rossat-Mignod
Member of the Supervisory Board of CDC Habitat and CDC Habitat Social

Gisèle Rossat-Mignod, Director of the Territorial Bank Network since September 2018, is a graduate of the Veterinary School and the Institut des Hautes Etudes de Défense Nationale (French Institute of Higher National Defence Studies). She began her career in 1995 as Assistant to the Director of Veterinary Services of the Allier department. In 1998 she joined the International Health Coordination Mission directed by the Ministry of Agriculture and Fisheries. In May 2002, she became Advisor to the Ministry of Agriculture, Fishieries, and Rural Affairs and then to the Ministry of the Economy, Finance and Industry. After a mission with the Director-General of Health from February to November 2005, she joined the National Institute of Agricultural Research as Executive Advisor to the Chairwoman and CEO. She was later appointed Sub-Prefect and held that position in the service of various territories: Sub-Prefect - Chief of Staff to the Prefect of the Nord-Pas-de-Calais region, Prefect of the Nord region (February 2007-February 2009), Sub-Prefect - Chief of Staff to the Prefect of the Ile-de-France region, Prefect of Paris (February 2009-December 2013), Sub-Prefect - General Secretary of Isère Prefecture (December 2013-April 2014). Since May 2014, she has successively held two positions for the ADP group: Director of Operations at Roissy Charles de Gaulle Airport until October 2015, then Director of Public Affairs for ADP Group - Chief of Staff to the Chief Executive Officer and member of the Executive Committee.

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 Balance Sheet Steering and Financial Management 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 Funds d'épargne's balance sheet. In 2017, he became CFO of Fonds d'épargne.

Independent director:

Claire Dumas
Director of Bpifrance SA
Director of Boursorama

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
Member of the Management Board of BPCE SA
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 Management Board and Head of Human Resources.

Directors representing the employees:

Laëtitia Montanier
No other terms of office

Laetitia Montanier has been Innovation Business Manager at Bpifrance Financement in Montpellier since 2015. With a Master's in European Studies and International Business from the Université de Cergy Pontoise, Ms Montannier gained operational experience in Innovation and the economic development of SMEs and European territories.
Since it is identified as the French entity at the crossroads of public and private financing of Innovation, she joined Bpifrance Financement (formerly OSEO) in 2007.
Attuned to the issues of the knowledge economy and the toughening of international competition, she furthered her education in 2009 with an MBA specialising in strategic management and economic intelligence from the Ecole de Guerre Economique (Economic Warfare School) (ESLSCA Business School Paris).
In her 12 years with Bpifrance Financement, Ms Montanier acquired dual expertise: in development and strategic, technical and financial support of innovative companies, and in ongoing improvement of learning organisations.

This multidisciplinary background sustains her singular approach to the issues of our time.

In 2018, Ms Montanier joined the Board of Directors of Bpifrance Financement as a director representing the employees of that company.

Christophe Seillier
No other terms of office

Christophe Seillier has been Bpifrance Territorial Representative for the Finistère and Morbihan departments since January 2013.
He earned a degree in Management and SME Management at the IAE de Nantes (Nantes Business Administration Institute), and began his career at BDPME-SOFARIS in 2002. Thereafter he was Research Manager and then Account Manager before taking a position in a Middle-Office unit for Western France at OSEO in 2006. His main directive has been to decentralise all Investment finance-related positions in the regions via the creation of his unit.

Since 2013 and the creation of Bpifrance, the Public Investment Bank, he has represented and been responsible for Bpifrance across its entire offering in Finistère and Morbihan. As such, for the past 16 years, Mr Seillier has participated in the development and growth of French SMEs and mid-sized companies.
In 2018, he joined the Board of Directors of Bpifrance Financement as a director representing the employees of that company.

6.4. Compensation of Directors, Chairman of the Board, and Chief Executive Officer

- 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);
- €12,500 in addition for the Chairman of the Board of Directors;
- 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 2017 and paid in 2018:

Directors' fees payable to directors and other compensation payable to non-voting directors chairing Business Line Committees of Bpifrance Financement for 2017 were paid between 2 October 2018 and 16 October 2018. Totalling €145,467.47, 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

Directors' fees and other compensation received by non-executive directors (gross amounts in euros)				
Non-executive directors	**Amounts paid in fiscal year 2017**		**Amounts paid in fiscal year 2018**	
	Directors' fees	Other compensation	Directors' fees	Other compensation
Directors representing Caisse des Dépôts				
Delphine de Chaisemartin	19,196.43	/	19,562.50	/
Pierre-François Koehl	13,823.19	/	19,791.67	/
François-Louis Ricard	3,340.16	/	8,333.33	/
Sabine Schimel (1)	0.00			
Directors appointed upon recommendation of the French State				
The FRENCH STATE	/		13,744, 86	
Sébastien Raspiller (2)	21,875.00	/	9,246.58	/
Alain Schmitt	13,660.71	/	8,424.66	/
François Jamet (2)	2,857.14	/	/	/
Christine Costes	/		6,301.37	
Independent directors				
Catherine Halberstadt	18,571.43	/	17,729.17	/
François Asselin (2)	0.00	/	/	/
Claire Dumas	28,750.00	/	33,333.33	/
Directors representing the employees				
Elisabeth Henry Perez	/	/	/	/
Eric Verkant	/	/	/	/
Total director's fees	**122,074.06**	**/**	**136,467.47**	**/**

(1) resigned during the 2016 fiscal year (1)
(2) resigned during the 2017 fiscal year

Compensation paid to non-voting directors chairing Business Line Committees (gross amounts in euros)				
Non-voting directors chairing Business Line Committees	**Amounts paid in fiscal year 2017**		**Amounts paid in fiscal year 2018**	
	Directors' fees	Other compensation	Directors' fees	Other compensation
Pierre Prieux	/	7,500.00	/	7,500.00
Hughes Maisonnier	/	2,309.59	/	1,500
Total compensation	**/**	**9,809.59**	**/**	**9,000.00**

- Directors' fees awarded for 2018 (to be paid in 2019):

The amount of directors' fees awarded to directors for 2018 will be calculated by the Board of Directors on 14 March 2019 using the distribution formula.

- Compensation of the Chairman of the Board of Directors, a non-executive corporate officer

The Chairman of the Board of Directors does not receive, apart from directors' fees, any compensation (fixed and/or variable), benefits in kind, or performance shares or options, from Bpifrance Financement for his duties as Chairman of the Board of Directors.

- Other information about Joël Darnaud

Non-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
Joël Darnaud	No	No	No	No

- Compensation of the Chief Executive Officer

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

Furthermore, Nicolas Dufourcq receives no compensation (including directors' fees) in respect of the duties he exercises at Bpifrance Group companies other than Bpifrance SA.
Reference is made to the compensation and all other benefits received during fiscal year 2018 from Bpifrance Financement from companies controlled by Bpifrance Financement and Bpifrance SA

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 2018 and for the previous year.

Summary of compensation awarded to Nicolas Dufourcq, Chief Executive Officer of Bpifrance SA and Chief Executive Officer of Bpifrance Financement (gross amounts in euros)		
	2017	**2018**
Compensation payable for the year (detailed in Table 2)	450,000	450,000
Value of options granted during the year	/	/
Value of performance shares awarded during the year	/	/
Total	**450,000**	**450,000**

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[18]. This compensation, which is subject to the cap set for executives of public companies [18] exclusively comprises fixed compensation (€400,000) and a variable bonus based on the achievement of objectives (€50,000)

In 2018, this compensation was rebilled to Bpifrance Financement in the amount of €112,500 for his duties as Chief Executive of 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 2017 and 2018) and qualitative criteria (40% in 2017 and 2018). 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.

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

[18] 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.

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

Summary of compensation awarded to Nicolas Dufourcq, Chief Executive Officer of Bpifrance SA and Chief Executive Officer of Bpifrance Financement (gross amounts in euros)				
	2017		2018	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Fixed compensation	400,000	400,000	400,000	400,000
Variable compensation	50,000	50,000	50,000	50,000
Exceptional compensation	/	/	/	/
Incentives	/	/	/	/
Directors' fees	/	/	/	/
Benefits in kind	/	/	/	/
Options or performance shares allocated	/	/	/	/
Total	**450,000**	**450,000**	**450,000**	**450,000**

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

- 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

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 2018 to the executives and persons referred to in Article L. 511-71 of the French Monetary and Financial Code at 2018 year-end.

The total gross amount of this compensation in respect of 2018 was €7,747,817 (i.e. 54.7 FTE).

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 26 September 2018, 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 of the Board of Directors and rules applicable to appointing and replacing members of the Board of Directors

The Board of Directors of Bpifrance Financement is composed of the Chief Executive Officer of Bpifrance SA, three directors representing the French State, three directors representing the Caisse des Dépôts, two independent directors, one director appointed on a proposal by the minority shareholders of Bpifrance Financement, and two directors elected by the employees of Bpifrance Financement pursuant to the French Commercial Code.

The representatives of the French State (two directors who are natural persons and the French State, and one director who is a legal person) are appointed by the company's authorised bodies (Ordinary General Meeting or the Board of Directors) on a proposal from the French State or with its approval pursuant to Articles 4 and 6 of Order no. 2014-948 of 20 August 2014 on governance and capital transactions of companies with public shareholders.

Directors representing employees are appointed pursuant to Articles L. 225-27 to L. 225-34 of the French Commercial Code. They are elected by the employees of the company and its subsidiaries.

The other directors are appointed pursuant to Articles L. 225-18 and L. 225-24 of the French Commercial Code.

Pursuant to subparagraph 2 of Article L. 225-32 of the French Commercial Code, directors elected by the employees can only be removed for a failure to perform their duties of office, by a summary judgment of the President of the High Court, at the request of a majority of the members of the Board of Directors. In addition, according to subparagraph 1 of Article L. 225-32 of the French Commercial Code, the breach of an employment contract by a director elected by employees puts an end to his or her contract.

Pursuant to subparagraph 2 of Article L. 225-18 of the French Commercial Code, other directors can be removed at any time by the Ordinary General Meeting of the company.
On 31 December 2018, the directors consisted of five women and seven men. 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.

6.5.2. Operation of the Board of Directors

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 the 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.

6.5.3. Activities of the Board of Directors in 2018

The Board met six times in 2018, 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 six regulated agreements and one amendment to a regulated agreement, the details of which are presented in the Statutory Auditors' report on regulated agreements.

On 14 March 2018, the Board approved the company's financial statements for 2017, its internal control report for 2017, and the management report for 2017, and called the Annual General Meeting. It examined the company's related-party agreements prior to 2017 and which remained in effect during the year. It approved the company's policy on equal opportunity employment and wage parity

On 25 April 2018, 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).

On 14 May 2018, the Board reappointed Nicolas Dufourcq as Chairman of the Board of Directors and Chief Executive Officer of Bpifrance Financement. The Board also replaced a member of the Innovation Committee and the Financing-Guarantee Committee and appointed a new non-voting director.

On 31 July 2018, the Board approved the interim financial statements for the period ending 30 June 2018. It was also informed of the plan to take over the support activities to companies and entrepreneurs performed by the Agence France Entrepreneur and the Caisse des Dépôts. The Board convened a Combined General Meeting and was informed of the results of the assessment of the Board of Directors. It replaced one member of the Financing-Guarantee Committee and took formal note of the resignation of a director.

On 26 September 2018, the Board decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer, and appointed a Chairman of the Board of Directors. It also recorded the election of two new directors representing the employees and co-opted one director. Next, the Board examined the Bpifrance updated draft strategic plan and approved the update to the list of risk-takers.

On 20 December 2018, the Board determined the multiplying coefficients and adopted the company's budget and financing plan for 2019. It approved the 2019 Recovery Plan, as well as the inclusion of interest recognised in respect of the 2017 fiscal year within the reserve fund, and set its schedule for 2019. Lastly, it replaced the Chairman of the Audit Committee.

6.5.4. 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 2018 is presented below.

- The Audit and Risk Committees

The Audit and Risk Committees are each composed of six members appointed from among the directors.

The Audit Committee is composed of Catherine Halberstadt (independent director), who is its Chairwoman; Claire Dumas (independent director); Pierre-François Koehl (appointed on the recommendation of Caisse des Dépôts); the French State, represented by Yann Pouëzat; and Alain Schmitt (appointed on the recommendation of the French State). One appointment is forthcoming.

The Risk Committee is composed of Claire Dumas (independent director), who is its Chairwoman; Catherine Halberstadt (independent director); Pierre-François Koehl (appointed on the recommendation of Caisse des Dépôts); the French State, represented by Yann Pouëzat; and Alain Schmitt (appointed on the recommendation of the French State). One appointment is forthcoming.

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 2018, 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 Accounting, the Head of Compliance and Internal Control, and the Head of Risk.

The Risk Committee met five 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 Risk, and the Government Commissioner. The Statutory Auditors and the Chief Financial Officer were invited to these meetings.

The Audit Committee examined the company's financial statements to 31 December 2017 and 30 June 2018. It received a quarterly update on the company's financial position and approved Bpifrance Financement's 2019 financing plan.

The Risk Committee addressed the changes in risks ("business line" risks, sector limits) quarterly, acknowledged the follow-up to the IGA and ECB 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. It was also informed of the results of the test of the contingency and business continuity plan in 2017 and of the testing schedule for 2018.

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 Bpifrance publication policy, 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 progress of the ECB's supervisory missions and the work relating to the opening of export credit to Iran in 2018 before the latter was discontinued. In addition, the Risk Committee was shown topical presentations on Bpifrance Financement's activity in Renewable Energy, Property, and IT Security.

- 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.

These committees are composed of three directors: the French State, represented by Yann Pouëzat; Catherine Halberstadt (who meets the conditions of independence within the meaning provided in the Afep-Medef Code); and a forthcoming appointment (director appointed on a recommendation from the Caisse des Dépôts). Catherine Halberstadt chairs these Committee meetings.

- 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), Pierre Prieux (who meets the independence criteria under the Afep-Medef Code), and a forthcoming appointment (director appointed on a proposal from the Caisse des Dépôts). Pierre Prieux chairs the Innovation Committee meetings.

The Innovation Commitee also includes a panel of experts: Christine Costes (Ministry of Research), Matthieu Landon (DGE), Thibaud Frossard (Budget Office), and Philippe Englebert (Directorate-General of the Treasury), appointed on a proposal by the French State Jean-Louis Delcloy, appointed on a proposal by the Caisse des Dépôts; Armelle Weisman (Partner at Deloitte Développement Durable) and Judith Greciet (CEO of ONEXO), appointed on a proposal by 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 French State, represented by Yann Pouëzat, Jean-Louis Delcloy (appointed on the recommendation of Caisse des Dépôts), and Hugues Maisonnier (who meets the criteria for independence within the meaning provided in the Afep-Medef Code). Hugues Maisonnier chairs the Financing-Guarantee Committee meetings.

The Financing-Guarantee Committee also includes a panel of experts: François Deschamps (Budget Office), Antoine Bergerot (Directorate-General of the Treasury) appointed on a proposal by the French State; Antoine Beaugendre (Directeur of Research – Equity Manager at Caisse des Dépôts), the French Banking Federation, and one appointment forthcoming, recommended by Caisse des Dépôts; and Crédit Agricole, the CM-CIC and Groupe BPCE, appointed on a proposal of the Chairman of the Board of Directors.

6.5.5. Limitations of the powers of the Chief Executive Officer by the Board of Directors

The 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 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 2018, or which were signed earlier but continued to be in effect for that fiscal period.
The list of agreements authorised and entered into in 2018 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 2018

At its meeting of 14 March 2019, the Board of Directors of Bpifrance Financement reviewed the agreements signed and approved during previous fiscal years and whose execution continued in fiscal year 2018.

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[19]. 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 the Shareholders of Bpifrance Financement to the Board of Directors for capital increases, in application of Articles L. 225-129-1 and L. -225-129-2 of the French Commercial Code, are currently valid.

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[19] 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.

6.10. Rules applicable to amendments to the Company's Articles of Association

In the Company's Articles of Association, there are no stricter conditions than those imposed by the law for amending articles of association.

7. RESOLUTIONS SUBMITTED TO THE GENERAL MEETING OF 15 MAY 2019

- **Resolution 1** *(approval of the Board of Directors' report on the company's situation and activity for the year ended 31 December 2018*)

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 2018 and all operations discussed therein.

- **Resolution 2** (*approval of the separate financial statements for the year ended 31 December 2018*)

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 2018, as presented to it, and which show earnings of €214,502,436.74, as well as the transactions represented in these financial statements.

- **Resolution 3** (*approval of the consolidated financial statements for the year ended 31 December 2018*)

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 2018, approves the consolidated financial statements, namely the balance sheet, the profit and loss statement and the notes, to 31 December 2018, as presented to it, and which show earnings (group share of net earnings) of €167.3 million, as well as the transactions represented in these financial statements.

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 2018 are equal to €782,105.80 and correspond to the fraction of the non-deductible lease payments on leased vehicles. The amount of the corresponding tax expense is €269,279.03.

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 on 31 December 2018.

- **Resolution 4** (*allocation of earnings for the year ended 31 December 2018*)

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 2018 fiscal year as follows:

	In euros
Distributable profit for the year	214,502,436.74
Retained earnings	467,957,757.56
Available balance	***682,460,194.30***
Transfer to the legal reserve	10,725,121.84
Distributable balance	**671,735,072.46**
Allocation to other reserves	0.00
Distribution of dividends	0.00
Allocation to retained earnings	203,777,314.90
Total retained earnings after allocation of earnings	***671,735,072.46***

The General Meeting recognises the Board of Directors' summary of the amount of dividends distributed in respect of the last three fiscal years:

Fiscal year	Dividend per share
2015	€0.10 *
2016	No distribution
2017	€0.10 *

* Dividends eligible for abatement benefiting natural persons domiciled in France for tax purposes as set out in Article 158-3 §2 of the French General Tax Code

- **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 19 December 2018 and signed on 20 December 2018.

- **Sixth resolution** (*approval of the addendum to the unconditional and irrevocable autonomous first-demand guarantee between Bpifrance SA and 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 addendum to the unconditional and irrevocable autonomous first-demand guarantee, authorised by the Board of Directors on 19 December 2018 and entered into on 10 January 2019 between Bpifrance SA and Bpifrance Financement.

- **Seventh resolution** (*approval of the memorandum of agreement among the Caisse des Dépôts, Bpifrance SA et Bpifrance Financement relating to the transfer of business support activities*)

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 memorandum of agreement among the Caisse des Dépôts, Bpifrance SA and Bpifrance Financement relating to the transfer of business support activities, authorised by the Board of Directors on 19 December 2018 and signed on 20 December 2018.

- **Eighth resolution** (*approval of the service agreement between Bpifrance SA and 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 service agreement between Bpifrance SA and Bpifrance Financement, authorised by the Board of Directors on 19 December 2018 and signed on 20 December 2018.

- **Ninth resolution** (*approval of the service agreement between Bpifrance SA and 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 service agreement between Bpifrance SA and Bpifrance Financement, authorised by the Board of Directors on 19 December 2018 and signed on 20 December 2018.

- **Tenth resolution** (*approval of the service agreement among EPIC Bpifrance, Bpifrance Financement and Bpifrance Investissement relating to management of the Innovation and Industry Fund*)

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 among EPIC Bpifrance, Bpifrance Financement and Bpifrance Investissement relating to management of the Innovation and Industry Fund, authorised by the Board of Directors on 19 December 2018 and signed on 21 December 2018.

- **Eleventh resolution** (*ratification of the co-optation de Gisèle Rossat-Mignod*)

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 ratify the co-opting of Gisèle Rossat-Mignod as a director of the company, replacing Delphine de Chaisemartin for her remaining term of office, i.e. until the end of the Ordinary General Meeting to be held in 2023 to approve the financial statements for fiscal year 2022.

- **Twelfth resolution** (*ratification of the co-optation de Olivier Fabas*)

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 ratify the co-opting of Olivier Fabas as a director of the company, replacing François-Louis Ricard for his remaining term of office, i.e. until the end of the Ordinary General Meeting to be held in 2023 to approve the financial statements for fiscal year 2022.

- **Thirteenth resolution** (*setting of the total amount of directors' fees*)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, having heard the Board of Directors' Report, decides to allocate directors' fees to the Board of Directors for a total annual fixed amount of €217,500, in respect of the 2018 fiscal year and subsequent fiscal years until a new decision, and tasks the Board of Directors with allocating this sum amongst its members.

- **Fourteenth resolution** (*favourable opinion on the overall budget for compensation of any kind paid during the year ended 31 December 2018 to the persons referred to in Article L. 511-71 of the French Monetary and Financial Code, in the gross amount of €7,747,817*)

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, having heard the Board of Directors' Report, issues a favourable opinion regarding the overall amount of the compensation of all kinds, amounting to €7,747,817 gross, paid during the fiscal year ended on 31 December 2018 to the persons indicated in Article L. 511-71 of the French Monetary and Financial Code, i.e.54.7 full-time equivalent persons.

- **Fifteenth resolution** (*powers for formalities*)

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary 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.

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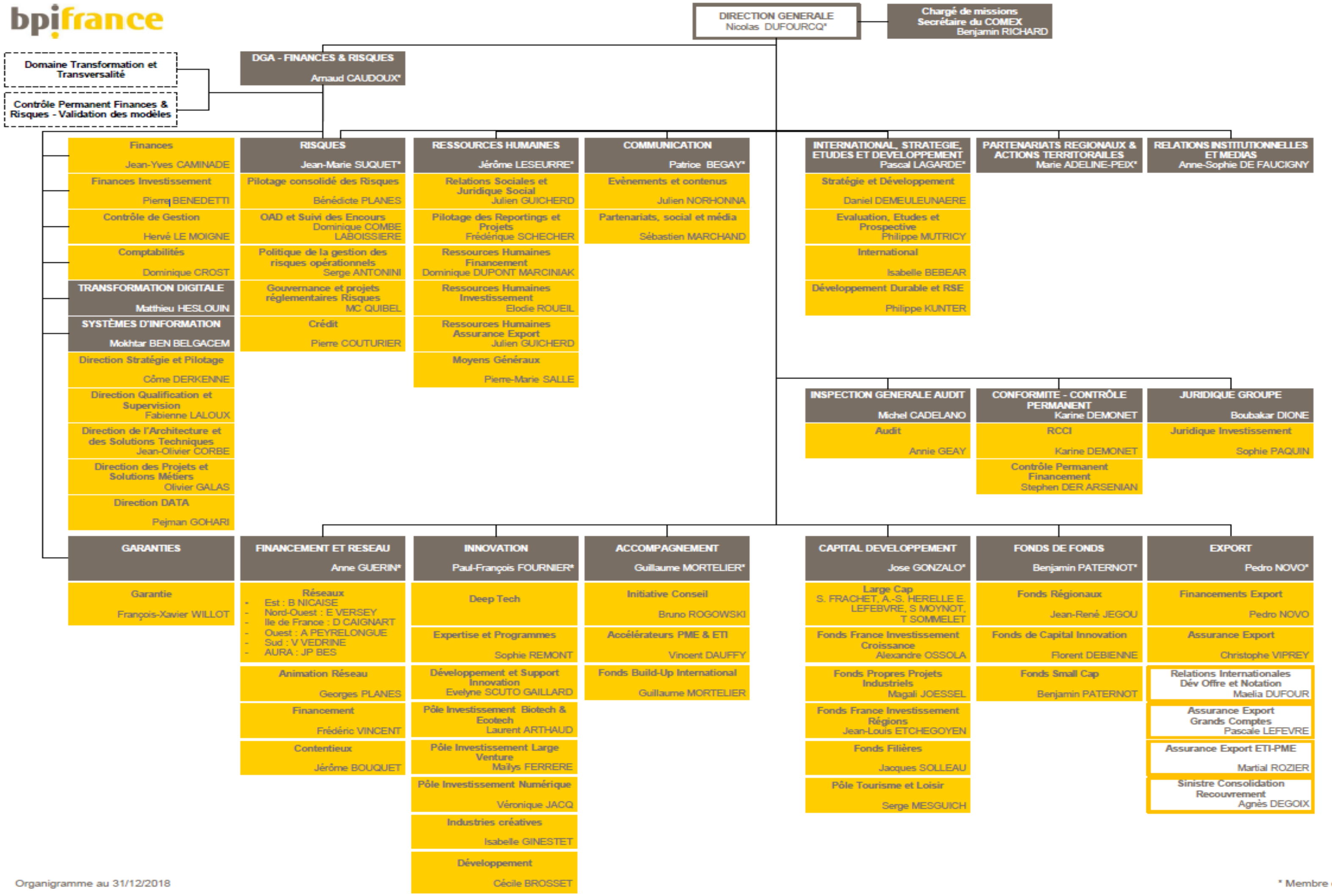
8. ORGANISATIONAL CHARTS OF BPIFRANCE

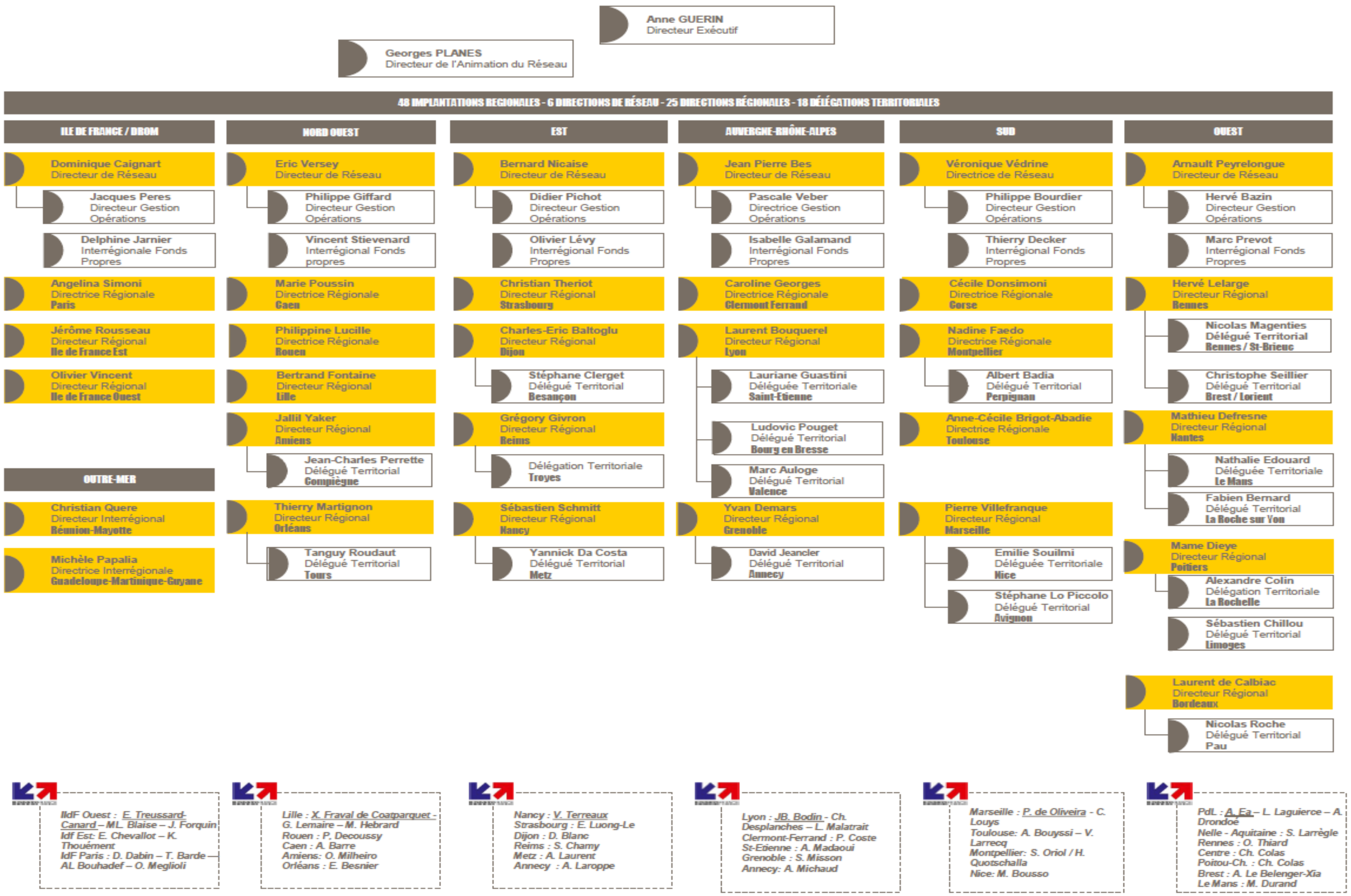
8.1. Functional organisational chart



Organigramme au 31/12/2018

* Membre du Comité Exécutif

8.2. Organisational chart of the network



9. FIVE-YEAR FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL SUMMARY

	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
I - Capital at year end					
a) Capital (in euro equivalent)	759 916 144	839 907 320	839 907 320	839 907 320	**839 907 320**
b) Number of shares issued	94 989 518	104 988 415	104 988 415	104 988 415	**104 988 415**
II – Operations and results for the fiscal year (in thousands of euros)					
a) Pre-tax turnover	2 039 384	2 188 860	2 323 587	2 424 817	**2 454 122**
b) Earnings before taxes, employee profit-sharing and incentives, and allowances for depreciation, amortisation and provisions	157 511	268 895	334 473	412 557	**449 803**
c) Income tax	45 887	92 654	96 260	138 193	**132 187**
d) Employee profit-sharing and incentives due in respect of the fiscal year	9 070	9 884	11 610	15 095	**15 152**
e) Earnings after taxes, employee profit-sharing and incentives, and allowances for depreciation, amortisation and provisions	24 123	69 780	175 094	200 198	**214 502**
f) Income paid as dividends	9 499	10 499	0	10 499	**0**
III – Earnings per share (in euros)					
a) Earnings after taxes, employee profit-sharing and incentives but before allowances for depreciation, amortisation and prov	1,08	1,58	2,16	2,47	**2,88**
b) Earnings after taxes, employee profit-sharing and incentives, and allowances for depreciation, amortisation and provisions	0,25	0,66	1,67	1,91	**2,04**
c) Dividend attributed to each share	0,10	0,10	0,00	0,10	**0,00**
IV – Headcount					
a) Number of employees as of 31 December	1 717	1 803	2 070	2 142	**2 214**
b) Total payroll (in thousands of euros)	108 843	117 673	121 269	126 883	**135 460**
c) Amount paid in respect of employee benefits (Social Security, service projects, etc.) (in € thousands)	50 064	52 663	54 567	58 237	**60 311**

10. CONSOLIDATED FINANCIAL STATEMENTS

Publishable Consolidated Balance Sheet of Bpifrance Financement

ASSETS *(in millions of euros)*	Notes	31/12/2018	31/12/2017
Cash, central banks	6.1	1 687,6	357,2
Financial assets at fair value through profit or loss	6.2	730,4	0,0
Derivative hedge instruments	6.3	5,8	11,3
Non-current financial assets available for sale	6.4		820,7
Financial assets at fair value through equity	6.5	312,3	
Financial assets held-to-maturity	6.6		8 641,8
Securities at amortised cost	6.6	8 324,0	
Loans and receivables due from credit institutions and similar, at amortised c	6.7	688,4	462,6
Loans and receivables due from customers, at amortised cost	6.8	37 581,9	34 522,8
Finance lease transactions and similar, at amortised cost	6.9	6 076,8	6 008,6
Innovation financing aids	6.10	1 073,3	491,6
Revaluation discrepancies of the rate-hedged portfolios		289,4	264,4
Current and deferred tax assets	6.11	7,3	11,4
Accruals and miscellaneous assets	6.12	396,7	629,6
Non-current assets held for sale		0,0	0,0
Interests in companies accounted for using the equity method		11,4	12,2
Investment property		0,0	0,0
Tangible fixed assets	6.13	120,4	116,1
Intangible fixed assets	6.13	72,4	63,3
Goodwill		1,7	0,5
TOTAL ASSETS		**57 379,8**	**52 414,1**

Publishable Consolidated Balance Sheet of Bpifrance Financement

LIABILITIES *(in millions of euros)*	Notes	31/12/2018	31/12/2017
Central banks	6.1	**0,0**	**0,0**
Financial liabilities at fair value through profit or loss	6.2	**2,9**	**3,5**
Derivative hedge instruments	6.3	**4,7**	**7,9**
Due to credit institutions and similar	6.14	**12 460,9**	**12 365,1**
Debts due to customers	6.15	**3 506,2**	**3 495,8**
Debt securities	6.16	**27 877,1**	**24 786,3**
Revaluation discrepancies of the rate-hedged portfolios		**295,6**	**211,2**
Current and deferred tax liabilities	6.11	**4,1**	**10,0**
Accrued expenses and other liabilities	6.12	**983,8**	**996,7**
Debts related to non-current assets intended to be sold		**0,0**	**0,0**
Provisions	6.17	**45,6**	**2 832,6**
Net innovation intervention resources	6.18	**1 993,4**	**935,6**
- *Allocated to commitments*		*973,3*	
- *Non-allocated*		*1 020,1*	*935,6*
Public Guarantee Funds	6.19	**5 990,1**	**2 861,9**
- *Allocated to commitments*		*2 180,2*	
- *Non-allocated*		*3 809,9*	*2 861,9*
Subordinated debts	6.20	**459,5**	**309,4**
Shareholders' equity		**3 755,9**	**3 598,1**
Group share of shareholders' equity		**3 755,9**	**3 598,1**
- *Capital and related reserves*		*2 031,8*	*2 031,8*
- *Consolidated reserves*		*1 561,7*	*1 386,3*
- *Gains and losses directly recognised in the shareholders' equity*		*-4,9*	*-2,3*
- *Earnings*		*167,3*	*182,3*
Minority interests		**0,0**	**0,0**
- *Reserves*		*0,0*	*0,0*
- *Earnings*		*0,0*	*0,0*
TOTAL LIABILITIES		**57 379,8**	**52 414,1**

Publishable Consolidated Profit and Loss Statement of Bpifrance Financement

(in millions of euros)	Notes	31/12/2018	31/12/2017
Interest Income	7.1	1 728,6	1 557,9
Interest and similar charges	7.1	-1 015,5	-865,2
Net gains or losses from hedges of net positions		0,0	0,0
Commissions (income)		9,6	8,4
Commissions (expenses)		-1,6	-1,2
Net gains or losses on financial instruments at fair value through profit or loss	7.2	3,2	1,0
Net gains or losses on financial instruments at fair value through shareholders' equity	7.3	0,1	0,0
Net gains or losses resulting from the derecognition of financial assets at amortised cost	7.4	-0,2	0,0
Net gains or losses resulting from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss		0,0	0,0
Net gains or losses resulting from the reclassification of financial assets at fair value through shareholders' equity to financial assets at fair value through profit or loss		0,0	0,0
Net gains or losses on financial assets available for sale	7.3	0,0	2,8
Income from other activities	7.5	149,3	166,5
Expense from other activities	7.5	-103,4	-112,0
NET BANKING INCOME		**770,1**	**758,2**
Operating general expenses	7.6	-409,3	-378,7
Amortisation & depreciation allowances on tangible and intangible fixed assets	7.7	-34,6	-32,0
GROSS OPERATING EARNINGS		**326,2**	**347,5**
Cost of credit risk	7.8	-37,0	-35,3
OPERATING INCOME		**289,2**	**312,2**
Share of net income from companies accounted for using the equity method		1,8	1,2
Net gains or losses on other assets		0,3	0,5
Changes in the value of the goodwill		0,0	0,0
PRE-TAX EARNINGS		**291,3**	**313,9**
Profits tax (on corporations)	7.9	-124,0	-131,6
Net after-tax earnings from discontinued operations		0,0	0,0
NET EARNINGS		**167,3**	**182,3**
Minority interests		0,0	0,0
GROUP SHARE OF NET INCOME		**167,3**	**182,3**
* Earnings per share (in euros)		1,59	1,74
* Diluted earnings per share (in euros)		1,59	1,74

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

(in millions of euros)	31/12/2018	31/12/2017
NET EARNINGS	**167,3**	**182,3**
Elements that could be reclassified (recyclable) through net profit or loss		
Translation differences	0,0	0,0
Revaluation of the financial assets available for sale		-2,0
Revaluation of recyclable financial assets at fair value through shareholders' equity	0,2	0,0
Revaluation of derivative hedging instruments of recyclable elements	0,0	0,0
Share of gains and losses recognised directly in shareholders' equity of companies accounted for using the equity method	0,0	0,0
Other elements recognised through shareholders' equity and recyclable	0,0	0,0
*Related taxes**	0,0	0,0
Elements that could not be reclassified (non-recyclable) through net profit or loss		
Revaluation of fixed assets	0,0	0,0
Revaluation (or actuarial differences) with respect to defined-benefit plans	-3,0	-0,1
Revaluation of own credit risk of financial liabilities optionally recognised at fair value through profit or loss	0,0	
Revaluation of non-recyclable equity instruments recognised at fair value through shareholders' equity	0,5	
Share of gains and losses recognised directly in shareholders' equity of companies accounted for using the equity method and non-recyclable	0,0	0,0
Other non-recyclable elements recognised through shareholders' equity	0,0	0,0
*Related taxes**	0,9	0,0
TOTAL GAINS AND LOSSES RECOGNISEDDIRECTLY IN SHAREHOLDERS' EQUITY	**-1,4**	**-2,1**
NET EARNINGS AND GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUIT	**165,9**	**180,2**
* Of which Group share	165,9	180,2
* Of which minority interests	0,0	0,0
Transfer amount to reserve of non-recyclable elements	**0,0**	**0,0**

** Taxes in 2017 were included under various headings*

Change in Shareholders' Equity (Group Share)

(in millions of euros)	Capital and related reserves	Reserves	Gains and losses directly recognised in shareholders' equity	Allocation	Total
Situation to 31 December 2016	**2 031,8**	**1 202,5**	**-0,2**		**3 234,1**
2016 earnings				**183,8**	**183,8**
Earnings allocated to reserves	0,0	183,8	0,0	-183,8	0,0
Changes to gains and losses directly recognised in shareholders' equity	0,0	0,0	-2,0	0,0	-2,0
Value change of financial instruments affecting shareholders' equity	*0,0*	*0,0*	*-0,3*	*0,0*	*-0,3*
Value change of financial instruments as related to earnings	*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
Situation to 31 December 2017	**2 031,8**	**1 386,3**	**-2,3**	**0,0**	**3 415,8**
2017 earnings				**182,3**	**182,3**
Earnings allocated to reserves	0,0	171,8	0,0	-171,8	0,0
Impact of FTA IFRS 9 reclassifications	0,0	1,0	-1,1	0,0	-0,1
Impact of FTA IFRS 9 restatements	0,0	2,7	-0,1	0,0	2,6
Changes to gains and losses directly recognised in shareholders' equity	0,0	0,0	0,8	0,0	0,8
Change in value of financial instruments impacting shareholders' equity - non-recyclable	*0,0*	*0,0*	*0,6*	*0,0*	*0,6*
Change in value of financial instruments impacting shareholders' equity - recyclable	*0,0*	*0,0*	*0,2*	*0,0*	*0,2*
Actuarial gains and losses on defined benefit plans	0,0	0,0	-2,2	0,0	-2,2
Distribution of dividends	0,0	0,0	0,0	-10,5	-10,5
Change in interest percentages	0,0	-0,1	0,0	0,0	-0,1
Miscellaneous	0,0	0,0	0,0	0,0	0,0
Situation at 31 December 2018	**2 031,8**	**1 561,7**	**-4,9**	**0,0**	**3 588,6**
2018 earnings				**167,3**	**167,3**

Variation in Minority Interests

Minority interests as of 31 December 2016	**0,2**
Changes to gains and losses directly recognised in shareholders' equity	0,0
Value change of financial instruments affecting shareholders' equity	*0,0*
Value change of financial instruments as related to earnings	*0,0*
Change in interest percentages	-0,2
Share of earnings as of 31 December 2017	0,0
Minority interests as of 31 December 2017	**0,0**
Changes to gains and losses directly recognised in shareholders' equity	0,0
Value change of financial instruments affecting shareholders' equity	*0,0*
Value change of financial instruments as related to earnings	*0,0*
Change in interest percentages	*0,0*
Share of earnings as of 31 December 2018	0,0
Minority interests as of 31 December 2018	**0,0**

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 "Securities at amortised cost".

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. The strategic equity securities listed in the portfolio of “Financial assets at fair value through equity” are included in this compartment.

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)	31/12/2018	31/12/2017
Earnings before taxes	**291,3**	**313,9**
Net depreciation/amortisation expense on property, plant and equipment, and intangible assets	34,5	32,0
Depreciation of the goodwill and other fixed assets	0,0	0,0
Net allocations to provisions	9,7	-251,6
Share of earnings related to companies accounted for using the equity method	-1,8	-1,2
Net loss/net gain from investment activities	0,5	-0,1
Other	311,7	959,1
Other movements (specific to the guarantee funds)	288,7	-7,3
Total of the non-monetary elements included in the net income before taxes, and of the other	**643,3**	**730,9**
Flows related to operations with credit institutions	85,5	51,9
Flows related to operations with the clientele	-2 624,6	-3 066,2
Flows related to other operations affecting the financial assets or liabilities	151,0	-2 325,8
Flows related to other operations affecting the non-financial assets or liabilities	-107,6	-830,3
Flows related to other operations affecting the innovation activity	259,4	172,7
Taxes paid	-125,7	-98,5
Net decrease/(increase) of the assets and liabilities resulting from operational activities	**-2 362,0**	**-6 096,2**
Total net cash flow generated by operational activities (A)	**-1 427,4**	**-5 051,4**
Flows related to financial assets and equity interests	19,0	0,0
Flows linked to investment buildings	0,0	0,0
Flows related to tangible and intangible fixed assets	-46,7	-38,0
Total net cash flow related to investment operations (B)	**-27,7**	**-38,0**
Cash flows coming from or going to shareholders	-12,4	0,5
Other net cash flow resulting from financing activities	2 897,9	4 433,8
Total net cash flow related to financing operations (C)	**2 885,5**	**4 434,3**
Effects of exchange rate variations on cash and cash equivalents (D)	0,0	0,0
Net increase/(decrease) of the cash and cash equivalents (A+B+C+D)	**1 430,4**	**-655,1**
Net cash flow generated by operational activities (A)	-1 427,4	-5 051,4
Net cash flow related to investment operations (B)	-27,7	-38,0
Net cash flow related to financing operations (C)	2 885,5	4 434,3
Effects of exchange rate variations on cash and cash equivalents (D)	0,0	0,0
Cash and cash equivalents upon opening	**566,7**	**1 221,8**
Cash, central banks (assets & liabilities)	357,2	882,3
Accounts (assets & liabilities) and demand loans/borrowing with lending institutions	209,5	339,5
Cash and cash equivalents upon closing	**1 997,1**	**566,7**
Cash, central banks (assets & liabilities)	1 687,6	357,2
Accounts (assets & liabilities) and demand loans/borrowing with lending institutions	309,5	209,5
Change in net cash position	**1 430,4**	**-655,1**

Notes to the financial statements

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 Post-balance sheet events

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

Note 2 - Applicable accounting standards

2.1 Applicable accounting standards on 31 December 2018

The 2018 consolidated financial statements are prepared in compliance with the IFRS guidelines as adopted by the European Union and applicable on 31 December 2018.

The entry into force of IFRS 9 "Financial instruments" had a significant impact on the classification and change of financial instruments in Bpifrance Group's consolidated financial statements (see 2.2 Impacts of the first-time application of IFRS 9).
The first-time application of IFRS 15 "Revenue from contracts with customers" did not have an impact on the financial statements as the accounting principles applied up to now for commissions and income from other activities already complied with this text.
The other standards, amendments and interpretations whose application became mandatory as of 1 January 2018 had no material impact on the financial statements to 31 December 2018.

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

2.2 Impacts of the first-time application of IFRS 9

Reconciliation between Bpifrance Financement's publishable consolidated balance sheet at 1 January 2018 under IAS 39 and the consolidated balance sheet under IFRS 9

ASSETS *(in millions of euros)*	31/12/2017	classifications	Restatements	01/01/2018 IFRS 9
Cash, central banks	357,2			357,2
Financial assets at fair value through profit or loss	0,0	664,3		664,3
Derivative hedge instruments	11,3			11,3
Non-current financial assets available for sale	820,7	-820,7		0,0
Financial assets at fair value through equity		26,1		26,1
Securities at amortised cost		8 772,1	-1,5	8 770,6
Loans and receivables due from credit institutions and similar, at amo	462,6			462,6
Loans and receivables due from customers, at amortised cost	34 522,8	531,3	0,1	35 054,2
Finance lease transactions and similar, at amortised cost	6 008,6	17,5	5,9	6 032,0
Innovation financing aids	491,6	624,0		1 115,6
Revaluation discrepancies of the rate-hedged portfolios	264,4			264,4
Financial assets held-to-maturity	8 641,8	-8 641,8		0,0
Current and deferred tax assets	11,4		-2,0	9,4
Accruals and miscellaneous assets	629,6	-136,9	0,2	492,9
Non-current assets held for sale	0,0			0,0
Interests in companies accounted for using the equity method	12,2		-0,4	11,8
Investment property	0,0			0,0
Tangible fixed assets	116,1			116,1
Intangible fixed assets	63,3			63,3
Goodwill	0,5			0,5
TOTAL ASSETS	52 414,1	1 035,9	2,3	53 452,3

Reconciliation between Bpifrance Financement's publishable consolidated balance sheet at 1 January 2018 under IAS 39 and the consolidated balance sheet under IFRS 9

LIABILITIES *(in millions of euros)*	31/12/2017	classifications	Restatements	01/01/2018 IFRS 9
Central banks	0,0			0,0
Financial liabilities at fair value through profit or loss	3,5			3,5
Derivative hedge instruments	7,9			7,9
Due to credit institutions and similar	12 365,1			12 365,1
Debts due to customers	3 495,8			3 495,8
Debt securities	24 786,3			24 786,3
Revaluation discrepancies of the rate-hedged portfolios	211,2			211,2
Current and deferred tax liabilities	10,0		-0,3	9,7
Accrued expenses and other liabilities	996,7			996,7
Debts related to non-current assets intended to be sold	0,0			0,0
Provisions	2 832,6	-2 791,3		41,3
Net innovation intervention resources	935,6	987,6		1 923,2
- Allocated to commitments		*987,6*		*987,6*
- Non-allocated	*935,6*			*935,6*
Public Guarantee Funds	2 861,9	2 839,6		5 701,5
- Allocated to commitments		*2 839,6*		*2 839,6*
- Non-allocated	*2 861,9*			*2 861,9*
Subordinated debts	309,4			309,4
Shareholders' equity	3 598,1	0,0	2,6	3 600,7
Group share of shareholders' equity	3 598,1	0,0	2,6	3 600,7
- Capital and related reserves	*2 031,8*			*2 031,8*
- Consolidated reserves	*1 386,3*	*1,1*	*2,7*	*1 390,1*
- Gains and losses directly recognised in the shareholders' equity	*-2,3*	*-1,1*	*-0,1*	*-3,5*
- Earnings	*182,3*			*182,3*
Minority interests	0,0	0,0	0,0	0,0
- Reserves	*0,0*			*0,0*
- Earnings	*0,0*			*0,0*
TOTAL LIABILITIES	52 414,1	1 035,9	2,3	53 452,3

Analysis of the main reclassifications on Bpifrance Financement's IFRS 9 consolidated balance sheet at 1 January 2018

ASSETS *(in millions of euros)*	Non-current financial assets available for sale	Financial assets held-to-maturity	Public guarantee and innovation funds	Reclassifications
Financial assets at fair value through profit or loss	664,3			664,3
Derivative hedge instruments				0,0
Non-current financial assets available for sale	-820,7			-820,7
Financial assets at fair value through equity	26,1			26,1
Securities at amortised cost	130,3	8 641,8		8 772,1
Loans and receivables due from credit institutions and similar, at amortised cost				0,0
Loans and receivables due from customers, at amortised cost			531,3	531,3
Finance lease transactions and similar, at amortised cost			17,5	17,5
Innovation financing aids			624,0	624,0
Revaluation discrepancies of the rate-hedged portfolios				0,0
Financial assets held-to-maturity		-8 641,8		-8 641,8
Current and deferred tax assets				0,0
Accruals and miscellaneous assets			-136,9	-136,9
Interests in companies accounted for using the equity method				0,0
TOTAL ASSETS	0,0	0,0	1 035,9	1 035,9

LIABILITIES *(in millions of euros)*			Public guarantee and innovation	Reclassifications
Financial liabilities at fair value through profit or loss				**0,0**
Derivative hedge instruments				**0,0**
Due to credit institutions and similar				**0,0**
Debts due to customers				**0,0**
Debt securities				**0,0**
Revaluation discrepancies of the rate-hedged portfolios				**0,0**
Current and deferred tax liabilities				**0,0**
Accrued expenses and other liabilities				**0,0**
Provisions			**-2 791,3**	**-2 791,3**
Net innovation intervention resources	**0,0**	**0,0**	**987,6**	**987,6**
- Allocated to commitments			*987,6*	*987,6*
- Non-allocated				*0,0*
Public Guarantee Funds	**0,0**	**0,0**	**2 839,6**	**2 839,6**
- Allocated to commitments			*2 839,6*	*2 839,6*
- Non-allocated				*0,0*
Subordinated debts				**0,0**
Shareholders' equity:	**0,0**	**0,0**	**0,0**	**0,0**
Group share of shareholders' equity				*0,0*
Minority interests				*0,0*
TOTAL LIABILITIES	**0,0**	**0,0**	**1 035,9**	**1 035,9**

Reconciliation between impairments and provisions in Bpifrance Financement's publishable consolidated balance sheet at 1 January 2018 under IAS 39 and the consolidated balance sheet under IFRS 9

ASSETS *(in millions of euros)*	31/12/2017	Reclassifications		Restatements	01/01/2018 IFRS 9
		Impairments on Securities	Public guarantee and innovation funds		
Impairments on financial assets available for sale	-1,6	1,6			0,0
Impairments on Securities at amortised cost		-0,2		-1,6	-1,9
Impairments on Loans and receivables due from credit institutions and similar, at amortised cost					0,0
Impairments on Loans and receivables due from customers, at amortise	-1 076,2		531,3	0,1	-544,8
Impairments on Finance lease transactions and similar, at amortised co	-104,0		17,5	5,9	-80,6
Impairments on Innovation financing aids	-624,0		624,0		0,0
Impairments on Financial assets held to maturity					0,0
Impairments on Accruals and miscellaneous assets					0,0
Impairments on Equity interests in companies accounted for using the equity method					0,0
TOTAL ASSETS	**-1 805,8**	**1,4 ***	**1 172,8**	**4,4**	**-627,3**

LIABILITIES *(in millions of euros)*	31/12/2017	Reclassifications		Restatements	01/01/2018 IFRS 9
		Impairments on Securities	Public guarantee and innovation funds		
Provisions	2 794,1		-2 791,3		2,8
Net innovation intervention resources	0,0		987,6		987,6
- Allocated to commitments			*987,6*		*987,6*
Public Guarantee Funds	0,0		2 976,5		2 976,5
- Allocated to commitments			*2 976,5*		*2 976,5*
Shareholders' equity:	0,0		0,0	4,4	4,4
Group share of shareholders' equity	*0,0*			*4,4*	*4,4*
Minority interests	*0,0*				*0,0*
TOTAL LIABILITIES	**2 794,1**	**0,0**	**1 172,8**	**4,4**	**3 971,3**
TOTAL IMPAIRMENTS AND PROVISIONS	**4 599,9**	**-1,4 ***	**0,0**	**-4,4**	**4 594,2**

**Impairments on AFS securities included in fair value of securities in FVPL (-0.9) and FVOCI -0.5): -1.4*

The following reclassifications were made:

- financial assets held to maturity were all reclassified under securities at amortised cost, for €8,641.8M.
- Financial assets available for sale were reclassified into three separate categories:
  - in financial assets at fair value through profit or loss for UCITS, for €664.3M;
  - in securities at amortised cost for bonds meeting SPPI characteristics, for €130.4M;
  - in financial assets at fair value through shareholders' equity for shares, for €26M.

- Guarantee and Innovation activities:
  - impairment relating to customer receivables, innovation activity loans and repayable advances guaranteed by the guarantee fund, previously recognised as deductions from assets, were reclassified as liabilities under "Public guarantee funds allocated to commitments" and "Net innovation intervention resources allocated to commitments" for a total amount of €1,172.8M;
  - impairment for proven risk and the fair value of guarantees was reclassified from "Provisions" to "Public guarantee funds allocated to commitments" and "Net innovation intervention resources allocated to commitments" for a total amount of €2,791.3M;

- the discounted value of commissions receivable due to the guarantee fund (guarantee activity) were reclassified from the asset adjustment account to "Public guarantee funds allocated to commitments" for €136.9M.

All loans and receivables from credit institutions and customers are classified in the categories loans and receivables from credit institutions and customers at amortised cost. No transfers appear in this table.

Analysis of the main restatements on Bpifrance Financement's IFRS 9 consolidated balance sheet at 1 January 2018

ASSETS *(in millions of euros)*	Impairments on Securities	Impairments on Loans	Other	Restatements
Financial assets at fair value through profit or loss				0,0
Derivative hedge instruments				0,0
Non-current financial assets available for sale				0,0
Financial assets at fair value through equity				0,0
Securities at amortised cost	-1,6		0,1	-1,5
Loans and receivables due from credit institutions and similar, at amortised cost				0,0
Loans and receivables due from customers, at amortised cost		0,1		0,1
Finance lease transactions and similar, at amortised cost		5,9		5,9
Innovation financing aids				0,0
Revaluation discrepancies of the rate-hedged portfolios				0,0
Financial assets held-to-maturity				0,0
Current and deferred tax assets		-2,0		-2,0
Accruals and miscellaneous assets			0,2	0,2
Interests in companies accounted for using the equity method			-0,4	-0,4
TOTAL ASSETS	-1,6	4,0	-0,1	2,3

LIABILITIES *(in millions of euros)*	Impairments on Securities	Impairments on Loans	Other	Restatements
Financial liabilities at fair value through profit or loss				0,0
Derivative hedge instruments				0,0
Due to credit institutions and similar				0,0
Debts due to customers				0,0
Debt securities				0,0
Revaluation discrepancies of the rate-hedged portfolios				0,0
Current and deferred tax liabilities	-0,3			-0,3
Accrued expenses and other liabilities				0,0
Provisions				0,0
Net innovation intervention resources	0,0	0,0	0,0	0,0
- Allocated to commitments				*0,0*
- Non-allocated				*0,0*
Public Guarantee Funds	0,0	0,0	0,0	0,0
- Allocated to commitments				*0,0*
- Non-allocated				*0,0*
Subordinated debts				0,0
Shareholders' equity:	-1,8	4,5	-0,1	2,6
Group share of shareholders' equity	*-1,8*	*4,5*	*-0,1*	*2,6*
Minority interests				*0,0*
TOTAL LIABILITIES	-2,1	4,5	-0,1	2,3

The following restatements were made:

- Debt securities
  - Debt securities classified at amortised cost (mainly sovereign bonds) were not subject to a provision due to their credit quality. The application of the new IFRS 9 provisioning model led to the recognition of impairment for €1.6M.
  - The reclassification of securities from the available for sale category to the amortised cost category led to a reassessment reversal of €0.1M.
  - The reclassification of securities from the available for sale category to the amortised cost category led to a reassessment reversal of €0.2M which represents the 90% of compensation due to the State and other public donors relating to the unused guarantee fund provisions.

- Financing operations
  - The application of the new IFRS 9 provisioning model led to a net reversal of provisions on financing operations (loans to customers and finance lease operations) recognised at amortised cost of €6M.
  - The value of the Alsabail securities, accounted by the equity method, decreased by €0.4M due to the application of the new IFRS 9 provisioning model on Alsabail's assets.

2.3 Accounting standards that the group will apply in the future

IFRS 16 “Leases”

IFRS 16 on leases will replace the current IAS 17 standard. It will enter into force for fiscal years starting from 1 January 2019.

IFRS 16 significantly modifies the recognition of simple leases for lessees, whereas the accounting treatment for finance leases for lessees and leases for lessors are only marginally modified.

According to IFRS 16, a lease involves the identification of an asset and the right for the lessee to control use of this asset. All leases must be recorded in fixed assets on the balance sheet in the form of a right to use the asset and in liabilities in the form of a financial debt representing the discounted future rent payments. The right to use the asset is amortised on a straight-line basis and the financial debt on an actuarial basis for the term of the lease.

In 2018, Bpifrance's accounting department, assisted by the group's authorising officers (general resources department and IT systems department) carried out a project to identify existing leases and assess the impact of the application of IFRS 16. Almost 95% of leases concern office building leases. The other contracts relate to vehicle rentals and IT equipment rentals.

Bpifrance has opted for the application of the simplified retrospective transition method and has not, therefore, made a comparison. Bpifrance applies the incremental borrowing rate to discount the financial debt flows, with this rate being built from the internal disposal rates calculated by the group's Finance Department. At the transition date, Bpifrance has selected the residual duration of leases to define the discount rate to be used.

Bpifrance applies the exemptions provided by the standard and has not, therefore, modified short-term leases (under 12 months) and leases for low-value assets.

Excluding extension and cancellation options, the duration selected for real estate leases is nine years, in line with the Accounting Standards Authority's decision statement. Only one lease provides for a cancellation option for which the exercise has not been considered reasonably certain due to the fact that the building concerned is an essential operations building for Bpifrance.

IFRS 16 will have a relatively limited impact on Bpifrance's financial statements. The estimated increase in the lower part of the balance sheet is around €100 million.

Note 3 - Preparation principles for the consolidated financial statements of the group

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 as on 31 December 2018.

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.

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 holdings in which the group exercises joint control or notable influence are consolidated on an equity basis.

The entities recognised using the equity method is 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 accordance with ANC recommendation no. 2017-02 of 2 June 2017 on the format of consolidated financial statements for bank sector institutions prepared according to international accounting standards.

3.3 Specific cases

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 net income in the category "Financial assets at fair value through profit or loss", in accordance with IFRS 9 relating to the accounting and valuation of financial instruments.

Conversion of the financial statements of foreign subsidiaries

The group's consolidated financial statements are presented in euros. The conversion of the financial statements for entities whose functional currency is different is carried out by applying the closing price method. According to this method, all monetary and non-monetary assets and liabilities are converted at the exchange rate in force at the fiscal year closing date. Income and expenses are converted at the average rate for the period. All conversion differences resulting from the conversion are recognised as a separate component in shareholders' equity.

Interests in companies accounted for using the equity method

The equity method involves replacing the value of the securities with the share the group holds within the shareholders' equity and earnings of the companies in question. The profit and loss statement reflects the group's share of the earnings of the companies accounted for using the equity method.
The total investments accounted for using the equity method (including goodwill) are subject to an impairment test in accordance with the provisions of IAS 36 on the impairment of assets, if there exists an objective indication of impairment resulting from one or several events that have occurred since the initial recognition of the investment and these events have an impact on the estimated future cash flows of the investment, which may be reliably estimated.
The book value of the investment accounted for by the equity method is compared to its recoverable value, i.e. the highest between the value in use calculated according to the discounted future cash flow method or multi-criteria methods and the fair value less the sales costs.

When impairment is noted, it is then allocated to the equity investment accounted for by the equity method, which authorises the subsequent reversal of the impairment in case of an improvement in the value in use or market value.

3.4 Consolidation rules

Restatements and eliminations

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

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 the 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.

3.5 Presentation of the financial statements and closing date

Presentation of the consolidated financial statements

The presentation of summary statements used complies with that proposed by ANC recommendation no. 2017-02 of 2 June 2017.

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 2018 changed compared to the last closing of the consolidated financial statements on 31 December 2017. It now includes the financial statements of Bpifrance Courtage (fully consolidated) which up to 30/06/2018 was consolidated by the equity method under the name of Gras Savoye Bpifrance.

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	31/12/2018 % holding	31/12/2018 % voting rights	31/12/2017 % voting rights
Bpifrance Financement - MAISONS-ALFORT	Full	100%	100%	100%
Bpifrance Régions - MAISONS-ALFORT	Full	99,99%	99,99%	99,99%
Auxi-Finances - MAISONS-ALFORT	Full	100%	100%	100%
SCI Bpifrance - MAISONS-ALFORT	Full	100%	100%	100%
Bpifrance Courtage (formerly Gras Savoye Bpifrance) - MAISONS-	Full	100%	100%	-
Alsabail - STRASBOURG	Equity method	40,69%	40,69%	40,69%
Gras Savoye Bpifrance - MAISONS-ALFORT	Equity method	-	-	34,00%

Note 5 - Accounting principles and valuation methods

5.1 Determination of the 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 of reliable data, the fair value is determined using an appropriate method that complies with the assessment methodologies used on the 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, the estimated value will not be realised immediately for all of these financial instruments.

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, the market values are close to the book values in the case of variable rate financial assets and 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.

5.2 Initial recognition of financial assets and liabilities

All the financial assets and liabilities in the scope of application of IFRS 9, with the exception of those assessed at fair value through profit or loss, are recorded during their initial recognition at fair value plus or minus the transaction costs attributable to their acquisition. The transaction costs for financial assets and liabilities at fair value through profit or loss are recognised directly in profit or loss at the initial recognition date.

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

5.3 Classification and measurement of financial assets

Debt instruments

Loans and receivables as well as fixed-revenue securities are debt instruments that are subject to a subsequent assessment at amortised cost or at fair value depending on the business model and the characteristics of the contractual cash flows. More specifically:
Debt instruments held in a business model whose objective is to collect contractual cash flows and which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (hereafter "SPPI criterion" defined in the paragraph Assessment of the characteristics of contractual cash flows) are recognised at amortised cost. These debt instruments are subject to impairment according to the modalities described in Note 5.5 Impairment of financial assets. Interest is calculated according to the effective interest rate method, as described in Note 5.20 Interest income and expenses.

Debt instruments held in a business model whose objective is to both collect contractual cash flows and sell financial assets and for which the cash flows meet the SPPI criterion are recognised at fair value through shareholders' equity. Changes in fair value are recognised in shareholders' equity, with the exception of the effects related to credit risk, interest rate risk and exchange rate gains/losses on monetary assets in foreign currencies which are recorded in profit or loss. In the event of derecognition, the unrealised gains or losses are transferred from shareholders' equity to profit or loss under "Net gain/loss on instruments at fair value through shareholders' equity".

The impairment of these financial assets is calculated according to the modalities described in Note 5.5 Impairment of financial assets. Interest is calculated according to the effective interest rate method, as described in Note 5.20 Interest income and expenses.

Other debt instruments are recognised at fair value through profit or loss. These are either assets that do not meet the SPPI criterion, notably (unconsolidated) units in investment funds or bonds convertible into issuer shares, or assets that do not meet the two business models described above (collection of cash flows or collection of cash flows and sale).
Furthermore, on its initial recognition, the group may also designate, through an irrevocable option, a debt instrument at fair value through profit or loss if it meets the conditions required for assessment at amortised cost or fair value through shareholders' equity if this designation eliminates or significantly reduces time differences between the accounting treatment of certain financial assets and liabilities.
Changes in the fair value of these instruments are recorded in "Gains/losses on financial instruments at fair value through profit or loss".

Assessment of the characteristics of contractual cash flows

In order to assess the SPPI criterion (Solely Payments of Principal and Interest), the principal comprises the fair value at the date of initial recognition; it may change throughout the financial asset's lifetime, for example, in respect of the impairment of principal. Interest mainly consists of a consideration for the time value of money, the credit risk incurred by the group or any other type of risk and costs related to the holding of the financial asset over a certain period. Interest may also include a margin that is compatible with a conventional loan contract.

The time value of money is the component of interest that provides a consideration solely for the passage of time.

Contractual conditions that expose the contractual cash flows to changes in the prices of shares, raw materials, exchange rates or leverage effects are not considered as meeting the SPPI criterion.

Contractual modalities that enable a financial asset to be extended or repaid early do not call into question the SPPI criterion, as long as the compensation received by the group is reasonable.

The SPPI nature of financial assets including embedded derivatives is assessed globally (host contract and embedded derivative) in order to deduce the IFRS 9 classification.

Assessment of the business model

The business model reflects the way in which the group manages its financial assets in order to generate cash flows: by collecting cash flows only, by collecting cash flows and selling financial assets or by another strategy. The factors taken into account when assessing the business model are:
the criteria used to assess the performance of portfolio assets and to present it to the main executives;
the risks affecting the performance of portfolio assets and the modalities for monitoring and managing these risks;
the manager compensation modalities;
the frequency and volume of previous disposals.

As a public investment bank, Bpifrance supports companies of all sizes (mainly VSEs, SMEs, and intermediate size companies) in all phases of their development, from start-up to stock market listing. Through its social mission, Bpifrance's financing activity focuses on maintaining customer relationships and collecting contractual flows.

The debt instruments that comprise Bpifrance's liquidity portfolio are managed according to two separate business models: a contractual flow collection model, in line with the accounting classification of equity securities under French standards without disposals, and a collection and resale business model for covered bonds.
With regard to the consolidated funds, the financial asset portfolio is managed on a fair value basis and the performance is also assessed on the basis of fair value, which justifies an "other strategy" business model leading to the recognition at fair value through profit or loss of the debt instruments held, whether or not they meet the SPPI criterion.

Reclassifications

Financial assets are reclassified when the business model in which they are held changes due to a strategic decision from the Executive Management, following significant changes in the group's activities. Reclassifications are forward-looking and do not involve restatements of profits and losses recognised prior to the reclassification date for the financial assets in question.

The group has not modified the business model of its financial assets during the reporting period. Consequently, no reclassification of financial assets has taken place to date.

Equity instruments

Investments in shares are recognised by default at fair value through profit or loss at the initial recognition date and subsequently. Changes in fair value, dividends, disposal gains or losses are recorded under "Net gains or losses on financial instruments at fair value through profit or loss".

However, at the time of their initial recognition, the group may, upon irrevocable option, designate at fair value through shareholders' equity, equity instrument investments that are not held for transaction purposes or as part of a business combination. This option is exercised on a transaction by transaction basis, and the group has decided to apply it to its entire share portfolio. Bpifrance Group takes minority interests in growth companies (VSEs, SMEs, large companies and start-ups) or invests in funds with other private investors in order to support them in their development. The group also makes strategic investments in large companies.
The changes in fair value of these instruments are presented in shareholders' equity, without subsequent recycling in the event of sale. These financial assets are not subject to impairment. The dividends from these investments are recorded in the profit and loss statement under "Net gains or losses on financial assets at fair value through shareholders' equity".

5.4 Financing commitments given and received

Financing commitments are not included in the balance sheet.

Over the commitment period, financing commitments given are subject to impairment according to the modalities described in Note 5.5 Impairment of financial assets.

5.5 Impairment of financial assets

Debt instruments assessed at amortised cost or fair value through shareholders' equity, financing commitments given and finance leases are systematically subject to impairment for expected credit losses.

At their initial recognition, the financial assets, including financing commitments and excluding financial assets impaired from the time of their acquisition or creation, are subject to impairment resulting from expected default events over the next 12 months (12-month expected credit losses).

If the credit risk has increased significantly since the initial recognition, the impairment is revised to reflect the expected default events over the total lifetime of the instrument (expected credit losses at maturity).

The financial assets are initially classified in "bucket 1". If there has not been a significant increase in credit risk since the start, they remain classified in "bucket 1". Impairment is recognised for the 12-month expected credit losses.

If there has been a significant increase in credit risk, the financial assets are transferred to "bucket 2"; impairment is determined based on the expected credit losses at maturity.

Assets for which there are one or several objective indicators of impairment related to events that have occurred since their initial recognition that have an impact on the expected cash flows comprise "bucket 3". Expected losses at maturity are calculated for these assets.

Loan portfolio

Significant increase in credit risk

The significant increase in credit risk is assessed by comparing the risk of default on the financial instrument at its initial recognition and the closing date. This deterioration must be acknowledged before the appearance of an objective indicator of loss (bucket 3).

This assessment is based on both qualitative and quantitative criteria. A significant increase in credit risk is systematically considered to have occurred for outstanding amounts that meet one of the following conditions:

- classification on the watch list. Amongst the performance reasons related to watch list status, Bpifrance Group includes arrears of between 30 and 90 days as well as outstanding amounts restructured in probation (two-year period);
- probability of current default above 20%;
- absolute increase in the probability of default above 2% between the grant date and the closing date;
- relative increase in the probability of default above 95% between the grant date and the closing date.

The model is applied symmetrically. Thus, when the conditions that have led to classification in bucket 2 are no longer met, Bpifrance Group notes the improvement to the situation of the counterparty with a return to bucket 1.

Financial assets presenting an objective indication of loss

These are financial assets that the group has classified as non-performing, i.e. any asset where it is likely that the institution will not receive all or part of the amounts due in respect of the counterparty's subscribed commitments, due to its financial difficulties.

Non-performing counterparties are notably those for which collective procedures (amicable or contentious) are on-going, a deterioration in credit quality has been noted, for which receivables are over 90 days in arrears or for which a default event has been declared or for which Bpifrance's guarantee has been called.

All arrears over 30 days for a debt that has been restructured or frozen during the probation period automatically leads to classification in the non-performing assets category. The probation period is one year before any possibility of reclassification on the watch list.

Bpifrance Group has aligned the Basel definitions of default and non-performing with those of doubtful receivables and bucket 3 under IFRS 9.

Bpifrance Group records a transfer to losses on an asset when its rights as a creditor have been extinguished.

Measurement of credit losses

For assets classified in buckets 1 and 2, the expected credit losses are equal to the product of three parameters - the probability of default, the rate of loss in the event of default and exposure at the date of default. They are discounted at the effective interest rate of the concerned asset.

The probabilities of default at 12 months and maturity represent respectively the risk of default of the counterparty within the next 12 months and the risk of default throughout the instrument's lifetime.

The rate of loss in the event of default is estimated using available historical data on losses incurred or according to expert opinion or by using the regulatory level set by financing product or by counterparty. It also takes into account pledges attached to the loan.

The group applies the methods used to determine regulatory provisions. Within this framework, the probabilities of default and the rate of loss in the event of default, observed through the cycle for regulatory purposes, are adjusted in order to be measured at the date of default (point in time).

The probability of default and the rate of loss also take into account the expected economic context over a forecast horizon (forward-looking). The group has selected three scenarios considered as central, optimistic and stressed. The selected simulation horizon is six years. These scenarios are based on the growth rate for French GDP, the consumption price index, the unemployment rate, the change in French government (OAT) 1 year and 10 year bonds.

Exposure at default takes into account the amounts drawn down and the commitments given. The outstanding amount at risk out of the outstanding commitments given is estimated based on the historical outflow rates. The exposure takes into account the amortisation and the potential repayment of the outstanding amount.

Impairment of assets in bucket 3 is estimated on an individual basis. It corresponds to the difference between the book value of the asset and the value discounted at the effective interest rate at the start of the future estimated recoverable cash flows, taking into account the effect of guarantees, when these are part of the contractual modalities and are not recognised as separate assets.

Securities portfolio

The simplified so-called low credit risk approach has been selected for the group's securities portfolio, given the low risk profile of a portfolio mainly comprising sovereign bonds.

The credit risk of a financial asset is considered to be low when:
- the risk of default is low;
- the borrower has a solid capacity to fulfil its contractual obligations;
- this capacity is not necessarily affected by the unfavourable changes in economic and commercial conditions over the longer term.

The group considers that the credit risk is low when the counterparty is classified as "Investment Grade" and the securities of these counterparties are classified in "bucket 1". The declassification of a security to "Speculative Grade" leads to a classification in "bucket 2". A deterioration of two ratings during the six months prior to the closing date may be an additional identification factor of a significant deterioration in the credit risk. In such circumstances, the group conducts a case by case analysis.

Within this framework, the measurement of credit losses follows the following rules:

- Buckets 1 and 2: the probabilities of default are calculated on the basis of data from rating agencies, the rates of loss selected are those of the Basel guidelines and the exposure at default corresponds to the gross book value.

- Bucket 3: losses are estimated on an individual basis in view of the counterparty's situation and, if applicable, the value of guarantees.

5.6 Distinction between debts and shareholders' equity

Pursuant to IAS 32 on the presentation of financial instruments, the financial instruments issued are qualified as debt or equity instruments depending on whether or not a contractual obligation exists for the issuer to deliver to the holders of cash securities another financial asset or to exchange instruments under potentially unfavourable conditions.

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.

5.7 Debts

Debts issued by the group and that are not assessed at fair value through profit or loss are initially recorded at their cost which corresponds to 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”, “Debts to the clientele”, “Debts represented by a security” or "Subordinated debts" items.

Debts to lending institutions and Debts to the clientele

Debts to lending institutions and debts to the clientele 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 the clientele.
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 broken down according to their format: 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 charge is recorded in "interests and charges" in the profit and loss statement.

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.

5.8 Financial liabilities designated at fair value through profit or loss on option

These are debts that the group has irrevocably designated from the start at fair value through profit or loss. The application of this option is reserved for the following cases:

- the elimination or significant reduction of gaps between the accounting treatment of certain financial assets and liabilities;
- the alignment of the accounting treatment with the management and measurement of performance, as long as this condition is based on an established risk management or investment policy and that the internal reporting is based on a measurement of fair value;
- the assessment at fair value through profit or loss of certain hybrid financial liabilities without separation of the 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.

Changes in fair value of the period and the interest of financial liabilities are recorded under "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of changes in fair value attributable to the change in own credit risk which are recorded within "Gains and losses directly recognised in shareholders' equity". If the liability is derecognised before its maturity, the gain or loss in fair value realised, attributable to own credit risk, is directly transferred to the consolidated reserves in shareholders' equity, without impacting income for the period.

5.9 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 in "Loans and Receivables with credit institutions and similar, at amortised cost".

5.10 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.

5.11 Derivative financial instruments and hedge accounting

A derivative is a financial instrument which has the following three characteristics:

- its value fluctuates according to changes in interest rates, the price of a financial instrument, the price of goods, an exchange rate, a price index or share price, a credit rating or a credit index;
- it requires a zero or low initial investment;
- it is settled at a future date.

Derivative instruments are recognised at 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 the he 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". Transaction derivatives processed by Bpifrance Group are economic hedges that are not eligible for hedge accounting.

Hedging derivatives

The group has chosen the option provided by IFRS 9 not to apply the standard's provisions relating to hedge accounting and to continue to apply IAS 39 as adopted by the European Union, for recognising these operations.
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. The changes in fair value of hedging instruments and the hedged elements are recognised under "Net gains or losses on financial instruments at fair value through profit or loss".

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 recognised 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. Macro-hedge instruments are primarily rate swaps designated as fair value hedges of the group's fixed-rate assets or 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 heading "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.

5.12 Balance sheet offsetting of financial assets and liabilities

In accordance with IAS 32, the group offsets a financial asset and a financial liability and a net balance is presented in the balance sheet when there is a legally binding right to offset the recognised amounts and an intention, either to settle the net amount, or to generate the asset and settle the liability simultaneously.

The fair value of derivative instruments treated with clearing houses and the associated margin calls, and for which the functioning principles meet the previous criteria, is offset in the balance sheet.

5.13 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.*

The exchange discrepancies on monetary elements designated as cash flow hedges or that are part of a net investment in a foreign entity are recorded as gains and losses directly recognised in shareholders' equity.

Non-monetary assets expressed in foreign currencies

Non-monetary assets recognised at historical 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.

5.14 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 "Loans and receivables due from customers at amortised cost" and represent the group's net investment in the leasing contract, which is equal to the discounted value at the lease'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 profit and loss statement such as to be able to determine a constant periodic profitability rate for the net investment.

Finance lease receivables are subject to impairment according to the modalities described in Note 5.5 Impairment of financial assets.

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.

5.15 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.

5.16 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”.

5.17 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 fall under 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.

5.18 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 and when the obligation's 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.

5.19 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.

5.20 Interest income and expenses

Interest relating to the debt instruments recognised at amortised cost is recorded under "Interest and similar income" or "Interest and similar expenses" according to the effective interest rate method.

The effective interest rate is the rate that discounts the disbursements or collections of the future cash flows over the anticipated lifespan of a financial asset or financial liability in order to exactly obtain the gross book value of the financial asset or the amortised cost of the financial liability. The calculation of this rate takes into account the transaction costs and premiums and discounts as well as the commissions received or paid, such as the commissions for financing commitments given or the commissions for the granting of loans, which by nature are an integral part of the contract's effective interest rate.

The items “Interest and similar income" or "Interest and similar expenses" also record the guarantee commissions established on a *prorata temporis* basis and the interest for hedging instruments designated at fair value.

5.21 Commissions and income from other activities

Pursuant to IFRS 15, the recognition of income resulting from contracts with customers (outside of leases, guarantee contracts and financial instruments that are treated by other IFRS standards) reflects the transfer of ownership over a good or service for an amount corresponding to the amount to which the seller expects to have the right in exchange for this good or service. The applied approach comprises five stages which enable the different performance obligations of a contract to be identified and to allocate a transaction price to each one, with this price being recognised when these obligations are met, i.e. when the transfer of ownership of the good or service has taken place.
In the case of compensation including a variable portion, the latter is only recognised in profit or loss if it is highly probable that its estimated amount cannot be subject to a significant decrease or when it is certain ***(e.g. referral contracts).***

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, are staggered over the duration of the service on a *prorata temporis* basis.

5.22 Net gain/loss on financial instruments at fair value through profit or loss

This item mainly records:

- the dividends and changes in fair value of investments in equity instruments, that the group has not designated at fair value through non-recyclable shareholders' equity;
- the changes in fair value of debt instruments (including interest) recognised at fair value through profit or loss, with the exception of changes in fair value relating to the own credit risk resulting from the financial liabilities designated at fair value through profit or loss by option;
- changes in fair value (including interest) of derivative instruments not used for hedging. Changes in fair value (excluding interest) of derivative instruments used for fair value hedging

The ineffectiveness of hedging relationships is also recognised in this item.

5.23 Net gains or losses on financial instruments at fair value through shareholders' equity

Net gains or losses on financial instruments at fair value through shareholders' equity includes the following elements:

- the dividends of equity instruments designated at fair value through non-recyclable shareholders' equity;
- the results, net of hedging effects, of the derecognition of debt instruments recognised at fair value through shareholders' equity.

5.24 Net gains or losses resulting from the derecognition of financial assets at amortised cost

This item includes the gains and losses resulting from the derecognition of debt securities or loans and receivables classified as financial assets at amortised cost, including the indemnities for early repayment and hedging effects.

5.25 Personnel costs

The personnel costs include the wages and salaries, as well as the personnel benefits.

5.26 Cost of credit risk

The net allowances of write-backs for depreciation and provisions, receivables written off as losses during the fiscal year, recoveries on receivables previously transferred to losses comprise the risk expense on credit operations on financial assets recognised at amortised cost and debt instruments classified under “Financial assets at fair value through shareholders' equity”.

5.27 Guarantee activity

Guarantee commitments

The group's guarantee commitments are mainly carried by Bpifrance Financement and Bpifrance Régions, and are backed by guarantee funds.

Two types of guarantees are granted by the group:

- guarantees in respect of venture capital interventions (SME shares) against capital losses incurred by the venture capital institutions. These contracts contain a clause on the participation in capital gains and losses from the disposal of the underlying securities;

- the guarantees granted to credit institutions for the loans granted to their customers, in order to hedge against payment defaults for an identified debtor. The group is compensated by guarantee commissions.
  The guarantees not called upon, declared in default by the partner bank without other information about the deterioration of the counterparty's credit risk are classified as performing loans under watch (watch list) and are subject to impairment on the basis of an expected loss model. If the guarantee is called upon (expiry of the loan term or occurrence of collective proceedings) and/or in the event of information about a deterioration in the counterparty's credit risk, the guarantees are subject to impairment for proven risk.

Venture capital guarantee contracts meet the definition of derivative instruments. Consequently, they are assessed at fair value at the date of initial recognition or subsequently. The fair value is assessed based on a maximum indemnity rate.

Guarantees to credit institutions meet the definition of financial guarantee contracts, i.e. 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. Under the option provided by IFRS, the group has chosen to process these contracts according to the provisions of IFRS 9 and consequently not to apply IFRS 4 on insurance contracts.

Guarantee Fund

The guarantee funds correspond to the amounts paid by the State, the CDC, private lessors or local authorities designed to hedge the future risks generated by Bpifrance's guarantee grant activity.

The guarantee funds are equivalent to term deposits repayable to donors which include a component of reinsurance contracts. The guarantee funds, therefore, meet the definition of a financial liability according to IAS 32.

Accounting treatment and presentation of guarantees to credit institutions and guarantee funds

The group has irrevocably designated at fair value through profit or loss the guarantee commitments and the guarantee funds that back them. The performance of the guarantee fund is managed and communicated to donors based on a fair value model.

Guarantee commitments are assessed at fair value at the date of initial recognition. This fair value comprises discounted commissions receivable and discounted expected losses. It is determined from internal claims models. These internal models take into account the potential recovery based on statistical observations (assessment of future and non-proven disputes and the provision for proven losses) and the time effect, as well as the proven losses and any recoveries on files for which the group's guarantee has been called upon. The fair value of the guarantee commitments is recognised in liabilities under the specific heading "Public guarantee funds allocated to commitments".

In addition to the allocations received from public partners, the assessment of the guarantee fund takes into account the share of commissions received that are paid to the guarantee funds and 90% of the net investment income from the received allocations (that return by convention to the guarantee fund). The fair value of the guarantee fund is recognised in liabilities under the specific heading "Unallocated Public Guarantee Funds".

All flows associated with the guarantee funds are recognised as income and expenses, though with no impact on the group’s income as long as the guarantee funds have not been used up, as future losses are charged against the guarantee funds.

5.28 Innovation activity

The innovation activity involves allocating subsidies, advances repayable in the event of successful completion of the project or loans (zero-rate or with interest) repayable without conditions on behalf of the State or of public partners.

The subsidies granted by Bpifrance meet the conditions specified by IAS 20 "*Accounting for Government Grants and Disclosure of Government Assistance*" as they are transfers of cash made available by the State and the public partners via their allocations, after the beneficiary entity has demonstrated that it complies with all the conditions allowing it to benefit from the subsidy.

Subsidies disbursed are recognised directly in expenses, under the “Expense on other activities” item. Subsidies granted to companies but not yet disbursed are shown on the liability side of the balance sheet in the “Accrued expenses and other liabilities” item, or are recognised as commitments given until their granting has been formalised.

Repayable advances disbursed are recognised at fair value at their initial recognition, which corresponds to the amount disbursed, and at subsequent closing dates. They are included on the balance sheet under the specific item "Innovation financing aids" and those not disbursed are indicated under commitments given.

The loans granted under the innovation activity are basic loan instruments that meet the *SPPI* criterion. These are zero-rate loans or variable or fixed-rate loans that may be subject to early repayment against the payment of a reasonable early repayment indemnity. These assets are held in a flow collection business model. These loans are, therefore, assessed at amortised cost, according to the modalities described in section 5.3. *Classification and measurement of financial assets*.

The loans granted under the innovation activity are recorded in "*Loans and receivables due from customers*".

The innovation activity is entirely financed by:
- an allocation known as the State's "intervention allocation", structured as the Intervention guarantee fund;
- allocations from the local authorities.

These allocations are recognised under the specific "Unallocated 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, on zero-rate loans or variable or fixed-rate loans. These unallocated funds are representative of the fair value of the fund.

Allocations to be received from the State and public partners are recorded under "Other assets - Receivables with State and Innovation Partners".

Impairment on sound outstanding amounts is calculated on the production of repayable advances; zero-rate loans and variable and fixed-rate loans financed by the State's intervention allocations. They correspond to a financial indicator that enables the amount of advances and loans that may be transferred to expenses in future income statements to be assessed.
When there is a recognised risk of non-recovery of all or part of the commitments assumed by the counterparty, individual impairments are recognised and the impairment on sound outstanding amounts is reversed.

These impairments are recorded under liabilities in the specific "Net innovation intervention resources allocated to commitments" item.

The impact of this impairment is neutral for Bpifrance's profit and loss statement. Impairment on sound outstanding amounts and individual impairments constituted are recognised as expenses in the profit and loss statement ("Income/expense on other activities"). Symmetrically, the allocation consisting of the State's intervention and the partner financing is booked as a counterparty of this item.
Write-backs of impairment take place:
- 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.

The income and expenses allocated to the Innovation Guarantee Fund are offset within the profit and loss statement under "expenses on other activities". The amount of expenses and income concerned is indicated in Notes 6.18 and 7.5.

5.29 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 realisations depend on many factors: fluctuation of interest and exchange rates, economic situation, 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 shares not listed on an active market and that relating to over-the-counter instruments classified under "Financial assets or liabilities assessed at 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 amount of expected credit losses on loans and receivables and fixed-revenue securities is assessed at amortised cost or fair value through shareholders' equity, financing and guarantee commitments;

- the valuations of investments accounted for using the equity method and any goodwill;

- 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

6.1 Cash and central banks (assets and liabilities)

(in millions of euros)	31/12/2018	31/12/2017
Assets		
Cash, Central Banks	1 687,6	357,2
Total Assets	**1 687,6**	**357,2**
Liabilities		
Central banks	0,0	0,0
Total Liabilities	**0,0**	**0,0**

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)	31/12/2018	31/12/2017
Bonds and fixed-income securities	0,0	0,0
Units of UCITS *	720,2	0,0
Other assets at fair value through profit or loss	0,0	0,0
Trading derivative financial instruments	10,2	0,0
- Interest rate derivatives	*0,0*	*0,0*
- Exchange rate derivative instruments	*10,2*	*0,0*
- Derivative instruments on equities and indices	*0,0*	*0,0*
Total financial assets at fair value through profit or loss	**730,4**	**0,0**

No financial assets are recognised at fair value on option

(*) "IFRS 9 Reclassification - see FTA note"

Financial liabilities at fair value through profit or loss

(in millions of euros)	31/12/2018	31/12/2017
Term borrowings and accounts	0,0	0,0
Debt securities	0,0	0,0
Debt securities	0,0	0,0
Other liabilities at fair value through profit or loss	0,0	0,0
Trading derivative financial instruments	2,9	3,5
- Interest rate derivatives	*0,0*	*0,0*
- Exchange rate derivative instruments	*2,9*	*3,5*
- Derivative instruments on equities and indices	*0,0*	*0,0*
Total financial liabilities at fair value through profit or loss	**2,9**	**3,5**

The only financial liabilities recognised at fair value on option are guarantee funds and innovation resources net of intervention (see Notes 6.18 and 6.19)

6.3 Derivative hedge instruments (assets and liabilities)

Asset hedging derivative instruments

(in millions of euros)	31/12/2018	31/12/2017
Fair value hedging	0,0	0,0
Cash flow hedging	0,0	0,0
Net foreign currency investment hedging	0,0	0,0
Overall hedging limited to fair value	5,8	11,3
Total derivative hedge instruments (assets)	**5,8**	**11,3**

Liability hedging derivative instruments

(in millions of euros)	31/12/2018	31/12/2017
Fair value hedging	0,0	0,0
Cash flow hedging	0,0	0,0
Net foreign currency investment hedging	0,0	0,0
Overall hedging limited to fair value	4,7	7,9
Total derivative hedge instruments (liabilities)	**4,7**	**7,9**

Maturity schedule of interest rate hedges

	Maturity at 31/12/2018				
(in millions of euros)	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	Beyond 5 years
Financial liability hedging					
Nominal amount	0,0	0,0	3 943,5	9 343,0	7 105,8
Hedging of loans to customers					
Nominal amount	40,4	514,7	1 546,6	8 552,8	4 033,6

Amounts related to hedging instruments and related ineffectiveness

	31/12/2018						
	Nominal	Book value *		Line on the balance sheet in which the hedging instrument is recognised	Change in fair value used for the ineffectiveness calculation *	Ineffectiveness recognised in profit or loss	Line in the profit and loss statement where the ineffectiveness is recognised
(in millions of euros)		Assets	Liabilities				
Interest rate risk							
Interest rate swaps - hedging of financial liabilities	20 392,3	390,3	-32,8	Note 6.3	357,5	0,0	Note 7.2
Interest rate swaps - hedging of loans to customers	14 668,3	12,4	- 342,9	Note 6.3	-330,4	0,0	Note 7.2

(*) these values include accrued interest

6.4 Non-current assets available for sale

(in millions of euros)	31/12/2018	31/12/2017
Negotiable debt instruments		130,3
Bonds		1,0
Government Bonds		*0,0*
Other obligations		*1,0*
Equities & other variable income securities		664,5
Non-consolidated equity securities		26,5
Depreciation on assets available for sale		-1,6
Total financial assets available for sale (*)		**820,7**

(*) Financial assets available for sale have been reclassified into three distinct categories: "Financial assets at fair value through profit or loss", "Securities at amortised cost" and "Financial assets at fair value through shareholders' equity" (IFRS 9 reclassification - see FTA note)

6.5 Financial assets at fair value through shareholders' equity

	31/12/2018		31/12/2017
(in millions of euros)	Fair value	Of which unrealised gains/losses	Fair value
Bonds and fixed-income securities	285,6	0,1	
Equities & other variable income securities	26,8	4,7	
Total financial assets at fair value through shareholders' equity (*)	**312,3**	**4,9**	

(*) "IFRS 9 Reclassification - see FTA note"

6.6 Securities at amortised cost

(in millions of euros)	31/12/2018	31/12/2017
Government Bonds	7 783,8	7 836,0
Other obligations	169,9	211,9
Negotiable debt instruments	284,0	503,9
Inter-company receivables	87,7	90,0
Impairments on securities at amortised cost	-1,4	0,0
Total securities at amortised cost	**8 324,0**	**8 641,8**

(*) financial assets held to maturity in 2017 have all been reclassified under securities at amortised cost (""IFRS 9 reclassification - see FTA note")

Bpifrance has selected the simplified so-called low credit risk approach for the group's securities portfolio.

Breakdown of gross book values (including related receivables) of securities at amortised cost

(in millions of euros)	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	8 641,8	0,0	0,0	**8 641,8**
Closing	8 324,0	0,0	0,0	**8 324,0**

Breakdown of expected credit losses (ECL) on securities at amortised cost

(in millions of euros)	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	1,9			1,9
Allowances for acquisitions during the fiscal year				0,0
Other allowances	0,3			0,3
Reversal used with transition into loss				0,0
Reversals related to asset disposals	-0,7			-0,7
Other unused reversals				0,0
Transfers between levels				0,0
Other	-0,1			-0,1
Closing	**1,4**	**0,0**	**0,0**	**1,4**

6.7 Loans and receivables due from credit institutions and similar, at amortised cost

(in millions of euros)	31/12/2018	31/12/2017
Overdrafts	318,8	211,8
Overnight loans	0,0	0,0
Term loans	261,9	249,9
Guarantee deposits and margin calls (*)	107,7	0,0
Impairments for credit risk	0,0	0,0
Inter-company receivables	0,0	0,9
Total loans and receivables due from credit institutions and similar, at amortised cost	**688,4**	**462,6**

(*) Application of ANC recommendation 2017-02 of 02/06/2017

These outstanding amounts are all classified in bucket 1.

6.8 Loans and receivables due from customers, at amortised cost

(in millions of euros)	31/12/2018	31/12/2017
Overdrafts, advances on TAP	0,0	0,0
Accounts opened with the State – Agence France Trésor	5 231,2	5 204,3
Trade receivables	291,4	438,6
Export loans	134,1	0,0
Short-term credit facilities	5 895,5	5 589,4
Equipment loans	15 233,9	13 714,3
Subordinated loans	446,6	434,8
Other credits	10 885,4	10 132,3
Impairments for credit risk (*)	-575,1	-1 076,2
Inter-company receivables	38,9	85,3
Total loans and receivables due from customers, at amortised cost	**37 581,9**	**34 522,8**

(*) At 31/12/2017, impairments for credit risk broke down into individual impairments for - €506.8 million (of which -€321.3 million hedged by guarantee funds) and into collective impairments for -€569.4 million - See also (IFRS 9 Reclassification - see FTA note)

Breakdown of gross book values (including related receivables) of loans and receivables due from customers, at amortised cost

	PLMT - Co-financing activity – Medium and long-term loans			
(in millions of euros)	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	17 005,6	6 461,5	856,7	**24 323,8**
Closing	19 756,3	5 979,9	948,1	**26 684,3**

Breakdown of expected credit losses (ECL)
on loans and receivables due from customers, at amortised cost

(in millions of euros)	PLMT - Co-financing activity – Medium and long-term loans			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	81,7	266,3	157,7	505,7
Allowances for acquisitio	37,8	37,5	97,2	172,5
Other allowances				0,0
Reversal used with transition into loss			-14,9	-14,9
Reversals related to asse	-4,3	-17,0		-21,3
Other unused reversals	-17,4	-38,6	-34,8	-90,8
Transfers between levels	-6,0	-22,3	-0,2	-28,5
Other				0,0
Closing	**91,8**	**225,9**	**205,0**	**522,7**

Breakdown of gross book values (including related receivables) of loans and receivables due from customers, at amortised cost

(in millions of euros)	FCT - Short-term financing activity			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	4 213,7	1 051,9	360,9	**5 626,5**
Closing	4 596,2	1 020,7	326,4	**5 943,3**

Breakdown of expected credit losses (ECL) on loans and receivables due from customers, at amortised cost

(in millions of euros)	FCT - Short-term financing activity			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	7,8	3,3	27,4	38,5
Allowances for acquisitions during the fiscal year	18,9	7,7	9,2	35,8
Other allowances				0,0
Reversal used with transition into loss			-1,3	-1,3
Reversals related to asset disposals	-5,2	-1,9		-7,1
Other unused reversals	-1,9	-0,3	-9,7	-11,9
Transfers between levels	-0,6	-1,0	-0,4	-2,0
Other			0,2	0,2
Closing	**19,0**	**7,8**	**25,4**	**52,2**

Breakdown of expected credit losses (ECL) on loans and receivables due from customers, at amortised cost

(in millions of euros)	OTHER			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	0,2		0,4	0,6
Allowances for acquisitions during the fiscal year				0,0
Other allowances				0,0
Reversal used with transition into loss			-0,1	-0,1
Reversals related to asset disposals				0,0
Other unused reversals	-0,1		-0,1	-0,2
Transfers between levels				0,0
Other			-0,2	-0,2
Closing	**0,1**	**0,0**	**0,0**	**0,1**

6.9 Finance lease and equivalent operations, at amortised cost

(in millions of euros)	31/12/2018	31/12/2017
Real-estate leasing and equivalent operations	4 208,8	4 303,4
Equipment leasing and equivalent operations	1 910,1	1 784,8
Inter-company receivables	27,3	24,4
Impairments for credit risk (*)	-69,4	-104,0
Total finance lease transactions and equivalent, at amortised cost	**6 076,8**	**6 008,6**

(*) At 31/12/2017, impairments for credit risk broke down into individual impairments for - €47.7 million (of which - €17.5 million hedged by guarantee funds) and into collective impairments for -€56.3 million - See also (IFRS 9 Reclassification - see FTA note)

Breakdown of gross book values (including related receivables) of finance lease transactions and equivalent, at amortised cost

(in millions of euros)	CBI (Real estate			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	2 443,3	1 695,3	183,2	**4 321,8**
Closing	2 415,8	1 635,2	179,3	**4 230,3**

Breakdown of expected credit losses (ECL) on finance lease transactions and equivalent, at amortised cost

(in millions of euros)	CBI (Real estate leasing)			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	4,0	36,9	19,0	59,9
Allowances for acquisitions during the fiscal year	0,5	2,7	5,8	9,0
Other allowances				0,0
Reversal used with transition into loss				0,0
Reversals related to asset disposals	-0,1	-1,6		-1,7
Other unused reversals	-1,0	-6,1	-13,4	-20,5
Transfers between levels	-0,2	-3,1		-3,3
Other				0,0
Closing	**3,2**	**28,8**	**11,4**	**43,4**

Breakdown of expected credit losses (ECL) on finance lease transactions and equivalent, at amortised cost

(in millions of euros)	CBM (Equipment leasing)			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	2,4	7,1	11,2	20,7
Allowances for acquisitions during the fiscal year	1,0	2,1	7,4	10,5
Other allowances	0,2			0,2
Reversal used with transition into loss			-0,6	-0,6
Reversals related to asset disposals	-0,1	-0,3		-0,4
Other unused reversals		-1,3	-3,7	-5,0
Transfers between levels	-0,1	1,2	-0,5	0,6
Other				0,0
Closing	**3,4**	**8,8**	**13,8**	**26,0**

Breakdown of expected credit losses (ECL) on finance lease transactions and equivalent, at amortised cost

(in millions of euros)	CBM (Equipment leasing)			
	Bucket 1 - Expected losses at 12 months	Bucket 2 - Expected losses at maturity	Bucket 3 - Expected losses impaired credit	TOTAL
Opening	2,4	7,1	11,2	20,7
Allowances for acquisitions during the fiscal year	1,0	2,1	7,4	10,5
Other allowances	0,2			0,2
Reversal used with transition into loss			-0,6	-0,6
Reversals related to asset disposals	-0,1	-0,3		-0,4
Other unused reversals		-1,3	-3,7	-5,0
Transfers between levels	-0,1	1,2	-0,5	0,6
Other				0,0
Closing	**3,4**	**8,8**	**13,8**	**26,0**

6.10 Innovation financing aids

(in millions of euros)	31/12/2018	31/12/2017
Innovation repayable advances	1 073,3	1 115,7
Individual impairments (*)		-223,3
Collective impairments (*)		-400,8
Total aid for financing innovation	**1 073,3**	**491,6**

(*) "IFRS 9 Reclassification - see FTA note"

6.11 Current and deferred tax assets and liabilities

(in millions of euros)	31/12/2018	31/12/2017
Current taxes	3,5	11,4
Deferred taxes	3,8	0,0
Current and deferred tax assets	**7,3**	**11,4**
Current taxes	1,5	1,6
Deferred taxes	2,6	8,4
Current and deferred tax liabilities	**4,1**	**10,0**

6.12 Accrued income/expense, and other assets/liabilities

Accruals and Other Assets

(in millions of euros)	31/12/2018	31/12/2017
Discounted value of commissions to be received from guarantee funds (guarantee activity) (*)	0,0	136,9
Deferred expenses	44,0	50,7
Accrued income	10,9	13,5
Medium and long-term direct debits in progress	6,6	2,6
Other	33,8	16,6
Total of accruals and deferred income	**95,3**	**220,3**

(*) "IFRS 9 Reclassification - see FTA note"

Miscellaneous assets

(in millions of euros)	31/12/2018	31/12/2017
Settlement accounts for securities transactions	0,0	0,0
Guarantee margins paid on repurchase transactions and interest rate swap contracts (*)	0,0	146,8
Receivables with State and Innovation partners	135,3	134,0
Allocation to be received on guarantee funds	33,4	1,0
Other sundry debtors	114,6	110,5
Stocks and sundry assets	18,1	17,0
Total other assets	**301,4**	**409,3**

(*) Application of ANC recommendation 2017-02 of 02/06/2017

Accruals and Deferred Expenses

(in millions of euros)	31/12/2018	31/12/2017
Subsidies to be paid (innovation)	80,0	86,2
Guarantee commissions booked in advance	295,9	274,1
Other deferred income	22,9	19,3
Other tax and social charges to be paid	77,7	76,6
Other charges to be paid	46,3	52,4
Other	191,1	223,5
Total of accruals and deferred income	**713,9**	**732,1**

Miscellaneous assets

(in millions of euros)	31/12/2018	31/12/2017
Outstanding payments on securities not fully paid up	0,0	0,0
Received security deposits	2,0	3,8
Other guarantees received (*)	0,0	49,3
Invoices to be paid on leasing operations	66,8	54,6
Other tax and social debts	37,5	18,6
Guarantee commissions earned in advance from customers	0,7	0,3
Sundry creditors	162,9	135,0
Total other liabilities	**269,9**	**261,6**

(*) Application of ANC recommendation 2017-02 of 02/06/2017

6.13 Tangible and intangible fixed assets

(in millions of euros)	31/12/2018	31/12/2017
1 – Tangible fixed assets		
1.1 – Land and buildings	185,9	192,4
Amortisations and depreciations	-81,6	-83,4
Net amount	**104,3**	**109,0**
1.2 – Other tangible fixed assets	52,4	31,6
Amortisations and depreciations	-36,3	-24,5
Net amount	**16,1**	**7,1**
Total tangible fixed assets	**120,4**	**116,1**
2 – Intangible fixed assets		
2.1 – Software	261,3	228,7
Amortisations and depreciations	-191,3	-166,6
Net amount	**70,0**	**62,1**
2.2 – Other intangible fixed assets	2,4	1,2
Amortisations and depreciations	0,0	0,0
Net amount	**2,4**	**1,2**
Total intangible fixed assets	**72,4**	**63,3**

	Tangible fixed assets		Intangible fixed assets	
(in millions of euros)	Land & buildings	Other tangible fixed assets	Software	Other intangible fixed assets
Gross amount at 31/12/2017	**192,4**	**31,6**	**228,7**	**1,2**
Acquisitions	8,3	8,6	33,3	0,0
Exits	0,0	-2,8	-0,7	0,0
Other	-14,8	15,0	0,0	1,2
Gross amount as at 31/12/2018	**185,9**	**52,4**	**261,3**	**2,4**
Total depreciation and amortisation as at 31/12/2018	-81,6	-36,3	-191,3	0,0
Net amount as at 31/12/2018	**104,3**	**16,1**	**70,0**	**2,4**

6.14 Debts due to lending institutions

(in millions of euros)	31/12/2018	31/12/2017
Demand and overnight debts	**24,2**	**2,3**
Ordinary deposits and accounts	9,3	2,3
Overnight borrowings and accounts	0,0	0,0
Guarantee deposits and margin calls (1)	14,9	0,0
Term debts	**12 453,7**	**12 356,2**
Term borrowings and accounts	5 628,8	6 630,4
. including resources from passbook savings accounts (Codevi / Livret de Développement Durable)	*2 200,0*	*3 155,3*
. including resources from the KfW and CEB	*93,4*	*131,2*
. including refinancing with the ECB	*3 300,0*	*3 300,0*
Securities sold on repo	6 824,9	5 725,8
Attached debts	**-17,0**	**6,6**
Total debts due to lending institutions and similar (2)	**12 460,9**	**12 365,1**

(1) Application of ANC recommendation 2017-02 of 02/06/2017

(2) Debts due to lending institutions and similar are recognised at amortised cost

6.15 Debts due to customers

(in millions of euros)	31/12/2018	31/12/2017
Demand and overnight debts	**196,3**	**206,2**
Ordinary deposits and accounts	196,3	206,2
. of which EPIC Bpifrance accounts	*86,2*	*84,3*
. of which Bpifrance accounts	*2,0*	*23,9*
Overnight accounts and borrowings	0,0	0,0
Term debts	**3 294,0**	**3 273,4**
Term borrowings and accounts	3 091,4	2 867,6
. of which EPIC Bpifrance loans	*2 042,5*	*1 967,8*
. of which Bpifrance loans	*0,0*	*0,0*
Preserved capital guarantee funds (1)	202,6	405,8
Securities sold on repo	0,0	0,0
Attached debts	**15,9**	**16,2**
Total debts due to customers (2)	**3 506,2**	**3 495,8**

(1) Repayment of the 3rd tranche of FGKP

(2) Debts due to customers are recognised at amortised cost

6.16 Debt securities

(in millions of euros)	31/12/2018	31/12/2017
Bond Issues	23 207,6	20 459,7
EMTN 2011	*1 200,0*	*1 200,0*
EMTN 2012	*1 464,0*	*1 464,0*
EMTN 2013	*2 100,0*	*2 100,0*
EMTN 2014	*1 200,0*	*1 200,0*
EMTN 2015	*3 550,0*	*3 550,0*
EMTN 2016	*4 267,0*	*4 267,0*
EMTN 2017	*6 430,0*	*6 430,0*
EMTN 2018	*2 775,0*	*0,0*
Share premiums remaining to be amortised	*221,6*	*248,7*
Negotiable debt instruments (1)	4 558,0	4 222,6
Attached debts	111,5	104,0
Total debt securities (2)	**27 877,1**	**24 786,3**

(1) of which a BMTN issued in 2018 for $335 million

(2) Debt securities are recognised at amortised cost

6.17 Impairment and provisions

Provisions

(in millions of euros)	31/12/2018	31/12/2017
Provisions for credit risks	3,1	2,8
Provisions for restructuring	3,5	3,8
Provisions for other employee benefit commitments	21,7	18,6
Litigation to be paid on proven risks relating to guarantee commitments (1)		907,8
Fair value of the guarantees given (1)		1 791,8
Innovation off-balance sheet commitments (2)		91,7
Other	17,3	16,1
Total provisions	**45,6**	**2 832,6**

(1) see Note 6.19

(2) see Note 6.18

Table of impairment flows and provisions

(in millions of euros)	Impairments and Provisions at 01/01/18	Allocations to Impairments and Provisions	Reversals of Impairments and Provisions Available	Reversals of Impairments and Provisions used (1)	Other changes (2)	Impairments and Provisions at 31/12/18	Receivables irrecoverable not covered by provisions	Recoveries of receivables amortised	Impact of the earnings (3)
Impairments and provisions for credit risk	**630,1**	**130,2**	**93,2**	**16,9**	**-1,3**	**648,9**	**5,9**	**5,9**	**-37,0**
- *Impairments in bucket 1*	*98,0*	*31,5*	*10,5*	*0,0*	*-0,1*	*118,9*	*0,0*	*0,0*	*-21,0*
. Interbank loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Customer loans	89,7	30,8	9,6	0,0	0,0	110,9	0,0	0,0	-21,2
. Leasing transactions (excluding interest)	6,4	0,4	0,2	0,0	0,0	6,6	0,0	0,0	-0,2
. Securities at amortised cost	1,9	0,3	0,7	0,0	-0,1	1,4	0,0	0,0	0,4
. Sundry debtors	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- *Impairments in bucket 2*	*313,6*	*-21,5*	*20,8*	*0,0*	*0,0*	*271,3*	*0,0*	*0,0*	*42,3*
. Interbank loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Customer loans	269,6	-17,0	18,9	0,0	0,0	233,7	0,0	0,0	35,9
. Leasing transactions (excluding interest)	44,0	-4,5	1,9	0,0	0,0	37,6	0,0	0,0	6,4
. Securities at amortised cost	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Sundry debtors	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- *Impairments in bucket 3*	*215,7*	*119,6*	*61,6*	*16,9*	*-1,2*	*255,6*	*5,9*	*5,9*	*-58,0*
. Interbank loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Customer loans	185,5	106,4	44,5	16,3	-0,7	230,4	5,6	3,6	-63,9
. Leasing transactions (excluding interest)	30,2	13,2	17,1	0,6	-0,5	25,2	0,3	2,3	5,9
. Securities at amortised cost	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Sundry debtors	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- *Provisions on credit risks*	*2,8*	*0,6*	*0,3*	*0,0*	*0,0*	*3,1*	*0,0*	*0,0*	-0,3
Provisions for miscellaneous operating contingencies	**16,1**	**1,4**	**0,3**	**0,0**	**0,1**	**17,3**			
Other provisions	**22,4**	**7,4**	**1,1**	**4,0**	**0,5**	**25,2**			
- Provisions for restructuring	3,8	1,6	0,0	1,9	0,0	3,5			
- Provisions employee benefit	18,6	5,8	1,1	2,1	0,5	21,7			

(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 impaired receivables

6.18 Net innovation intervention resources

(in millions of euros)	31/12/2018 Allocated to commitments	31/12/2018 Non-allocated	31/12/2017 Non-allocated
Innovation Stratégie Industrielle (Strategic Industrial Innovation - ISI) aids	783,2	422,7	370,4
Programme Mobilisateur pour l'Innovation Industriellle (Industrial Innovation Mobilising Programme - PMII) – ISI 2008	183,6	55,6	88,7
FNI-FISO: Fonds National Innovation - Fonds Innovation Sociale (National Innovation Fund - Social Innovation Fund)	0,1	4,8	4,9
Aid on partner financing	0,0	435,7	370,7
Fonds Régionaux de Garantie de l'Innovation (Innovation Guarantee Regional Fund - FRGI)	6,4	101,3	100,9
Total of net innovation intervention resources	**973,3**	**1 020,1**	**935,6**

Net innovation intervention resources

(in millions of euros)	Allocated to commitments	Non-allocated
Net innovation intervention resources as at 31/12/2017	**0,0**	**935,6**
Reclassifications at 01/01/2018 (*)	987,7	0,0
Change in fair value		0,0
2018 allocations (net balance)		312,8
Subsidies		-99,3
Repayments and redeployments		-26,1
Provisions, losses and recognised failures	-14,4	-101,6
Financial earnings & charges		-1,9
Miscellaneous proceeds		3,9
Appraisals & miscellaneous expenses		-3,3
Net innovation intervention resources as at 31/12/2018	**973,3**	**1 020,1**

(*) Impairments related to innovation loans and repayable advances guaranteed by guarantee funds as well as the fair value of the related guarantees and the provisions for the innovation activity have been reclassified into net resources allocated (see Notes 6.8, 6.9, 6.10 and 6.17). (*) "IFRS 9 Reclassification - see FTA note"

6.19 Public Guarantee Funds

(in millions of euros)	31/12/2018 Allocated to commitments	31/12/2018 Non-allocated	31/12/2017 Non-allocated
Reserve and mutual fund	0,0	1 177,3	879,2
AFT (Agence France Trésor)	1 864,0	2 096,6	1 469,5
CDC	120,8	5,9	7,6
Hived-off assets	11,9	8,5	6,2
Other funds	31,8	129,5	119,7
Bpifrance Regions Fund	151,7	392,1	379,7
Total of the public guarantee funds	**2 180,2**	**3 809,9**	**2 861,9**

Public Guarantee Funds

(in millions of euros)	Allocated to commitments	Non-allocated
Public Guarantee Fund as at 31/12/2017	**0,0**	**2 861,9**
Reclassifications at 01/01/2018 (*)	2 839,6	0,0
Change in fair value		625,4
Appropriations to 2018 Guarantee Fund (net balance)		410,4
Repayments of Guarantee Funds		-33,3
Guarantee commissions	-168,4	115,8
Financial proceeds and recoveries		51,8
Cost of risk	-491,0	-222,1
Discounted provisions		0,0
Public Guarantee Fund as at 31/12/2018	**2 180,2**	**3 809,9**

(*) Impairments related to loans to customers guaranteed by guarantee funds as well as the fair value of the related guarantees, the provisions for proven risk and the discounted value of commissions to be received have been reclassified into allocated guarantee funds (see Notes 6.8, 6.9, 6.12 and 6.17). (*) "IFRS 9 Reclassification - see FTA note"

The models to determine the fair value of the guarantee funds, validated in 2015, were subject to a review in 2018 which gave rise to an adjustment in the parameters used. This change resulted in a decrease in the fair value of the allocated guarantee fund of €545 million:

- €154 million relating to the change in the modelling of commissions receivable;
- €391 million relating to the review of the default model and the modelling of the fall in outstanding amounts in the individual model.

The guarantee funds hedge customer outstandings (loans and finance leases) in assets for €7,070.7 million. The funds allocated to hedging these outstanding amounts stood at €854.5 million. This fund also hedges the financing granted to customers by bank partners for €12,512.1 million.

6.20 Subordinated debts

(in millions of euros)	31/12/2018	31/12/2017
Bpifrance SA subordinated term loan	450,0	300,0
Mutual guarantee deposits	7,3	7,3
Attached debts	2,2	2,1
Total subordinated debts (*)	**459,5**	**309,4**

(*) Subordinated debts are recognised at amortised cost

6.21 Fair value of assets and liabilities

(in millions of euros)	31/12/2018			
	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss	**0,0**	**10,2**	**720,2**	**730,4**
- Bonds and fixed-income securities				*0,0*
- Units of UCITS			*720,2*	*720,2*
- Other assets at fair value through profit or loss				*0,0*
- Trading derivative financial instruments		*10,2*		*10,2*
of which exchange rate derivative instruments		*10,2*		*10,2*
Derivative hedge instruments	**0,0**	**5,8**	**0,0**	**5,8**
- Fair value hedging				*0,0*
- Cash flow hedging				*0,0*
- Net foreign currency investment hedging				*0,0*
- Overall hedging limited to fair value		*5,8*		*5,8*
Financial assets at fair value through equity	**10,3**	**275,3**	**26,8**	**312,4**
- Bonds and fixed-income securities	*10,3*	*275,3*		*285,6*
- Equities and other variable income securities			*26,8*	*26,8*
Securities at amortised cost	**8 642,1**	**303,5**	**0,0**	**8 945,6**
- Government bonds	*8 314,3*			*8 314,3*
- Other obligations	*327,8*			*327,8*
- Negotiable debt instruments		*303,5*		*303,5*
Loans and receivables due from credit institutions and similar, at amortised cost		**688,4**		**688,4**
Loans and receivables due from customers, at amortised cost		**38 678,1**		**38 678,1**
Finance lease transactions and similar, at amortised cost		**6 285,2**		**6 285,2**
LIABILITIES				
Financial liabilities at fair value through profit or loss	**0,0**	**2,9**	**0,0**	**2,9**
- Term borrowings and accounts				*0,0*
- Debt securities				*0,0*
- Debt of securities				*0,0*
- Other liabilities at fair value through profit or loss				*0,0*
- Trading derivative financial instruments		*2,9*		*2,9*
of which exchange rate derivative instruments		*2,9*		*2,9*
Derivative hedge instruments	**0,0**	**4,7**	**0,0**	**4,7**
- Fair value hedging				*0,0*
- Cash flow hedging				*0,0*
- Net foreign currency investment hedging				*0,0*
- Overall hedging limited to fair value		*4,7*		*4,7*
Debts due to credit institutions and similar		**12 496,6**		**12 496,6**
Debts due to customers		**3 593,7**		**3 593,7**
Debt securities	**28 198,2**			**28 198,2**

(in millions of euros)	31/12/2017 Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss	**0,0**	**0,0**	**0,0**	**0,0**
- 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*
Derivative hedge instruments	**0,0**	**11,3**	**0,0**	**11,3**
- Interest rate derivatives		*11,3*		*11,3*
Non-current financial assets available for sale	**0,8**	**130,3**	**689,6**	**820,7**
- 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*
Loans and receivables due from credit institutions		**462,6**		**462,6**
Loans and receivables due from customers		**35 574,8**		**35 574,8**
Finance lease and equivalent operations		**6 243,1**		**6 243,1**
Financial assets held-to-maturity	**8 904,4**	**503,5**	**0,0**	**9 407,9**
- Negotiable debt instruments		*503,5*		*503,5*
- Government bonds	*8 678,5*			*8 678,5*
- Other obligations	*225,9*			*225,9*
LIABILITIES				
Financial liabilities at fair value through profit or loss	**0,0**	**3,5**	**0,0**	**3,5**
- Exchange rate derivative instruments		*3,5*		*3,5*
Derivative hedge instruments	**0,0**	**7,9**	**0,0**	**7,9**
- Interest rate derivatives		*7,9*		*7,9*
Due to credit institutions		**12 446,6**		**12 446,6**
Debts due to customers		**3 617,6**		**3 617,6**
Debt securities	**24 985,5**			**24 985,5**

6.22 Euro equivalent of foreign currency transactions

(in millions of euros)	31/12/2018	31/12/2017
Assets	3,1	0,9
Liabilities	303,2	11,2

These net balance sheet positions are hedged using financial instruments negotiated over-the-counter (forward foreign currency and exchange swaps).

Note 7 - Notes relative to the profit and loss statement

7.1 Interest income and expenses

Interest Income

(in millions of euros)	31/12/2018	31/12/2017
Transactions with lending institutions	**53,2**	**49,2**
Customer transactions (*)		
Overdrafts	6,5	0,0
Short-term credit facilities	64,5	60,5
Equipment loans	362,2	372,4
Miscellaneous credits	463,7	444,8
Subordinated debts	12,3	12,4
Change in discounted future guarantee commissions (1)	168,5	4,6
Subtotal customer loans	**1 077,7**	**894,7**
Finance lease operations	**141,3**	**151,0**
Operations involving financial instruments		
Financial assets at fair value through equity	1,2	1,3
Securities at amortised cost	166,3	175,1
Hedging derivatives	216,7	214,0
Subtotal transactions on financial instruments	**384,2**	**390,4**
Other interests and similar income	**72,2**	**72,6**
Total interest and similar income (2)	**1 728,6**	**1 557,9**

(1) see Note 6.19

(2) Of which negative interest on liabilities of €144.8 million in 2018 (€125.1 million in 2017)

Interest and similar expenses

(in millions of euros)	31/12/2018	31/12/2017
Transactions with lending institutions	**-101,4**	**-113,8**
Customer transactions (*)	**-420,8**	**-249,5**
of which allocation of commission earnings to guarantee funds	*-283,3*	*-116,3*
Finance lease operations	**0,0**	**-4,3**
Operations involving financial instruments		
Debt securities	-285,4	-281,0
Subordinated debts	-4,0	-2,1
Hedging derivatives	-177,6	-177,3
Subtotal transactions on financial instruments	**-467,0**	**-460,4**
Other interest and similar charges	**-26,3**	**-37,2**
of which financial earnings allocated to the guarantee funds	*-25,8*	*-36,7*
Total interest-related expenses (*)	**-1 015,5**	**-865,2**

(*) Of which negative interest on liabilities of €70.6 million in 2018 (€56.4 million in 2017)

7.2 Net gains or losses on financial instruments at fair value through profit or loss

(in millions of euros)	31/12/2018	31/12/2017
Bonds and fixed-income securities	-2,5	0,0
Equities & other variable income securities	0,0	0,0
Trading derivative financial instruments	3,2	1,0
Income from hedging transactions	91,6	0,2
of which individual hedging (ineffectiveness)	*0,1*	*0,2*
Interest rate-hedged portfolios	-91,5	0,0
Net income from exchange transactions	2,4	-0,2
Total net gains or losses on financial instruments at fair value through profit or loss	**3,2**	**1,0**

7.3 Net gains or losses on financial assets assessed at fair value through shareholders' equity

(in millions of euros)	31/12/2018	31/12/2017
Dividends on equity instruments	**0,1**	**0,0**
Disposal income	**0,0**	**2,8**
Gains on disposal (*)	0,0	2,8
Losses on disposal (*)	0,0	0,0
Impairment reversals (*)		0,0
Impairment losses on variable-income securities (*)		**0,0**
Total net gains or losses on financial assets at fair value through equity	**0,1**	**2,8**

(*) From 1 January 2018, the gains or losses on disposal related to shares classified at fair value through equity and not recyclable are no longer recognised in the profit and loss statement.

7.4 Net gains or losses resulting from the derecognition of financial assets at amortised cost

(in millions of euros)	31/12/2018	31/12/2017
Gains from derecognition	0,0	0,0
Losses from derecognition	-0,2	0,0
Total of net gains or losses from derecognition of financial assets at amortised cost	**-0,2**	**0,0**

7.5 Income and expenses from other activities

(in millions of euros)	31/12/2018	31/12/2017
Proceeds		
Intervention allocations from partners – (innovation activity)	0,9	0,5
Expenses charged back	13,4	12,5
Rebilling land taxes Property leases	83,1	92,7
Commission on recoveries and on insurance sold	10,0	12,1
Capital gains on stock disposals	1,0	3,0
Other proceeds	40,9	45,7
Total income from other activities	**149,3**	**166,5**
Expenses		
Land taxes Property lease activity	-83,1	-92,7
Provisions and losses on innovation aid	0,0	0,0
Capital losses on stock disposals	-2,7	-3,2
Other expenses	-17,6	-16,1
Total general operating expenses	**-103,4**	**-112,0**

Future non-discounted and non-indexed rent due in respect of real estate leases amounted to €112.7 million.

7.6 Operating general expenses

(in millions of euros)	31/12/2018	31/12/2017
Personnel costs	-226,4	-216,1
Duties and taxes	-32,8	-30,7
Other operating expenses	-148,5	-130,5
Costs related to restructuring	-1,6	-1,4
Total general operating expenses	**-409,3**	**-378,7**

7.7 Amortisation & depreciation and impairment on tangible & intangible fixed assets

(in millions of euros)	31/12/2018	31/12/2017
Depreciation allowances	-34,6	-32,0
Allowances for impairment losses	0,0	0,0
Write-backs for impairment losses	0,0	0,0
Total amortisation & depreciation allowances on tangible and intangible fixed assets	**-34,6**	**-32,0**

7.8 Cost of credit risk

(in millions of euros)	31/12/2018 Bucket 1	Bucket 2	Bucket 3	Other liabilities	Total	31/12/2017 Total
Net allowances or write-backs for depreciations and provisions	-21,0	42,3	-58,0	-0,3	**-37,0**	**-30,2**
Non-provisioned losses	0,0	0,0	-5,9	0,0	**-5,9**	**-7,8**
Recoveries on impaired receivables	0,0	0,0	5,9	0,0	**5,9**	**2,7**
Total cost of credit risk	**-21,0**	**42,3**	**-58,0**	**-0,3**	**-37,0**	**-35,3**

7.9 Taxes

Income tax

(in millions of euros)	31/12/2018	31/12/2017
Corporation tax	-134,4	-140,5
Deferred taxes	10,4	8,9
Total income tax	**-124,0**	**-131,6**

Analysis of Income Tax Expenses

(in millions of euros)		31/12/2018	31/12/2017
Group share of earnings		167,3	182,3
Share of net earnings of minority interests		0,0	0,0
Net tax charge booked		124,0	131,6
Earnings before tax (A)		**291,3**	**313,9**
French common law taxation rate **(B)**		**34,43**	**34,43**
Total theoretical tax expense	**(C)=(A*B)**	**100,3**	**108,1**
Reconciliation items:			
Capital gains and profits taxed at reduced rates or tax exempted		16,7	0,0
Other permanent differences		7,7	7,2
15% exceptional contribution		0,0	17,7
Earnings from companies accounted for using the equity method		-0,6	0,0
Other items		-0,1	-1,4
Total items reconciled	**(D)**	**23,7**	**23,5**
Net tax charge booked	**(C) + (D)**	**124,0**	**131,6**

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[20] 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[2];
- Operational Risk Management Policy Department;
- OAD Department and Monitoring of Outstandings.

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.

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 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[3] (financial risks)**: these include interest rate risk, liquidity risk and currency risk.

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[20] Dual reporting effective since 1 January 2017.
[2] Refers to credit risk in the regulatory sense
[3] Monitored by the Finance Department

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, represent the second line of defence: they are responsible for the identification, measurement, monitoring and disclosure of risks and for compliance with the internal and external requirements on an individual and consolidated basis for all Bpifrance Financement's 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.

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 the 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.

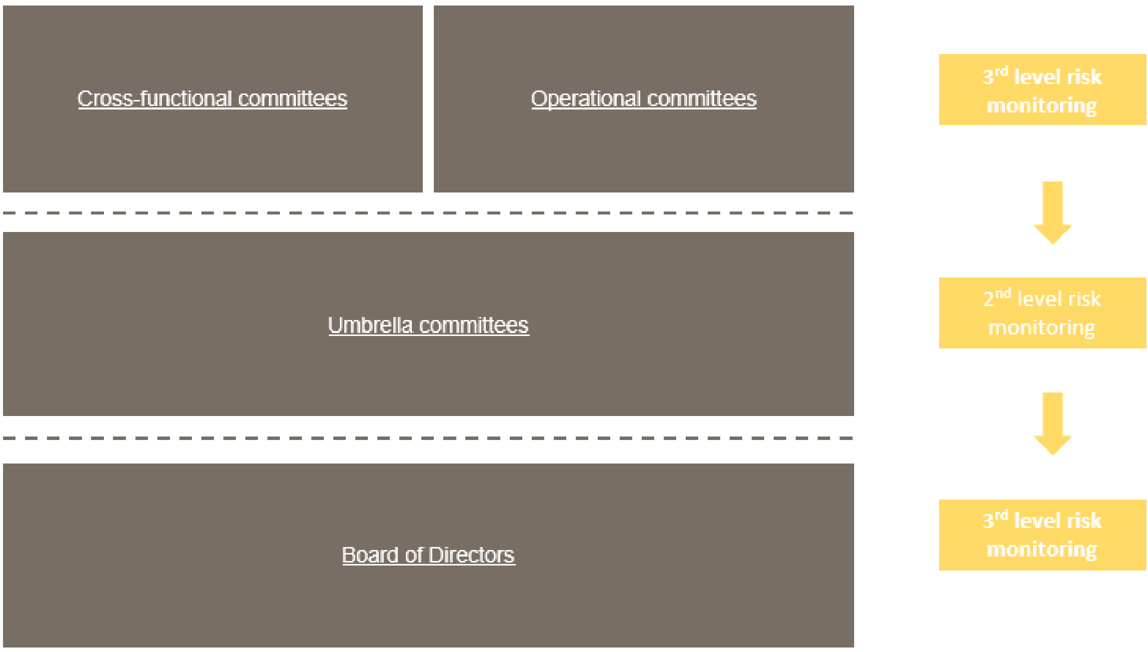
These committees decide on the implementation of new products or services (New Businesses, Products and Services Committee, Group Marketing Committee), the application of risk models (Model Validation Expert Committee), and the monitoring of specific risks associated with the activity of Bpifrance (Operational 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, Solvency 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, IFRS 9 "Financial Instruments" and IFRS 7 “Financial Instruments: disclosures” do not apply at Bpifrance Financement.

8.2 Credit risks

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 o 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: disposals of receivables, mortgages, pledges, bank guarantees and backing on guarantee funds.

For all financing, guarantee and innovation activities, the Credit Department performs a counter-analysis of files that exceed the delegation level of the Network Departments, for which the decision rests with the Credit Committee or Credit Risk Committee.

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

The limits by beneficiary group are determined based on internal ratings.

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.

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.

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 26.4% of the MLT outstandings and 28.4% of the ST outstandings as at 31.12.208) 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, "Decision-Aid Tool" (O.A.D.) 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.
A new model was launched in September 2017.

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 (2018/0074 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.

8.2.6 Description of the IFRS 9 impairment model for customer activity

The expected credit risk loss calculation model (ECL) is based on a conventional credit risk modelling methodology, based on three components - probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The ECL calculation is conducted using a Monte Carlo simulation, by calculating the expectation of losses simulated over a large number of random draws.

Default modelling (PD)

The central stage of modelling future losses is the simulation of future defaults. To simulate these defaults, Bpifrance builds on its internal counterparty risk rating model, from which the probability of default for each exposure is deducted.

The change in future counterparty ratings is simulated from a transfer matrix of internal counterparty ratings. A default is simulated for counterparty during year n if its internal counterparty rating simulated in year n is that of default.

The transfers of counterparty ratings are simulated by taking into account the correlation of the credit risk through a Merton type model, with two systemic factors: a general factor and a sector factor. These systemic factors are projected taking into account the forward-looking information and the value of these projected factors simultaneously influences the rating transfers for all companies in a same sector. Thus, the model takes into account the impact of the macroeconomic context on the credit risk of Bpifrance's exposures. The correlation parameters are estimated on the basis of Bpifrance's historical internal data.

Modelling of loss given default (LGD)

When a default is simulated by the model, the resulting loss is calculated by combining two phenomena: a cure rate representing the share of Non-Performing contracts that have become fully performing, and a loss rate measured over the scope of the litigation.

The cure rate is determined based on Bpifrance's historical internal data and according to the product, the level of counterparty risk (counterparty rating) and the residual duration of each exposure. It is measured as the proportion of non-performing exposures that become fully performing without going through a litigation stage.

The loss rate is measured from Bpifrance's historical internal data. It is calculated on the basis of exposure to litigation, compared to the exposure at the start of litigation, the amount of recognised loss or the amount provisioned for cases still pending. The loss given default is simulated by including a correlation with the default.

These cure rates and rate of losses are applied to the net exposure of bank counter-guarantees.

Modelling of exposure at default (EAD)

For term products (loans, finance leases), the exposure at default is calculated by taking into account both balance sheet exposure and financing commitments.

For balance sheet exposure, the exposure at default is the result of the theoretical payment schedules of each transaction. For financing commitments, a disbursement rate is applied according to the characteristics of the exposure (product, time since notification, etc.) then a theoretical schedule corresponding to the operation's characteristics is constructed. Disbursement rates are calculated on the basis of Bpifrance's historical internal data.

An annual early repayment rate is also taken into account in modelling exposure at default. This rate is measured by product from Bpifrance's historical internal data.

With regard to the Short-term financing activity, which is backed by disposals of receivables and for which no payment schedule exists, a behavioural model of credit line drawdowns has been developed in order to define exposure at default.

Taking into account the Forward-Looking aspect

Forward-Looking information is included in the ECL calculation through three macroeconomic scenarios (known as optimistic, central and deteriorated), with the final ECL recognised being the weighted average of the ECLs calculated for each of these three scenarios.

A correlation model between the macroeconomic parameters and the systemic factor used to project default has been developed to transcribe the impact of the macroeconomic scenarios on the calculated ECL. Estimated from Bpifrance's internal default data, this model translates the level of the selected macroeconomic parameters into future default rates for each internal counterparty rating.
Via the correlation between the systemic factor and the simulated loss rates, this model also includes an impact of the macroeconomic parameters on future LGDs.

The definition of the three selected scenarios is notably based on CDC Group's macroeconomic framework scenarios, prepared by the group's economist network. The central and deteriorated scenarios come from the macroeconomic framework whilst the optimistic scenario is proposed by Bpifrance's Assessment, Studies and Forecasting Department (DEEP).

The three scenarios as well as the weighting proposals are submitted to Bpifrance's Forward-Looking Committee. This quarterly committee is chaired by Bpifrance's Deputy Chief Executive Officer and brings together the Risk Department, Financing and Network Department, Finance Department, Accounting Department and the Economic Conditions and Macroeconomics Assessment area. It is responsible for defining the scenarios that will be selected, based on DEEP proposals and weightings.

As Bpifrance's clientele is composed of French companies, the defined scenarios only concern French macroeconomic indicators. The indicators selected are the growth rate for French GDP, the change in the consumer price index, the unemployment rate and the French government (OAT) rates (at two and 10 years).

As at 31 December 2018, the weightings selected were 40% for the central scenario, 40% for the deteriorated scenario and 20% for the high scenario. The weight of the deteriorated scenario was reinforced during the 2018 fiscal year, to take into account the growing uncertainties in the European macroeconomic context (Italian political context, increased probability of no deal for Brexit) and global context (American commercial policy).

Scenario	Weighting 31/12/2018	Weighting 31/12/2017
Optimistic	20%	20%
Base	40%	60%
Deteriorated	40%	20%

Like the scenario for 2017, the central scenario selected for 31 December 2018 corresponds to a continued cycle of economic recovery but at a slower pace than previous years. In this respect, the assumptions for the central scenario have only changed slightly between the two fiscal years, with changes mainly due to differences between the forecasts of the 2017 scenario and the real situation in the 2018 fiscal year. This is particularly the case for the unemployment rate due to a better than expected change at the end of 2017 - beginning of 2018.

Model adjustment

The calculation model was not subject to any technical changes during the 2018 fiscal year. The only modifications made were the update to the parameters to take into account the data on events that occurred during 2018.

In this respect, for the ECL calculation at 31 December 2018, Bpifrance adjusted the assessment of its portfolio's credit risk to take into account the consequences of the "yellow vest" ("gilets jaunes") movement on the solvency of its customers. This adjustment takes the form of a deterioration of one place in the internal counterparty ratings of companies in NAF Groups 46.4 (wholesale of household goods) and 47.1 (retail in non-specialised stores), with this deterioration impacting both the classification in buckets of the concerned exposures and the assessment of their expected loss.

The impact of this adjustment is an increase in ECL of the portfolio of €15.2M, broken down into €6.9M from the declassification in bucket 2 of part of the exposures in question, and €8.3M from the increase in ECL calculated for a given horizon.

8.3 Counterparty risk on financial activities

8.3.1. Exposure to the counterparty risk

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 grouped into eight categories, each of which has an associated limit for commitment amounts, calculated from 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 counterparty quality is performed by the Market Activities Monitoring and Analysis 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 Activities Monitoring and Analysis 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)	31/12/2018	31/12/2017
Financial assets at fair value through profit or loss	10,2	0,0
Asset hedging derivative instruments	5,8	11,3
Non-current financial assets available for sale		820,7
Financial assets at fair value through equity	312,3	0,0
Securities at amortised cost	8 324,0	8 641,8
Loans and receivables due to credit institutions, at amortised cost	688,4	462,6
Loans and receivables to customers, at amortised cost	37 581,9	34 522,8
Finance lease transactions and similar, at amortised cost	6 076,8	6 008,6
Guarantee commitments given and signature commitments	12 512,1	12 163,2
Financing commitments given	6 583,6	5 910,4
Total	**72 095,1**	**68 541,4**

Concentrations

In compliance with IFRS 7, Bpifrance Financement has defined, within the accounting categories of IFRS 9 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).

Concentrations by counterparty type

Risk concentration by counterparty type for all financial assets

(in millions of euros)	31/12/2018						
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	10,2	0,0	0,0	0,0	**10,2**
Asset hedge derivative financial instruments	0,0	0,0	5,8	0,0	0,0	0,0	**5,8**
Financial assets at fair value through equity	0,0	0,0	285,5	0,0	26,8	0,0	**312,3**
Securities at amortised cost	0,0	7 867,2	456,8	0,0	0,0	0,0	**8 324,0**
Loans and receivables due to credit institutions, at amortised cost	0,0	0,0	688,4	0,0	0,0	0,0	**688,4**
Loans and receivables to customers, at amortised cost	0,0	5 522,5	0,0	3,9	32 054,0	1,5	**37 581,9**
Medium & long-term loans	*0,0*	*0,0*	*0,0*	*0,0*	*26 161,6*	*0,0*	*26 161,6*
FCT	*0,0*	*0,0*	*0,0*	*0,0*	*5 891,1*	*0,0*	*5 891,1*
Other	*0,0*	*5 522,5*	*0,0*	*3,9*	*1,3*	*1,5*	*5 529,2*
Finance lease transactions, at amortised cost	0,0	0,0	0,0	0,0	6 076,8	0,0	**6 076,8**
Real estate leasing	*0,0*	*0,0*	*0,0*	*0,0*	*4 187,0*	*0,0*	*4 187,0*
Equipment leasing	*0,0*	*0,0*	*0,0*	*0,0*	*1 889,8*	*0,0*	*1 889,8*
Total	**0,0**	**13 389,7**	**1 446,7**	**3,9**	**38 157,6**	**1,5**	**52 999,4**

(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 f	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**
Medium & long-term loans	*0,0*	*0,0*	*0,0*	*0,0*	*23 327,9*	*0,0*	*23 327,9*
FCT	*0,0*	*0,0*	*0,0*	*0,0*	*5 547,5*	*0,0*	*5 547,5*
Other	*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**
Real estate leasing	*0,0*	*0,0*	*0,0*	*0,0*	*4 246,4*	*0,0*	*4 246,4*
Equipment leasing	*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**
Total	**0,0**	**13 602,8**	**1 299,5**	**673,4**	**34 889,9**	**2,2**	**50 467,8**

(in millions of euros)	31/12/2018						
Counterparty/Issuer Type	Central banks	Central Government Agencies	Lending Institutions	Other Financial companies	Non-Financial companies	Households	Total
Guarantee commitments given and signature commitments	0,0	0,0	0,0	0,0	12 512,1	0,0	**12 512,1**

(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**

Concentrations by rating

Breakdown of loans and receivables by financial instrument class

(in millions of euros)	31/12/2018						
Internal Rating	Loans and receivables to customers				Finance lease operations		
	Medium & long-term loans	FCT	Other	Total	Real estate leasing	Equipment leasing	Total
Risk-free (*)	0,0	0,0	5 237,6	**5 237,6**	0,0	0,0	**0,0**
Low risk	15 582,9	1 998,2	0,0	**17 581,1**	2 200,8	1 221,7	**3 422,5**
Average risk	6 080,1	2 737,3	0,0	**8 817,4**	771,9	417,4	**1 189,3**
High risk	167,5	400,9	0,0	**568,4**	63,7	25,1	**88,8**
Not rated	3 588,0	453,7	290,3	**4 332,0**	982,7	175,7	**1 158,4**
Proven risk	743,1	301,0	1,3	**1 045,4**	167,9	49,9	**217,8**
Total loans and receivables	**26 161,6**	**5 891,1**	**5 529,2**	**37 581,9**	**4 187,0**	**1 889,8**	**6 076,8**

(*) including accounts opened with the State – Agence France Trésor – for €5,231.2 million

Breakdown of other assets by accounting category

(in millions of euros)	31/12/2018				
Rating Moody's scale	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Securities at amortised cost	Loans and receivables to lending institutions	Total
Aaa	0,0	0,0	75,1	0,0	**75,1**
Aa3 to Aa1	0,0	100,2	8 049,1	34,8	**8 184,0**
A3 to A1	0,0	175,1	200,7	160,9	**536,7**
<A3	0,0	0,0	0,0	0,0	**0,0**
Not rated	10,2	37,0	-0,9	492,7	**539,0**
Total assets	**10,2**	**312,3**	**8 324,0**	**688,4**	**9 334,9**

Concentrations by business sector of portfolios of loans and receivables from customers and finance lease operations

Bpifrance Financement conducts its activities within France.

(in millions of euros)	31/12/2018					
Economic activity sectors	**Trade**	**Industry**	**Services**	**PW&CE**	**Tourism**	**Total**
Loans and receivables to customers	**5 364,7**	**8 021,7**	**21 339,7**	**1 309,4**	**1 546,4**	**37 581,9**
Medium & long-term loans	*5 064,8*	*7 280,1*	*11 536,8*	*818,4*	*1 461,5*	*26 161,6*
FCT	*299,9*	*741,6*	*4 273,7*	*491,0*	*84,9*	*5 891,1*
Other	*0,0*	*0,0*	*5 529,2 **	*0,0*	*0,0*	*5 529,2*
Finance lease operations	**1 296,3**	**1 154,4**	**3,0**	**221,0**	**403,7**	**6 076,8**
Real estate leasing	*990,3*	*733,3*	*2 040,7*	*57,3*	*365,4*	*4 187,0*
Equipment leasing	*306,0*	*421,1*	*960,7*	*163,7*	*38,3*	*1 889,8*
Total	**6 661,0**	**9 176,1**	**21 342,7**	**1 530,4**	**1 950,1**	**43 658,7**

* including accounts opened with the State – Agence France Trésor – for €5,231.2 million

(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*
Total	**6 439,7**	**8 439,9**	**22 385,3**	**1 422,2**	**1 844,3**	**40 531,4**

* including accounts opened with the State – Agence France Trésor – for €5,204.3 million

(in millions of euros)	31/12/2018					
Economic activity sectors	**Trade**	**Industry**	**Services**	**PW&CE**	**Tourism**	**Total**
Guarantee commitments given and signature commitments	2 072,0	2 370,8	6 024,7	627,0	1 417,6	**12 512,1**

(in millions of euros)	31/12/2017					
Economic activity sectors	**Trade**	**Industry**	**Services**	**PW&CE**	**Tourism**	**Total**
Guarantee commitments given and signature commitments	2 030,4	2 310,1	5 879,9	659,9	1 282,9	**12 163,2**

Breakdown of commitments given by asset class

(in millions of euros)	31/12/2018				31/12/2017			
Nature of loans and receivables to customers	**Medium & long-term loans**	**FCT**	**Other**	**Total**	**Medium & long-term loans**	**FCT**	**Other**	**Total**
Financing commitments given	3 079,4	2 399,3	20,0	**5 498,7**	2 675,8	2 239,4	20,0	**4 935,2**

(in millions of euros)	31/12/2018			31/12/2017		
Nature of finance lease operations	**Property leasing**	**Equipment leasing**	**Total**	**Property leasing**	**Equipment leasing**	**Total**
Financing commitments given	412,6	672,3	**1 084,9**	367,7	607,5	**975,2**

Individually impaired financial assets by economic activity sector

(in millions of euros)	31/12/2018															
	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	
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	154,9	115,4	29,6	26,7	0,0	0,0	**184,5**	**142,1**	31,7	30,5	4,3	2,1	**36,0**	**32,6**
Industry	0,0	0,0	293,0	239,1	59,7	55,2	0,0	0,0	**352,7**	**294,3**	36,8	34,5	21,5	14,6	**58,3**	**49,1**
Services	0,0	0,0	417,5	324,8	199,3	188,3	1,3	1,3	**618,1**	**514,4**	68,1	62,6	14,3	11,0	**82,4**	**73,6**
PW&CE	0,0	0,0	35,9	25,8	35,6	28,8	0,0	0,0	**71,5**	**54,6**	1,8	1,8	23,5	22,1	**25,3**	**23,9**
Tourism	0,0	0,0	46,8	38,0	2,2	2,1	0,0	0,0	**49,0**	**40,1**	40,9	38,5	0,1	0,1	**41,0**	**38,6**
Total	**0,0**	**0,0**	**948,1**	**743,1**	**326,4**	**301,1**	**1,3**	**1,3**	**1 275,8**	**1 045,5**	**179,3**	**167,9**	**63,7**	**49,9**	**243,0**	**217,8**

(in millions of euros)	31/12/2017															
	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	
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**
Total	**0,0**	**0,0**	**539,2**	**210,3**	**62,4**	**7,7**	**1,3**	**0,3**	**602,9**	**218,3**	**71,0**	**43,6**	**22,2**	**7,3**	**93,2**	**50,9**

Offsetting of the assets and financial liabilities

(in millions of euros)	31/12/2018					
	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 amounts
ASSETS						
Derivative hedge instruments	402,8	397,0	5,8	-	5,7	0,1
Repurchase agreements, securities lending and similar agreements	-	-	-	-	-	-
LIABILITIES						
Derivative hedge instruments	379,8	375,1	4,7	-	3,0	1,7
Repurchase agreements, securities lending and similar agreements	6 809,0	-	6 809,0	-	26,4	6 782,6

(in millions of euros)	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 amounts
ASSETS						
Derivative hedge instruments	405,0	393,7	11,3	2,0	9,3	-
Repurchase agreements, securities lending and similar agreements	-	-	-	-	-	-
LIABILITIES						
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

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 2018, total sureties and guarantees received amounted to €22,296 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 the 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 of 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 rate and exchange 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 and micro-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 institution's rate risk is assessed through the changes in three indicators, the sensitivity to short-term interest margins in the case of revenue risk, the sensitivity to the net present value of the balance sheet and the sensitivity of the balance sheet value on a liquidation basis (Economic Value of Equity) in the case of value risk. 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 2017.

(in millions of euros)	Increase of 100 basis points	Decrease of 100 basis points
31 December 2018		
Interest-margin sensitivity, 2018	15,8	0,00
Sensitivity of 2018 balance sheet net present value	14,9	46,7
31 December 2017		
Interest-margin sensitivity, 2017	5,3	0,00
Sensitivity of 2017 balance sheet net present value	41,9	-68,3

The exchange risk

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 EUR/USD and EUR/GBP exchange rates, as of 31 December 2018, would have resulted in an increase in earnings of €0.470M. For the purposes of this analysis, all other variables, and notably interest rates, are presumed to remain constant.
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A 15% decrease in the EUR/USD and EUR/GBP exchange rates, on 31 December 2018, 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 the 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, this Committee makes proposals regarding the management of financial risks on the basis of files prepared by the ALM domain of the Finance Department.
Outside of 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 Market Activities department, which alone is authorised to be active in the capital markets on behalf of all of Bpifrance Financement;
- the steering and follow-up functions are provided by the Finance Department via the ALM 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. Financial management objectives 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 four 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 which includes the other small funds endowed by the other backers including ERDF Ile de France, UIMM, textile, *Garantie de Valeur Liquidative*.
- the "FGKP 1 and 4" block which was created as part of the renewal of the first tranche of the "Preserved Capital Guarantee Fund" system: it has been subject to dedicated monitoring since September 2016.

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 with four 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 four blocks (AFT, CDC, "Hived-off assets" and "FGKP 1 and 4") 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)	31/12/2018						
	Book value	Total incoming /outgoing flows	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years
Repayment of term borrowings	**32 598**	**-32 567**	**-143**	**-205**	**-3 180**	**-16 768**	**-12 269**
Bond loans guaranteed by EPIC Bpifrance	23 208	-23 207	21	-13	-1 539	-10 362	-11 314
Lending establishments borrowings & term accounts	5 628	-5 617	1	-2	-1 270	-4 326	-20
Customer borrowings & term accounts	3 310	-3 290	-163	-190	-370	-2 081	-485
Subordinated with Bpifrance SA	452	-452	-2	0	0	0	-450
Repayment of short-term financing	**11 603**	**-11 621**	**-137**	**-5 752**	**-5 041**	**-691**	**0**
Ordinary accounts	196	-220	-113	-27	-80	0	0
JJ loans	24	-24	-24	0	0	0	0
Deposit certificates & MTN (medium-term notes)	4 558	-4 551	0	-2 327	-1 533	-691	0
Securities sold under forward repurchase agreements	6 825	-6 825	0	-3 398	-3 427	0	0
Derivative instruments							
Non-hedging derivatives: outgoing flows		0	0	0	0	0	0
Non-hedging derivatives: incoming flows		18	0	2	7	9	0
Hedging derivatives: outgoing flows		-36	0	-11	0	0	-25
Hedging derivatives: incoming flows		65	0	0	42	22	0

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
Repayment of term borrowings	**30 689**	**-30 636**	**-93**	**-500**	**-722**	**-15 998**	**-13 323**
Bond loans guaranteed by EPIC Bpifrance	20 460	-20 460	21	-12	-38	-8 362	-12 069
Lending 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 with Bpifrance SA	302	-302	-2	0	0	0	-300
Repayment of short-term financing	**10 157**	**-10 127**	**-113**	**-4 994**	**-4 753**	**-198**	**-69**
Ordinary accounts	209	-183	-113	-1	0	0	-69
JJ 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
Derivative instruments							
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

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.

The financing commitments given, i.e. €6.8 billion at the end of 2018, versus €6.1 billion at the end of 2017, have no contractual schedule. After the contract's signing, they are disbursed at the customer's request. The guarantee commitments given (€12.5 billion at the end of 2018, versus €12.2 billion at the end of 2017) 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.

Note 9 - Disclosure of interests in other entities

9.1 Important 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)	31/12/2018	31/12/2017
Overall book value	5,4	6,4
Overall amount of the shares		
Net earnings from ongoing activities	1,0	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	1,0	1,2

9.4 Interests held in non-consolidated structured entities

As in 2017, non-consolidated structured entities financed by Bpifrance Financement and its partners essentially consisted of a debt fund in 2018. These structures represented a total of €181.1 million in assets as of 31 December 2018 (€222.1 million as of 31 December 2017), the majority of which are presented as loans and advances.

(in millions of euros)	31/12/2018	31/12/2017
Nature and evolution of the risks in the structured non-consolidated entities		
Book value of the assets/liabilities	29,8	36,7
Item in the financial statements under which these assets/liabilities are booked	Financial assets at fair value through profit or loss Loans and receivables	AFS & Loans and receivables
Amount of maximum exposure (balance sheet and off-balance sheet) to risk of loss (*)	29,8	36,7
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 expenses

(in millions of euros)	31/12/2018	31/12/2017
Salaries and wages	-129,9	-124,9
Other social charges	-46,5	-44,8
Fiscal expenses	-15,3	-14,0
Defined contribution retirement expenses	-14,0	-13,5
Defined benefit retirement expenses	-4,8	-1,8
Incentive and profit-sharing	-15,2	-15,1
Allowances/write-backs for commitments relative to the personnel	-0,7	-2,0
Total personnel expenses	**-226,4**	**-216,1**

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:

(in %)	31/12/2018	31/12/2017
UCITS		
Monetary	4%	1%
Equities	18%	21%
Bonds	78%	78%
	100%	100%

Significant actuarial assumptions

The actuarial mortality assumptions are based on the public statistical mortality tables (TH 00-02 and TF 00-02).

The retirement hypotheses 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:

	31/12/2018		31/12/2017	
	Executive	Non-executive	Executive	Non-executive
Under 35 years of age	5,1%	3,9%	4,9%	3,4%
Between 35 and 44 years of age	2,1%	1,2%	2,2%	1,1%
Between 45 and 54 years	1,0%	1,0%	0,9%	1,4%
55 years of age or more	0,6%	1,9%	0,6%	2,1%

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 2018 fiscal year is equal to €4.8 million.

As on 31 December 2018, the average duration of the obligation relative to the defined benefit plans was 19.6 years for retirement lump sum benefits and 12.2 years for health expenses (respectively 18.8 years and 13.0 years in 2017).

A 0.5% increase in the discount rate would lead to a €1.1 million decrease in the commitment, while a 0.5% decrease would result in a €2.4 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

Change in obligations with respect to post-employment benefits	Retirement lump sum benefits			Expenses health	Service awards	Total 31/12/2018		
(in millions of euros)	Bonds Defined benefit defined	Plan assets	Liabilities / (assets) net	Bonds Defined benefit defined	Bonds on other benefits long-term	Bonds	Plan assets	Liabilities / (assets) net
Opening balance	**31,9**	**30,1**	**1,8**	**2,1**	**1,1**	**35,1**	**30,1**	**5,0**
Impact on profit and loss statement	**-3,4**	**-3,8**	**0,4**	**-0,1**	**-0,1**	**-3,6**	**-3,8**	**0,2**
- Cost of services rendered during the period	1,7	0,0	1,7	0,0	0,1	1,8	0,0	1,8
- 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	1,8	-1,8	0,0	0,0	0,0	1,8	-1,8
- 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	-5,4	-5,6	0,2	-0,2	0,0	-5,5	-5,6	0,0
- Actuarial discrepancies (relating to other long-term benefits)	n/a	n/a	n/a	n/a	-0,2	-0,2	n/a	-0,2
Change in consolidation scope	**0,3**	**0,0**	**0,3**	**0,0**	**0,1**	**0,3**	**0,0**	**0,3**
Impact on gains and losses booked in shareholders' equity	**1,6**	**-1,2**	**2,8**	**-0,1**	**0,0**	**1,5**	**-1,2**	**2,7**
- Actuarial discrepancies	1,6	-1,2	2,8	-0,1	n/a	1,5	-1,2	2,7
> of which actuarial gains & losses for the period relating to experience adjustments	*2,5*	*0,0*	*2,5*	*-0,1*	*n/a*	*2,5*	*0,0*	*2,5*
> of which actuarial gains & losses on adjustments relating to demographic hypotheses	*0,0*	*0,0*	*0,0*	*0,0*	*n/a*	*0,0*	*0,0*	*0,0*
> of which actuarial gains & losses on adjustments of financial hypotheses	*-0,8*	*-1,2*	*0,3*	*0,0*	*n/a*	*-0,9*	*-1,2*	*0,3*
- 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
Closing balance	**30,4**	**25,1**	**5,3**	**1,8**	**1,1**	**33,4**	**25,1**	**8,3**

Change in obligations with respect to post-employment benefits	Retirement lump sum benefits			Expenses health	Service awards	Total 31/12/2017		
(in millions of euros)	Bonds Defined benefit defined	Plan assets	Liabilities / (assets) net	Bonds Defined benefit defined	Bonds on other benefits long-term	Bonds	Plan assets	Liabilities / (assets) net
Opening balance	**30,8**	**26,7**	**4,0**	**2,2**	**1,1**	**34,0**	**26,7**	**7,3**
Impact on profit and loss statement	**-0,2**	**2,0**	**-2,1**	**-0,1**	**0,1**	**-0,2**	**2,0**	**-2,2**
- 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	0,3	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
Impact on gains and losses booked in shareholders' equity	**1,3**	**1,4**	**-0,1**	**0,0**	**0,0**	**1,3**	**1,4**	**-0,1**
- 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 hypotheses	*0,5*	*0,0*	*0,5*	*0,0*	*n/a*	*0,5*	*0,0*	*0,5*
> of which actuarial gains & losses on adjustments of financial hypotheses	*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
Closing balance	**31,9**	**30,1**	**1,8**	**2,087**	**1,1**	**35,1**	**30,1**	**5,0**

10.3 Personnel

The average headcount of fully consolidated companies stood at 2,227 employees in 2018, 81% of whom are managers.

10.4 Compensation paid to members of executive and administrative bodies

The amount of compensation paid to corporate officers for duties performed within Bpifrance Financement was €112,500 at 31 December 2018. This amount comes from a rebilling from Bpifrance SA, its parent company.

Directors' fees of €145,500 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 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)

31/12/2018	Financing	Guarantee	Innovation	Other	Total
NBI	609,9	104,1	40,9	15,2	770,1
Operating costs	-273,0	-61,8	-97,1	-12,0	-443,9
Cost of risk	-24,6	0,0	-12,4	0,0	-37,0
Operating income	312,3	42,3	-68,6	3,2	289,2

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	0,0	-8,4	-0,1	-35,3
Operating income	339,8	30,7	-60,6	2,2	312,2

Reminder:
The guarantee funds amounted to €5,990.1 million in 2018, versus €2,861.9 million in 2017.

(in millions of euros)

Gross outstandings	31/12/2018	31/12/2017
Medium and long-term loans	26 688,3	30 437,4
. of which Innovaton loans	*944,8*	*949,3*
Short-term financing	5 943,3	5 626,4
Innovation financing aids	1 073,3	491,6
Guarantees given	12 512,1	12 163,2

The subsidies provided as part of the innovation activity amounted to €72.3 million in 2018, versus €60.6 million in 2017.

Note 12 – Financing and guarantee commitments

(in millions of euros)	31/12/2018	31/12/2017
Commitments given	**19 298,4**	**18 306,2**
Loan financing commitments	6 583,6	5 910,5
in favour of lending institutions	*10,0*	*10,0*
in favour of the clientele	*6 573,6*	*5 900,5*
Innovation aid financing commitments	202,7	232,5
Guarantee commitments	12 512,1	12 163,2
in favour of lending institutions	*0,0*	*0,0*
in favour of the clientele	*12 512,1*	*12 163,2*
Commitments on securities (securities to deliver)	0,0	0,0
Commitments received	**20 804,1**	**21 402,8**
Loan financing commitments	767,1	2 043,2
lending institutions	*767,1*	*2 043,2*
from customers	*0,0*	*0,0*
Guarantee commitments	20 036,9	19 359,5
lending institutions	*471,1*	*812,5*
from customers	*19 565,8*	*18 547,0*
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 methods 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 2018

Balance sheet

(in millions of euros)	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
Assets					
Loans and advances	0,0	0,0	217,6	0,0	**217,6**
Equity instruments	0,0	0,0	5,4	1,0	**6,4**
Other receivables	0,2	51,1	0,0	0,2	**51,5**
Total assets	**0,2**	**51,1**	**223,0**	**1,2**	**275,5**
Liabilities					
Deposits	2,0	86,2	0,0	0,0	**88,2**
Term borrowings	452,2	4 289,1	0,0	0,0	**4 741,3**
Other liabilities	1,2	27,5	0,0	0,0	**28,7**
Total liabilities	**455,4**	**4 402,8**	**0,0**	**0,0**	**4 858,2**
Miscellaneous information					
Guarantees issued by the group	10,0	0,0	11,1	0,0	**21,1**
Guaranties received by the group	18 187,3	0,0	0,0	0,0	**18 187,3**
Impairment of doubtful receivables	0,0	0,0	0,0	0,2	**0,2**

Profit and loss statement

(in millions of euros)	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
Total expenses, including:	**8,8**	**160,2**	**0,0**	**0,1**	**169,1**
Interest expenses	8,6	160,2	0,0	0,0	**168,8**
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	0,1	**0,1**
Total proceeds, including:	**1,9**	**1,2**	**3,2**	**0,0**	**6,3**
Interest income	0,0	0,8	3,0	0,0	**3,8**
Fees and commissions	0,0	0,0	0,0	0,0	**0,0**
Services provided	1,9	0,4	0,0	0,0	**2,3**
Dividend income	0,0	0,0	0,2	0,0	**0,2**
Other	0,0	0,0	0,0	0,0	**0,0**
Other information					
Charges for the year pertaining to doubtful loans	0,0	0,0	0,0	0,0	**0,0**

31 December 2017

Balance sheet

(in millions of euros)	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
Assets					
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**
Total assets	**0,0**	**65,1**	**208,8**	**1,3**	**275,2**
Liabilities					
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**
Total liabilities	**327,2**	**5 079,7**	**0,2**	**0,1**	**5 407,2**
Miscellaneous information					
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

(in millions of euros)	Parent company	Companies exercising joint control	Associated companies	Other related parties	Total
Total expenses, including:	**6,2**	**168,3**	**0,0**	**0,0**	**174,5**
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**
Total proceeds, including:	**2,1**	**1,4**	**5,7**	**0,0**	**9,2**
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**
Other information					
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 (amount excluding tax)

	Mazars		KPMG Audit	
(in thousands of euros)	2018	2017	2018	2017
Certification of the financial statements	427	344	438	341
Other services	10	74	29	11
Total	437	418	467	352

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.

	31/12/2018							
	Assets				Liabilities			Off-balance sheet
(in millions of euros)	Receivables	Principal's account	Cash	Total	Debts	Principal's account	Total	
Financing activity								
ARI(*)	100,7	0,0	0,0	100,7	0,0	100,7	100,7	39,9
Debt funds	139,5	0,0	0,0	139,5	0,0	139,5	139,5	0,0
Guarantee activity								
DROM managed funds	0,0	0,0	63,2	63,2	0,0	63,2	63,2	0,0
Camulor	0,0	0,0	0,2	0,2	0,0	0,2	0,2	0,0
FGRU(*)	0,0	0,0	8,3	8,3	0,0	8,3	8,3	0,0
Student loans	0,0	0,0	26,7	26,7	0,0	26,7	26,7	152,7
Innovation aid activity								
Atout	0,0	0,0	42,7	42,7	0,0	42,7	42,7	0,0
FSN(*)	89,6	324,6	0,0	414,2	200,1	214,1	414,2	72,7
PSIM(*)	26,5	40,0	0,0	66,5	21,2	45,3	66,5	16,4
PSPC(*)	139,6	781,4	19,5	940,5	111,7	828,8	940,5	209,8
Strategic sectors	0,0	61,3	4,3	65,6	25,6	40,0	65,6	1,3
FUI(*)	0,2	309,9	0,0	310,1	190,3	119,8	310,1	5,1
FNI-PRI(*)	21,8	9,0	0,7	31,5	0,8	30,7	31,5	4,0
PIAVE(*)	51,4	205,2	0,0	256,6	57,8	198,8	256,6	95,5
French Tech	0,1	0,0	0,2	0,3	0,1	0,2	0,3	0,0
Business Development Insurance	33,7	255,5	0,0	289,2	6,1	283,1	289,2	57,1
FGI ATF PIA 3(*)	0,2	209,7	0,0	209,9	0,7	209,2	209,9	1,4
FGI Concours d'innovation PIA3	7,1	140,9	0,0	148,0	34,5	113,5	148,0	17,4
Total	**610,4**	**2 337,5**	**165,8**	**3 113,7**	**648,9**	**2 464,8**	**3 113,7**	**673,3**

(*) ARI: Reindustrialisation aids

FGRU: Guarantee Fund for Urban Renew al

FSN: Fonds national pour la Société Numérique

PSIM: Programme de Soutien à l'Innovation Majeure

PSPC: Projet de recherche et de développement Structurants des Pôles de Compétitivité (Structuring Research and Development Projects for Competitiven

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)

ATF PIA 3: Assistance and Transformation of the Sectors - Investments of the Future 3 Programme

	31/12/2017							
	Assets				Liabilities			Off-balance sheet
(in millions of euros)	Receivables	Principal's account	Cash	Total	Debts	Principal's account	Total	
Financing activity								
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
Guarantee activity								
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
Innovation aid activity								
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
Total	**604,0**	**2 049,5**	**184,1**	**2 837,6**	**713,9**	**2 123,7**	**2 837,6**	**695,9**

11. SEPARATE FINANCIAL STATEMENTS

Bpifrance Financement

PUBLISHABLE SEPARATE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

- Publishable balance sheet
- Publishable off balance sheet
- Publishable profit and loss statement

Publishable balance sheet of Bpifrance Financement

(in millions of euros)

ASSETS	Notes	31/12/2018	31/12/2017
Cash, central banks		**1 687,6**	**357,2**
Treasury notes & similar securities	6	**7 677,6**	**7 726,9**
Receivables from credit institutions	3	**458,6**	**363,1**
- Sight a/c		*196,7*	*112,3*
- Term a/c		*261,9*	*250,8*
Customer transactions (*)	4	**37 717,2**	**35 224,6**
- Trade receivables		291,4	438,6
- Other customer loans		32 173,5	34 679,3
- Overdrafts		5 252,3	106,7
Bonds & other fixed income securities	6	**528,1**	**677,0**
Equities & other variable income securities	6	**612,8**	**522,4**
Equity interests & other long-term securities	7	**25,9**	**25,3**
Investments in affiliated companies	7	**70,0**	**66,9**
Fin. & plain leasing with purchase option	5	**5 843,6**	**5 750,9**
Operating lease	5	**176,7**	**160,3**
Intangible fixed assets	8	**71,3**	**63,4**
Tangible fixed assets	8	**22,6**	**18,8**
Subscribed but unpaid capital		**0,0**	**0,0**
Treasury shares		**0,0**	**0,0**
Innovation financing aids	9	**843,5**	**895,4**
Other assets	10	**359,8**	**441,1**
Accruals	11	**257,1**	**242,7**
TOTAL ASSETS		**56 352,4**	**52 536,0**

Publishable balance sheet of Bpifrance Financement

(in millions of euros)

LIABILITIES	Notes	31/12/2018	31/12/2017
Central banks		**0,0**	**0,0**
Due to credit institutions	12	**12 446,0**	**12 364,8**
- Sight a/c		*9,3*	*2,3*
- Term a/c		*12 436,7*	*12 362,5*
Customer transactions (*)	13	**3 504,7**	**3 512,6**
- Other debts		3 504,7	3 512,6
. Sight a/c		*196,3*	*206,2*
. Term a/c		*3 308,4*	*3 306,4*
Debt securities	14	**27 675,9**	**24 558,6**
- Interbank market securities & negotiable debt instruments		*4 556,5*	*4 219,4*
- Bond loans		*23 119,4*	*20 339,2*
Other liabilities	15	**1 434,1**	**1 478,7**
Accruals	16	**1 231,6**	**1 241,9**
Provisions	17	**432,8**	**456,0**
Subordinated debts, mutual guarantee deposits	18	**471,6**	**321,4**
Public Guarantee Funds	19	**4 364,5**	**4 058,9**
Net innovation intervention resources	20	**1 574,0**	**1 537,2**
Fund for general banking risks		**235,2**	**235,2**
Shareholders equity excluding contingencies fund (FRBG)	21	**2 982,0**	**2 770,7**
- Subscribed capital		*839,9*	*839,9*
- Issue premiums		*971,6*	*971,6*
- Merger premiums		*211,9*	*211,9*
- Reserves		*213,0*	*203,0*
- Regulated provisions, investment subsidies		*63,1*	*55,8*
- Retained earnings		*468,0*	*288,3*
- Profit or loss for the fiscal year		*214,5*	*200,2*
TOTAL LIABILITIES		**56 352,4**	**52 536,0**

Publishable off-balance sheet of Bpifrance Financement

(in millions of euros)	Note	31/12/2018	31/12/2017
Commitments given	24		
- Financing commitments			
. Commitments to lending institutions		10,0	10,0
. Commitments to customers		6 776,3	6 133,0
- Guarantee commitments			
. Commitments on behalf of lending institutions		0,0	0,0
. Commitments on behalf of customers		11 735,1	11 432,4
- Commitments on securities			
. Securities acquired with buyback or recovery option		0,0	0,0
. Other commitments given		0,0	0,0
Commitments received	24		
- Financing commitments			
. Commitments received from lending institutions		767,1	2 043,2
. Commitments received from customers		0,0	0,0
- Guarantee commitments			
. Commitments received from lending institutions		991,7	1 068,5
. Commitments received from customers		19 565,8	18 547,0
- Commitments on securities			
. 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

(in millions of euros)	Notes	31/12/2018	31/12/2017
Interest Income	26	1 102,7	1 093,6
Interest and similar expenses	27	-533,9	-551,3
Income on leasing and related transactions	28	1 193,7	1 158,1
Expense on leasing and plain renting operations	29	-1 009,0	-1 016,5
Proceeds from plain renting operations	28	99,2	108,9
Charges on plain renting operations	29	-79,5	-96,8
Income from variable income securities	30	2,2	1,8
Commissions (income)	31	9,6	8,4
Commissions (expenses)	31	-1,6	-1,3
+/- Gains or losses on trading portfolio transactions	32	0,1	-0,2
+/- Gains or losses on long-term portfolio & similar transactions	33	-1,4	-0,6
Other bank operating income	34	48,0	54,8
Other bank operating expenses	35	-5,3	-5,2
NET BANKING INCOME		**824,8**	**753,7**
Operating general expenses	36	-403,7	-374,0
Amortisation & impairment on tangible & intangible fixed assets		-29,9	-27,3
GROSS OPERATING EARNINGS		**391,2**	**352,4**
Cost of risk	37	-37,2	-27,3
OPERATING INCOME		**354,0**	**325,1**
+/- Gains or losses on non-current assets	38	0,0	15,3
CURRENT PRE-TAX EARNINGS		**354,0**	**340,4**
Extraordinary profit or loss		0,0	0,0
Income tax	41	-132,2	-138,2
Charges to/recoveries from the FGBR & regulatory provisions		-7,3	-2,0
NET EARNINGS		**214,5**	**200,2**

Bpifrance Financement

NOTES TO THE PUBLISHABLE SEPARATE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

Note to the financial statements

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: public sector bills, bonds and other fixed income securities, shares 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 outstandings

The credit transactions that do not generate a confirmed risk, on the other hand, are acknowledged as being sound outstandings.

Restructured outstandings

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 outstandings

Credit transactions that generate a recognised risk are doubtful outstandings, or "bad debt." For a particular counterparty, all these credit transactions will be classified by "tainting" as doubtful outstanding 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 may 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 outstandings.

The compromised doubtful outstanding loans are identified within doubtful outstanding loans.

When it is confirmed that the outstanding loans are non-collectible, these assets are transferred to losses.

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 impairment 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

Since 2000, sound outstandings from loans to customers are provisioned. The estimate methodology applied was updated on two occasions: in 2007 when the consolidated financial statements transferred to IFRS standards and in 2018 when IFRS 9 entered into force.

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 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.

Individual financial statements In the corporate financial statements, these transactions appear on the balance sheet in the sections “leasing and rental agreements with purchase option” and “plain leasing” and in the income statement in the sections “proceeds from leasing transactions and similar,” “charges for leasing and similar” and “proceeds from plain leasing”, “charges for plain leasing.”

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[1]) 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[2]) 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.

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[1] 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).

[2] *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 interests and shares in related companies, other long-term investment securities**

These securities are listed at the acquisition price, excluding expenses.

Equity investments, investments in non-consolidated subsidiaries

Investments in related companies comprise securities giving rights to the capital of a company. 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 related companies 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**

Issue expenses and redemption or issue premiums are spread over the duration of the borrowing. 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 fall under 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 Post-balance sheet events

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

NOTE 3 - RECEIVABLES FROM CREDIT INSTITUTIONS

(in millions of euros)	31/12/2018	31/12/2017
Demand deposits and overnight loans	196,7	112,3
Term accounts and loans	261,9	249,9
Subordinated loans	0,0	0,0
Securities received in repo transactions	0,0	0,0
Doubtful debts		
. Gross amount	*0,0*	*0,0*
. Impairments	*0,0*	*0,0*
Net amount of doubtful loans	0,0	0,0
Inter-company receivables	0,0	0,9
Total (*)	**458,6**	**363,1**
(*) Of which refinancing loans for subsidiaries or equity interests	217,6	202,3

Breakdown of sound outstandings (excluding accruals) by residual maturity at 31 December 2018

(in millions of euros)	D ≤ 3 m.	3 m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
Sound outstandings	212,5	17,8	98,7	129,6
	458,6			

NOTE 4 - TRANSACTIONS WITH CUSTOMERS - ASSETS

This note describes loan and financing transactions for short-term receivables.

(in millions of euros)	31/12/2018	31/12/2017
Trade receivables	291,4	438,6
Overdrafts (excluding AFT)	14,6	8,1
Short-term credit facilities	5 570,3	5 229,6
Equipment loans	15 016,9	13 476,3
of which restructured credits	*155,8*	*154,9*
Accounts opened with Agence France Trésor(1)	5 231,2	5 204,3
Credit export	132,0	70,3
Other loans and subordinated loans	10 726,9	9 976,6
of which restructured credits	*140,7*	*135,0*
Loans to financial customers	3,9	4,2
Doubtful debts		
. Gross amount (2)	*1 275,9*	*1 219,1*
. Impairments	*-230,4*	*-185,5*
. Allocated callable guarantee funds (3)	*-360,8*	*-311,7*
Net amount of doubtful loans	684,7	721,9
Inter-company receivables	45,3	94,7
Total (4)(5)	**37 717,2**	**35 224,6**
(1) Accounts opened with Agence France Trésor have been reclassified from term accounts to demand accounts for fiscal year 2018, following the review of the wording of agreements with the French Treasury.		
(2) Before deduction of any guarantees		
(3) This item represents the impairments established on guarantee funds		
(4) Excluding collective provisions shown as balance sheet liabilities		
(5) Of which eligible debts with the Euro system (ECB)	5 600,1	8 688,5

The total amount of doubtful receivables is broken down as follows:

(in millions of euros)	Outstandings doubtful	Doubtful outstandings	TOTAL
Outstandings	466,3	809,6	**1 275,9**
Impairments	0,0	-230,4	**-230,4**
Allocated callable guarantee funds	-120,5	-240,3	**-360,8**
Net amount	**345,8**	**338,9**	**684,7**

Breakdown of loans outstanding (excluding related receivables) on 31 December 2018

- By residual maturity

(in millions of euros)	D ≤ 3 m.	3 m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
Sound outstandings	7 394,3	6 839,1	14 419,4	8 334,4
36 987,2				

- By economic business sectors

(in millions of euros)	Trade	Industry	Services	PW&CE	Tourism	TOTAL
Sound outstandings	5 300,3	7 845,5	21 037,7 (*)	1 273,0	1 530,7	**36 987,2**
Doubtful outstandings	184,5	352,8	618,1	71,5	49,0	**1 275,9**
Impairments	-42,3	-58,5	-103,8	-16,9	-8,9	**-230,4**

(*) Including €5,321,2 million with Agence France Trésor

- By major types of counterparty

(in millions of euros)	Central administrations	Credit institutions	Non-credit institutions Lending institutions	Companies	Customers -	TOTAL
Sound outstandings	5 522,6	0,0	3,9	31 452,6	8,1	**36 987,2**
Doubtful outstandings	0,0	0,0	0,0	1 275,7	0,2	**1 275,9**
Impairments	0,0	0,0	0,0	-230,4	0,0	**-230,4**

NOTE 5 - FINANCIAL LEASING AND OPERATING LEASE TRANSACTIONS

Fund flows recorded during the 2018 fiscal year

(in millions of euros)	Finance and equipment leases	Finance and equipment leases	TOTAL
Gross value of prop., plant & equip. as at 31/12/2017	**7 451,8**	**3 369,1**	**10 820,9**
Entries	460,3	752,5	1 212,8
Exits	-439,1	-567,1	-1 006,2
Gross value of prop., plant & equip. as at 31/12/2018	**7 473,0**	**3 554,5**	**11 027,5**
Total depreciation and amortisation as at 31/12/2018	-2 234,7	-2 051,6	-4 286,3
Total impairment as at 31/12/2018 (*)	-744,0	-2,6	-746,6
Total allocated guarantee funds as at 31/12/2018	-9,9	-4,9	-14,8
Net value of prop., plant & equip. as at 31/12/2018	**4 484,4**	**1 495,4**	**5 979,8**
Net receivables	29,5	11,0	40,5
Subtotal	**4 513,9**	**1 506,4**	**6 020,3**
Unrealised reserve	38,5	442,7	481,2
Net financial outstandings as at 31/12/2018	**4 552,4**	**1 949,1**	**6 501,5**
(*) Of which - Provisions Article 64 of Sicomi regime	-9,5	0,0	-9,5
– Provisions Art. 57	-717,9	0,0	-717,9

NOTE 6 - SECURITIES PORTFOLIO

6.1 Fund flows recorded during the 2018 fiscal year

(in millions of euros)	Public sector bills and similar securities	Bonds and other fixed-income securities	Shares and other fixed-income securities
Gross amount at 31/12/2017	**7 726,9**	**677,4**	**523,3**
Entries & other movements (1)	472,4	593,3	242,0
Exits	-521,1	-741,6	-150,0
Change in related receivables	-0,6	-1,0	0,0
Gross amount as at 31/12/2018	**7 677,6**	**528,1**	**615,3**
Total impairments as at 31/12/2018 (2)	0,0	0,0	-2,5
Net amount as at 31/12/2018	**7 677,6**	**528,1**	**612,8**

(1) including amortisation of premiums/discounts

(2) Impairments for unrealised capital losses and for doubtful loans

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	Shares and other fixed-income securities
Gross amount as at 31/12/2018	**14,0**	**130,2**	**67,0**
Total impairment	0,0	0,0	-0,1
Net amount as at 31/12/2018	**14,0**	**130,2**	**66,9**

Breakdown of the fixed income securities portfolio by residual duration as of 31 December 2018

(in millions of euros)	D ≤ 3 m.	3 m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years	Receivables -	TOTAL
Public sector bills and similar securities	0,0	671,7	2 746,7	4 177,3	81,9	**7 677,6**
Bonds and other fixed-income securities	168,0	264,9	39,0	53,6	2,6	**528,1**
	168,0	**936,6**	**2 785,7**	**4 230,9**	**84,5**	**8 205,7**
	8 121,2					

6.2 Breakdown by portfolio type (net amounts, including related receivables)

(in millions of euros)	31/12/2018						31/12/2017
	Public sector bills public and securities	Bonds and other securities		Shares and other securities		TOTAL	TOTAL
		Securities	Securities	Securities	Securities		
Placements	0,0	39,8	275,2	0,0	612,8	927,8	690,0
Investments	7 677,6	113,2	99,9	0,0	0,0	7 890,7	8 236,3
Total	**7 677,6**	**528,1** (*)		**612,8**		**8 818,5**	**8 926,3**

(*) Of which: - Securities issued by the State or local authorities: 0.0
- Securities issued by other issuers: 528.1

Securities sold on repo amounted to €6,239.8 million at the end of 2018 versus €5,223.1 million at the end of 2017 (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, nor significant disposals of investment securities before maturity over the course of the fiscal year.

6.4 Portfolio valuation (including related receivables and excluding doubtful receivables) as of 31 December 2018

(in millions of euros)	Value gross accounting	Value of market	Difference	Capital losses unrealised (excluding doubtful loans)	Capital gains unrealised
Market securities	930,1	927,9	-2,2	-2,3	0,1
Investment securities (*)	7 890,7	8 494,7	604,0		

(*) Investment portfolio securities, mainly French Government bonds (OATs), are part of the overall management of liquidity and interest rate positions of the Institution with the objective of hedging risks.
They enable in particular securities to be provided as collateral to satisfy interbank and exchange rate transactions.

NOTE 7 - EQUITY INVESTMENTS AND OTHER LONG-TERM SECURITIES, INVESTMENTS IN RELATED COMPANIES

7.1 Fund flows recorded during the 2018 fiscal year

(in millions of euros)	Equity interests	Other securities held long-term	Investments in affiliated companies
Gross amount at 31/12/2017	**12,8**	**13,7**	**67,1**
Entries and other movements	0,4	1,7	3,1
Exits and other movements	-1,6	0,0	0,0
Change in related receivables	0,0	0,0	0,0
Gross amount as at 31/12/2018	**11,6**	**15,4**	**70,2**
Total impairment as at 31/12/2018	-0,2	-0,9	-0,2
Net amount as at 31/12/2018 (1)	**11,4**	**14,5**	**70,0**
(1) Of which : - Listed securities	0,0	0,0	0,0
- Non-listed securities	11,4	14,5	70,0

7.2 Equity interests and subsidiaries

ıbsidiaries and equity interests (in thousands of eurc	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			
A - Subsidiaries in which over 50% of the capital is owned by the company 1) French subsidiaries 2) Foreign subsidiaries	70 281	70 101	16 758	0	1 857
B - Equity interests in which 10 to 50% of the capital is owned by the Company 1) Equity interests in French companies *(information* 2) Equity interests in foreign companies *(information*	23 109	22 150	217 613	10 000	172

7.3 Information on related parties

(in millions of euros)

COMMITMENTS GIVEN	31/12/2018
Financing commitments	
- Etablissements de crédit	0,0
- Clientèle	10,0 (*)
Guarantee commitments	
- Etablissements de crédit	0,0
- Clientèle	0,0
Commitments on securities	
- Etablissements de crédit	0,0
- Clientèle	0,0

Operations with related parties are negotiated at arm’s length.

NOTE 8 - TANGIBLE AND INTANGIBLE FIXED ASSETS

(in millions of euros)	Fixed assets intangible	Tangible fixed assets		
		Land and Buildings		Other
		Operating	*Non-operating*	
Gross amount at 31/12/2017	**229,9**	**30,8**	**0,7**	**31,1**
Acquisitions	33,4	6,7	0,0	5,1
Exits	-0,8	-2,9	0,0	0,0
Gross amount as at 31/12/2018	**262,5**	**34,6**	**0,7**	**36,2**
Total depreciation and amortisation as at	-191,2	-21,5	-0,5	-26,9
Net amount as at 31/12/2018	**71,3**	**13,1**	**0,2**	**9,3**
Total	**71,3**	**22,6**		

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 €63.0 million on 31 December 2018.

NOTE 9 - INNOVATION FINANCING AIDS

(in millions of euros)

Funds	Amounts gross sound	Amounts gross doubtful	Impair-ments	Funds Guarantee affected	TOTAL 31/12/2018	TOTAL 31/12/2017
Innovation aid - ISI (*)	557,8	144,6	0,0	-141,2	**561,2**	**604,5**
PMII - ISI 2008 (*)	134,8	88,7	0,0	-88,5	**135,0**	**142,1**
FRGI (*)	24,4	3,4	0,0	0,0	**27,8**	**27,5**
Aid on partner financing	68,1	50,5	0,0	0,0	**118,6**	**120,5**
FNI-FISO(*)	0,9	0,1	0,0	-0,1	**0,9**	**0,8**
Total	**786,0**	**287,3**	**0,0**	**-229,8**	**843,5**	**895,4**

(*) 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)	31/12/2018	31/12/2017
Purchased conditional instruments	0,0	0,1
Guarantee margins paid on repurchase agreements and interest rate swap contracts	107,7	183,1
Allocation to be received on guarantee funds	1,6	0,0
Subsidies to be received on leasing operations	2,4	1,6
Allocation to be received on innovation financing aid	135,3	134,0
Other sundry debtors	112,4	121,9
Stocks and sundry assets	0,4	0,4
Total	**359,8**	**441,1**

NOTE 11 - ACCRUALS - ASSETS

(in millions of euros)	31/12/2018	31/12/2017
Securities deposited for settlement	3,3	3,6
Adjustment accounts for off-balance sheet operations in foreign currencies (1)	5,7	0,0
Loan issue fees awaiting allocation	20,9	21,3
Loan issue premium awaiting allocation	57,1	54,6
Other prepaid expenses	21,2	17,8
Income receivable on forward financial instruments (2)	67,3	72,6
Proceeds to be received on leasing operations	5,1	7,5
Medium and long-term direct debits in progress	6,7	2,6
Guarantee fee to be spread EMTN EPIC Bpifrance	32,2	39,0
Other	37,6	23,7
Total	**257,1**	**242,7**

(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)	31/12/2018	31/12/2017
Demand deposits	9,3	2,3
Overnight borrowings	0,0	0,0
Term borrowings	2 328,8	3 330,1
. including Livret Développement Durable (LDD or Sustainable Development Passbook) resources	*2 200,0*	*3 155,0*
. including KfW and CEB loans	*93,4*	*131,2*
Refinancing with the ECB	3 300,0	3 300,0
Securities sold under forward repurchase agreements (1)	6 824,9	5 725,8
Other payables	0,0	0,0
Related liabilities(2)	-17,0	6,6
Total	**12 446,0**	**12 364,8**
(1) Of which - Public sector bills	6 824,9	5 725,8
- Bonds and other fixed income securities	0,0	0,0
(2) Remuneration of a portion of the debts to lending institutions is at a negative interest rate		

Breakdown of debts (excluding accruals) by residual maturity on 31 December 2018

(in millions of euros)

D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
3 419,6	4 697,4	4 325,6	20,4
12 463,0			

NOTE 13 - TRANSACTIONS WITH CUSTOMERS - LIABILITIES

(in millions of euros)	31/12/2018	31/12/2017
Loan with EPIC Bpifrance	2 042,5	1 967,8
Security deposits	901,8	803,6
Demand deposits (1)	196,3	206,2
State shareholder advance: Capital Preservation Guarantee Fund	202,6 (2)	422,6
Funds received awaiting allocation:		
. Short-term financing	115,2	76,7
. Medium and long-term loans	30,1	19,2
Other payables	16,2	16,5
Total	**3 504,7**	**3 512,6**
(1) Of which Bpifrance SA	2,0	23,9
- EPIC Bpifrance	86,2	84,3

(2) Repayment of the 3nd FGKP tranche of €220 million

Breakdown of customer deposits by residual duration on 31 December 2018

(in millions of euros)

D ≤ 3 m.	3m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
512,3	341,3	1 926,2	724,9
	3 504,7		

NOTE 14 - DEBT SECURITIES

Breakdown of outstanding debts by residual maturity on 31 December 2018

(in millions of euros)	D ≤ 3 m.	3 m. < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years	Debts	TOTAL
Interbank market securities and negotiable debt instruments	2 330,2	1 536,6	691,6	0,0	-1,9	**4 556,5**
Bond loans	0,0	1 500,0	10 200,0	11 306,0	113,4	**23 119,4**
Total	**2 330,2**	**3 036,6**	**10 891,6**	**11 306,0**	**111,5**	**27 675,9**

NOTE 15 - OTHER LIABILITIES

(in millions of euros)	31/12/2018	31/12/2017
Payments due on securities not fully paid up	0,0	0,1
Tax and company receivables	21,1	18,9
Guarantee margins received on repurchase agreements and interest rate swap contracts	35,1	49,3
Advances from lessees	283,5	294,3
Equipment subsidies to be received on leasing operations	26,1	25,3
Suppliers of lease finance	66,8	54,6
Other miscellaneous creditors for leasing operations	0,1	1,7
Guarantee commissions earned in advance from customers	0,7	0,3
Disputes to be paid on guarantee funds	882,1	923,9
Other sundry creditors	53,4	32,6
Miscellaneous advances	65,2	77,7
Total	**1 434,1**	**1 478,7**

NOTE 16 - ACCRUALS - LIABILITIES

(in millions of euros)	31/12/2018	31/12/2017
Allocation to the Development Participatory Loan to be spread	109,7	95,0
Adjustment accounts for off-balance sheet transactions in foreign currencies (1)	2,9	3,4
Cash payments related to trading or cancellation of interest rate swap contracts	4,1	5,1
Other deferred income	306,3	334,3
Expenses payable on forward financial instruments (2)	44,3	46,5
Provisions for paid holidays	29,7	31,5
Deferred lease rent	73,4	65,5
Subsidies to be paid on innovation aids	80,0	86,2
Guarantee commissions booked in advance	295,9	274,1
Innovation pending accounts	14,5	14,5
Miscellaneous	270,8	285,8
Total	**1 231,6**	**1 241,9**

This item includes revaluation differences on off-balance sheet transactions put in place for hedging purposes involving balance sheet transactions

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)	31/12/2018	31/12/2017
Provisions on credit risks	392,0	418,5
Provisions for employee benefit commitments (*)	23,3	20,2
Provisions related to innovation activity	10,1	10,1
Other	7,4	7,2
Total	**432,8**	**456,0**

(*) Retirement lump sum benefits are covered by an insurance policy whose assets total €25.1 million.

NOTE 18 - SUBORDINATED DEBTS, MUTUAL GUARANTEE DEPOSITS

(in millions of euros)	31/12/2018	31/12/2017
Bpifrance SA subordinated term loan	450,0	300,0
Reserve Fund (*)	12,2	12,0
Mutual guarantee deposits	7,2	7,3
Attached debts	2,2	2,1
Total	**471,6**	**321,4**

(*) This reserve fund was created by former OSEO guarantee shareholders; its purpose is 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

(in thousands of euros)

Guarantee Fund	Balance of funds Guarantee at 31 December 2017	Allocations 2018	Reimbursements and redeployments 2018	Results 2018	Balance of funds Guarantee at 31 December 2018	Disputed amounts and interest to pay	Assets accounting of funds of guarantee
Reserve Fund							
Reserve Fund	619 613	0	-5 256	4 788	619 145	0	619 145
Mutual fund for guarantee funds	259 563	300 000	-3 352	1 972	558 183	0	558 183
AFT (Agence France Trésor)							
Creation of SMEs and VSEs	603 148	0	113 528	-34 967	681 709	294 462	976 171
Business start-up loans	13 292	0	-7 800	-159	5 333	168	5 501
Transfer/buy-out of SMEs and VSEs	306 441	0	21 214	-13 751	313 904	129 910	443 814
Strengthening of the financial structure of SMEs and VS	153 393	0	18 716	-10 297	161 812	88 208	250 020
Over-mutualisation fund	0	0	0	0	0	0	0
Innovation of SMEs and VSEs	51 101	0	-9 852	2 114	43 363	47 126	90 489
Specific short-term financing for SMEs and VSEs	57 243	0	6 131	3 100	66 474	19 322	85 796
Cash-strengthening SMEs and mid-tier companies	68 903	0	-45 700	5 921	29 124	57 849	86 973
Supplementary guarantee cash strengthening SMEs & mi	9 696	0	-5 800	1 935	5 831	48 984	54 815
Confirmed credit lines for SMEs, VSEs and mid-tier com	2 168	0	-1 996	663	835	6 209	7 044
Supplementary guarantee cash strengthening SMEs, VSE	3 929	0	-3 215	284	998	8 356	9 354
FGKP	156 945	0	0	1 116	158 061	88 709	246 770
FASEP	76 942	10 000	-26 874	301	60 369	1 659	62 028
Own funds guarantee	140 698	0	-69 021	-3 493	68 184	641	68 825
Participatory Priming Loans (PPA)	51 216	0	18 000	-6 456	62 760	12 019	74 779
Sureties on innovative projects	12 077	0	-11 855	51	273	0	273
Biotechnology guarantee	44 665	0	-23 778	212	21 099	405	21 504
Structured financing	47 987	0	-18 746	1 395	30 636	0	30 636
Strengthening top of the balance sheet	373 183	29 703	68 670	9 771	481 327	123 906	605 233
PPMTR	53 561	0	0	-2 728	50 833	9 246	60 079
Green Loans	79 398	0	0	-156	79 242	7 585	86 827
Sustainable Development Innovation	7 526	0	0	73	7 599	107	7 706
Wood PPD	4 925	800	0	-451	5 274	1 638	6 912
CICE pre-financing	37 707	0	-36 882	211	1 036	208	1 244
Innovation loans	67 040	0	18 600	-5 223	80 417	22 898	103 315
Eco-Energy Loans (PEE)	23 153	0	0	457	23 610	303	23 913
Digital loans	34 709	0	0	-1 158	33 551	6 709	40 260
LICC	1 539	0	0	61	1 600	0	1 600
Robotics Loans	34 147	0	0	864	35 011	4 915	39 926
Interdependent Economy (French acronym ESS) Loan	12 766	0	-11 043	-62	1 661	199	1 860
SOFIRED	7 247	3 000	0	-1 811	8 436	2 595	11 031
Prêt Croissance Industrie (Industry Growth Loan)	130 483	0	0	-11 957	118 526	15 539	134 065
Prêt d'Amorçage Investissement (Investment Seed Loan)	29 401	0	14 667	-2 641	41 427	5 592	47 019
Prêt Entreprises et Quartiers (Company and Neighbourh	2 043	0	0	18	2 061	0	2 061
Prêt Croissance Automobile (Automotive Growth Loan)	28 247	0	-17 565	596	11 278	0	11 278
Cash-Strengthening for Livestock Farming	13 052	0	0	82	13 134	388	13 522
Wood sector loan	0	10 000	0	4	10 004	0	10 004
Agricultural methanisation loan	0	10 000	0	4	10 004	0	10 004
EIB – State	2 277	0	-2 277	9	9	0	9
Development of SMEs and VSEs	60 593	0	0	1 473	62 066	7 182	69 248
Eastern countries	17	0	0	0	17	0	17
PIC SME	1 090	0	-1 080	195	205	975	1 180
Development capital & equity loans	186	0	0	3	189	180	369
Set-up of young entrepreneurs in rural settings	78	0	0	1	79	21	100
DROM	110 607	0	-7 200	23 454	126 861	30 151	157 012
CDC (Caisse des Dépôts et Consignations)							
France Investissement Garantie	128 555	9 800	0	-14 925	123 430	3 275	126 705
Other funds							
EIB – Technological Development	0	0	0	0	0	0	0
Own funds guarantee – IDF ERDF	1 606	0	0	164	1 770	21	1 791
Net asset value guarantee	5 774	0	0	0	5 774	0	5 774
UIMM	238	0	-39	1	200	0	200
PPD UIMM Midi-Pyrénées	809	0	0	-105	704	855	1 559
"Entreprendre Croissance" Network	1 260	0	0	69	1 329	285	1 614
UIMM Méditérannée	899	0	0	0	899	0	899
UIMM Limousin Poitou Charentes	842	0	0	7	849	144	993
CCI – Innovation Pays de Loire	882	0	-7	-264	611	268	879
BEST WESTERN	481	0	-10	0	471	0	471
National Clothing Federation	956	0	-9	-46	901	47	948
PPD UIMM Grand Nord Est	1 060	0	0	-207	853	346	1 199
PPD UIMM National	837	0	0	-103	734	258	992
PPD UIMM National 2	992	500	0	0	1 492	0	1 492
UIMM FRENCHFAB	0	1 600	0	-13	1 587	0	1 587
Other management (*)	119 664	14 257	0	-4 612	129 309	0	129 309
GUARANTEE FUND	**4 058 850**	**389 660**	**-29 831**	**-54 216**	**4 364 463**	**1 049 863**	**5 414 326**

(*) Other management : Territory Revitalization National Fund, Hotel Renovation Fund, PCE (business start-up loan), Professional Loan and miscellaneous

19.2 Earnings of the guarantee funds on 31 December 2018

(in thousands of euros)

Guarantee Fund	Financial income and fees, net	Equity interests in capital gains and recoveries	Commissions	Provisions disputed	Expenses disputed net	Provisions Pre-disputed	Results
Reserve Fund							
Reserve Fund	4 788	0	0	0	0	0	4 788
Mutual fund for guarantee funds	1972	0	0	0	0	0	1972
AFT (Agence France Trésor)							
Creation of SMEs and VSEs	7 216	0	27 312	-68 625	189	-1059	-34 967
Business start-up loans	73	0	47	-464	0	185	-159
Transfer/buy-out of SMEs and VSEs	3 387	0	16 016	-31626	122	-1650	-13 751
Strengthening of the financial structure of SMEs and VSE	1885	0	5388	-18 900	136	1194	-10 297
Over-mutualisation fund	0	0	0	0	0	0	0
Innovation of SMEs and VSEs	757	0	1370	-532	2	517	2 114
Specific short-term financing for SMEs and VSEs	639	0	883	1211	0	367	3 100
Cash-strengthening SMEs and mid-tier companies	879	0	229	6 113	0	-1300	5921
Supplementary guarantee cash strengthening SMEs & mid	459	0	-25	1138	-2	365	1935
Confirmed credit lines for SMEs, VSEs and mid-tier com	66	0	-2	677	0	-78	663
Supplementary guarantee cash strengthening SMEs, VSE	86	0	11	154	0	33	284
FGKP	1963	0	14 843	-14 426	5	-1269	1116
FASEP	546	0	380	-625	0	0	301
Own funds guarantee	808	5392	109	-9 803	1	0	-3 493
Participatory Priming Loans (PPA)	506	0	1790	-7653	0	-1099	-6 456
Sureties on innovative projects	47	0	4	0	0	0	51
Biotechnology guarantee	256	0	108	-217	0	65	212
Structured financing	305	0	355	735	0	0	1395
Strengthening top of the balance sheet	4 238	0	27 313	-38 188	0	16 408	9 771
PPM TR	1308	0	253	-2 674	0	-1615	-2 728
Green Loans	659	0	1825	-1618	0	-1022	-156
Sustainable Development Innovation	59	0	14	0	0	0	73
Wood PPD	51	0	0	-60	0	-442	-451
CICE pre-financing	150	0	2	59	0	0	211
Innovation loans	729	0	3 105	-7904	0	-1153	-5223
Eco-Energy Loans (PEE)	521	0	71	-116	0	-19	457
Digital loans	305	0	1032	-8	0	-2 487	-1158
LICC	13	0	47	1	0	0	61
Robotics Loans	301	0	1523	-314	0	-646	864
Interdependent Economy (French acronym ESS) Loan	56	0	9	-123	0	-4	-62
SOFIRED	73	0	0	-1207	0	-677	-1811
Prêt Croissance Industrie (Industry Growth Loan)	1023	0	2 277	-8 847	0	-6 410	-11957
Prêt d'Amorçage Investissement (Investment Seed Loan)	304	0	1839	-3 900	0	-884	-2 641
Prêt Entreprises et Quartiers (Company and Neighbourho	16	0	2	0	0	0	18
Prêt Croissance Automobile (Automotive Growth Loan)	207	0	389	0	0	0	596
Cash-Strengthening for Livestock Farming	103	0	271	-164	0	-128	82
Wood sector loan	4	0	0	0	0	0	4
Agricultural methanisation loan	4	0	0	0	0	0	4
EIB – State	9	0	0	0	0	0	9
Development of SMEs and VSEs	535	0	-14	815	135	2	1473
Eastern countries	0	0	0	0	0	0	0
PIC SME	14	0	0	172	9	0	195
Development capital & equity loans	3	0	0	0	0	0	3
Set-up of young entrepreneurs in rural settings	1	0	0	0	0	0	1
DROM	1303	0	342	22 158	2	-351	23 454
CDC (Caisse des Dépôts et Consignations)							
France Investissement Garantie	0	4 044	72	-19 041	0	0	-14 925
Other funds							
EIB – Technological Development	0	0	0	0	0	0	0
Own funds guarantee – IDF ERDF	0	95	9	60	0	0	164
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	259	0	-364	-105
"Entreprendre Croissance" Network	0	0	27	-61	0	103	69
UIMM Méditérannée	0	0	0	0	0	0	0
UIMM Limousin Poitou Charentes	0	0	0	-46	0	53	7
CCI – Innovation Pays de Loire	0	0	3	-270	0	3	-264
BEST WESTERN	0	0	0	0	0	0	0
National Clothing Federation	0	0	1	-17	0	-30	-46
PPD UIMM Grand Nord Est	0	0	0	-207	0	0	-207
PPD UIMM National	0	0	0	-258	0	155	-103
PPD UIMM National 2	0	0	0	0	0	0	0
UIMM French Fab	-13	0	0	0	0	0	-13
Other management	0	0	495	-3 283	-1824	0	-4 612
GUARANTEE FUND	**38 614**	**9 531**	**109 726**	**-207 625**	**-1 225**	**-3 237**	**-54 216**

NOTE 20 - NET INNOVATION INTERVENTION RESOURCES

20.1 Accounting position of the guarantee funds

(in millions of euros)

Funds	Balance at 31/12/2017	Allocations 2018	Reimburse-ments and rede-ployments 2018	Results 2018	Balance at 31/12/2018	Advances Recoverable Sound	Loan Outstandings Innovation Sound
Innovation aid - ISI	976,0	133,0	0,0	-126,3	982,7	557,8	783,6
PMII – ISI 2008	185,7	0,0	-29,7	-5,2	150,8	134,8	0,0
FRGI	0,0	0,0	0,0	0,0	0,0	24,4	33,7
Aid on partners financing	370,6	108,5	0,0	-43,4	435,7	68,1	37,5
FNI-FISO	4,9	0,0	0,0	-0,1	4,8	0,9	1,2
Total	**1 537,2**	**241,5**	**-29,7**	**-175,0**	**1 574,0**	**786,0**	**856,0**

20.2 Earnings of the guarantee funds on 31 December 2015

(in millions of euros)

Funds	Subsidies	Provisions, losses & recognised failures	Appraisals & miscellaneous expenses	Financial earnings & charges	Miscellaneous proceeds	Earnings at 31/12/2018
Innovation aid - ISI	-41,4	-87,4	-0,1	0,0	2,6	**-126,3**
PMII – ISI 2008	0,0	-5,2	0,0	0,0	0,0	**-5,2**
Aid on partners financing	-36,1	-5,4	-3,2	0,0	1,3	**-43,4**
FNI-FISO	0,0	-0,1	0,0	0,0	0,0	**-0,1**
Total	**-77,5**	**-98,1**	**-3,3**	**0,0**	**3,9**	**-175,0**

NOTE 21 - CHANGE IN SHAREHOLDERS' EQUITY

Shareholders' funds prior to appropriation of results changed as follows:

(in millions of euros)	31/12/2017	Allocation of earnings 2017	Other movements	31/12/2018
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	38,4	10,0	0,0	48,4
Other reserves	164,6	0,0	0,0	164,6
Regulated provisions, investment subsidies	55,8		7,3 (1)	63,1
Retained earnings	288,3	179,7	0,0	468,0
Profit or loss for the fiscal year	200,2	-200,2	214,5 (2)	214,5
Total	**2 770,7**	**-10,5** (3)	**221,8**	**2 982,0**

(1) Exceptional amortisation allow ance for softw are
(2) 2018 earnings
(3) Dividends of €10.5 million w ere distributed in respect of earnings for the 2017 fiscal year

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)	31/12/2018	31/12/2017
Assets	4,9	0,9
Liabilities	303,3 (*)	11,2

(*) Issuance of a MTN of $335 million

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 at 31/12/17	Allocations to impairments and provisions	Reversals of impairments and provisions available	Reversals of impairments and provisions used (1)	Other changes (2)	Impairments and Provisions at 31/12/18	Receivables irrecoverable not covered by provisions	Recoveries of receivables amortised	IMPACT of THE EARNINGS (3)
Depreciations & provisions bad debts and credit risk	**604,3**	**141,0**	**105,9**	**16,1**	**-0,6**	**622,7**	**5,8**	**3,7**	**-37,2**
- Impairment of doubtful loans	*185,8*	*106,4*	*44,7*	*16,1*	*-0,7*	*230,7*	*5,6*	*3,7*	*-63,6*
. Interbank loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Customer loans	185,5	106,4	44,7	16,1	-0,7	230,4	5,6	3,7	-63,6
. Securities & other transactions	0,3	0,0	0,0	0,0	0,0	0,3	0,0	0,0	0,0
- Collective credit risk provision	*415,7*	*34,0*	*60,9*	*0,0*	*0,0*	*388,8*	*0,0*	*0,0*	26,9
- Other provisions	*2,8*	*0,6*	*0,3*	*0,0*	*0,1*	*3,2*	*0,2*	*0,0*	-0,5
Other operating provisions	**37,4**	**8,5**	**1,3**	**3,8**	**0,0**	**40,8**			
Fund for general banking risks	**235,2**	**0,0**	**0,0**	**0,0**	**0,0**	**235,2**			

(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 impaired receivables

NOTE 24 - OFF-BALANCE SHEET COMMITMENTS

24.1 Commitments given

(in thousands of euros)	31/12/2018	31/12/2017
AFT (Agence France Trésor)		
Creation of SMEs and VSEs	4 187 563	3 907 402
Transfer/buy-out of SMEs and VSEs	2 266 945	2 175 183
Strengthening of the financial structure of SMEs and VSEs	542 311	591 079
Innovation of SMEs and VSEs	179 808	191 647
Specific short-term financing for SMEs and VSEs	249 342	239 654
Cash-strengthening SMEs and mid-tier companies	14 964	20 089
Supplementary guarantee cash strengthening SMEs & mid-tier	2 862	4 438
Confirmed credit lines for SMEs, VSEs and mid-tier companies	36	172
Supplementary guarantee cash strengthening SMEs, VSEs & m	345	469
FGKP	1 882 595	1 846 418
FASEP	105 382	91 467
Own funds guarantee (excluding IDF ERDF)	33 537	41 196
Participatory Priming Loans (PPA)	40	40
Sureties on innovative projects	223	223
Biotechnology guarantee	17 083	20 485
Structured financing	27 944	27 806
PPMTR	141	53
Sustainable Development Innovation	2 114	2 726
CICE pre-financing	72	736
Development of SMEs and VSEs	38 302	3 995
Cash-Strengthening for Livestock Farming	1 460	42 250
PIC SME	0	9
CDC (Caisse des Dépôts et Consignations)		
France Investissement Garantie	120 140	134 440
Other funds		
Own funds guarantee (IDF ERDF)	60	0
UIMM	6	115
Other management	229 399	198 426
DROM		
DROM	55 825	81 282
Guarantee fund commitments	**9 958 499**	**9 621 800**
Doubtful guarantee fund commitments	**1 776 614**	**1 810 612**
Total guarantee fund commitments	**11 735 113**	**11 432 412**

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 2018 totalled €221.8 million.

Financing commitments amounting to €6,786.3 million correspond chiefly to confirmed credit agreements issued by Bpifrance Financement.

24.2 Commitments received

Under guarantee commitments received from customers, €2,856.0 million in commitments received from Bpifrance SA have not yet been used.

NOTE 25 - FOREIGN CURRENCY TRANSACTIONS AND FORWARD FINANCIAL INSTRUMENTS

	31/12/2018								31/12/2017	
	Hedge				Management of positions (*)		TOTAL		TOTAL	
	Micro		*Macro*							
(in millions of euros)	Nominal	Value of market	Nominal	Value of market	Nominal	Value of market	Nominal	Value of market	Nominal	Value of market
OTC transactions performed										
. Currency swap contracts	11,8	-2,9	286,8	7,7	0,0	0,0	298,6	4,8	25,9	-3,5
. Interest rate swap contracts	800,0	16,2	34 813,7	-9,9	0,0	0,0	35 613,7	6,3	37 190,4	-52,8
Purchase of interest rate caps and floors	0,0	0,0	2,4	0,0	0,0	0,0	2,4	0,0	14,7	0,0
Transactions carried out on official markets										
. 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
Total	**811,8**	**13,3**	**35 102,9**	**-2,2**	**0,0**	**0,0**	**35 914,7**	**11,1**	**37 231,0**	**-56,3**

(*) Isolated open positions

Breakdown by residual maturity on 31 December 2018

(in millions of euros)	D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years
OTC transactions performed	6 177,1	18 124,6	11 613,0
Transactions 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)	31/12/2018	31/12/2017
Positive replacement cost (1)	*406,8*	*391,4*
Risk with central administrations and equivalents	0,0	0,0
Risks with lending establishments in zone A (3)	406,8	391,4
Customer risks	0,0	0,0
Potential credit risk (2)	*278,4*	*258,5*
Total exposure (1)+(2)	**685,2**	**649,9**
Incidence of offsetting agreements	-521,0	-536,9
Incidence of guarantees received	-33,3	-45,6
Total after the impact of offsetting agreements and guarantees received	**130,9**	**67,4**
Equivalent weighted credit risk (4)	**9,8**	**1,8**
(1) Equals the net unrealised capital gains, before applying weighting rate related to the nature of the counterparty:		
- interest rate instruments	399,1	391,4
- exchange rate instruments	7,7	0,0

(2) The potential credit risk is calculated on the basis of the total nominal amount multiplied by a mark-up dependent on the residual maturity of the transactions and the nature of the contracts, before allocating the weighting rate.
This estimated amount represents the potential modification to the replacement cost up to maturity.

(3) Zone A consists of: the Member States of the European Union or parties to the European Economic Area agreement, the other member countries of the Organisation for Economic Cooperation and Development (OECD), those countries that have reached special loan agreements with the International Monetary Fund (IMF) under the general framework of IMF lending.

(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)	31/12/2018	31/12/2017
Transactions with lending institutions	57,5	53,9
Customer transactions (1)	747,9	727,7
- Overdrafts	*0,0*	*0,0*
- Export loans	*1,3*	*0,9*
- Short-term credit facilities	*64,6*	*60,5*
- Medium & long-term loans	*326,6*	*325,5*
- Sundry loans & subordinated debt	*239,1*	*229,6*
- Off-balance sheet operations	*116,3*	*111,2*
Bonds & other fixed income securities	294,1	311,0
Financial instruments for hedging purposes	3,2	1,0
Total (2)	**1 102,7**	**1 093,6**
(1) Of which reversals of impairment for doubtful loans due to the passage of time (see note 1.2)	0,7	0,7
(2) Of which negative interest on liabilities and issuances of securities	64,5	61,4

NOTE 27 - INTEREST AND SIMILAR EXPENSES

(in millions of euros)	31/12/2018	31/12/2017
Transactions with lending institutions	-106,4	-117,3
Customer transactions (*)	-138,1	-133,9
Bonds & other fixed income securities	-286,1	-281,3
- Bonds	*-284,3*	*-281,0*
- Negotiable debt instruments	*-1,8*	*-0,3*
- Subordinated securities	*0,0*	*0,0*
- Result of micro-hedging	*0,0*	*0,0*
Other interest and similar charges	-0,2	-0,2
Financial instruments for hedging purposes	-3,1	-18,6
Total (*)	**-533,9**	**-551,3**
(*) Of which negative interest on loans & receivables and securities portfolios	-2,4	-1,6

NOTE 28 - PROCEEDS FROM FINANCE LEASE AND OPERATING LEASE OPERATIONS

(in millions of euros)	31/12/2018	31/12/2017
Rents	1 176,3	1 143,0
Other proceeds	88,9	98,2
Capital gains	45,2	46,5
Cost of risk	-17,5	-20,7
Total	**1 292,9**	**1 267,0**

NOTE 29 - EXPENSES ON FINANCE LEASE AND OPERATING LEASE OPERATIONS

(in millions of euros)	31/12/2018	31/12/2017
Depreciation allowances	-829,9	-851,1
Allocation to special provisions	-142,3	-136,1
Capital losses	-30,9	-30,6
Other expenses	-85,4	-95,5
Total	**-1 088,5**	**-1 113,3**

NOTE 30 - INCOME FROM VARIABLE INCOME SECURITIES

(in millions of euros)	31/12/2018	31/12/2017
Equity interests	0,5	0,5
Other long-term investment securities	0,2	0,1
Investments in affiliated companies	1,5	1,2
Total	**2,2**	**1,8**

NOTE 31 - COMMISSIONS

(in millions of euros)	31/12/2018	31/12/2017
Proceeds		
Commissions on operations with customers	9,5	8,3
Commissions on the delivery of financial services	0,1	0,1
Total	**9,6**	**8,4**
Expenses		
Expenses on securities operations	-1,6	-1,3
Total	**-1,6**	**-1,3**

NOTE 32 - GAINS OR LOSSES ON TRADING PORTFOLIO TRANSACTIONS

(in millions of euros)	31/12/2018	31/12/2017
Trading securities	0,0	0,0
Exchange operations	0,1	-0,2
Operations involving financial instruments	0,0	0,0
Total	**0,1**	**-0,2**

NOTE 33 - GAINS OR LOSSES ON LONG-TERM PORTFOLIO AND SIMILAR TRANSACTIONS

(in millions of euros)	31/12/2018	31/12/2017
Net allocations to or write-backs from depreciations	-1,2	-0,6
Disposal capital losses	-0,2	0,0
Disposal capital gains	0,0	0,0
Total	**-1,4**	**-0,6**

NOTE 34 - OTHER BANK OPERATING INCOME

(in millions of euros)	31/12/2018	31/12/2017
Income charged to Group companies	14,4	12,9
Other expenses charged back	1,4	1,4
Usage of partner resources for the financing of innovation aid	0,9	0,4
Commissions on recoveries and insurance income	10,0	12,1
Recovery of available provisions	0,0	0,9
Share of investment subsidies	1,0	1,0
Miscellaneous proceeds related to innovation activity	11,6	11,8
Management proceeds on DROM managed funds	0,9	1,0
Other proceeds	7,8	13,3
Total	**48,0**	**54,8**

NOTE 35 - OTHER BANK OPERATING EXPENSES

(in millions of euros)	31/12/2018	31/12/2017
Allowances for amortisation of intangible and tangible assets	0,0	0,0
Allocations to provisions for liability litigation and banking operations	-0,9	0,0
Repayment of proceeds of subsidies from the Regional Department of Industry, Research and the Environment	-0,6	-0,4
Other expenses on banking operations	-3,8	-4,8
Total	**-5,3**	**-5,2**

NOTE 36 - OPERATING GENERAL EXPENSES

(in millions of euros)	31/12/2018	31/12/2017
Personnel costs		
- Salaries & wages	-129,1	-123,7
- Defined contribution retirement expenses	-14,0	-13,4
- Defined benefit retirement expenses	-4,8	-1,8
- Other social charges	-45,8	-44,5
- Incentives and profit-sharing	-15,2	-15,1
- Fiscal expenses	-16,7	-14,0
- Allowances/reversals of provisions for employee commitments	-4,7	-5,2
Subtotal	**-230,3**	**-217,7**
Duties and taxes	-30,8	-28,3
Other administrative costs	-142,6	-128,0
Total	**-403,7**	**-374,0**

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.

	31/12/2018	31/12/2017
	in %	in %
UCITS		
Monetary	4%	1%
Equity	19%	23%
Bond	77%	76%
Total	**100%**	**100%**

36.2 Variation of obligations in respect of post-employment benefits

(in millions of euros)	Retirement lump sum benefits			Expenses health	Service awards	TOTAL 31/12/2018		
	Defined-benefit defined	Plan assets	Liabilities / (assets) net	Defined-benefit defined	Other long-term other benefits long-term	Bonds	Plan assets	Liabilities / (assets) net
Opening balance	*31,9*	*30,1*	*1,8*	*2,1*	*1,1*	*35,1*	*30,1*	5,0
- Cost of services rendered during the period	1,7	0,0	1,7	0,0	0,2	1,9	0,0	1,9
- 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	1,8	-1,8	0,0	0,0	0,0	1,8	-1,8
- 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	-5,6	-5,6	0,0	-0,2	0,0	-5,8	-5,6	-0,2
- Actuarial discrepancies	1,7	-1,2	2,9	-0,1	-0,2	1,4	-1,2	2,6
> of which actuarial gains & losses for the period relating to experience adjustm	*2,5*	*0,0*	*2,5*	*-0,1*	*-0,1*	*2,3*	*0,0*	*2,3*
> of which actuarial gains & losses on adjustments relating to demographic hyp	*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 hypotheses	*-0,8*	*-1,2*	*0,4*	*0,0*	*-0,1*	*-0,9*	*-1,2*	*0,3*
Closing balance	**29,9**	**25,1**	**4,8**	**1,8**	**1,1**	**32,8**	**25,1**	**7,7**

(in millions of euros)	Retirement lump sum benefits			Expenses health	Service awards	TOTAL 31/12/2017		
	Defined-benefit defined	Plan assets	Liabilities / (assets) net	Defined-benefit defined	Other long-term other benefits long-term	Bonds	Plan assets	Liabilities / (assets) net
Opening balance	*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 adjustm	*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 hyp	*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 hypotheses	*0,0*	*1,4*	*-1,4*	*0,0*	*0,0*	*0,0*	*1,4*	*-1,4*
Closing balance	**31,9**	**30,1**	**1,8**	**2,1**	**1,1**	**35,1**	**30,1**	**5,0**

NOTE 37 - COST OF RISK

(in millions of euros)	31/12/2018 Assets subtractive	Provisions collective	Other liabilities	TOTAL
Net allowances or write-backs for impairment and provisions	-61,7	26,9 (*)	-0,3	-35,1
Non-provisioned losses	-5,6	0,0	-0,2	-5,8
Recoveries on loans & receivables previ	3,7	0,0	0,0	3,7
Balance	**-63,6**	**26,9**	**-0,5**	**-37,2**

(*) Of w hich €6.3 million reversal of the provision on loans to customers and on finance lease transactions follow ing the change in the provisioning methodology introduced in 2018 (see Note 1.2 Dynamic collective provisioning)

(in millions of euros)	31/12/2017 Assets subtractive	Provisions collective	Other liabilities	TOTAL
Net allowances or write-backs for impairment and provisions	-41,7	19,3	0,0	-22,4
Non-provisioned losses	-6,7	0,0	-0,2	-6,9
Recoveries on loans & receivables previ	2,0	0,0	0,0	2,0
Balance	**-46,4**	**19,3**	**-0,2**	**-27,3**

NOTE 38 - GAINS OR LOSSES ON NON-CURRENT ASSETS

(in millions of euros)	31/12/2018 Securities of invest-ment	Fixed Assets intangible and tangible Operating	Equity interests and other securities held long-term Investments in affiliated companies	TOTAL	31/12/2017 TOTAL
Allowances to impairments	0,0	0,0	-0,1	-0,1	-0,1
Write-back of impairments	0,0	0,0	0,2	0,2	0,0
Disposal capital losses	0,0	0,0	-0,1	-0,1	0,0
Disposal capital gains	0,0	0,0	0,0	0,0	15,4
Balance	**0,0**	**0,0**	**0,0**	**0,0**	**15,3**

NOTE 39 - RECONCILIATION BETWEEN THE CORPORATE RESULT AND FINANCIAL RESULT

(in millions of euros)	31/12/2018		
	Finance equipment le -	Finance equipment le -	TOTAL
Allocations to accounting depreciation & amortisation	-320,2	-509,6	-829,8
Accounting capital gains or losses	3,4	11,0	14,4
Total	**-316,8**	**-498,6**	**-815,4**
Allocations to financial depreciation & amortisation	-323,3	-564,6	-887,9
Financial capital gains or losses	3,4	1,9	5,3
Financial depreciation on asset items	3,5	-3,0	0,5
Total	**-316,4**	**-565,7**	**-882,1**
Variation in latent reserve	0,4	-67,1	-66,7

NOTE 40 - MAIN INTERIM FINANCIAL MANAGEMENT BALANCES

(in millions of euros)	31/12/2018	31/12/2017
NET BANKING INCOME	**759,8**	**743,6**
Operating general expenses	-403,7	-374,0
Allowances for depreciation, amortisation and impairments on tangible and intangible fixed assets	-29,9	-27,3
GROSS OPERATING EARNINGS	**326,2**	**342,3**
Cost of risk	-38,9	-39,2
OPERATING INCOME	**287,3**	**303,1**
Gains or losses on non-current assets	0,0	15,3
CURRENT EARNINGS BEFORE TAXES	**287,3**	**318,4**
Extraordinary profit or loss	0,0	0,0
Income tax	-132,2	-138,2
Charges to/recoveries from the FGBR & regulatory provisions	-7,3	-2,0
Net Earnings	**147,8**	**178,2**

NOTE 41 - TAX SITUATION

Corporate tax is recording using the tax payable method.

The taxable income of the company for 2018 (provisional) at the basic rate is a profit of €368.2 million, taking into account the main net add-backs or deductions as follows:

(in millions of euros)

Pre-tax book income for the year	**346,7**
Net allowance of collective provision	-26,9
Handling and administration charges to be spread	10,2
Miscellaneous non-deductible taxes	22,4
Misc. social security provisions	5,4
Other provisions	10,4
Taxable income	**368,2**

At the basic rate of tax of 34.43%, these taxable earnings generate a tax expense of €127.0 million after deduction of tax credits.

The total tax expense after deduction of tax credits amounts to €132.2 million including €6.0 million in provisions after the tax audit, it being noted that this provision corresponds for €4.0 million to a temporary difference that can be recovered over future fiscal years.

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 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)	31/12/2018		31/12/2017	
Activity	NBI (financial)	Average outstandings	NBI (financial)	Average outstandings
Medium and long-term loans	489,9	30 623,5	489,6	28 196,5
- dont crédit-bail	*84,1*	*6 109,1*	*83,0*	*6 057,6*
Short-term financing	135,9	6 237,9	121,1	5 706,6
Guarantee	100,4	15 456,0	97,5	14 920,0
- dont commissions	*95,0*		*92,0*	
- dont produits financiers	*5,4*		*5,5*	
Innovation	16,7		15,6	
Other	16,9		19,8	

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.

	31/12/2018							
	Assets				Liabilities			Off-balance sheet
(in millions of euros)	Receivables	Principal's account	Cash	Total	Debts	Principal's account	Total	
Financing activity								
ARI(*)	100,7	0,0	0,0	100,7	0,0	100,7	100,7	39,9
Debt funds	139,5	0,0	0,0	139,5	0,0	139,5	139,5	0,0
Guarantee activity								
DROM managed funds	0,0	0,0	63,2	63,2	0,0	63,2	63,2	0,0
Camulor	0,0	0,0	0,2	0,2	0,0	0,2	0,2	0,0
FGRU(*)	0,0	0,0	8,3	8,3	0,0	8,3	8,3	0,0
Student loans	0,0	0,0	26,7	26,7	0,0	26,7	26,7	152,7
Innovation aid activity								
Atout	0,0	0,0	42,7	42,7	0,0	42,7	42,7	0,0
FSN(*)	89,6	324,6	0,0	414,2	200,1	214,1	414,2	72,7
PSIM(*)	26,5	40,0	0,0	66,5	21,2	45,3	66,5	16,4
PSPC(*)	139,6	781,4	19,5	940,5	111,7	828,8	940,5	209,8
Strategic sectors	0,0	61,3	4,3	65,6	25,6	40,0	65,6	1,3
FUI(*)	0,2	309,9	0,0	310,1	190,3	119,8	310,1	5,1
FNI-PRI(*)	21,8	9,0	0,7	31,5	0,8	30,7	31,5	4,0
PIAVE(*)	51,4	205,2	0,0	256,6	57,8	198,8	256,6	95,5
French Tech	0,1	0,0	0,2	0,3	0,1	0,2	0,3	0,0
Business Development Insurance	33,7	255,5	0,0	289,2	6,1	283,1	289,2	57,1
FGI ATF PIA 3(*)	0,2	209,7	0,0	209,9	0,7	209,2	209,9	1,4
FGI Concours d'innovation PIA3	7,1	140,9	0,0	148,0	34,5	113,5	148,0	17,4
Total	**610,4**	**2 337,5**	**165,8**	**3 113,7**	**648,9**	**2 464,8**	**3 113,7**	**673,3**

(*) ARI: Reindustrialisation aids
FGRU: Guarantee Fund for Urban Renewal
FSN: Fonds national pour la Société Numérique
PSIM: Programme de Soutien à l'Innovation Majeure
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)
ATF PIA 3: Assistance and Transformation of the Sectors - Investments of the Future 3 Programme

NOTE 44 - PERSONNEL

The average headcount stood at 2,214 employees in 2018, 81.1% of whom are managers.

NOTE 45 - COMPENSATION PAID TO MEMBERS OF EXECUTIVE AND SUPERVISORY BOARDS

Directors’ fees of €145,000 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

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 period ending 31 December 2018

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 31/12/2018, as appended hereto.

We certify that, in accordance with the IFRS standards adopted by the European Union, the consolidated financial statements are true and fair and present an accurate picture of the results of the operations of the past fiscal year, as well as the financial situation and assets, at fiscal year-end, of the group 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 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 01/01/2018 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.

Observation

Without calling into question the opinion expressed above, we draw your attention to the change in accounting methods related to the application as of 1 January 2018 of the new IFRS 9 standard explained in notes 2.1 "Accounting standards applicable at 31 December 2018" and 2.2 "Impacts from the first-time application of IFRS 9" as well as in other notes to the financial statements presenting data related to the consequences of this change.

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 draw your attention to 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. First-time application of IFRS 9 "Financial instruments"

- **Risk identified:**

Since 1 January 2018, the bank has applied IFRS 9 "Financial instruments", which defines the new classification and measurement rules for financial instruments and a new methodology for recognising impairments on financial assets.

For the impairment of financial assets, this new standards entails in particular an extended base of assets subject to provisions. All financial assets, including sound outstandings, must now give rise to impairment in respect of expected credit risk.

The determination of the amount of expected credit losses is in large measure based on the use of models and parameters, for which the settings impact the amount of provisions calculated.

We believe that the first-time application of this standard on 1 January 2018 and its application at 31 December 2018 are a key audit matter due to the importance of judgement in the determination of the models, the risks related to the quality of the data input in them and the risks related to their operational use.

The effects of the first-time application of IFRS 9 are detailed in note 2.2 to the consolidated financial statements. Its effect on the Group's shareholders' equity at 1 January 2018 stood at €2.3 million (net of deferred taxes).

- **Audit approach:**

To assess the changes made to the classification and measurement of financial instruments, our work consisted of:

- reviewing the analyses carried out and the accounting principles defined by the Group and their implementation at the level of the main business lines;
- verifying, on the basis of samples of contracts, the analysis carried out by Bpifrance Financement regarding the classification of financial assets;
- assessing the management models for financial assets.

3

To assess the implementation of the impairment models, we reviewed and carried out a critical analysis:

- of the methodological principles followed in the construction of the models: compliance with the methodological principles of IFRS 9, segmentation of similar risk groups, probabilities of default (PD), criteria for transfer into bucket 2, losses given default (LGD), exposure at default (EAD) and the forward-looking data used;
- of their governance regarding the methods to determine and change parameters and the process for independent validation.

We identified the processes and tested the key controls implemented on the quality of the data and models, using experts in modelling and credit risk analysis.

We carried out procedural tests on all components of the calculation models, the criteria and methods to construct portfolios of similar credit risk, the definition and measurement of significant deterioration of credit risk, the definition of default, the calibration of key parameters in the calculation of expected losses over a 12-month horizon and to maturity (Probability of Default, Loss Given Default, Outstandings at default), amongst others

We thus satisfied ourselves of the relevance of the information provided in the notes presenting the impact of first-time application of the standard at the start of the fiscal year.

2. Impairments on credit outstandings

- **Risk identified:**

As indicated in note 5.5 to the consolidated financial statements, the Bpifrance Financement Group recognises impairments to cover expected credit losses resulting from its customers' inability to meet their financial commitments.

Impairments of sound and deteriorated outstandings (bucket 1, bucket 2): Bpifrance Financement recognises, in respect of expected credit losses, impairments on sound and deteriorated outstandings. Following the change in method described in the notes, these impairments are determined according to internal credit risk models, by taking into account forward-looking macro-economic data. Credit outstandings are initially classified in "bucket 1". Where there has been no significant increase in credit risk since the origin (SICR), they remain classified in "bucket 1" and their impairments are based on expected credit losses at 12 months. If there is a significant increase in credit risk, the outstandings are transferred to "bucket 2" and their impairments are based on expected losses at maturity.

Impairments of loans on an individual basis (bucket 3): Bpifrance Financement also recognises impairments on loans in default. These are assessed on an individual basis and are equal to the difference between the book value of the asset with a proven credit risk and the value based on the discounted future cash flows to maturity estimated by the Group to be recoverable after taking into account the guarantees.

We considered the determination of loan impairments for credit risk as a key audit matter as of the date of the first-time application of the new standard and on 31 December 2018, due to:

- the risk of material impact on the bank's results;
- the relative size of the loan outstandings on the balance sheet and the commitments granted to customers;
- the importance of the changes made to the model's parameters to implement the change in method;
- the complexity of the estimation of default probabilities, losses given default, including the value of related guarantees, as well as the use of judgement to determine exposures and determine the recoverable flows for individual impairments;
- 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 impairment to be recorded on these outstandings.
We also tested the operational design and effectiveness of the key controls performed under these procedures.

- For impairments of both sound and deteriorated outstandings, we performed a critical review of the documentation made available to justify the methodology used, the applicable parameters and the governance system controlling their update, the audit trail and controls carried out on the bases, and we ensured that the correct impairments flowed through to the accounting information system.
- For impairments 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 estimated value of guarantees).

We also implemented the following substantive procedures:

- for impairments of both sound and deteriorated outstandings, we verified the comprehensiveness of the base, assessed the reasonableness of the main parameters used and carried out an independent calculation of the provision at 31 December 2018 on the main credit portfolios;
- 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.

Specific verification

We also proceeded, in accordance with the professional standards applicable in France, with the specific legal and regulatory verifications of the information provided on the Group in the report of the Board of Directors.

We have no comments to make regarding their sincerity or their consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance pursuant to Article L. 225-102-1 of the French Commercial Code is presented in the management report of the Group, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the sincerity or consistency of the information contained in this statement with the consolidated financial statements, which must be provided in a report by an independent third party organisation.

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 S.A., and 18/05/2004, for Mazars; Mazars' history as statutory auditor could not be traced prior to this date.

At 31 December 2018, KPMG Audit was in its tenth 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 comprising 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 central 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 judgement throughout the 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 fin 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 committee of any risks to our independence and the safeguards applied.

The Statutory Auditors

Paris La défense, le 4 avril 2019

KPMG S.A

Ulrich Sarfati

Courbevoie, le 4 avril 2019

Mazars

Jean Latorzeff

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 period ending 31 December 2018

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 Bpifrance Financement individual financial statements for the fiscal year ended 31/12/2018, 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 result 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 out report to the audit committee

Basis for the opinion

Audit guidelines

We conducted our audit in accordance with 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 01/01/2018 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 French professional code of ethics (*code de déontologie*) 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 individual financial statements taken as 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. Impairments and provisions for credit risk

- **Risk identified:**

Bpifrance Financement recognises impairments and provisions in order to cover identified risks of losses resulting from its customers' inability to meet their financial commitments.

Impairments and provisions are estimated on an individual or collective basis by taking into account the value of the guarantees held. As stated in Note 2.1 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 EIR of future cash flows that it considers recoverable after the call on guarantees has been taken into account.

Collective impairments are calculated on the loans that are non-doubtful, by analysing the credit risk of a uniform set of loans, identified by means or internal portfolio ratings. As indicated in note 1.2 to the financial statements, the estimation methodology used by Bpifrance Financement was modified on 1 January 2018 on the effective date of IFRS 9 for the scope used for the bank's consolidated financial statements. Collective provisions are estimated based on simulations of stochastic scenarios that associate a possible default date and a loss rate given default for each counterparty.

The assessment of impairment and provisions 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.

As indicated in note 23 to the individual financial statements, the amount of impairments and provisions for credit risk stood at €622.7 million at 31 December 2018. We considered the calculation of impairments and provisions on receivables for credit risk to be a key audit matter, due to:

- the risk of material impact on the bank's results;
- the relative size of the loan outstandings on the balance sheet and the commitments granted to customers;
- 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 impairment to be recorded on these outstandings.

We also tested the operational design and effectiveness of the key controls performed under these procedures.

- For impairments of both sound and deteriorated outstandings, we performed a critical review of the documentation made available to justify the methodology used, the applicable parameters and the governance system controlling their update, the audit trail and controls carried out on the bases, and we ensured that the correct impairments flowed through to the accounting information system.

- For impairments 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 estimated value of guarantees).

We also implemented the following substantive procedures:

- for impairments of both sound and deteriorated outstandings, we verified the comprehensiveness of the base, assessed the reasonableness of the main parameters used and carried out an independent calculation of the provision at 31 December 2018 on the main credit portfolios;
- 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.

Specific verification

We also proceeded, in accordance with the professional standards applicable in France, with the specific legal and regulatory verifications.

Information provided in the management report end other documents sent to shareholders about the financial position and individual financial statements

We have no comments ha 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.

We hereby certify the sincerity and consistency of the individual financial statements with the information regarding payment terms mentioned in Article D.441-4 of the French Commercial Code.

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 is included in the report of the Board of Directors.

With respect to the information presided 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 this 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 otter 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 S.A., and 18/05/2004, for Mazars; Mazars' history as Statutory Auditor could not be traced prior to this date.

At 31 December 2018, KPMG S.A. was in its tenth 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 comprising the corporate governance relating to the individual financial statements.

It is the responsibility of senior management to prepare the individual financial statements presenting a true and fair view, in accordance with French accounting rules and principles, as well as setting up the internal central that it deems necessary to the preparation of individual 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 central 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 Auditor 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. On objective is to obtain reasonable assurance diet the individual financial statements do not contain any significant misstatement. 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 them are the result of fraud or error, defines and implements audit procedures to deal with them 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 assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as information about them provided in the individual 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 individual 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 individual financial statements and assesses whether the individual 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 fin preparing and processing accounting and financial information.

The information provide in the report to the Audit Committee includes risks of significant anomalies, which are 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 4 avril 2019

KPMG S.A

Ulrich Sarfati

Courbevoie, le 4 avril 2019

Mazars

Jean Latorzeff

Matthew Brown

12.3. Report on related party agreements

KPMG S.A.
Registered office
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 ~~Paris la~~ Défense Cedex
France

Mazars
Tours 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 ending 31 December 2018

Bpifrance Financement S.A.

27/31 avenue Général Leclerc - 94710 Maisons-Alfort

This report contains 20 pages

Reference: xxx-xxx

KPMG S.A.
Registered office
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 ~~Paris la~~ Défense Cedex
France

Mazars
Tours Exaltis
61 Rue Henri Regnault 94200 - Courbevoie
France

Bpifrance Financement S.A.

Registered office: 27/31, avenue Général Leclerc - 94710 Maisons-Alfort
Share 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 ending 31 December 2018

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/or 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 pursuant to 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 (French National Association of Statutory Auditors) 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

Agreements and commitments approved and concluded over the past fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments concluded over the past fiscal year which were previously approved by your Board of Directors.

- **Counter-guarantee from Bpifrance SA to Bpifrance Financement**

Contracting party

Bpifrance SA.

Persons involved:

- Nicolas Dufourcq, as 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 Eric Lombard, Olivier Sichel, Florence Mas and Viginie Chapron-du-Jeu;
- Claire Dumas, as a director of both Bpifrance Financement and Bpifrance SA;
- 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 and purpose:

Your Board of Directors on 19 December 2018 authorised this agreement, which replaces and supersedes the agreement authorised by your Board of Directors on 15 March 2017, 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 transactions.

Reason for the benefit of the agreement:

The agreement signed on 19 December 2018 is part of the minimum regulatory solvency requirements imposed under the "Supervisory Review and Evaluation Process" (SREP).
It enables Bpifrance Financement to maintain savings in regulatory capital requirements for its guarantee transactions included in the risk-weighted asset base (RWA).
Operation provisions:

This counter-guarantee covers an initial period of 5 years which may be extended during the first 3 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 transaction 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 €18,187,321,926.45 of guarantee commitments received was recognised as an off-balance sheet commitment for the fiscal year ended 31 December 2018. Your company recognised an expense of €4,676,671.62 corresponding to the remuneration of this counter-guarantee for the fiscal year ended 31 December 2018.

- **Subordinated loan agreement entered into between Bpifrance SA and Bpifrance Financement**

Contracting party:

Bpifrance SA.

Managers and/or directors involved:

- Nicolas Dufourcq, as 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 Eric Lombard, Olivier Sichel, Florence Mas and Viginie Chapron-du-Jeu;
- Claire Dumas, as a director of both Bpifrance Financement and Bpifrance SA;
- 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 and purpose:

On 19 December 2018, your Board of Directors authorised the signing of this agreement, intended to formalise the terms and conditions for taking out a 10-year €150 million subordinated loan with Bpifrance SA, at a fixed rate equal to the TEC10 rate of 20 December 2018 + an initial margin of 111 basis points.

Reason for the benefit of the agreement:

This subordinated loan enables your Company to increase its "Tier 2" capital, and thus fully satisfy the overall requirement for prudential solvency ratios, pursuant to the ECB recommendation.

Operation provisions:

According to the terms of this agreement, the borrower has up to 29 March 2019 at the latest to revise the initial margin. The lender has up to 30 April 2019 at the latest to decide whether or not to accept the revised margin.
This €150 million subordinated loan is added to the €300 million subordinated loan, with a 10-year maturity and fixed rate equal to the TEC10 rate of 15 June 2017 + 69 basis points, whose terms and conditions were formalised by the agreement signed on 14 June 2017 and previously approved by the Board of Directors on 27 April 2017.

Under these agreements, a €452,219,983.16 loan including accrued interest was recognised on the balance sheet for the year ending 31 December 2018.
Your company recorded a €3,978,928.77 expense corresponding to accrued interest during 2018.

- **Memorandum of understanding between the Caisse des Dépôts et Bpifrance SA relating to the transfer of new business support activities**

Contracting parties:

Caisse des Dépôts and Bpifrance SA

Managers and/or directors involved:

- Nicolas Dufourcq, as 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 Eric Lombard, Olivier Sichel, Florence Mas and Viginie Chapron-du-Jeu;
- Claire Dumas, as a director of both Bpifrance Financement and Bpifrance SA;
- 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 and purpose:

Your Board of Directors on 19 December 2018 approved the signature of this memorandum of understanding intending to define the scope, the terms and conditions for the assumption by Bpifrance SA, on the dates set out in this agreement, of all the activities carried out by the Caisse des Dépôts in the field of new business creation and entrepreneur support.

Reason for the benefit of the agreement:

This memorandum of understanding is justified by the desire to strengthen the clarity within the CDC Group of the respective activities of the Caisse des Dépôts, Bpifrance SA and Bpifrance Financement.

Operation provisions:

As of 1 January 2019, Bpifrance SA will begin to assume the activities previously carried out by the Caisse des Dépôts et Consignations to support new business creation and entrepreneurs.
The expenses resulting from the takeover of these activities will be borne by Bpifrance SA. The payment of the balance of the annual financial commitments undertaken by the Caisse des Dépôts in the National or Regional Commitments Committees before the date of the takeover will remain the responsibility of the Caisse des Dépôts.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **Agreement for the provision of services between Bpifrance SA and Bpifrance Financement - Entrepreneurial and Territories Activity**

Contracting party:

Bpifrance SA.

Managers and/or directors involved:

- Nicolas Dufourcq, as 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 Eric Lombard, Olivier Sichel, Florence Mas and Viginie Chapron-du-Jeu;

- Claire Dumas, as a director of both Bpifrance Financement and Bpifrance SA;

- 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 and purpose:

Your Board of Directors on 19 December 2018 approved the signature of this agreement which defines the respective rights and obligations of Bpifrance SA and Bpifrance Financement with respect to missions promoting entrepreneurship and the territories, previously carried out by the Caisse des Dépôts et Consignations, and that these be effectuated pursuant to the terms and conditions defined by the memorandum of understanding presented in the preceding point.

Operation provisions:

The terms and conditions of this agreement provide that Bpifrance Financement, benefiting from a general retainer agreement, will carry out the management and administration of the Entrepreneurial and Territories activity, as well as its relationship with third parties, in the name, and on behalf, of Bpifrance SA.

This agreement will give rise to an annual re-invoicing by Bpifrance Financement of the management costs of the Entrepreneurial and Territories Activity, on the basis of its audited financial statements. A fixed annual remuneration of 8% of these expenses will be calculated and supplement the amount due by Bpifrance SA.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **Financial agreement between Bpifrance SA and Bpifrance Financement - Entrepreneurial and Territories Activity**

Contracting party:

Bpifrance SA.

Managers and/or directors involved:

- Nicolas Dufourcq, as 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 Eric Lombard, Olivier Sichel, Florence Mas and Viginie Chapron-du-Jeu;

- Claire Dumas, as a director of both Bpifrance Financement and Bpifrance SA;

- 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 and purpose:

Your Board of Directors on 19 December 2018 approved the signature of this agreement intended to set out the terms and conditions relating to (i) the financing of the Entrepreneurship and Territories Activity and (ii) the management of resources by Bpifrance Financement.

Operation provisions:

Pursuant to this agreement, Bpifrance Financement and Bpifrance SA will together annually determine the amount of the allowance required to ensure the proper functioning of the Account by taking into account, where applicable, the re-usable resources and repayments made with respect to the financed transactions.
The annual replenishment will be made through an amendment to this Agreement.

For 2019, Bpifrance SA grants to Bpifrance Financement €40.7 million to finance its assistance through subsides and related support with respect to the Entrepreneurship and Territories Activity, according to the following terms and conditions:
- €20 million on signing this Agreement.
- the balance, on a call for funds by Bpifrance Financement, after the closing date for the financial statements on 30 June 2019.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **Agreement for the provision of services between EPIC Bpifrance, Bpifrance Financement and Bpifrance Investissement relating to the management of the Innovation and Industry Fund (FII)**

Contracting parties:

Bpifrance Investissement and l'EPIC Bpifrance

Managers and/or directors involved:

The French State, represented by Yann Pouezat, director of Bpifrance Financement and of EPIC Bpifrance.

Nature and purpose:

Your Board of Directors on 19 December 2018 approved the signing of this agreement by which EPIC Bpifrance grants, according to the terms and conditions provided by the Agreement, to Bpifrance Financement and to Bpifrance Investissement, the assignment to provide financial, accounting, administrative, legal and tax services related to the management and implementation of the FII.

Operation provisions:

EPIC Bpifrance will specify and provide, for each service, in agreement with the service provider(s) (Bpifrance Financement and/or Bpifrance Investissement), the information or documents required to perform the aforementioned Services by the Service Provider(s) concerned.

The Service Providers undertake to perform the Services according to the regulations and professional standards of practice for services of the same type.

The Service Providers will perform the Services or any assignment carried out as part of the Agreement on the basis they deem most appropriate and shall freely define the terms and conditions of their actions and the conditions in which they coordinate the information and the parties involved within the deadlines given to them for each Service or assignment.

The Service Providers will regularly inform EPIC Bpifrance of the performance of these Services and/or any assignment carried out as part of the Agreement.

In the context of increased transactions passing through EPIC Bpifrance (PIA, FEDER, FII, bond issues, etc.), it seemed necessary to update and expand the scope of the services to be provided by the Bpifrance group on behalf of EPIC Bpifrance.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

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 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, your company recognised income of €1,370 199.79 for the fiscal year ended 31 December 2018.

- **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;

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 your company to its subsidiary and sets the terms and conditions for their remuneration, 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 recognised the following for the year ended 31 December 2018:

- income of €374,021.00 in respect of the re-invoicing to EPIC Bpifrance of payroll costs;
- income of €470,505.85 in respect of the re-invoicing to AUXI FINANCES of payroll costs.
- income of €1,859,029.58 in respect of the re-invoicing to Bpifrance Régions of business services and payroll costs;

- **Invoicing agreement related to the EPIC Bpifrance guarantee on public EMTN issuances between EPIC Bpifrance and Bpifrance Financement, as modified by amendment no 1, dated 8 April 2015**

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 your company. It provides for remuneration for EPIC Bpifrance, given the benefit received by Bpifrance Financement.

The remuneration on the guarantee is reviewed annually by the Board of Directors of EPIC Bpifrance. It is 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.

Pursuant to this agreement, an overall charge of €34,228,817.74 was recognised by your company for the fiscal year ended 31 December 2018.

b) Agreements and commitments approved in prior years but not executed during the past fiscal 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 past fiscal year.

- **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 terms and conditions:

Your Board of Directors, on 18 September 2017 and 20 December 2017, authorised the signature of this agreement and its amendment between Bpifrance Assurance Export and Bpifrance Financement These were signed on 25 September 2017 and 20 December 2017 respectively, 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 new "Business Development Insurance" product was 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.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **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.

Nature, purpose and operation provisions:

Your Board of Directors on 16 December 2016 authorised this agreement whose purpose is to define the terms and conditions under which Bpifrance Financement, as a credit institution, undertakes to manage cash deposits for Bpifrance Assurance Export or provide 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 3-month average refinancing spread, on an exact day basis over 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 signature date of the agreement.

The agreement was signed on 20 December 2016 and a current account was consequently opened. At 31 December 2018 the account had a credit balance of £5,591,705.33.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **Agreement relating to the loan agreement in the event of liquidity stress at Bpifrance Financement**

Contracting parties:

Bpifrance SA 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 Bpifrance Financement, Bpifrance Participations and Bpifrance SA represented by Delphine da Chaisemartin. Pierre-Francois Koehl and Francois-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, your 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 3-month average refinancing spread, on an exact day basis over 365 days.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **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 director of both Bpifrance Financement and Bpifrance Participations, 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 mandate Bpifrance Financement to transmit orders on the financial markets 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
Participations.
The agreement took effect on 14 January 2016 and is tacitly renewed for subsequent periods of one year unless terminated by one of the Parties.

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 2018.

- **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 director of both Bpifrance Financement and Bpifrance Participations, 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 defined framework will be invoiced at the fixed amount of fifty thousand euros excluding taxes per year plus ten thousand euros excluding taxes 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 outlook for growth in financial contracts and derivative instruments.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **Regulated agreement for periodic audits with Sogama Crédit Associatif**

Contracting party:
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 at the fixed amount of fifteen thousand euros excluding taxes per year. This may be revised at the end of the first agreement period.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **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 the terms and conditions for the periodic audit services pursuant to 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 2018.

- **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 fonds de compensation de bonification pour le PMR à taux zéro.

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.

Your Board of Directors on 27 September 2011 authorised this agreement which enables 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. This agreement further provides for the change of the PPMTR to two Loan formulas for the Modernisation de la Restauration, adapted to the needs of smaller companies.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **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.

The agreement had no financial impact for the fiscal year ended 31 December 2018.

- **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 2018.

- **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 2018.

- **Shareholder loan agreements**

Nature, purpose and operation provisions:

These agreements relate to the setting-up of advances granted by the State as part of the creation of the over-mutualisation fund and the preserved capital fund.

These agreements had no financial impact for the fiscal year ended 31 December 2018.

Paris La Défense, le 4 avril 2019

KPMG S.A.

Ulrich Sarfati
Associé

Courbevoie, le 4 avril 2019

Jean Latorzeff et Matthew Brown
Associés

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'Equipement 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 have become 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 of the operating cycle in partnership with banks, as well as bank financing and equity investment guarantees.

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 (AII) 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 AII, the "Industrial Strategic Innovation" activity was transferred to OSEO innovation by the State.

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. Société anonyme (public limited company) and financial company, it has been held since 12 July 2013 equally by the State, via EPIC BPI-Groupe and the 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.

The Company contributes to financing capital expenditure and operating receivables for intermediate-size companies.

The Company also contributes to reinforcing the national and local actions to promote entrepreneurship, notably in fragile regions, to promote the creation and takeover of companies, and to support the development of very small enterprises and small and medium sized companies.

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 2017 fiscal year, the Registration Document was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on 27 April 2018, under number D.18-0430. The consolidated financial statements appear on pages 80 to 165 and the corresponding audit report is on pages 218 to 224. The declaration by the persons responsible for the registration document is on page 251;

- 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;

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 2018 annual report of the Bpifrance Financement company can be accessed on its website: bpifrance.fr;
- the 2016 and 2017 annual reports, serving as Registration Documents, are available for consultation on the website: bpifrance.fr.

14. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDITS

14.1. Persons responsible

Mr Nicolas Dufourcq, 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 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.

12 April 2019

Nicolas Dufourcq
General Manager

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 Jean Latorzeff and Matthew Brown.

The separate and consolidated financial statements for the year ended 31 December 2016 and those for the year ended 31 December 2017 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 2016 were audited and certified by Marie-Christine Ferron-Jolys and Ulrich Sarfati, while those for the year ended 31 December 2017 were audited and certified by 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 European 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)
I		Persons responsible	
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
II		**Statutory Auditors**	
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
III		**Selected financial information**	
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
IV		**Risk factors**	
		Information about the issuer	
1.		History and development of the issuer	13.1
2.		Investments	5.1.9
VI		**Business overview**	
1.		Main activities	3 and 5.1.3
2.		Main markets	3 and 5.1.3
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
VII		**Organisational charts**	
1.		Capital structure of the Bpifrance Group and the issuer’s position within the group	4
2.		List of the issuer’s significant subsidiaries	5.1.9

Annex I to Regulation (EC) no. 809/2004			Registration Document
			Section(s)
VIII		**Property, plant and equipment**	
1.		Existing or planned material tangible fixed assets	Note 5.15
2.		Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	5.1.8
IX		**Operating and financial review**	
1.		Financial position	5.1.6
2.		Operating income	2.1 and Note 40 (Notes to the separate financial statements)
X		**Capital resources**	
1.		Issuer's capital resources	5.1.4
2.		Sources and amounts of the issuer's cash flows	10
3.		Information on the borrowing conditions and funding structure of the issuer	5.1.4
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
XI		**Research and development, patents and licences**	Not applicable
XII		**Trend information**	5.1.7 and 13.4.2
XIII		**Profit forecasts or estimates**	Not applicable
XIV		**Administrative, management and supervisory bodies and senior management**	
1.		Information on activities, absence of convictions and corporate office	6.1, 6.2, 6.3
2.		Conflicts of interest within administrative, management and supervisory bodies and senior management	13.4.5
XV		**Remuneration and benefits paid to persons referred to in item XIV.1**	
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 and note 10

Annex I to Regulation (EC) no. 809/2004			Registration Document
			Section(s)
XVI		**Board and management practices**	
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	6.52, 6.5.3, 6.5.4 and 5.3.1
4.		Compliance with the applicable corporate governance regime	6.5 (preamble)
XVII		**Employees**	
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
XVIII		**Main shareholders**	
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
XIX		**Related party transactions**	5.1.9, 6.5.2, 12.3 and note 13.1
XX		**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
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	5.1.9
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

Annex I to Regulation (EC) no. 809/2004			Registration Document
			Section(s)
XXI		**Additional information**	
1.		Issued Capital	13 (preamble)
2.		Memorandum and Articles of Association	13.4.6
XXII		**Material contracts**	Not applicable
XXIII		**Third party information and statements by experts and declarations of interest**	Not applicable
XXIV		**Documents available to the public**	13.4.6
XXV		**Information on holdings**	5.1.9 and 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.

Annual financial report			Registration Document
			Section(s)
I		**Annual financial statements of the Company**	11
II		**Consolidated financial statements of the Company**	10
III		**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**	
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	 5.1.6 5.1.3 5.1.8

		- Principal risks and uncertainties - Capital increase delegations in effect	5.1.5 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

Annual financial report			Registration Document
			Section(s)
3.		Not applicable Information referred to in Article L. 225-211 of the French Commercial Code: - Buyback by the Company of its own shares	5.1.9
IV		**Declaration by the persons responsible for the Annual Financial Report**	14.1
V		**Report from the Statutory Auditors on the annual and consolidated financial statements**	12
VI		**Fees paid to Statutory Auditors**	Note 13.2
VII		**Board of Directors' corporate governance report**	6
VIII		**Statutory Auditors’ report on the Board of Directors' Report**	12.2

Bpifrance Financement
Public Limited Company with Board of Directors
With capital of €839,907,320
CRETEIL TCR number 320 252 489

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