SERVIR L'AVENIR

ANNUAL HALF-YEARLY FINANCIAL REPORT 30 JUNE 2018 BPIFRANCE FINANCEMENT

CONTENTS

I. HALF-YEARLY FINANCIAL REPORT
Bpifrance Financement Group at 30 June 2018

1. ACTIVITY

The activity of Bpifrance Financement in financing small- and medium-size companies, as well as very small businesses, is part of the general economic interest mission entrusted to it by the public authorities, in association with banks, investment capital professionals, local - and particularly, regional - authorities, and other public institutions operating in the area of company financing.

Bpifrance Financement intervenes directly alongside banks to finance company investment through medium- and long-term loans and lease operations. Some of these loans are granted without guarantees on the company balance sheets, enabling them to finance immaterial expenses. Via its short-term loan offering, the bank also intervenes to finance the cash needs of small- and medium-size companies, in particular by prefinancing receivables held on public order originators or on certain large private groups. Since 2015, the bank has offered buyer loans that enable the financing of export markets involving French exporters.

Bpifrance Financement also intervenes indirectly to support company loans through its bank loan guarantee offering. This activity is backed by guarantee funds that are included in its balance sheet and that are supplied by the public authorities as part of the Investing in the Future Programme.

Lastly, Bpifrance Financement operates in the area of innovation financing, by means of subsidies, loans (PTZI - Zero-Rate Innovation Loans) and repayable advances for companies. This activity is also mainly backed by funds granted to Bpifrance by the public authorities.

The investment co-financing activity was slightly down compared to the first half-year 2017 (-6%), with a slightly more marked reduction for unsecured loans depending on resources from the guarantee fund (-9%). The innovation financing activity through aid was down 20%, whilst the loans activity recorded a 40% increase over the same period.

The guarantee activity increased by +4% notably due to the creation, development and transmission fund. Lastly, the short-term financing activity continued to grow for CICE financing (+13%) and for the financing of client receivables (Avance +) (+2%).

On 30 June 2018, the total amount of customer loans and commitments of the Bpifrance Financement Group amounted to €56.7 billion, versus €54.2 billion on 31 December 2017.

1.1 Customer loans

On 30 June 2018, the outstandings from all financing activities showed a sharp increase to €37.8 billion versus €35.9 billion on 31 December 2017.

Equipment credits and short-term credit facilities (excluding collective impairment) amounted to €20.3 billion versus €19.1 billion on 31 December 2017.

Leasing operations (excluding collective impairment) were stable at €6.0 billion, unchanged from 31 December 2017.

The total amount of collective impairment stood at €428.7 million on 30 June 2018.

1.2 Guarantee commitments

On 30 June 2018, guarantee commitments remained stable at €12.4 billion.

2. COMMENTS ON THE RESULTS

Net Banking Income amounted to €377 million, stable compared to the first half of 2017 (€373 million). This benefited from a particularly buoyant pace of activity for the CICE.

The operating ratio stood at 61.7% on 30 June 2018 versus 57.6% on 30 June 2017. It increased over the first half-year as operating expenses include the recognition of certain tax charges for their full annual amount in accordance with IFRIC 21, rather than being spread *prorata temporis*.

Excluding this impact, which also existed in 2017, the operating ratio would be 57.4%

The cost of proven risk of €11 million was lower than that of the previous half-year, but remains significantly lower than budget forecasts. We can note significant reversals on provisions for CICE financing operations thanks to the favourable outcome this half-year. With the collective provision, the cost of risk amounted to €30 million compared to €50 million at 30 June 2017, thus improving operating income, which stood at €114 million compared to €108 million for the first half of 2017.

3. RISKS

3.1. Credit risk

In view of its banking activity, Bpifrance Financement is exposed to a credit risk involving its credit operations, and a counterparty risk with regard to its financial activities.

The risks with credit operations are currently concentrated on business sectors, i.e. services, industry and trade.

The counterparty risk takes in the risk relative to interbank transactions and to operations on the financial markets. Given their nature and duration, the financial operations undertaken within this framework are almost exclusively carried out with lending institutions and government agencies, primarily the French Government.

According to IFRS standards, the maximum credit risk exposure of Bpifrance Financement amounted to €71,245.0 million on 30 June 2018, versus €68,541.4 million on 31 December 2017.

3.2. Liquidity and interest rate risk

The group's liquidity and rate risks are monitored as part of a management policy validated by the Finance committee. This policy is based on management principles defined in order to apply to the current situation, on the basis of maintaining a permanent liquidity advance intended to deal with possible difficulties accessing market liquidity.

4. FORESEEABLE CHANGE 2018

The business prospects for the second half of 2018 for the financing activity should make it possible to attain the stated annual objectives. NBI is expected to be in line with budget forecasts.

APPENDIX

Key figures

1. Activity of Bpifrance Financement in the first half of 2018

(in millions)	2016	2017	Change 2017/2016	1st half 2017	1st half 2018
ACTIVITY					
Innovation aids (AI, ISI, FUI, FIS, PSPC, FSN, CMI)	937	931	-0.6%	463	361
Amount of risks guaranteed (excluding internal funds)	3,556	3,695	+3.9%	1,796	1,855
Amount of risks guaranteed by Bpifrance Régions	238	301	+26.5%	146	157
Investment co-financing	7,111	7,480	+5.2%	3,849	3,675
Mobilisation of Receivables	3,567	3,620	+1.5%	3,503	3,590
Pre-financing of the CICE	4,287	4,982	+16.2%	4,539	5,131

HEADCOUNT (Bpifrance Financement)	**1,879**	**1,940**		**1,919**	**2,005**

2. Financial data to 30/06/18 consolidated at the level of EPIC Bpifrance

(in millions of €)	2016	2017	Change 2017/2016	1st half 2017	1st half 2018
SHAREHOLDERS' EQUITY, GROUP SHARE	**11,113.5**	**11,555.1**	**+4%**	**11,145.6**	**23,435.9**
EARNINGS					
Operating profit before other proceeds and charges	**-2.9**	**-13.5**	**+366%**	**-10.3**	**-3.3**
Income from operations	-2.9	-13.5	+366%	-10.3	-3.3
Operating profit after share of net income from companies accounted for using the equity method	**316.3**	**667.8**	**111%**	**463.4**	**204.7**
Earnings before taxes	345.9	703.1	103%	480.3	430.3
Group Share of Net Income	**334.1**	**699.3**	**109%**	**476.9**	**417.9**

(unaudited financial data)

II. CONSOLIDATED FINANCIAL STATEMENTS

Bpifrance Financement consolidated balance sheet to 30 June 2018

A S S E T S *(in millions of €)*	30-06-18	31-12-17
Cash, central banks	866.4	357.2
Financial assets at fair value through profit or loss	846.1	0.0
Derivative hedge instruments	7.5	11.3
Non-current financial assets available for sale	0.0	820.7
Financial assets at fair value through shareholders' equity	25.2	0.0
Investment securities at amortised cost	8,696.4	0.0
Loans and receivables due from credit institutions and equivalent, at amortised c	484.4	462.6
Loans and receivables due from customers, at amortised cost	36,502.2	34,522.8
Finance lease and equivalent operations, at amortised cost	5,998.0	6,008.6
Innovation financing aids	1,108.0	491.6
Revaluation discrepancies of the rate-hedged portfolios	267.9	264.4
Financial assets held-to-maturity	0.0	8,641.8
Current and deferred tax assets	74.9	11.4
Accruals and miscellaneous assets	637.9	629.6
Non-current assets held for sale	0.0	0.0
Interests in companies accounted for using the equity method	12.4	12.2
Investment property	0.0	0.0
Tangible fixed assets	116.6	116.1
Intangible fixed assets	63.0	63.3
Goodwill	0.5	0.5
TOTAL ASSETS	55,707.4	52,414.1

Bpifrance Financement consolidated balance sheet to 30 June 2018

LIABILITIES *(in millions of €)*	**30-06-18**	**31-12-17**
Central banks	**0.0**	**0.0**
Financial liabilities at fair value through profit or loss	**3.5**	**3.5**
Derivative hedge instruments	**6.2**	**7.9**
Debts to lending institutions and equivalent	**13,035.6**	**12,365.1**
Debts due to customers	**3,978.1**	**3,495.8**
Debt securities	**25,718.3**	**24,786.3**
Revaluation discrepancies of the rate-hedged portfolios	**247.6**	**211.2**
Current and deferred tax liabilities	**69.4**	**10.0**
Accrued expenses and other liabilities	**942.4**	**996.7**
Debts related to non-current assets intended to be sold	**0.0**	**0.0**
Litigation provisions	**40.9**	**2,832.6**
Net innovation intervention resources	**2,013.4**	**935.6**
- Allocated to commitments	*982.6*	*0.0*
- Not allocated	*1,030.8*	*935.6*
Public guarantee funds	**5,685.3**	**2,861.9**
- Allocated to commitments	*2,775.5*	*0.0*
- Not allocated	*2,909.8*	*2,861.9*
Subordinated debts	**307.4**	**309.4**
Shareholders' equity	**3,659.3**	**3,598.1**
Group share of shareholders' equity	**3,659.3**	**3,598.1**
- Capital and related reserves	*2,031.8*	*2,031.8*
- Consolidated reserves	*1,561.9*	*1,386.3*
- Gains and losses directly recognised in the shareholders' equity	*-3.3*	*-2.3*
- Earnings	*68.9*	*182.3*
Minority interests	**0.0**	**0.0**
- Reserves	*0.0*	*0.0*
- Earnings	*0.0*	*0.0*
TOTAL LIABILITIES	**55,707.4**	**52,414.1**

Publishable Consolidated Profit and Loss Statement of Bpifrance Financement

(in millions of €)	30-06-18	31-12-17	30-06-17
Interest Income	714.3	1,557.9	706.4
Interest and similar charges	-364.7	-865.2	-371.0
Net gains or losses resulting from hedging of net positions	0.0	0.0	0.0
Commissions (income)	4.1	8.4	5.5
Commissions (expenses)	-0.6	-1.2	-0.7
Net gains or losses on financial instruments at fair value through profit or loss	-1.1	1.0	0.5
Net gains or losses on financial instruments at fair value through shareholders' equity	0.1	0.0	0.0
Net gains or losses resulting from the derecognition of financial assets at amortised cost	-0.2	0.0	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	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	0.0	0.0	0.0
Net gains or losses on financial assets available for sale	0.0	2.8	0.1
Income from other activities	47.6	166.5	59.5
Expense on other activities	-22.7	-112.0	-26.9
NET BANKING INCOME	**376.8**	**758.2**	**373.4**
Operating general expenses	-215.9	-378.7	-199.9
Amortisation & depreciation allowances on tangible & intangible fixed assets	-16.6	-32.0	-15.2
GROSS OPERATING EARNINGS	**144.3**	**347.5**	**158.3**
Cost of credit risk	-29.9	-35.3	-49.8
OPERATING INCOME	**114.4**	**312.2**	**108.5**
Share of net income from companies accounting for using the equity method	1.1	1.2	0.8
Net gains or losses on other assets	0.2	0.5	0.0
Changes in the value of the goodwill	0.0	0.0	0.0
PRE-TAX EARNINGS	**115.7**	**313.9**	**109.3**
Profits tax (on corporations)	-46.8	-131.6	-44.3
Income net of tax from discontinued operations	0.0	0.0	0.0
NET EARNINGS	**68.9**	**182.3**	**65.0**
Minority interests	0.0	0.0	0.0
GROUP SHARE OF NET INCOME	**68.9**	**182.3**	**65.0**
* Earnings per share (in euros)	0.66	1.74	0.62
* Diluted earnings per share (in euros)	0.66	1.74	0.62

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

(in millions of €)	30-06-18	31-12-17	30-06-17
NET EARNINGS	**68.9**	**182.3**	**65.0**
Items that could be reclassified (recyclable) through net profit or loss			
Translation differences	0.0	0.0	0.0
Revaluation of the financial assets available for sale	0.0	-2.0	0.3
Revaluation of financial assets at fair value through recyclable shareholders' equity	0.4	0.0	0.0
Revaluation of derivative hedge instruments of recyclable items	0.0	0.0	0.0
Share of gains and losses directly recognised in the shareholders' equity of companies accounted for using the equity method	0.0	0.0	0.0
Other items recognised through shareholders' equity and recyclable	0.0	0.0	0.0
*Related taxes**	0.0	0.0	0.0
Items that cannot be reclassified (non-recyclable) through net profit or loss			
Revaluation of fixed assets	0.0	0.0	0.0
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	0.0	-0.1	0.0
Revaluation of own credit risk of financial liabilities for which recognition at fair value through profit or loss has been chosen	0.0	0.0	0.0
Revaluation of equity instruments recognised at fair value through shareholders' equity	0.0	0.0	0.0
Share of gains and losses directly recognised in shareholders' equity of companies accounted for using the equity method (non-recyclable)	0.0	0.0	0.0
Other items recognised through shareholders' equity and non recyclable	0.0	0.0	0.0
*Related taxes**	-0.2	0.0	0.0
TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY	**0.2**	**-2.1**	**0.3**
NET EARNINGS AND GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY	**69.1**	**180.2**	**65.3**
* Of which Group share	69.1	180.2	65.3
* Of which minority interests	0.0	0.0	0.0
For information: Amount of transfer to reserves of non-recyclable items	**0.0**	**0.0**	**0.0**

** 2017 tax was included under the different headings*

Change in shareholders' equity (Group share)

(in millions of €)	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
Change to gains and losses directly recognised in shareholders' equity	0.0	0.0	0.3	0.0	0.3
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*	*0.0*	*0.0*	*0.0*
Distribution of dividends	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	-0.1	0.0	0.0	-0.1
Situation at 30 June 2017	**2,031.8**	**1,386.2**	**0.1**	**0.0**	**3,418.1**
H1 2017 earnings				**65.0**	**65.0**
Earnings allocated to reserves	0.0	0.0	0.0	0.0	0.0
Change to gains and losses directly recognised in shareholders' equity	0.0	0.0	-2.3	0.0	-2.3
Value change of financial instruments, affecting shareholders' equity	*0.0*	*0.0*	*-0.6*	*0.0*	*-0.6*
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
Miscellaneous		0.1	0.0	0.0	0.1
Situation to 31 December 2017	**2,031.8**	**1,386.3**	**-2.3**	**0.0**	**3,415.8**
H2 2017 earnings				**117.3**	**117.3**
Earnings allocated to reserves	0.0	171.8	0.0	-171.8	0.0
Impact of FTA reclassification under IFRS	0.0	1.1	-1.1	0.0	0.0
Impact of FTA restatement under IFRS 9	0.0	2.7	-0.1	0.0	2.6
Change to gains and losses directly recognised in shareholders' equity	0.0	0.0	0.4	0.0	0.4
Value change of financial instruments, affecting shareholders' equity	*0.0*	*0.0*	*0.4*	*0.0*	*0.4*
Value change of financial instruments as related to earnings	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Actuarial gains and losses on defined benefit plans	0.0	0.0	-0.2	0.0	-0.2
Distribution of dividends	0.0	0.0	0.0	-10.5	-10.5
Disposal of hybrid securities	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0
Situation at 30 June 2018	**2,031.8**	**1,561.9**	**-3.3**	**0.0**	**3,590.4**
H1 2018 earnings				**68.9**	**68.9**

Variation in Minority Interests

Minority interests as of 31 December 2016	**0.2**
Change 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*
Share of earnings in H1 2017	0.0
Minority interests to 30 June 2017	**0.2**
Change 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 in H2 2017	0.0
Minority interests as of 31 December 2017	**0.0**
Change 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*
Share of earnings in H1 2018	0.0
Minority interests to 30 June 2018	**0.0**

Group Cash Flow Table of Bpifrance Financement

(in millions of €)	30-06-18	31-12-17	30-06-17
Earnings before taxes	**115.7**	**313.9**	**109.3**
Net depreciation/amortisation expense on property, plant and equipment, and intangible assets	16.6	32.0	15.2
Depreciation of the goodwill and other fixed assets	0.0	0.0	0.0
Net allocations to provisions	-25.5	-251.6	-92.1
Share of earnings related to companies accounted for using the equity method	-1.1	-1.2	-0.8
Net loss/net gain from investment activities	0.5	-0.1	-0.1
Other	-128.4	959.1	61.9
Other movements (specific to the guarantee funds)	33.5	-7.3	-54.6
Total of the non-monetary items included in the net income before taxes, and of the other adjustments	**-104.4**	**730.9**	**-70.5**
Flows related to operations with credit institutions	673.1	51.9	-162.8
Flows related to operations with the clientele	-949.7	-3,066.2	-1,375.7
Flows related to other operations affecting the financial assets or liabilities	-674.2	-2,325.8	-1,943.8
Flows related to other operations affecting the non-financial assets or liabilities	-34.9	-830.3	-96.2
Flows related to other operations affecting the innovation activity	97.8	172.7	140.5
Taxes paid	-51.7	-98.5	-98.5
Net decrease/(increase) of the assets and liabilities resulting from operational activities	**-939.6**	**-6,096.2**	**-3,536.5**
Total net cash flow generated by operational activities (A)	**-928.3**	**-5,051.4**	**-3,497.7**
Flows related to financial assets and equity interests	-0.3	0.0	0.2
Flows linked to investment buildings	0.0	0.0	0.0
Flows related to tangible and intangible fixed assets	-16.8	-38.0	-14.5
Total net cash flow related to investment operations (B)	**-17.1**	**-38.0**	**-14.3**
Cash flows coming from or going to shareholders	-10.5	0.5	0.5
Other net cash flows resulting from financing activities	1,472.2	4,433.8	4,662.6
Total net cash flow related to financing operations (C)	**1,461.7**	**4,434.3**	**4,663.1**
Effects of exchange rate variations on cash and cash equivalents (D)	0.0	0.0	0.0
Net increase/(decrease) of the cash and cash equivalents (A+B+C+D)	**516.3**	**-655.1**	**1,151.1**
Net cash flow generated by operational activities (A)	-928.3	-5,051.4	-3,497.7
Net cash flow related to investment operations (B)	-17.1	-38.0	-14.3
Net cash flow related to financing operations (C)	1,461.7	4,434.3	4,663.1
Effects of exchange rate variations on the cash and cash equivalent (D)	0.0	0.0	0.0
Cash and cash equivalents upon opening	**566.7**	**1,221.8**	**1,221.8**
Cash, central banks (assets & liabilities)	357.2	882.3	882.3
Accounts (assets & liabilities) and demand loans/borrowing with lending institutions	209.5	339.5	339.5
Cash and cash equivalents upon closing	**1,083.0**	**566.7**	**2,372.9**
Cash, central banks (assets & liabilities)	866.4	357.2	2,250.7
Accounts (assets & liabilities) and demand loans/borrowing with lending institutions	216.6	209.5	122.2
Change in net cash position	**516.3**	**-655.1**	**1,151.1**

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Bpifrance Financement at 30 June 2018

Note 1 – ACCOUNTING PRINCIPLES AND METHODS

The summarised interim consolidated financial statements of the Bpifrance Financement Group for the 6-month period ending on 30 June 2018 have been prepared and presented in compliance with the provisions of IAS 34 “Interim financial reporting”. As such, the notes presented relate to significant items for the period and must be read together with the audited consolidated financial statements for the fiscal year ending on 31 December 2017, as included in the Registration Document for the 2017 consolidated financial statements.

Adopted accounting principles and methods

Regulatory framework

The consolidated financial statements of the Bpifrance Financement Group have been prepared according to the IFRS standards in effect within the European Union on 30 June 2018.

The accounting principles and valuation methods applicable on 31 December 2017 are shown in notes 2 to 5 of the 2017 consolidated financial statements.

The accounting principles and methods adopted for the preparation of the summarised interim consolidated financial statements were updated following the application of IFRS 9 on 1 January 2018. The sections amended by the application of this new standard are presented in note 3 "Accounting principles amended as part of the application of IFRS 9".

The Bpifrance Group applies IFRS 15 relating to revenue from contracts with customers. In view of the Group's activities, the impacts at the transition date are not significant.

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

Presentation of the consolidated financial statements

The presentation of the summary reports is compliant with that proposed by ANC recommendation no. 2017-02 of 2 June 2017 relative to the format of summary reports of lending institutions and investment companies using the international accounting reference base.

Usage of estimates in the preparation of the financial statements

The preparation of the financial statements requires the formulation of estimates that include uncertainties with regard to their realisation. In particular, the post-employment commitments were assessed on 30 June 2018 by extrapolating the actuarial valuation performed on 31 December 2017.

Seasonal, cyclical or occasional nature of the activities

Excluding the provision for paid holidays that records the vested rights not yet taken on 30 June, the group's activities are not of a seasonal, cyclical or occasional nature.

Note 2 - EVENTS DURING THE PERIOD

No significant events occurred during the interim period or after the closing date of the interim period.

Note 3 – ACCOUNTING PRINCIPLES AMENDED AS PART OF THE APPLICATION OF IFRS 9

Note 3.1 - Group consolidation principles and methods

3.1.1 Consolidation method

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 via a joint venture or those in which it has a notable influence are consolidated on an equity basis.

The entities recognised using the equity method are considered as having an operational nature that proceeds from the group's activity. Consequently, the share in the net earnings of companies accounted for using the equity method is presented after operating income, in compliance with ANC (Accounting Standards Authority) recommendation no. 2017-02 of 2 June 2017 relative to the format of the consolidated financial statements of banking sector establishments prepared according to the international accounting standards.

3.1.2 Special cases

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 investment at fair value on the basis of the net income, in the category "Financial assets at fair value through profit or loss", in compliance with IFRS 9 relating to the accounting and measurement of financial instruments.

Conversion of the financial statements of foreign subsidiaries

The Group's consolidated financial statements are presented in euros. The financial statements for entities whose functional currency is different are converted by applying the closing price method. According to this method, all monetary and non-monetary assets and liabilities are converted at the exchange rate prevailing at the closing date of the fiscal year. Income and expenses are converted at the average rate for the period. All conversion differences resulting from the conversion are recorded 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 of interests accounted for using the equity method (including goodwill) is subject to an impairment test in accordance with the provisions of IAS 36 on asset impairment if there is an objective indication of impairment resulting from one or several events occurring after the initial recognition of the equity interest and that these events have an impact on the estimated future cash flows of the equity interest, which may be estimated in a reliable way.
The book value of the interest accounted for using the equity method is then compared to its recoverable value, i.e. the highest of 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 recognised, it is allocated to the equity-accounted interest on the balance sheet, which authorises the subsequent reversal of the impairment in case of an improvement in the value in use or market value.

Note 3.2 - Accounting principles and valuation methods

3.2.1 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.

3.2.1.1 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 to 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.

3.2.1.2 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, not all of these financial instruments will be the subject of an immediate realisation for the estimated value.

The consideration of the risk of non-execution on derivative liabilities (Debit Value Adjustment) and of the assessment of the counterparty risk on derivative assets (Credit

Value Adjustment) has no significant incidence on the fair value valuation of the Group's derivatives.

Special case of unlisted shares

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

Special case of financial assets and liabilities recognised at amortised cost

Market values are close to book values in the case of variable rate assets or liabilities for which interest changes have no notable influence on the fair value, since the rates of these instruments are frequently adjusted to the market rates.

3.2.2 Initial recognition of the assets and financial liabilities

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

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

3.3 Classification and measurement of financial assets

Debt instruments

Loans, advances and fixed-income securities are debt instruments subject to a later assessment at amortised cost or fair value depending on the business model and the characteristics of the contractual cash flows. More specifically:

- debt instruments held in a business model for which the aim is to collect contractual cash flows and for which the cash flows are solely payments of principal and interest are recorded at amortised cost. These debt instruments are subject to impairment according to the modalities described in note 3.5 *Impairment of financial assets*. Interest is calculated based on the effective interest rate, as described in note 3.15 *Interest income and expenses*;

- debt instruments held in a business model for which the aim is both to collect and sell contractual cash flows and for which the cash flows are solely payments of principal and interest are recorded at fair value through shareholders' equity. Changes in fair value, excluding credit risk, exchange rate gains or losses and interest impacts, are recorded in shareholders' equity. In the event of derecognition, the unrealised gains or losses are transferred from shareholders' equity to the profit and loss statement,

where they are shown on the line "Net gains or losses on instruments at fair value through shareholders' equity".
The impairment of these financial assets is calculated according to the modalities described in note 3.5 *Impairment of financial assets*. Interest is calculated based on the effective interest rate method, as described in note 3.15 *Interest income and expenses*;

- the other debt instruments are recognised at fair value through profit or loss. These consist notably of shares in investment funds (not consolidated) or bonds convertible into issuer's shares.

The Group may also opt irrevocably to designate at fair value through profit or loss a debt instrument meeting the criteria required for an assessment at amortised cost or fair value through shareholders' equity, if this designation eliminates or significantly reduces the gaps between the accounting treatments of certain financial assets and liabilities.
The changes in fair value of these instruments are recorded in the item "Gains and 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 (Solely Payments of Principal and Interests) criteria, the principal comprises the fair value at the initial recognition date; it may change over the lifespan of the financial assets, for example due to the amortisation of the principal. Interests mainly reflect the time value of money, the credit risk incurred by the Group or any other type of risk or expenses related to the holding of the financial assets over a given period. Interests may also include a margin that is compatible with a classical loan contract.

The time value of money is the component of interest that offsets the sole passage of time.

Contractual conditions that expose contractual cash flows to changes in share prices, raw materials prices or exchange rates or to a leverage effect are not considered as meeting the SPPI criteria.

Contractual conditions that expose contractual cash flows to changes in share prices, raw materials prices or exchange rates or to a leverage effect are not considered as meeting the SPPI criteria.

The SPPI criteria for financial assets which include 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, selling financial assets or both.
The factors taken into account to assess the business model are:

- the criteria used to assess the performance of portfolio assets and present it to the main directors;
- the risks affecting the performance of portfolio assets and the modalities for monitoring and managing these risks;

- the modalities for remunerating the portfolio managers;
- the frequency and volume of prior disposals carried out in the past.

As a public investment bank, Bpifrance supports companies of all sizes (mainly VSE, SME and mid-tier companies) for all phases of their development, from start-up to stock exchange listing. Through its social mission, Bpifrance focuses on maintaining customer relations and collecting contractual flows.
With regard to consolidated funds, the management of the financial asset portfolio is based on fair value and performance is also assessed based on fair value, which justifies an "other strategy" business model, leading to the recognition at fair value through profit or loss of debt instruments, whether or not they meet the SPPI criteria.

Reclassification
Financial assets are reclassified when the business model in which they are held evolves due to a strategic management decision, following significant changes in the Group's activities. Reclassifications are prospective and do not involve restatements of profits and losses recognised prior to the reclassification date for the financial assets in question.

Equity instruments

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

However, during their initial recognition, the Group may opt irrevocably to designate at fair value through shareholders' equity, investments in equity instruments that are not held for trading or for business combinations. This option is exercised on a transaction by transaction basis, and the Group has decided to apply it to the totality of its share portfolio.
The changes in fair value of these instruments are presented in shareholders' equity without subsequent recycling in profit and loss (including in the event of disposal). These financial assets are not subject to impairment. The dividends from these investments are recorded under the heading "Net gains or losses on financial assets at fair value through shareholders' equity".

3.4 Financing commitments given and received

The financing commitments relative to the clientele are not included in the balance sheet. Over the commitment period, the financial commitments given are subject to impairment according to the modalities described in note 3.5 *Impairment of financial assets*.

3.5 Impairment of financial assets

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

When they are initially recognised, the financial assets, including financing commitments, are subject to impairment resulting from default events expected over the next 12 months (expected credit losses at 12 months). In the event of a significant increase in credit risk, the impairment is revised to reflect the default events expected over the instrument's lifespan (expected credit losses at maturity).

The financial assets are initially classified in "bucket 1". If there has not been a significant increase in the credit risk from the start, they remain classified in *"bucket 1"*. Impairment is recorded up to the expected credit losses at 12 months.

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

The assets for which there exists an objective indication of loss 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 financial instruments during the initial recognition and at the closing date. This deterioration must be recognised before the appearance of an objective indication 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 outstandings verifying one of the following conditions:

- classification on the watch list, notably due to overdue payments exceeding 30 days and less than or equal to 90 days or the probationary period for restructured outstandings;
- probability of current default exceeding 20%;
- absolute increase in the probability of default exceeding 2% between the grant date and the closing date;
- relative increase in the probability of default exceeding 95% between the grant date and the closing date.

- ***Financial assets for which there exists an objective indication of loss***

These are financial assets that the Group has classified as non-performing, i.e. any asset where it is probable that the establishment will not collect all or part of the sums owed pursuant to the commitments assumed by the counterparty, due to its financial difficulties.

Non-performing counterparties are notably those for which insolvency proceedings (amicable or litigation) are on-going, for which a deterioration in the quality of credit has been noted, for which receivables have over 90 days of overdue payments, or for which the expiry of the loan term has been pronounced, or for which Bpifrance's guarantee has been called upon.

All overdue payments of over 30 days on restructured or frozen outstandings during the probationary period automatically lead to classification in the non-performing assets category.

- ***Measurement of credit losses***

For assets classified in *buckets* 1 and 2, the expected credit losses are equal to the result of three parameters - the probability of default, the loss given default rate and the exposure at default. They are discounted at the effective interest rate for the asset in question.

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

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

The Group builds on the mechanisms used to determine the regulatory provisions. Within this framework, the probabilities of default and the loss given default rate, observed through-the-cycle for regulatory requirements, are adjusted in order to be measured at the date of default (point-in-time).

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

Exposure at default takes into account the amounts drawn down and the commitments given. Outstandings at risk out of the outstandings for commitments given is estimated based on the historical disbursement rate. Exposure takes into account the impairment and potential repayment of the outstanding.

The impairment of assets in *bucket 3* is estimated on an individual basis. It corresponds to the difference between the asset’s book value and the value discounted at the original effective interest rate of the future cash flows estimated to be recoverable, while taking effective guarantees into account.

Investment securities portfolio

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

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

The Group considers that the credit risk is low when the counterparty is classified in "Investment Grade" and the securities of these counterparties are classified in "bucket 1". The declassification of a security to "Speculative Grade" leads to classification in "bucket 2". A deterioration of two ratings over the six months prior to the closing date may be an additional factor to identify a significant deterioration in the credit risk. In these circumstances, the Group carries out an analysis on a case-by-case basis.

Within this framework, the measurement of credit losses takes place according to the following rules:

- Buckets 1 and 2: the probabilities of default are calculated based on the data from rating agencies, the loss rates selected are those of the Basel guidelines and the exposure at default corresponds to the gross book value.
- Bucket 3*:* the losses are estimated on an individual basis in view of the counterparty's situation and, if applicable, the value of the guarantees.

3.6 Distinction between debt and shareholders' equity

Issued financial instruments are qualified as debt instruments or shareholders' equity according to whether or not there is a contractual obligation for the issuer to provide the holders of the securities with cash, another financial asset or to exchange instruments in potentially unfavourable conditions.

Subordinate securities of indefinite duration

In view of the conditions set down by the IAS 32 standard relative to the presentation of financial instruments in order to analyse the substance of these instruments, and given their intrinsic characteristics, subordinate securities of indefinite duration issued by the group are qualified as debt instruments.

Bpifrance Financement reserve fund

The reserve fund was set up by the shareholders of the former OSEO garantie; this advance is intended to hedge the outstandings of the guaranteed loans for which it provides backing.

In view of the discretionary nature of the decision to pay interest to the bearers, as well as its repayment if decided upon by the shareholders, the Bpifrance Financement reserve funds are qualified as shareholders' equity instruments.

3.7 Associated liabilities

Debts issued by the Group and which are not measured 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 measured at their impaired cost on the closing date using the effective interest rate method and are recorded in the balance sheet under “Debts to lending institutions”, “Debts due to customers”, “Debts represented by a security” or "Subordinated debts".

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 by type: interbank market securities, negotiable debt instruments and bond loans, with the exception of subordinated securities included under “Subordinated debts”.
Interest accrued attached to these securities is included in a related debts account with changes recognised in the profit and loss statement. Issue or repayment premiums on bond loans are amortised using the effective interest rate method, over the lifespan of the loans in question. The corresponding expense is listed in the “Interest and expenses” 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.

3.8 Financial liabilities designated at fair value through profit or loss

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 the significant reduction of gaps in the accounting treatment of certain financial assets and liabilities;
- the alignment of the accounting treatment on the management and measurement of performance, as long as this condition is based on an established risk or investment management 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.

Fair value variations over the period and the interest of financial liabilities are recorded under the heading "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of fair value variations due to changes in own credit risk, which are recorded under "Gains or losses directly recorded in shareholders' equity". In the event of the derecognition of the liability before maturity, the gain or loss in fair value generated, attributable to own credit risk, is directly transferred to the item "reserves consolidated in shareholders' equity" without an impact on the income for the period.

3.9 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 recorded under "Loans and Advances with Credit Institutions and equivalent, at amortised cost".

3.10 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.

3.11 Derivative financial instruments and hedge accounting

A derivative is a financial instrument with the following three characteristics:

- its value fluctuates according to the change in interest rates, the price of a financial instrument, the price of goods, an exchange rate, a price or share index, 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 their fair value. With each accounts closing date, irrespective of the management intention applicable to their retention (trading or hedging), they are assessed at their fair value. With the exception of derivatives considered as cash flow hedging for accounting purposes, fair value variations are recognised in the period's profit and loss statement.

Derivative financial instruments are grouped into two categories:

Transaction derivatives

Transaction derivatives are included in the balance sheet under 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".

Hedging derivatives

The Group has chosen the option offered by IFRS 9 not to apply the standard's provisions on hedge accounting and to continue to apply IAS 39 as adopted by the European Union, for recognising these operations.

Fair value variations of hedging instruments and hedged items are recorded under the heading “Net gains or losses on financial instruments at fair value through profit or loss”. To be able to use a hedge derivative instrument for accounting purposes, it is necessary to document the hedge relationship as of inception (hedge strategy, nature of the hedged risk, designation and characteristics of the hedged item and of the hedge instrument). Moreover, the hedge’s efficiency must be demonstrated at inception, and verified retrospectively at the time of each accounts closing date.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge. The group currently only applies fair value hedge accounting.

Fair value hedging

The purpose of fair value hedging is to reduce the risk of any variation to the fair value of the asset or liability in the balance sheet, or of a firm commitment (in particular, hedging of the rate risk from fixed rate assets and liabilities).

The hedged item’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 item.

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 item.

Should the hedge relation be interrupted (non-compliance with the efficiency criteria or sale of the derivative or of the hedged item 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 item remains recognised in the balance sheet.

Hived-off global hedging

The group’s preference is for the application of the provisions of the IAS 39 standard adopted by the European Union (known as the “carve-out”) for micro-hedge operations carried out within the framework of the asset-liability management of fixed rate positions.

These provisions make it possible to hedge the rate risk associated with loans with the clientele, or with borrowing and securities portfolios. Micro-hedge instruments are primarily rate swaps designated as fair value hedges of the Group’s fixed rate usages and of its fixed rate resources.

The accounting treatment for hived-off global hedge derivatives uses the same principles as the ones previously described as part of the fair value hedge. However, the overall revaluation of the hedged component is included under the 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.

3.12 Offsetting of the assets and financial liabilities in the balance sheet

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

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

3.13 Currency transactions

The accounting registration rules depend on the monetary or non-monetary nature of the items contributing to the foreign currency operations carried out by the group.

Monetary assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are converted, using the closing price, into the group's operating currency, the euro. Exchange discrepancies are recognised through profit or loss.

However, this rule has two exceptions:

- only the component of the exchange discrepancy on the amortised cost of the financial assets at fair value through shareholders' equity is recognised through profit or loss; the rest is recorded as gains and losses directly recognised in shareholders' equity;
- the exchange discrepancies on monetary items designated as cash flow hedging or that are part of a net investment in a foreign entity are recorded as gains and losses directly recognised in the shareholders' equity.

Non-monetary assets expressed in foreign currencies

Non-monetary assets recognised at their 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 items are recognised through profit and loss if the gain or loss on the non-monetary item is recognised through profit or loss, in the gains and losses directly recognised in the shareholders' equity if the monetary item is recognised in the equity capital.

3.14 Finance lease 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 advances to customers at amortised cost" and represent the Group's net investment in the leasing contract, which is equal to the discounted value at the contract's implicit rate of the minimum payments that are to be received from the lessee, plus any non-guaranteed residual value.

Finance lease operations are recorded in the balance sheet on the settlement/delivery date.

The interest included in the lease payments is recorded in the "Interest 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 3.5 *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.

3.15 Interest income and expenses

Interest relating to debt instruments recorded at amortised cost is recorded in the items "Interest Income" or "Interest and similar charges", using the effective interest rate method.

The effective interest rate is the rate that discounts inflows or outflows of future cash over the expected lifespan of a financial asset or financial liability in such a way as to obtain the exact gross book value of the financial assets 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 commissions received or paid, such as financing commitment commissions given or commissions for the granting of loans, which are, by nature, an integral part of the contract's effective rate.

The items "Interest Income" and "Interest and similar charges" also record the guarantee commissions staggered on a prorata temporis basis and the interest on hedging instruments designated in a fair value relationship.

3.16 Commissions

The recognition provisions for the received commissions relating to services or financial instruments depend on the purpose of the services rendered or the recognition method of the financial instruments to which the service is attached.

Commissions remunerating an immediate service are recorded in the income as soon as the service is completed.

Commissions collected as part of a continuing service, such as management commissions, are staggered over the duration of the service on a prorata temporis basis.

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

This item mainly records:

- the dividends and fair value variations of investments in equity instruments that the Group has not designated at fair value through non-recyclable shareholders' equity;
- the fair value variations of debt instruments (including interest) recognised at fair value through profit or loss, with the exception of value variations relating to own credit risk resulting from financial liabilities designated at fair value through profit or loss;

- the fair value variations (including interest) of derivative instruments not used for hedging;
- the fair value variations (excluding interest) of derivative instruments used for fair value hedging.

The ineffectiveness of hedging relations is also recorded under this item.

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

The net gains or losses on financial instruments at fair value through shareholders' equity includes the following items:
- the dividends from 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.

3.19 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 advances classified in financial assets at amortised cost, including indemnities for early repayment and hedging effects.

3.20 Personnel costs

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

3.21 Cost of credit risk

The net allowance for write-backs of impairment and provisions, receivables written off as losses during the fiscal year, and recoveries on receivables previously written off as losses comprise the credit risk expense on the financial assets recognised at amortised cost as well as on fixed-income securities classified under "Financial assets at fair value through shareholders' equity".

3.22 Guarantee activity

Guarantee commitments

The Group's guarantee commitments are mainly carried by Bpifrance Financement and Bpifrance Régions. They back guarantee funds.

The Group grants two types of guarantees:
- guarantees in respect of venture capital interventions (SME shares) against capital losses incurred by venture capital institutions. These contracts contain a clause relating to participation in capital gains & losses of the underlying securities;

- guarantees granted to credit institutions for loans granted to their customers, in order to hedge against the payment default of an identified debtor. The Group is compensated by guarantee commissions.

Guarantees not discharged, declared in default by the partner bank without other information on the deterioration of the credit risk of the counterparty, are classified as sound outstandings on watch list and are subject to impairment based on the expected losses model. In the event of the discharge of the guarantee (expiry of the loan term or occurrence of insolvency proceedings) and/or if the Group has been informed of the deterioration in the counterparty's credit risk, the guarantees are subject to impairment for proven risk.

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

Guarantees to credit institutions meet the definition of a financial guarantee contract, i.e. a contract that requires the issuers to make specific payments in order to repay the holder for a loss that incurs due to the default of a specified debtor. As part of the option offered 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 to them.

Guarantee Fund

Guarantee funds correspond to the amounts paid by the State, the CDC or local authorities to hedge the future risks generated by Bpifrance's guarantee activity.

Guarantee funds are similar to term deposits reimbursable to providers that include a reinsurance contract component. Guarantee funds, therefore, meet the definition of a financial liability under IAS 32.

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

The Group has irrevocably designated the guarantee commitments and backed guarantee funds at fair value through profit or loss. The performance of the guarantee funds is managed and communicated to providers using a fair value model.

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

In addition to the allocations from public partners, the assessment of the guarantee funds takes into account commissions received and 90% of the net proceeds from the investment of the allocations received (which by convention goes back to the guarantee fund). The fair value of the guarantee fund is presented in liabilities under the specific heading "Non-allocated public guarantee funds".

All the flows associated with the guarantee funds are recorded in income and expenses, with no impact on the Group's earnings as long as the guarantee funds are not used up, as estimated future losses are charged against the guarantee funds.

3.23 Innovation activity

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

The subsidies granted by Bpifrance meet the conditions specified by IAS 20 "*Accounting for government grants and disclosure of government assistance*" inasmuch as they are cash transfers made available by the State and the public partners via their allocations, after the beneficiary entity has shown that it meets all the conditions allowing it to benefit from the subsidy.

Subsidies disbursed are directly recognised in expenses in the item "Expense on other activities". Those 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 contractualised.

Disbursed repayable advances are recognised at fair value during their initial recognition, which corresponds to the disbursed amount, and at subsequent closing dates. They are shown on the asset side of the balance sheet in the "Innovation financing aids" item, whilst those not disbursed are shown under commitments given.

Loans granted through the innovation activity are basic loan instruments which meet the SPPI criteria. These are zero-rate loans or variable or fixed-rate loans that may be subject to early repayment against the payment of an early repayment indemnity that is considered reasonable. Moreover, these assets are held under a flow collection management model. These loans are, therefore, assessed at amortised cost, according to the modalities described in paragraph 3.3. *Classification and measurement of financial assets*.

Loans granted through the innovation activity are recorded under the heading "*Loans and advances to customers*".

The innovation activity is integrally financed by:
- an allocation known as the French State’s “intervention allocation”, structured as the Intervention guarantee fund;
- allocations from the local authorities.

These allowances are recorded under the specific heading "Non-allocated net innovation intervention resources" from the signature of the agreements with the State or other partners. 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 impairment and losses of repayable advances or of zero-rate or variable or fixed-rate loans.
These non-allocated funds represent the fair value of the fund - i.e. the amounts available to grant new innovation aid.

The allocations receivable from the State and public partners are recorded under the heading "Other assets - Receivables with State and Innovation partners".

Impairments on sound outstandings are calculated on the production of repayable advances, zero-rate loans and variable or fixed-rate loans financed by the State's intervention allocation. They correspond to a financial indicator that allows for an assessment of the possible amount of the repayable advances and loans that may have to be booked as expenses in future profit and loss statements.

When there is a proven risk of non-recovery of all or part of the commitments assumed by the counterparty, individual impairments are recognised and the impairment on the related sound outstandings is recovered.

These impairments are recorded in liabilities under the specific heading "Net resources for innovation investment allocated to commitments".

The impact of the impairments is neutral for Bpifrance's profit and loss statement, as the constituted impairments on sound outstandings and individual impairments are recognised as expenses on 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.
Reversals of impairment occur:

- when the impaired repayable advances finally become irretrievable and are recognised as expenses;
- when the impairment reversal results from a repayment of the advance.

In the case of an impairment reversal, the liabilities are replenished accordingly.

Income and expenses allocated to the Innovation Guarantee Funds are offset under the profit and loss statement under "Expenses from other activities".

3.24 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 financial instruments not listed on an active market and the value relating to over-the-counter instruments included in the “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 from loans and advances and fixed-income securities which are assessed at amortised cost or fair value through shareholders' equity, the financing and guarantee commitments;
- the valuations relating to 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.

Reconciliation from the publishable consolidated balance sheet of Bpifrance Financement at 1 January 2018 under IAS 39 to the consolidated balance sheet under IFRS 9

ASSETS *(in millions of euros)*	31/12/2017	eclassifications	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 shareholders' equity		26,1		26,1
Investment securities at amortised cost		8 772,1	-1,5	8 770,6
Loans and receivables due from credit institutions and equivalent, at amortis	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 and equivalent operations, 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 from the publishable consolidated balance sheet of Bpifrance Financement at 1 January 2018 under IAS 39 to the consolidated balance sheet under IFRS 9

LIABILITIES *(in millions of euros)*	31/12/2017	Reclassifications	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
Debts to lending institutions and equivalent	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*
- Not 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*
- Not 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 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 in the IFRS 9 consolidated balance sheet of Bpifrance Financement 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 shareholders' equity	26,1			26,1
Investment securities at amortised cost	130,3	8 641,8		8 772,1
Loans and receivables due from credit institutions and equivalent, at amortised cost				0,0
Loans and receivables due from customers, at amortised cost			531,3	531,3
Finance lease and equivalent operations, 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 Funds	Reclassifications
Financial liabilities at fair value through profit or loss				0,0
Derivative hedge instruments				0,0
Debts to lending institutions and equivalent				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*
- Not 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*
- Not 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 of impairment and provisions from the publishable consolidated balance sheet of Bpifrance Financement at 1 January 2018 under IAS 39 to the consolidated balance sheet under IFRS 9

ASSETS *(in millions of euros)*	31/12/2017	Reclassifications		Restatements	01/01/2018 IFRS 9
		Impairments on Investment securities	Public Guarantee and Innovation Funds		
Impairments on Financial Assets available for sale	-1,6	1,6			0,0
Impairments on Investment securities at amortised cost		-0,2		-1,6	-1,9
Impairments on Loans and receivables due from credit institutions and equivalent, at amortised cost					0,0
Impairments on Loans and receivables due from customers, at amortised cost	-1 076,2		531,3	0,1	-544,8
Impairments on Finance lease and equivalent operations, at amortised cost	-104,0		17,5	5,9	-80,6
Impairments on Aids for financing innovation	-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 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 Investment 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 Investment securities integrated at the fair value of investment securities at fair value through profit and loss (-0.9) and fair value through other comprehensive income (-0.5): -1.4*

The following reclassifications have been carried out:

- financial assets held-to-maturity have all been reclassified in the category securities at amortised cost, i.e. €8,641.8 million;
- financial assets available for sale have been reclassified in three separate categories:
  - in financial assets at fair value through profit or loss for exchangeable or convertible bonds or bonds for which compensation is indexed to the share market, i.e. €664.3 million,
  - in securities at amortised cost for bonds meeting the SPPI characteristics, i.e. €130.4 million,
  - in financial assets at fair value through shareholders' equity for shares, i.e. €26 million;

- guarantee and innovation activities:
  - impairment on advances to customers, innovation activity loans and repayable advances guaranteed by the guarantee funds, previously recorded as a

deduction to assets, have been reclassified under the headings on the liability side "Public guarantee funds allocated to commitments" and "Net innovation intervention resources allocated to commitments" for a total of €1,172.8 million,

- impairment for proven risk and the fair value of the guarantees has been reclassified from the heading "Provisions" to the headings "Public guarantee funds allocated to commitments" and "Net innovation intervention resources allocated to commitments" for an overall amount of €2,791.3 million,
- the discounted value of commissions to be received destined for the guarantee funds (guaranteed activity) has been reclassified from the asset regularisation accounts to the heading "Public guarantee funds allocated to commitments" for €136.9 million.

All loans and advances to credit institutions and customers are classified under the categories loans and advances to credit institutions and customers at amortised cost. No transfers are shown in this table.

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

ASSETS *(in millions of euros)*	Impairments on Investment 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 shareholders' equity				0,0
Investment securities at amortised cost	-1,6		0,1	-1,5
Loans and receivables due from credit institutions and equivalent, at amortised cost				0,0
Loans and receivables due from customers, at amortised cost		0,1		0,1
Finance lease and equivalent operations, 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 Investment securities	Impairments on Loans	Other	Restatements
Financial liabilities at fair value through profit or loss				0,0
Derivative hedge instruments				0,0
Debts to lending institutions and equivalent				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*
- Not allocated				*0,0*
Public Guarantee Funds	0,0	0,0	0,0	0,0
- Allocated to commitments				*0,0*
- Not 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 restatements are as follows:

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

- 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 for €6 million.
  - The value of the Alsabail securities, recognised according to the equity method, decreased by €0.4 million due to the application of the new IFRS9 provisioning model on the Alsabail assets.

NOTE 4 - SCOPE OF CONSOLIDATION

The Bpifrance Financement Group consolidated financial statements include all of the companies under exclusive control, except ones for which the consolidation would be of a negligible nature relative to the preparation of the Group's consolidated financial statements.

The accounts of the companies that are totally controlled are consolidated according to the full consolidation method.

Change in scope of consolidation in H1 2018

The Bpifrance Financement Group scope of consolidation to 30 June 2018 was unchanged from the last closing of the consolidated financial statements on 31 December 2017.

The following table identifies the consolidated companies, the percentage of their capital held directly and indirectly, and their consolidation method.

Designation	Consolidation method	30/06/2018 % holding	30/06/2018 % 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%
Alsabail - STRASBOURG	Equity method	40,69%	40,69%	40,69%
Gras Savoye Bpifrance - MAISONS-ALFORT	Equity method	34,00%	34,00%	34,00%

Note 5 – RESOURCES

Loans contracted during the half-year

(in millions of euros)

Type	Amount	Duration (in years)	Maturity date
"BOND BPIFF 0.25% 14/02/2023"	1 000,0	5	14/02/2023
"BOND BPIFF 0.10% 19/02/2021"	400,0	3	19/02/2021
"BMTN BPIFF 0% 16/01/2020"	200,0	2	16/01/2020
"BOND BPIFF 0% 25/11/2022"	100,0	4	25/11/2022

Loans repaid during the half-year

(in millions of euros)

Date of loan repayment	Counterparty	Amount
10/01/2018	CDC	250,0
31/01/2018	Banque Postale	200,0
01/02/2018	BPCE	100,0
19/03/2018	CACIB	410,0
19/03/2018	HSBC	200,0
22/06/2018	CACIB	200,0

Note 6 – COMMITMENTS GIVEN

The financing commitments given (€6,557.9 million on 30 June 2018 versus €6,143.0 million on 31 December 2017) primarily correspond to the confirmed loan agreements provided by group companies.

The guarantee commitments given are broken down as follows:

(in millions of euros)	**30/06/2018**	**31/12/2017**
Loan repayment guarantees distributed by other lending institutions	12 093,5	11 887,1
Guarantees given by Bpifrance Financement	*11 335,9*	*11 156,3*
Other guarantees	*757,6*	*730,8*
Guarantees in favour of lending institutions	0,0	0,0
Sureties and other guarantees given	275,0	276,1
TOTAL	**12 368,5**	**12 163,2**

Note 7 – SECTOR INFORMATION

The Group has applied IFRS 8 on sector information since 30 June 2009. This standard has no effect on the performance or financial situation, but it results in a different presentation of information.

Since 31/12/2010, the breakdown of the earnings by business sector has been carried out on the basis of the new perimeter, meaning that it has included the earnings data of the innovation activity. The expenses have been distributed analytically.

(in millions of euros)

30/06/2018	Financing	Guarantee	Innovation	Other	Total
NBI	299,2	51,2	17,8	8,6	376,8
Operating costs	-144,1	-33,8	-47,9	-6,7	-232,5
Cost of risk	-27,6	0,0	-2,3	0,0	-29,9
Operating income	127,5	17,4	-32,4	1,9	114,4

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

30/06/2017	Financing	Guarantee	Innovation	Support	Other	Total
NBI	297,8	51,0	18,6	0,2	5,7	373,4
Operating costs	-136,5	-32,2	-42,1	-4,3	0,0	-215,1
Cost of risk	-45,8	0,0	-4,0	0,0	0,0	-49,8
Operating income	115,6	18,8	-27,5	-4,1	5,7	108,5

(in millions of euros)

Gross outstandings	30/06/2018	31/12/2017
Medium and long-term loans	31 577,9	30 437,4
. including zero rate Innovation loans	*975,9*	*949,3*
Short-term financing	5 975,0	5 626,4
Innovation financing aids	1 108,0	491,6
Guarantees given	12 361,4	12 163,2

As a reminder, the non-allocated guarantee funds amounted to €2,909.8 million versus €2,861.9 million on 31/12/2017.
The subsidies granted in relation to innovation activity amounted to €41.6 million versus €60.6 million on 31/12/2017.

Note 8 – DIVIDENDS PAID

Bpifrance Financement distributed a dividend of €0.10 per share, i.e. a total of €10.5 million.

Note 9 – INFORMATION ON THE FAIR VALUE

(in millions of euros)	30/06/2018			
	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss	**0,0**	**0,0**	**845,9**	**845,9**
- Bonds and other fixed income securities			*0,0*	*0,0*
- Equities and other variable income securities			*845,9*	*845,9*
- Exchange rate derivative instruments			*0,0*	*0,0*
Derivative hedge instruments	**0,0**	**7,5**	**0,0**	**7,5**
- Interest rate derivatives		*7,5*		*7,5*
Financial assets at fair value through equity	**0,0**	**0,0**	**25,2**	**25,2**
- Negotiable debt instruments			*0,0*	*0,0*
- Government bonds			*0,0*	*0,0*
- Other obligations			*0,0*	*0,0*
- Equities and other variable income securities			*25,2*	*25,2*
Securities at amortised cost	**8 812,6**	**614,3**	**0,0**	**9 426,9**
- Negotiable debt instruments		*614,3*		*614,3*
- Government bonds	*8 635,7*			*8 635,7*
- Other obligations	*176,9*			*176,9*
- Equities and other variable income securities			*0,0*	*0,0*
Loans and receivables due from credit institutions and similar, at amortised cost		**484,4**		**484,4**
Loans and receivables due from customers, at amortised cost		**37 554,9**		**37 554,9**
Finance lease transactions and similar, at amortised cost		**6 218,4**		**6 218,4**
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**	**6,2**	**0,0**	**6,2**
- Interest rate derivatives		*6,2*		*6,2*
Due to credit institutions and similar		**13 090,2**		**13 090,2**
Debts due to customers		**4 085,0**		**4 085,0**
Debt securities	**25 967,4**			**25 967,4**

(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**

IV. STATUTORY AUDITORS' REPORT ON THE 2018 HALF-YEARLY FINANCIAL INFORMATION

Bpifrance Financement

Public limited company with capital of €839,907,320
Registered office: 27-31 avenue du Général Leclerc94700 Maisons-Alfort Cedex
TCR: 320 252 489

Limited report from the Statutory Auditors on the summarised interim consolidated financial statements

Period from 1 January 2018 to 30 June 2018

Period from 1 January 2018 to 30 June 2018
Bpifrance Financement S.A.
27-31 avenue du Général Leclerc – 94710 Maisons-Alfort
This report contains 3 pages
xxx-xxx appx

KPMG AUDIT MAZARS

Limited report from the Statutory Auditors on the summarised interim consolidated financial statements

KPMG S.A.
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

Mazars
Tour Exaltis
61 Rue Henri Régnault
92400 Courbevoie
France

Bpifrance Financement S.A.

Registered office: 27-31, avenue du Général Leclerc - 94710 Maisons-Alfort
Issued capital: €839,907,320

Limited report from the statutory Auditors on the summarised interim consolidated financial statements

Periode from 1 January 2018 to 30 June 2018

To the shareholders,

In our capacity as Statutory Auditors for Bpifrance Financement S.A., and pursuant to your request, we have performed a limited review of the summarised interim consolidated financial statements of Bpifrance Financement S.A. relating to the period from 1 January 2018 to 30 June 2018.

The summarised interim consolidated financial statements were approved by the Board of Directors. It is our responsibility, based on our limited review, to express our conclusion on the summarised interim consolidated financial statements.

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists mainly of holding discussions with senior managers responsible for accounting and finance, and carrying out analytical work. This work is less extensive than that required for an audit prepared in accordance with the professional standards applicable in France. Consequently, the assurance that the financial statements as a whole do not contain any significant misstatements obtained as part of a limited review is a moderate assurance, that is lower than that obtained as part of an audit.

Based on our limited review, we have not identified any significant misstatements which would cast doubt on the compliance of the summarised interim consolidated financial statements with IAS 34, IFRS standard as adopted by the European Union relating to interim financial information.

Without calling into question the conclusion expressed above, we draw your attention to note 3 "Accounting principles amended as part of the application of IFRS 9" which describes the modalities of application of IFRS 9 Financial Instruments from 1 January 2018.

Paris La Défense, 4 septembre 2018

KPMG S.A.

Ulrich Sarfati
Associé

Courbevoie, 4 septembre 2018

MAZARS

Charles de Boisriou
Associé

Matthew Brown
Associé

V. PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

Person responsible

Mr Arnaud Caudoux: Executive Director

Statement by the person responsible

I hereby confirm that, to my knowledge, the audited accounts for the past six months have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets and liabilities, financial position and results of the company and all the companies in the scope of consolidation. I further confirm that the half-year activity report on page 3 gives an accurate account of the major events which occurred during the last six months of the fiscal year and how they impacted the financial statements and a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Maisons-Alfort, 4 September 2018

Bpifrance Financement *Société anonyme* (public limited company)
Créteil Trade and Companies Register 320 252 489 – APE code 6492 Z
27-31, avenue du Général Leclerc – 94710 Maisons-Alfort Cedex – Tel.: +33 (0)1 41 79 80 00 – Fax.: +33 (0)1 41 79 80 01
Bpifrance.fr