bpifrance | SERVIR L'AVENIR

PILLAR III REPORT 2020

BPIFRANCE

Contents

SUMMARY AS OF 31ST DECEMBER 2020

PRUDENTIAL RATIOS FOR BPIFRANCE GROUP

30.75%
Ratio CET1 Ratio phased-in

30.75%
CET1 Ratio fully loaded

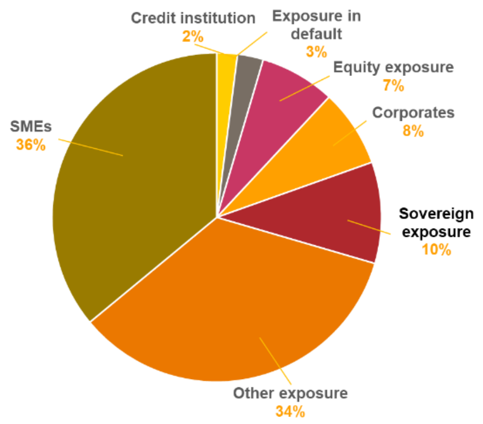
20.82%
Leverage Ratio

930%
LCR

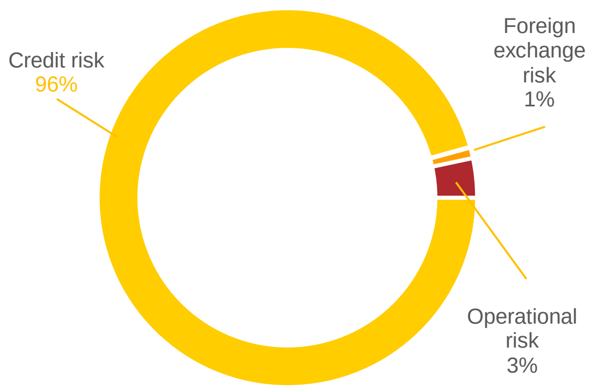
133%
NSFR

WEIGHTED EXPOSURE OF BPIFRANCE GROUP

NET EAD PER ASSET CLASS



WEIGHTED ASSETS PER RISK CATEGORY



* Part of the Equity and Fund portfolio has been reclassified in 'Others'

1. INTRODUCTION

Regulation (EU) No.575/2013 (CRR[1]) dated 26th June 2013, section 8, requires concerned institutions to release quantitative and qualitative information regarding their risk management activities. The risk management process and risk exposure level of Bpifrance Group are detailed in this report. To show prudential regulatory requirements distinctly, Bpifrance Group has decided to release Pillar III related data in a separate section of the Group annual report. The Pillar III report relating to market discipline consists in enriching the minimal equity prescriptions (Pillar I) and the prudential surveillance process (Pillar II) with a data set aiming to complete financial communication. It notably provides the required information on capital requirements, equity instruments and exposure to credit risk, financial risk, and operational risk.

The European Central Bank, sole supervisor of the eurozone since November 2014, set the Pillar II requirements to be applicable in 2021 for Bpifrance Group. The ECB implemented the SREP methodology, in accordance with the orientations set by the European Banking Authority published in late 2014. The SREP review enabled the notification of Pillar II requirements applicable in 2017, i.e a phased-in consolidated CET1 ratio requirement of 7.84% as of January 1st, 2021. All along 2020, Bpifrance has complied with its minimal regulatory ratio requirements.
Furthermore, as a bank of significant importance, Bpifrance is part of the pool of European banks featuring in a stress test drill organised by the European Banking Authority (EBA) and the Central European Bank (CEB). In the aftermath of the Covid-19 crisis, the EBA decided to report stress test drills to 2021.

In the face of the Covid-19 crisis, unprecedented in both scale and impact, Bpifrance has been fully engaged with businesses and their executives, in support of public authorities.

[1] Capital Requirements Regulations

As a bank serving the collective interest Bpifrance has deployed all its business lines to the service of economic emergency, in a counter-cyclical fashion.

The year 2020 finishes with as strong increase in medium- to long-term credit activity. Unsecured loans represented €5.7 billion, compared to 2 to 3 billion euros until 2019 included.

The year 2020 also featured:

- Bpifrance morphing into a fintech, with a strong increase in digital activities and an acceleration in online lending for SME;
- The launch of Bpifrance Entreprises 1, a fund enabling individuals to invest in Bpifrance's fund of funds;
- A stronger investment in climate-related project in a partnership with the Caisse des Dépôts and the Banque des Territoires.

2. BPIFRANCE OVERVIEW

Since 18 December 2020, the Issuer (formerly known as Bpifrance Financement) is the holding company of the Bpifrance Group. Indeed, on this date, the Issuer absorbed Bpifrance SA, its parent company. The EPIC Bpifrance and the Caisse des Dépôts each own 49.2% of the Issuer's share capital.

Bpifrance is a public group dedicated to corporate financing and development. Bpifrance acts as a supporting entity of policies implemented by the State and Regions. In accordance with law n°2012-1559 dated December 31st, 2012 its purpose is to favour innovation, creation, development, globalisation, disruption, and transfer of companies, while contributing to their funding by way of loans or equity.

Bpifrance is a credit institution and a holding entity acting through its subsidiaries Bpifrance Régions (which form, with the credit institution, the Financial division), Bpifrance Participations and Bpifrance Investissement (Investment division) and Bpifrance Assurance Export (Insurance and Export division).

As a credit institution, Bpifrance must comply with banking regulations (both French and European) which impose many obligations, such as operating under market conditions, without abusive support or ruinous credit, implementing risk prevention system (financial, image and operational), separation of powers, supervisory measurement systems and risk management. Bpifrance and its subsidiary Bpifrance Régions (financing institutions regulated by the Prudential Supervisory and Resolution Authority – ACPR) are monitored and directly supervised by the European Central Bank on a consolidated basis.

Bpifrance also provides equity funds, notably through investments made by its subsidiary Bpifrance Participations, either directly or via funds. A significant part of its investments is dedicated to, on its own funds or on behalf of third-party equity it manages, the segments of start-up, venture capital, development capital and buyout capital, or even in funds dedicated to profitable companies in the social and solidarity economy field as the latter, notably due to its own status, spontaneously attracts only a few standard investors. Bpifrance is also focusing on developing (on the market) a mezzanine fund offer as a complementary or even substitute solutions for equity investments in companies controlled by shareholders rejecting third-party interest in the share capital.

2020 saw many changes for Bpifrance. Several major projects as described in the 2019 Strategic Plan have started. Lac1 has deployed its capital, and the *Deeptech* plan is gaining momentum thanks to the creation of a national platform for transfer of technology.

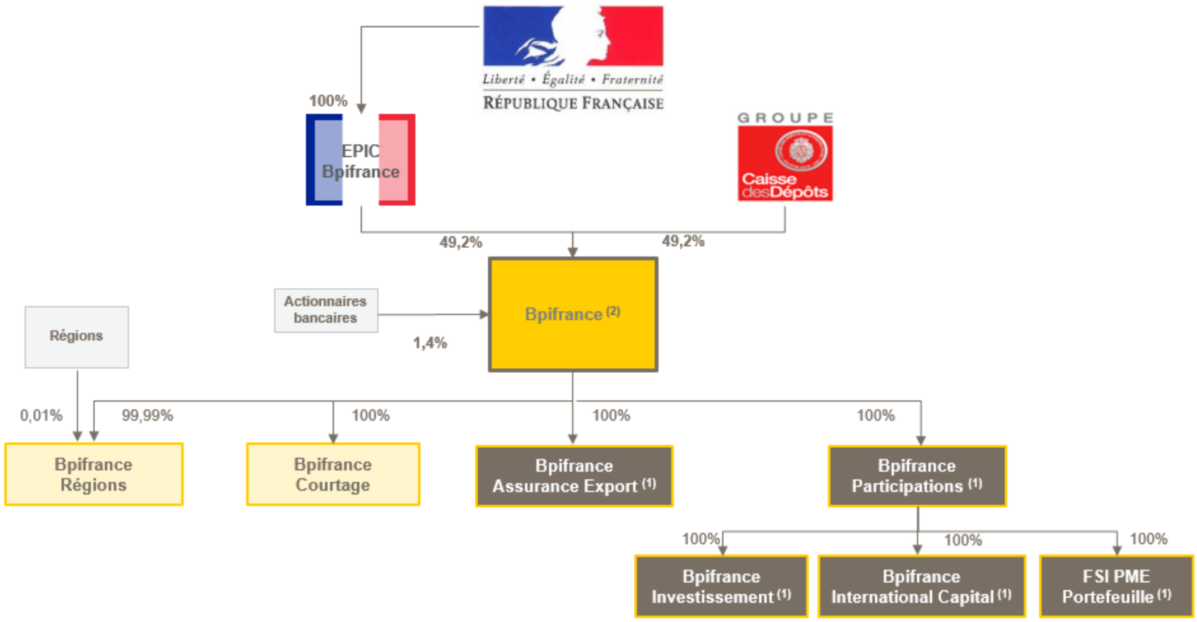
Moreover, financing of business start-ups and SMEs has risen and developed digitally. The Accompaniment program has multiplied consultancy missions and Bpifrance became the first European network in Executive Education thanks to our 55 schools, the Volunteering in Business initiative expanding as well as exports to Africa.

Lastly, the Fonds Bpifrance Entreprises 1 (Bpifrance Fund for Enterprises 1) was launched in October 2020, enabling individuals to invest in an aggregated portfolio of over 1,500 French businesses.

Chart 1: Bpifrance Group's capital structure

The capital structure of Bpifrance group as of 31st December 2020 is shown below.

ORGANISATIONAL CHART OF BPIFRANCE GROUP
AS OF 31ST DECEMBER 2020.



(1) Subsidiaries controlled by Bpifrance (formerly Bpifrance Financement) since merging with Bpifrance SA on 18th December 2020.

(2) Bpifrance owns 0.2% of its capital.

3. RISK MANAGEMENT OBJECTIVES AND POLICY

Since November 4th, 2014 Bpifrance has been one of the financial institutions directly supervised by the European Central Bank (ECB). Prudential surveillance of the holding entity is performed on a Bpifrance consolidated basis.
The Group's risk management policy (including the monitoring of risk tolerance level) is set and supervised by its Board of Directors. The Risk Department's purpose consists in implementing the Group's strategy in terms of monitoring and risk management. It ensures that the risk process is efficient, and the underlying risk level remain in line with group policy.

The Risk Department is designed to cover the entirety of the Group's risks. The Bpifrance Risk Department is organised as follows:

- **An Executive Risk Manager**

- **Five sub-departments:**
  - Credit Risk Management;
  - Financial and Country Risk Management;
  - Credit Solvency Management;
  - Regulatory Risk Steering Committee;
  - Policy and Risk Management Department.

- **Two more hubs are functionally attached:**
  - Risk and Collection Services (S2R) for all 6 of Bpifrance networks;
  - Model Validation.

The group's activity main inherent risks are:

- **Credit and counterparty risk:** include the potential loss materialised by the fall in value of an asset or a default that Bpifrance might experience due to the deterioration of a counterparty's solvency. Credit risk includes the counterparty risk attached to market transactions.

- **Operational risk:** includes the financial or non-financial impact deriving from inadequacy or failure of the internal process, staff or systems, or still external factors.

- **Non-compliance risk:** defined as the risk of legal, administrative and disciplinary sanctions and of significant financial or reputation loss incurred by the non-compliance with legal and regulatory obligations, ethical standards and practices specific to the activities of Bpifrance or the executive body's guidelines followed in accordance with the supervisory board's orientations.

- **Balance sheet or ALM risk (financial risks):** includes interest rate, liquidity and exchange rate risks.

- **Risk relative to the investment activity** includes risks inherent to the venture capital and funds of funds activities.

In addition, Bpifrance is subject to the 2014/59EU European Bank Recovery and Resolution Directive or BRRD, which requires banks to submit as Recovery Plan to the regulating authority. (Art. 5-9) This plan is mainly **devised to describe the measures the bank would implement in the event of a severe crisis, to restore a normal activity within a reasonable timeframe.** This Recovery Plan reinforces the resilience of Groupe Bpifrance by preventively describing the measures that would allow it to cope autonomously with a severe crisis. Indicators used in the Recovery Plan are routinely applied in the management and governance of Bpifrance Group.

For each indicator in the Recovery Plan, the Group Risk Management Policy has defined thresholds and limits which are monitored through a dashboard presented to the Risk Committees, as well as through the Risk Appetite Statement which is updated and presented yearly.

The Recovery Plan is subject to evaluation by competent authorities and is reviewed on a yearly basis. The resolution authority is in return in charge of the Resolution Plan which shall be activated if the bank is unable to resume a normal trading situation.

3.1. GOVERNANCE AND ORGANISATION OF THE RISK SECTOR

At Bpifrance, risk management is performed in accordance with the applicable European standards and regulations. The Bpifrance Board of Directors sets strategic orientations as well as the group's risk appetite, as the basis for each business line to conduct its action priorities and the associated risk management scheme under the supervision of Bpifrance Group's Risk Department. These basics are notably developed in the group's risk management policy.
This risk management process is deployed within six operational Departments and is part of the three defence layers which constitute the internal audit general framework of supervised financial institutions.

The following Departments oversee risk monitoring within Bpifrance:

- Financing and Network Management Department;
- Investment Activities Department (Funds Fund, Capital Development, Innovation);
- Risk Department;
- Finance Department;
- Compliance and Permanent Control Department;
- General Inspection and Audit Department.

The Financing and Network Management Department and the Investment Activities Department are the first line of defence: they oversee the monitoring of risks deriving from their activities.

The Risk Department, Finance Department and Compliance and Permanent Control Department are the second line of defence: they are responsible for the identification, measurement, monitoring and declaration of risks, and the compliance with internal and external requirements on an individual and consolidated basis for all the Bpifrance Group business lines. They are independent from the first line of defence.

The General Inspection and Audit Department is the third line of defence: it ensures through periodical controls that processes and internal governance mechanisms are efficient and implemented in a relevant manner. The internal audit function is also responsible for the independent review of the first two lines of defence.

Across the three lines of defence, appropriate internal audit mechanisms and procedures are set and complied with and are subject to an assessment by the Board of Directors.

3.2. RISK GOVERNANCE

Risk control governance at Bpifrance is guaranteed through four types of authorities: Boards of Directors, steering committees, cross-functional committees and the risk monitoring operational committees. The cross-functional committees and risk monitoring operational committees constitute the first level of risk analysis, monitoring and review within Bpifrance. Deriving decisions or orientations are submitted to the second authority level, the steering committees, whenever necessary. Said authority issues opinions on cases that require the approval by the Board of Directors, which constitute the third level of decisions as regards risks within the group.
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Boards of Directors

In accordance with the law, the Boards of Directors at Bpifrance and its subsidiaries set the directions in terms of group activity and ensure their implementation. In that regard, the board members make sure that the group's activities comply with risk regulatory requirements.
The Board of Directors are responsible for the implementation and monitoring of Bpifrance's risks. It validates the group Risk

Management Policy and ensure its proper implementation. It also approves the documentation relating to Bpifrance's risks, being published and/or sent to the European banking supervisor. The members meet on a quarterly basis or at closer intervals should the circumstances warrant it.

Bpifrance Participations also has a Board of Directors with similar mission as Bpifrance's Board.
As part of its duty, the Board of Directors benefits from analysis provided by dedicated committees. They notably include the Risk Committees which are risk monitoring steering committees.

As of the reporting date, Bpifrance's Board of Directors is composed of seven men and eight women (with one nomination pending), representing the main stakeholders of the Bpifrance Group.
In detail, when every position is attributes, the Board of Directors is composed of:

- Bpifrance's CEO,
- Nine shareholder representatives (four State representatives nominated by decree and five directors appointed by the General Meeting of shareholders (of which four proposed by the Caisse des Dépôts)),
- Two representatives of the Régions,
- Two qualified personalities appointed because of their economic, financial and sustainability expertise and
- Two directors representing Bpifrance's employees.

Other participants to the Board of Directors meetings are:

- 7 censors,
- The Government Commissioner (or their deputy) and
- The secretaries to Bpifrance and Bpifrance Investment's work councils.

The Board of Directors' policy in terms of recruitment and diversity is described below.

Missions of the Board: in 2020, the Board of Directors held nine meetings.

As for every year, the Board has approved the annual, half-yearly accounts and examined the budget.

- The steering committees

Risk monitoring steering committees are the Board of Directors' Risk Committee and the Group Risk Management Committee. They meet on a quarterly basis or on an exceptional basis should the circumstances warrant it.

- Bpifrance Risk Committees

The Risk Committee's duty is to advise the Boards of Directors on the entity's global strategy and risk appetite, and to assist the Boards in monitoring this strategy implementation by the Executive Officers. In this regard, it is periodically informed of the evolution of liquidity, compliance with credit limits, of main operations regarding the refinancing policy, and the bank's risk appetite.
It approves the implementation and organisation of the liquidity policy on a yearly basis. Besides, it releases an opinion about the bank's Recovery Plan and the entire documentation dealing with capital adequacy (ICAAP, ILAAP, RAF, RAS) which it submits to the Boards of Directors for approval.

In 2020 Bpifrance has strengthened its existing system for detecting and measuring credit risk and adapt it to the current context. Bpifrance's risk profile, as well as the risk management and monitoring systems have all been updated late 2020 by integrating the Covid-19 crisis effects, particularly its impact on Bpifrance's activity modelling so the group could achieve its counter-cyclical mission.

Since the second semester of 2020 detecting and measuring credit risk was continually reinforced within the Risk Management Department, to adapt to the current crisis context.
All the measures put in place allow Bpifrance to perform a finer and more dynamic detection early risks to anticipate cliff effects.
The Risk Management Department has implemented a monthly risk monitoring with

variations of new indicators, focusing on high-risk sectors deemed to be high-risk and on Covid-19 moratorium exposures.
Furthermore, since September 2020 Bpifrance has set up a weekly monitoring on Watch List entries (among which debtors with early arrears) and on non-performing status.

- **Group Risk Management Committee**

The Group Risk Management Committee (CGR) is chaired by the CEO of Bpifrance or one of the Executive Officers. It is responsible for submitting and reviewing the consolidated risks and proposing recommendations, in certain compelling circumstances. The committee meets on a quarterly basis, or more often if required. The Risk Department provide secretariat services for the Group Risk Management Committee. As such, it is responsible for putting together the agenda and collating contributions of the various Departments concerned by risk monitoring, and to facilitate this committee.
Members[2] of this committee are Executive Officers, Executive Directors of Bpifrance and Management Committee members from the Risk Department.

➢ **Cross-functional committees**

The cross-functional committees are intragroup risk management committees that cover both the Financing and Investment sectors of Bpifrance Group. They meet on a monthly, quarterly, 6-months or on a standalone basis.

These committees review either the distribution of new products or services (New Activities Committees, Products and Services, Group Offering Committee), or the implementation of risk models (Model Validation Expert Committee), or the management of specific risks linked to Bpifrance's activity (Operational Risk Follow-up Committee, Group Security Committee and IT Security Committee).

➢ **Risk-management operational committees**

The risk management operational committees are authorities which assess, monitor, and make decisions on risks relating to any business line of the group. They meet on a monthly, quarterly, 6-months or on a standalone basis. For the Financing area, it includes the Credit Committee, the Credit Risk Committee, the Finance Management Committee, the Counterparty Risk on financial transactions Committee, the Loan Book Monitoring Committee, the Watch List / Non-Performing Committee and DLO Committees.

At Bpifrance Participations, it includes the Investment Portfolios Monitoring Committees, the Valuation Committees, the Watch List / Non-Performing Committees, the Strategic Committee of Bpifrance Participations, and Investment Committees.

[2] A network director is convened to every committee.

Chart 2 : Decision levels involved in Bpifrance Risk Management

3.3. RISK MANAGEMENT PROCESS

Risk management inherent to group activity is part of the Risk Management Policy approved by the Board of Directors of Bpifrance. It covers all the Group activities generating risks. The purpose of the Risk Management Policy is to describe how risk-taking deriving from the Bpifrance activities (as defined in the group risk mapping), is supervised, and controlled at the policy and decision-making process levels. It aims to define limit and warning thresholds triggering an escalation process for every business line as well as a tailored comitology process.

Compliance with limits is monitored, upon submission, across all the various group activities, by the decision-making committees. The Bpifrance Risk Policy strictly complies with regulatory requirements as regards solvency (process described in the ICAAP registration document). It is updated on a yearly basis, during the first quarter, by the Risk Department in coordination with stakeholders. Last, the Risk Management Policy is one of the pillars of Bpifrance’s risk appetite which includes two other pillars: the doctrine and the medium-term plan.

4. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

KEY FIGURES AS OF 31ST DECEMBER 2020

Chart 1 : Main group indicators overview

	Bpifrance	
(in EUR millions)	Phased-in	Fully loaded
Common Equity Tier 1 (CET 1)	22,977	22,977
Tier 1 Equity	22,977	22,977
Tier 2 Equity	91	-
Total equity	**23,068**	**22,977**
Risk-Weighted Assets (RWA)	**74,718**	**74,718**
CET 1 Ratio	**30.75%**	**30.75%**
Tier 1 Ratio	**30.75%**	**30.75%**
Global Solvency Ratio (Tier 1 + Tier 2)	**30.87%**	**30.75%**

The change in global phased solvency ratios between December 31st, 2019 (33.59%) and December 31st, 2020 (30.87%) results from:

- A decrease in equity on the one hand (-€0.3m),
- An increase in Risk-Weighted Assets (+€5.2 m) on the other hand.

Chart 3 : Group's net exposure and weighted Risks, by asset class in EUR billions

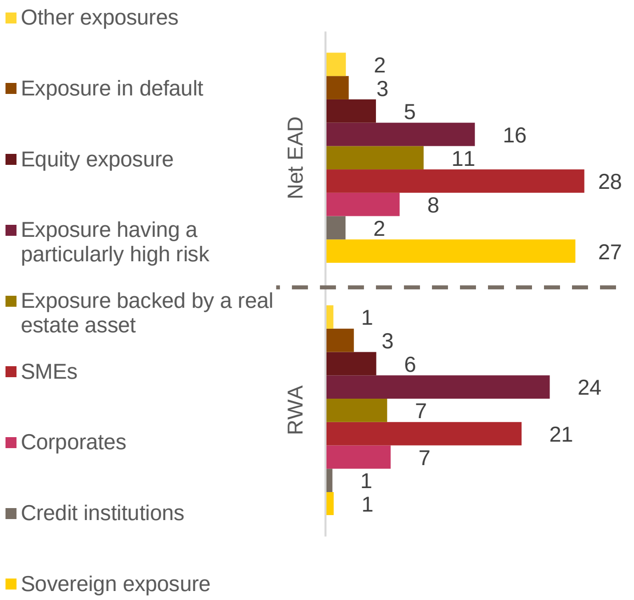
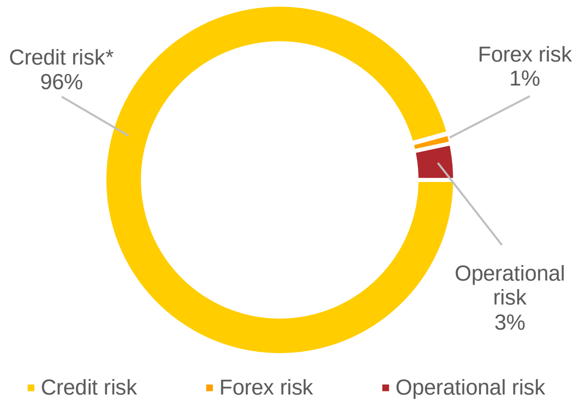


Chart 4 : Group's weighted risks by type of risk profile (%)



RWAs as of 31st December, 2020 : €70bn

Following the ECB's notification of the results of the annual 2020 Supervisory Review and Evaluation Process (SREP), setting the level of prudential capital requirements for 2021 that the Group must meet on a consolidated basis, the phased-in CET1 equity level required on a consolidated basis for Bpifrance Group was set at 7.84% for 2021.

This requirement includes a capital conservation buffer of 2.5%, a capital requirement for Pillar II 'P2R' of 0.84% and a countercyclical buffer rate of 0.0%. This demand does not include the 'P2G' (Pillar II – Guidance). Bpifrance's overall solvency requirement is set at 12.0%.

However, the stressful situation linked to the appearance of Covid-19 lead regulators to take steps and ease off statutory thresholds. These measures were published in press releases from the ECB and the EBA on March 12th, 2020, and from the Banque de France on March 13th, 2020. They make equity available in accordance with the 'P2G' and relax requirements related to the capital conservation buffer and the countercyclical buffer.

* Includes the securitisation and Weighted Risk on Credit Valuation Adjustments
** Of which minimum CET 1

4.1. PRUDENTIAL PERIMETER

The scope of the prudential perimeter as defined by the regulation relating to equity requirements differs from the scope of the accounting consolidation perimeter, the latter complying with the IFRS standards adopted by the European Union. In accordance with the regulation, a prudential perimeter is defined by Bpifrance Group for the equity ratios surveillance on a consolidated basis.

Other Group companies are subject to equity requirements as set by their respective controlling authorities. After adjustments of prudential elements, there is no difference between perimeters and accounting and regulatory consolidation methods. As such, the regulatory balance sheet is similar to the accounting consolidated balance sheet.

The table below shows the transition from the accounting to the prudential balance sheet as of 31st December 2020.

Table 2 : Group accounting to Prudential scope

ASSETS *(in EUR millions)*	**Accounting Perimeter**	**Prudential Adjustments**	**Prudential Perimeter**
Cash, central banks	7,819	-	7,819
Financial assets at fair value through profit or loss	5,944	-	5,944
Derivative hedge instruments	6	-	6
Financial assets available for sale	-	-	-
Loans and receivables due from credit institutions	1,461	-	1,461
Loans and receivables due from customers	44,420	-	44,420
Finance leases and equivalent operations	6,185	-	6,185
Revaluation discrepancies of the rate-hedged portfolios	586	-	586
Held-to-maturity financial assets	-	-	-
Current and differed tax assets	260	-	260
Accruals and miscellaneous assets	827	-	827
Other assets (incl. innovation financing aids)	988	-	988
Financial assets at fair value as per equity	12,288	-	12,288
Redeemed securities	8,041	-	8,041
Tangible assets	250	-	250
Intangible assets[1]	185	-185	-
Interests in companies accounted for, using the equity method [2]	5,053	-38	5,015
Goodwill	**2**	**-2**	**-**
Total	**94,316**	**-225**	**94,091**

[1] Intangible asset adjusted with prudential equity

[2] Goodwill on interests in companies accounted for using the Equity Method adjusted with prudential equity

LIABILITIES *(in EUR millions)*	**Accounting Perimeter**	**Prudential Adjustments**	**Prudential Perimeter**
Liabilities at fair value through profit and loss	1	-	1
Derivative hedge instruments	84	-	84
Debts due to credit institutions	18,801	-	18,801
Debts due to customers	3,014	-	3,014
Debt securities	36,347	-	36,347
Revaluation discrepancies of the rate-hedged portfolio	728	-	728
Current and deferred tax liabilities	130	-	130
Accrued expenses and other liabilities	2,612	-	2,612
Provisions	144	-	144
Public guarantee funds	8,372	-	8,372
Subordinated debts	7	-	7
Shareholders' equity	24,076	-1,099	22,977
Total	**94,316**	**-1,099***	**93,217**

[1] Filters and prudential restatements applied

[2] Including Lease Liability (IFRS16)

(*) The gap with the adjustment on assets (€874m) comes from prudential filters: conservative valuation adjustment (€861m) and irrevocable payment commitments to FRU (€13m).

The table detailing the differing treatments for Group entities can be found in Appendixes (table 30).

4.2. SHAREHOLDERS EQUITY

Shareholders equity is apprehended and split into three categories in accordance with the EU Regulation No.575/2013 relating to applicable prudential requirements for credit institutions (CRR). The Common Equity Tier 1, the Additional Tier 1 Equity and the Tier 2 Equity are made of capital and debt instruments, on which regulatory adjustments are made. These elements are subject to transitional provisions.

Common Equity Tier 1

The Common Equity Tier 1 'CET1' includes share capital instruments and related share premiums, reserves (including those on other elements of the accumulated global profit) and non-distributed profits. A full payment flexibility is required, and the instruments must be perpetual.

Additional Tier 1 Equity

The Additional Tier 1 equity 'AT1' includes perpetual debt instruments, free of any incitation or obligation to repay; the AT1 instruments are subject to a loss absorption mechanism triggered when the CET1 ratio falls below a threshold that must be set at a minimum 5.125%[3]. The instruments can be swapped into shares or their nominal can be reduced.

Tier 2 Equity

The Tier 2 equity includes subordinated debt instruments with a minimal 5-year maturity. Incitation to early repayments is forbidden.

The Bpifrance equity is mainly made of Common Equity Tier 1.

[3] In compliance with art 54 of the CRR regulation.

Table 3: Components of the Group's Equity

(in EUR millions)	31/12/2019	31/12/2020
COMMON EQUITY TIER (CET1) – INSTRUMENTS AND RESERVES		
Equity instruments and related issue premium account	23,274	23,068
Incl. Paid called capital and non-called subscribed capital	20,847	5,440
Incl. Issue premium	15	15,682
Incl. Retained earnings	156	-
Incl. Consolidated reserves	2,256	3,859
Other components of the accumulated global profit (and other reserves)	235	-780
Minority interests (authorised CET1 amount)	377	14
Mid-term profits, net of foreseeable dividends, as reviewed by an independent body	781	-140
Common Equity Tier 1 (CET 1) before regulatory adjustments	**24,667**	**24,076**
COMMON EQUITY TIER 1 (CET 1) – REGULATORY ADJUSTMENTS		
Additional value adjustments	-752	-861
Intangible assets (net of related tax liabilities)	-703	-225
Non-realised losses or gains at fair value	-	-
Deferred tax assets depending on future profits except those resulting from timing differences (net of related tax liabilities when conditions set by article 38, paragraph 3, are met)	-	-
Direct or indirect holdings by an entity of its own CET1 instruments	-	-
Direct, indirect and synthetic holdings of CET1 instruments by financial sector institutions in which the entity holds a significant investment (amount exceeding a 10% threshold, net of eligible short-term positions)	-	-
Total of regulatory adjustments to Common Equity Tier 1 (CET1)	-1,455	-1,086
Common Equity Tier 1 (CET1)	**23,202**	**22,977**
ADDITIONAL TIER 1 (AT1) – INSTRUMENTS		
Additional Tier 1 equity (AT1) before regulatory adjustments	-	-
ADDITIONAL TIER EQUITY 1 (AT 1): REGULATORY ADJUSTMENTS	-	-
Total of regulatory adjustments to Additional Tier 1 equity (AT1)	-	-
Additional Tier 1 equity (AT1)	-	-
Tier 1 Equity (T1 = CET1+ AT1)	**23,202**	**22,977**
TIER 2 EQUITY (T2) – INSTRUMENTS AND PROVISIONS		
Amount in eligible elements as set in article 484, paragraph 5, and related issue premium account to be progressively excluded from T2	141	91
Tier 2 Equity (T2) before regulatory adjustments	**141**	**91**
TIER 2 EQUITY (T2) – REGULATORY ADJUSTMENTS		
Total of regulatory adjustments to Tier 2 equity (T2)	-	-

Tier 2 equity (T2)	141	91
Total equity (TC = T1 + T2)	**23,343**	**23,068**
Total weighted assets	**69,503**	**74,718**
EQUITY RATIOS AND BUFFER		
Common Equity Tier 1 (as a percentage of total risk exposure)	33.38%	30.75%
Tier 1 equity (as a percentage of total risk exposure)	33.38%	30.75%
Total equity (as percentage of total risk exposure)	**33.59%**	**30.87%**
Buffer requirement specific to the entity (CET1 requirement in accordance with article 92, paragraph 1, point a), plus capital conservation and countercyclical buffer requirement, plus systemic risk buffer, plus buffer for globally systemic institutions (as a percentage of total risk exposure)	2.75%	2.50%
Incl. Capital conservation requirement	2.50%	2.50%
Incl. Countercyclical buffer requirement	0.25%	0%
Incl. Systemic risk buffer	0%	0%
Incl. Buffer for globally systemic institutions (EIS ^{m}) *or other significant globally systemic institutions (other EIS)*	0%	0%
Common Equity Tier 1 available for complying with buffer requirements (as a percentage of total risk exposure)	28.88%	26.25%
AMOUNTS BELOW DEDUCTION THRESHOLDS (BEFORE WEIGHTING)		
Direct and indirect holdings of CET1 instruments by financial sector institutions in which the entity holds a significant investment (amount below the 10% threshold, net of eligible short-term positions)	34	21
Deferred tax assets deriving from timing differences (amounts below the 10% threshold, net of related tax liabilities when conditions set in article 38, paragraph 3, are met)	194	214
EQUITY INSTRUMENTS SUBJECT TO PROGRESSIVE EXCLUSION (APPLICABLE BETWEEN JANUARY 1ST, 2014 AND JANUARY 1ST, 2022 ONLY)		
Current limit applicable to T2 instruments subject to progressive exclusion	1,121	1,121
Instruments excluded from the T2 category due to the limit, as well as the applicable eligibility percentage (progressive exclusion)	1,039	1,144

4.3. CAPITAL REQUIREMENTS

The minimum capital requirements are set by the Regulation (EU) No.575/2013. Calculation of the weighted outstanding amount related to credit risk and operational risk is based on the standardised approach and the elementary approach respectively within Bpifrance.
The credit risk standardised approach is based on weight coefficient determined by the regulation. The following table provides the minimum requirements under Pillar I. The net foreign currency balance for Bpifrance SA having exceeded the 2% of the prudential capital threshold, and following the decision made by the Solvency Committee, a capital consumption accounting for the foreign exchange risk was calculated as of 31st December 2020.

Table 4: Group's minimum capital requirement by risk type [(1)]

	RWA		Minimum Capital requirements (***)
(in EUR millions)	**31/12/2019**	**31/12/2020**	**31/12/2020**
Total credit risk	**66,284**	**71,502**	**5,720**
As per credit risk-standardised approach	66,284	71,502	5,720
As per Internal Rating-Based approach (IRB)	-	-	-
Total counterparty risk	**6**	**9**	**1**
As per the mark-to-market valuation method	5	7	1
As per the initial exposure method	-	-	-
As per the standardised method	-	-	-
As per Internal Method (IMM)	-	-	-
On default funds contributions of a central counterparty	-	-	-
On Credit Valuation Adjustment (CVA)	1	2	-
On settlement risk	-		
Total Exposure to Securitisation (*)	**37**	**244**	**20**
As per Internal Rating-Based approach (IRB)	-	-	-
As per Supervisory Formula Approach (SFA)	-	-	-
As per Internal Assessment Approach (IAA)	-	-	-
As per standardised approach	37	244	20
Total market risk	**-**	**-**	**-**
As per standardised method	-	-	-
As per Internal Method (IMA)	-	-	-
Total Exchange rate risk	**625**	**495**	**40**
Exchange rate risk	625	495	40
Total operational risk	**2,324**	**2,233**	**179**
As per basic indicator approach	2,324	2,233	179
As per standardised approach	-	-	-
As per advanced approach (IMA)	-	-	-
Total amount below the deduction threshold (**)	**228**	**235**	**19**
Amounts below the deduction threshold	228	235	19
Floor	-	-	-
Amount linked to the floor adjustment	-	-	-
Total	**69,503**	**74,718**	**5,977**

(*) After using the cap
(**) Only with a weighting coefficient of 250%
(***) RWA * 8 %
(1) Calculations are made as of 31st December 2020 and in a post-merger context and as such, are not strictly comparable to 2019 ratios.

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4.4. LEVERAGE RATIO

The European regulation inserts the leverage ratio in the prudential indicators, as a proportion between Tier 1 equity and leverage related exposure, i.e. assets and off-balance sheet items after some adjustments on derivatives, intragroup transactions, securities financing transactions, items deducted from the numerator and the off-balance sheet commitments.
The Group manages its leverage under the CRR leverage ratio framework.

4.4.1. Procedures to manage excessive leverage risk

Within the Bpifrance Group the risk of excessive leverage is governed by the Group Risk Management Policy and monitored under the Internal Capital Adequacy Assessment Process (ICAAP). The Risk Management policy sets normative limits (resulting from the formalisation of Bpifrance's Risk Appetite) for the Group's activities.
These commitment and investment limits are then broken down for the risk of excessive leverage. The Bpifrance Group has set a 3% limit as defined in its Risk Management Policy, which is overseen by the Risk Management Department.
As per the current stage of EU Regulation 575/2013 Revision, this limit on leverage ratio complies with the proposed minimal requirements.

In case the minimum requirements threshold is crossed, a process of escalation and corrective actions are planned to fix the situation.

4.4.2. Description of the factors that have had an impact on the Leverage Ratio in 2020

Bpifrance Group's leverage ratio is 20.82% as of 31 December 2020. During 2020 the decrease in leverage ratio levels (24.16% in 2019) is mainly due to an increase in total exposure to leverage.

The table below details the levels of leverage ratio within the Group. An additional table in the appendix provides details about the calculations in the format of the EU Regulation 2016/200.

Table 5 : Phased-in ratio of the banking subsidiary and the Group

(in EUR millions)	**Bpifrance Group**
Numerator	**22,977**
Incl. CET1 transitional def.	22,977
Denominator	**110,338**
Leverage Ratio	**20.82%**

4.5. REGULATORY STRESS TESTS

Bpifrance organise regulatory stress test drills that test the solvency ratios' resistance against a variety of macro-economic scenarios.

Since 2014 Bpifrance is subjected twice a year to European resistance tests for which macro-economic scenarios and drill conditions are strictly defined by the ECB/EBA regulators.
In fact, the regulators provide two scenarios for these crisis simulations: a basic or central model based on the ECB macro-economic predictions for the years to come, and an alternative or dramatic scenario simulating deviations from macro-economic parameters in the basic model.

This European drill is coordinated by the EBA for systemic banks, and the ECB for significant banks. As a significative bank, Bpifrance practices the drill under the ECB's supervision and as part of the MSU (Single Supervisory Mechanism) and SREP (Prudential Survey and Assessment Process).

Stress tests officially started on January 31st, 2021 in Bpifrance. This stress test assumes a prolonged health crisis, in an environment of durably lower interest rates associated with contraction of the economy.
Designed amid an economic crisis, the scenario was described as 'quite severe' and is based on a 3.6% fall of Gross Domestic Product (GDP) in the EU between now and 2023, a rise in unemployment by 4.7 points, residential property prices down by 16% and by 31% for commercial property. In financial markets equity prices would fall by 50% in advanced economies, while emerging ones would see a drop of 65% within the first year.
These tests allow European supervisors to scrutinise credit risks (realised or potential losses on the lending activity) and market risks (linked to variations in the price of shares and bank bonds)

and determine whether capital buffers accumulated by financial institutions remain sufficient to cover potential losses, while continuing to support the economy.

In the 2021 stress tests Bpifrance has considered the entirety of events mentioned above to stress its portfolio in accordance with requirements from the EBA, and shall apply a precautionary principle in all instances, as well as a conservative position for its projections.

In addition, Bpifrance runs reverse stress tests every semester to measure Bpifrance's risk buffers capacity to protect its equity; another reverse stress test is run annually to evaluate the institution's solvency (for both parent company and banking subsidiary) as part of the recovery plan. Finally, a yearly stress test is also conducted to assess the resilience of the Medium-Term Plan in a central scenario and adverse. This test highlights Bpifrance's resistance in the event of contingency.

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4.6. RECOVERY PLAN

Bpifrance is subjected to the European directive 2014/59/EU or 'BRRD' (Bank Recovery and Resolution Directive).

Applicable to financial institutions since 1st January 2015, this directive demands that banks submit a 'Recovery Plan' (Art 5-9) to the regulator, mainly to describe which steps banks would take in the event of a severe crisis to return to a normal situation within a reasonable timeframe.

This plan presents the group's tools and options for recovery. It analyses the relevance of options in different crisis scenarios and processes for their enforcement. The recovery plan is mainly based on:

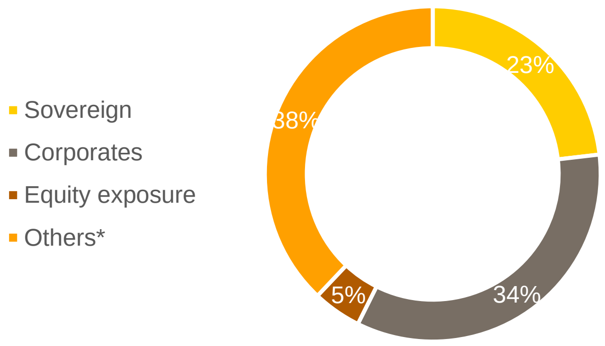
- The group's structure and its specificities as a public establishment with missions of general interest;
- The definition of appropriate indicators;
- The importance of the recovery plan in the risk-management process;
- The equity's intra-group mobility mechanisms;
- Governance in a recovery situation;
- The analysis of crisis scenarios and quantitative estimation of their impact;
- An inventory of recovery options, as well as the identification of options that would result in a significant impact on the group's financial situation recovery;
- A quantitative estimate of recovery options and the use of advanced indicators on economic and financial situation;
- The review of other organisational devices to achieve recovery.

This recovery plan is subjected to annual reviews. It is approved in the Executive Board, the Risk Management Committee and in the Board of Directors. In return, the resolution authority oversees the 'plan of resolution' which would be activated if the bank is unable to go back to a normal situation.

5. CREDIT RISKS

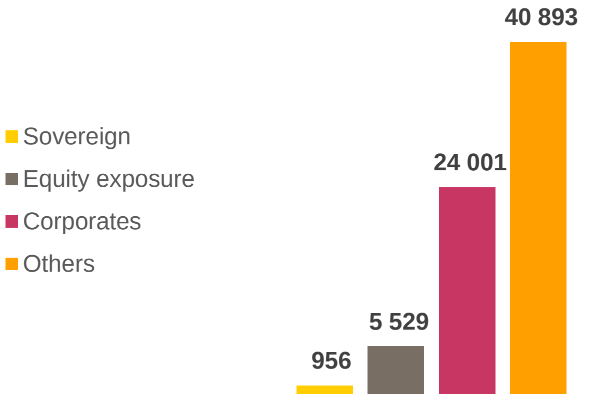
KEY FIGURES AS OF 31st DECEMBER 2020

Chart 5: Group gross EAD breakdown by portfolio, in %



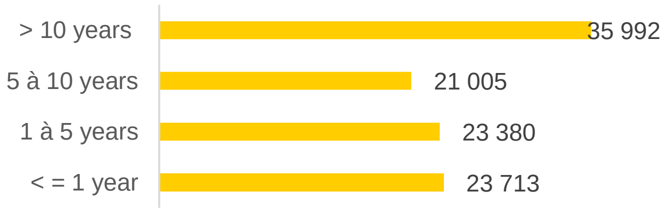
Gross EAD as of 31st December 2020: €117bn

Chart 7: Group RWA breakdown by portfolio, in €m



RWAs as of 31st December 2020: €71bn

Chart 6: Group net EAD breakdown by maturity, in €m



Net EAD as of 31st December 2020: €104bn

€5.7bn

Minimum equity requirements, relative to credit risk 2020

* A portion of the equity and fund portfolio has been reclassified to 'Other'

Credit risk represents the insolvency risk of one of the financial counterparties or customers with whom the Group's entities are contractually bound, including loans or receivables deriving from financial instruments. Credit risk comprises the counterparty risk related to derivative product transactions (replacement risk). Within Bpifrance, credit risk mainly spreads across credit activities with SMEs, Mid and Large Caps. The replacement risk is mainly concentrated on transactions inherent to derivative positions (swap…).
This section describes the Bpifrance Group credit risk profile, while focusing on regulatory indicators such as Exposure at Default – EAD and Risk-Weighted Assets – RWA.

5.1. CREDIT POLICY

5.1.1. Bpifrance's intervention

➢ **Investments terms and conditions in Bpifrance's Investment Department**

Investments in Bpifrance's Group are made either directly by Bpifrance Participations or through funds, and methods of intervention vary according to the business lines.

Through its equity investments, Bpifrance's Investment department finances the development and growth of very small companies and SMEs, in line with the Strategic Investment Fund (SIF) France Investment 2020, aiming at the emergence, consolidation and multiplication of mid-weight companies, as an essential element to the French economical competitivity and the increase in exports.

Bpifrance's Investment Department is organised around four business lines:

- **Fund of funds:** this business mainly manages participations in partner funds subscribed via funds of funds managed under the PME Innovation and France Investissement programs;

- **The Development Capital Department** directly invests in equity, quasi-equity, and debt to support French SME, mid-caps and large companies in their development and growth projects;

- **Innovation:** innovation business management teams directly invest in French start-ups and scale-ups positioned in promising sectors, particularly biotechnologies, ecotechnologies, digital and creative industries. Investment teams are structured in investment poles directed to a sector or intervention stage, acting on behalf of funds held in equity by Bpifrance Participations or by third parties (some of which are funds from the Promising Investments Program).

  This business is structured in investment poles focused on a sector or intervention phase:
  - The ***Large Venture*** pole invests via Bpifrance Participations and Bpifrance Innovation I – Large Venture 2 in all Innovation areas (mainly fast-growing companies specialised in Digital or Life Science fields) and from €10m investment each;
  - The ***Digital Venture*** pole invests via Ambition Numérique, Ambition Amorçage Angels and Bpifrance Innovation I - Digital Venture Seed & Digital Venture AB funds in digital start-ups, in booting phases and series A and B;
  - The ***Life Sciences*** pole provides venture capital in biotech and medical tech via Bioam, InnoBio 1 and 2, Biotherapies Innovantes and Maladies Rares, FABS and Bpifrance Innovation I - Meditech;
  - The ***Autonomous Patient*** focuses on the digital health sector with the Bpifrance Innovation I - Patient Autonome fund;
  - The ***Ecotechnologies*** pole, investing via the Ville De Demain et Bpifrance Innovation I - Impact funds;
  - The ***French Tech Acceleration*** pole, acting via the eponymous fund in support of accelerators and acceleration investment funds;
  - The ***Transversal Innovation Venture Capital*** pole, operating via PSIM, Definvest, French Tech Seed;
  - The ***Cultural and Creative Industries*** pole, investing via the Fonds pour les Savoir-Faire d'Excellence (FSFE), Mode et Finance 2, Patrimoine et Création 2, Bpifrance Mezzanine I, Bpifrance Capital I and Tech&Touch funds;

- **Support**: Support services in Bpifrance are managed by an Executive Department structuring and standardising a comprehensive offer (advice, training, networking) and organised around 5 hierarchised operational departments, complete with strong interactions with avec Le Hub, Bpifrance Excellence, and the Innovation Department and in functional connection with the latter.

- **Financing terms and conditions for Bpifrance**

Bpifrance is a neutral player whose role is to attract for the benefit of companies all financing partners, at the forefront of which are banks, and to animate the innovation development networks by acting in co-operation with private banks.

Bpifrance's Finance pole is composed of three main businesses which all have in common to support entrepreneurs in the riskiest stages of their projects, from creation to business transfer via innovation and international ventures:

- **Support for innovation**: as soon as the project includes a recognised innovation, Bpifrance can support the initiative within the state's framework of regulations and aid to Research, Development, and Innovation (RDI);

- **Guarantee of bank financing and equity funds interventions:** provided that the company is a SMB, the European regulator allows Bpifrance to intervene as guarantee to lower the organisation's level of risk;

- **Financing of investments and the operating cycle alongside banks:** Bpifrance acts by systematically seeking co-financing in the form of medium and long-term loans as well as furniture or real estate leasing, from all companies regardless of their size or sector, to trigger bank financing. These loans are an alternative or an addition to equity and help financing intangible expenditure patiently.

5.1.2. Credit risk management

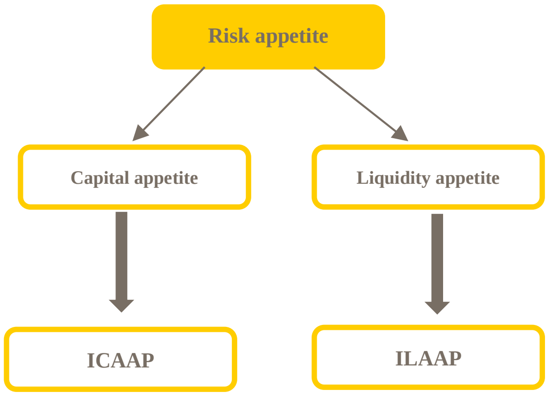
The credit policy is part of the group risk management strategy, in accordance with its risk appetite. It is mainly based on an in-depth knowledge of the financed counterpart.
Any Bpifrance commitment (financing, guarantee and innovation deals) embedding credit risk is first reviewed by the Financing and Network Management Department, responsible for monitoring and client relationship. The Credit Risk Department, within the Risk Department, oversees the contradictory review of the files which are sanctioned by the Credit Risk Committee and the Credit Committee, then submits them to the said committees for sanctioning. Credit sanctioning linked to the Bpifrance risk management policy takes the form of a risk matrix essentially based on ratings (counterpart, project, transaction) issued by the decision support tool. For every sort of products, this matrix provides an opinion grid (positive, restricted, highly restricted, negative) which in the end has a significant impact on the sanctioning process.
Upon credit sanctioning, the Bpifrance risk departments make also sure that the commitment includes a global picture of all commitments on the said counterparty (notion of beneficiary group).

5.2. RISK MANAGEMENT PROCESS

- **Risk appetite**

Risk appetite is defined as the level of risk, by nature of risk and business line, that Bpifrance Group is ready to take in accordance with its strategic prospects. Risk appetite can be equally assessed from a quantitative and a qualitative perspective.
Risk appetite essentially lies on the following two blocks:

- The Internal Capital Adequacy Assessment Process (ICAAP);
- The Internal Liquidity Adequacy Assessment Process (ILAAP)



At Bpifrance, risk appetite is built on three pillars:

1. The intervention doctrine of Bpifrance: a set-in-stone text which defines Bpifrance's action framework;
2. The Group risk management policy (incl. tolerance thresholds and limits);
3. The Medium-Term Plan: strategic planning (over 5 years) which defines most of Bpifrance's future risk appetite.

The risk appetite determined by the governing bodies and available resources serves as a basis for defining Bpifrance's risk taking capacities. Quantitative limits are then set.

- **Internal limits**

Adding to the application of regulatory limits ("large risk limit") set by the Regulation (EU) No.575/2013, Bpifrance has set internal limits on exposures, on products, by counterparty, and limits per business sector[4]. The Risk Department defines these limits on a yearly basis to reduce risks borne by the group. Limit allocation is submitted for approval to the executive committee ("COMEX") and validated by the Board of Directors of Bpifrance. It is based on a process involving operational Departments exposed to risks, as well as the Risk Department. The limits are subject to quarterly reviews submitted to the Group Risk Management Committee and governing bodies (Risk Committees of Boards of Directors and Boards of Directors).

From a prudential perspective, most of the Group risks are credit risks (96% of weighted risks). Besides the group does not hold in its asset portfolio any element falling into the trading book prudential definition.

5.3. QUANTITATIVE DATA ON CREDIT RISK EXPOSURE

This section provides quantitative data on credit risk exposure within the Bpifrance Group. The following tables include detailed data on the bank's credit risk, including risk exposed values and related risk weighted assets.

Credit risk exposures are detailed by regulatory category. Data on exposure at default are also detailed in this section.

Table 6 below details all the Bpifrance asset classes exposed to credit risk. These exposures consider their related security granted as part of the group's financing activity.

The net EAD provided in the following detailed quantitative data takes only account of the eligible forms of credit risk mitigation (CRMs) from a prudential perspective, i.e., eligible CRMs in credit risk standardised approach in accordance with the Regulation (EU) No.575/2013.

Therefore, it does not account for all the security interests and guarantees received by Bpifrance, the guarantees considered in the economic model are being ignored.

[4] Refer to Bpifrance Annual Report, part 5.1.4

5.4. CREDIT RISK EXPOSURE

➢ Bpifrance Group capital requirements

Table 6: Group capital requirements by asset class as of 31st December 2020

(in EUR millions)	Gross EAD	Net EAD*	RWA	Minimum Capital Requirement
Credit risk standardised approach				
Central government and equivalent	26,583	27,143	904	72
Local and regional authority	262	260	52	4
Public sector entity	307	1,171	-	-
Multilateral development banks	-	-	-	-
International organisation	-	-	-	-
Credit institution	1,853	2,189	772	62
Corporate	40,110	29,620	24,001	1,920
of which SME	29,585	21,573	16,918	1,353
Retail client	8,209	6,555	4,368	349
of which SME qualified as retail client	8,209	6,555	4,368	349
Exposures secured by a real estate asset (**)	11,382	10,656	6,717	537
of which SME	7,682	7,232	4,209	337
Exposures in default	4,375	2,539	3,098	248
of which exposures backed by a guaranteed fund				
of which exposures not backed back a guarantee fund				
Exposures bearing a particularly high risk	16,685	16,476	24,714	1,977
Exposures in covered bonds	419	419	42	3
Exposures to entities and corporates subject to a short-term credit review	111	103	31	2
Exposures in collective investments	899	899	712	57
Exposures in shares	5,497	5,497	5,529	442
Other exposures	820	804	804	64
Total	**117,512**	**104,333**	**71,744**	**5,739**

(*) After CRM adjustments
(**) Incl. exposures to SME

➢ Geographical breakdown of exposures for Bpifrance Group

Bpifrance's equity and fund portfolio has been reclassified in the 'Exposure bearing a particularly high risk' category.
Because of the very nature of the activity, most of Bpifrance's exposures are in France. The table below presents the location of various exposure categories, broken down by geographical zone. And since the area is rather contained, the Group is not prone to suffer from the political context and circumstances, nor macro economical nor financial from another region or a country other than France. Exposures in France make for over 97% of the bank's exposures.

Table 7: Group exposure value (net EAD*) broken down by geographical region as of 31st December 2020

(in EUR millions)	France	Netherlands	Luxemburg	Senegal	Others
Credit risk standardised approach					
Central government and equivalent	26,775	-	-	201	167
Local and regional authority	260	-	-	-	-
Public sector entity	255	-	886	-	30
Multilateral development banks	-	-	-	-	-
International organisation	-	-	-	-	-
Credit institution	2,067	1	121	-	-0
Corporate	29,229	-	-	13	379
of which SME	21,568	-	-	-	5
Retail client	6,555	-	0	-	0
of which SME qualified as retail client	6,555	-	0	-	0
Exposures secured by a real estate asset (**)	10,656	-	-	-	-
of which SME	7,232	-	-	-	-
Exposures in default	2,536	-	0	-	3
Exposures bearing a particularly high risk	15,046	1,109	80	-	241
Exposures in covered bonds	419	-	-	-	-
Exposures to entities and corporates subject to a short-term credit review	103	-	-	-	-
Exposures in collective investments	899	-	-	-	-
Exposures in shares	5,466	-	23	-	8
Other exposures	804	-	-	-	-
Total	**101,070**	**1,111**	**1,110**	**214**	**828**

(*) After CRMs adjustments
(**) Incl. Exposure to SMEs

➢ Exposure maturity

Table 8: Group Exposure Value (net EAD*) broken down by maturity as of 31st December 2020

(in EUR millions)	**< = 1 year**	**1 to 5 years**	**5 to 10 years**	**> 10 years**	**TOTAL**
Central government and equivalent	16,029	5,035	5,393	686	27,143
Local and regional authority	52	37	170	2	260
Public sector entity	81	270	660	160	1,171
Multilateral development banks	-	-	-	-	-
International organisation	-	-	-	-	-
Credit institution	1,187	382	346	275	2,189
Corporate	4,228	11,069	7,890	6,433	29,620
of which SME	3,079	8,062	5,746	4,685	21,573
Retail client	132	3,578	2,701	144	6,555
of which SME qualified as retail client	132	3,578	2,701	144	6,555
Exposures secured by a real estate asset (**)	202	1,132	3,062	6,260	10,656
of which SME	137	768	2,078	4,249	7,232
Exposures in default	1,189	852	450	49	2,539
Exposures bearing a particularly high risk	-	25	-	16,451	16,476
Exposures in covered bonds	13	54	333	19	419
Exposures to entities and corporates subject to a short-term credit review	103	-	-	-	103
Exposures in collective investments	-	899	-	-	899
Exposures in shares	-	-	-	5,497	5,497
Other exposures	497	47	-	259	804
Total	**23,713**	**23,380**	**21,005**	**36,235**	**104,333**

(*) After CRMs adjustments
(**) Incl. Exposures to SMEs

Over 35% of total credit risk exposure (all asset classes included) has a maturity of more than 10 years as of 31st December 2020. Most of the exposure is concentrated on corporates (incl. SMEs), i.e. 28% of total net exposure (net EAD).

➢ Credit risk adjustment

Table 9: Gross EAD and Net EAD by exposure category as of 31st December 2020

(in EUR millions)	Gross EAD		Net EAD	
Standard approach	End of Dec 2020	Average over 12 months (*)	End of Dec 2020	Average over 12 months (*)
Central governments or central banks	26,583	6,286	27,143	6,254
Local and regional authority	262	66	260	65
Public sector entity	307	285	1,171	279
Multilateral development banks	-	-	-	-
International organisation	-	-	-	-
Credit institution	1,853	651	2,189	584
Corporate	40,110	11,397	29,620	9,277
of which SME	29,585		21,573	
Retail client	8,209	961	6,555	767
of which SME	8,209		6,555	
Exposures secured by real estate asset	11,382	2,846	10,656	2,664
of which residential	-	-	-	-
of which commercial	11,382	2,846	10,656	2,664
Exposures in default	4,375	1,094	2,539	672
Exposures bearing a particularly high risk	16,685	4,110	16,476	4,058
Exposures in covered bonds	419	105	419	105
Exposures to entities and corporates subject to a short-term credit review	111	111	103	103
Exposures in collective investments	899	225	899	225
Exposures in shares	5,497	5,497	5,497	5,497
Other exposures	820	1,297	804	1,073
Total	**117,512**	**34,930**	**104,333**	**31,623**

(*) 12-month average: the average of the exposure values observed at the end of each quarter of the observation period, on- and off-balance.

Table 10: Credit quality of exposures for the Group, by category and instrument as of 31st December 2020

(in EUR millions)	Gross carrying amounts* of: Exposures in default *(a)*	Gross carrying amounts* of: Exposures not in default *(b)*	Adjustment for specific credit risk *(c)*	Adjustment for general credit risk *(d)*	Accumulated write-offs	Allocation for adjustments for credit risk for the period	Net values *(a + b + c - d)*
Central government and equivalent	-	26,583	-	12	-	-	26,571
Local and regional authority	-	262	-	0	-	-	262
Public sector entity	-	307	-	7	-	-	300
Multilateral development banks	-	-	-	-	-	-	-
International organisation	-	-	-	-	-	-	-
Credit institution	-	1,853	-	1	-	-	1,852
Corporate	-	40,110	-	2,224	16	329	37,886
of which SME	-	29,585	-	1,767	14	272	27,818
Retail client	-	8,209	-	546	12	246	7,663
of which SME	-	8,209	-	546	12	246	7,663
Exposures secured by real estate asset	-	11,382	-	233	2	45	11,149
of which SME	-	7,682	-	163	1	35	7,519
Exposures in default	4,375	-	1,490	-	-	-	5,865
Exposures bearing a particularly high risk	-	16,685	-	141	-	-	16,301
Exposures in covered bonds	-	419	-	0	-	-	419
Exposures to entities and corporates subject to a short-term credit review	-	111	-	0	-	-	111
Exposures in collective investments	-	899	-	-	-	-	899
Exposures in shares	-	5,497	-	-	-	-	5,497
Other exposure	-	820	-	16	-	-	820
Total	**4,375**	**113,137**	**1,490**	**3,180**	**31**	**621**	**115,595**

(*) Identical to gross EAD

5.5. EXPOSURE IN DEFAULT, RESTRUCTURED EXPOSURES AND ADJUSTMENT FOR CREDIT RISK

Definition of default

In accordance with the works of the Basel Committee, the ECB and the EBA on the convergence of concepts of non-performing exposures (NPE) and Basel default, Bpifrance merge these two concepts as part of the implementation of European rules on default decommissioning.

The identification of non-performing exposures (NPE) is made by the Bpifrance group in accordance with the principles of the European Commission's Implementing Regulation 680/2014 and its amendments. The definition of default is aligned with the provisions stated in Art. 178 of Regulation 575/2013 regarding prudential requirements applicable to credit institutions (CRR), the EBA guidelines on the application of definition of default (EBA/GL/2016/07) and the delegated regulation 2018/171 on materiality threshold. The default state, starting after 90 days of unpaid balances considered as material at the latest, or if signs of probable payment default are noted, is checked against the following indicators:

- The knowledge or observation of significant financial hardship such that it is possible to conclude that the party is at risk;
- Concessions granted until loans terms and conditions that would not have been granted in the absence of the borrower's financial hardship;
- Any other relevant element.

Restructured liabilities

Exposures qualifying as 'restructured' in the Group encompass funding to which Bpifrance grants concessions which would not have been approved if the debtor were not facing financial hardship or just about to face them.
These grants may take the form of:

- A modification in the contract's terms and conditions (amount, length of time, financial conditions);
- A partial or total refinancing of the debt.

Bpifrance group matches its definition of restructured loans with the principles stated in the European Commission's Implementing Regulation 680/2014, as amended by the implementing regulations 2020/429.

Commercial renegotiations with clients for which the bank accepts to reconfigure the debts to keep or develop a commercial relationship, within current grant rules framework and without surrendering capital or interests, are excluded from these outstanding debts.

Table 11: Credit quality of restructured exposures for the Group as of 31st December 2020

(in EUR millions)	Gross carrying amounts			Accumulated impairment, accumulated negative variations in fair value due to credit risk and provisions		Received securities and financial guarantees received on renegotiated exposure
	Performing renegotiated	Non-performing renegotiated		On performing renegotiated exposure	On non-performing renegotiated exposure	Of which securities and guarantees received on non-performing exposures in the process of being renegotiated *(in EUR millions)*
		Of which in default	Of which depreciated			
Loans and advances	**362**	**471**	**471**	**-19**	**-80**	**406**
Central banks	-	-	-	-	-	-
Public sector entities	-	8	8	-	-1	11
Credit institutions	-	-	-	-	-	-
Other financial institutions	4	5	5	-0	-1	0
Non-financial corporations	358	458	458	-19	-78	393
Households	-	-	-	-	-	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitment given	0	0	0	0	-	-
Total	**362**	**471**	**471**	**-19**	**-80**	**406**

Table 12: Credit quality of performing and non-performing exposures for the Group per day of delay as of 31st December 2020

	Gross carrying amounts									
	Performing exposures		Non-performing exposures							
(in EUR millions)	Not outstanding or outstanding ≤ 30 days	Outstanding for > 30 days ≤ 90 days	Unlikely repayment but not outstanding, or outstanding ≤ 90 days	Outstanding > 90 days ≤ 180 days	Outstanding > 180 days ≤ 1 year	Outstanding > 1 year ≤ 2 years	Outstanding > 2 years ≤ 5 years	Outstanding > 5 years ≤ 7 years	Outstanding > 7 years	In default
Loans and advances	**49,429**	**651**	**1 168**	**122**	**172**	**236**	**221**	**40**	**114**	**2,076**
Central banks	-	-	-	-	-	-	-	-	-	-
Public sector entities	6,614	1	1	4	-	-	-	-	8	14
Credit institutions	485	-	-	-	-	-	-	-	-	-
Other financial institutions	1,043	12	50	1	7	5	5	0	5	76
Non-financial corporations	41,283	637	1,115	116	164	231	216	39	100	1,985
of which SME	37,161	589	966	107	127	208	209	39	99	1,758
Households	1	-	-	-	-	-	-	-	-	-
Outstanding debt securities	**12,007**	**-**	**216**	**-**	**-**	**0**	**-**	**-**	**-**	**0**
Central banks	-	-	-	-	-	-	-	-	-	-
Public sector entities	9,878	-	-	-	-	-	-	-	-	-
Credit institutions	813	-	-	-	-	-	-	-	-	-
Other financial institutions	77	-	-	-	-	0	-	-	-	0
Non-financial corporations	1,238	-	216	-	-	-	-	-	-	-
Off-balance sheet exposures										2,038
Central banks										-
Public sector entities										1
Credit institutions										-
Other financial institutions										0
Non-financial corporations										2,037
Households										-
Total	**61,448**	**651**	**1,168**	**122**	**172**	**236**	**221**	**40**	**114**	**4,115**

Table 13: Performing and non-performing exposures and corresponding provisions for the Group as of 31st December 2020

	Gross carrying amounts				Accumulated impairment, accumulated negative variations in fair value due to credit risk and provisions				Received securities and financial guarantees	
	Performing exposures		Non-performing exposures		Performing exposures – Accumulated impairments and provisions		Non-performing exposures – Accumulated impairments, accumulated variations in fair value due to credit risk and provisions		On performing exposures	On non-performing exposures
(in EUR millions)	of which Bucket 1	of which Bucket 2	of which Bucket 2	of which Bucket 3	of which Bucket 1	of which Bucket 2	of which Bucket 2	of which Bucket 3		
Loans and advances	**39,965**	**10,114**	**-**	**2,076**	**-255**	**-410**	**-**	**-399**	**15 213**	**529**
Central banks	-	-	-	-	-	-	-	-	-	-
Public sector entities	6,552	62	-	14	-1	-1 255	-	-1	76	5
Credit institutions	485	-	-	-	-	-	-	-	-	-
Other financial institutions	714	341	-	76	-3	-13	-	-13	258	8
Non-financial corporations	32,212	9,708	-	1,985	-250	-395	-	-385	14,878	514
of which SME	29,125	8,624	-	1,758	-235	-360	-	-324	14,131	483
Households	0	1	-	-	-0	-0	-	-	0	-
Outstanding debt securities	**10,768**	**-**	**-**	**-**	**-0**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-
Public sector entities	9,878	-	-	-	-0	-	-	-	-	-
Credit institutions	813	-	-	-	-0	-	-	-	-	-
Other financial institutions	77	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**7,069**	**750**	**-**	**87**	**-33**	**-33**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-
Public sector entities	279	18	-	1	-0	-0	-	-	-	-
Credit institutions	10	-	-	-	-	-	-	-	-	-
Other financial institutions	59	10	-	0	-0	-0	-	-	-	-
Non-financial corporations	6,720	720	-	86	-32	-32	-	-	-	-
Households	0	0	-	-	-	-	-	-	-	-
Grand total	**57,803**	**10,864**	**-**	**2,164**	**-289**	**-443**	**-**	**-399**	**15,213**	**529**

Table 14: Securities gained by taking possession and execution process as of 31st December 2020

	Securities gained by taking possession	
	Value on initial recognition	Cumulated negative variations
Tangible assets (TA)	-	-
Other than TA	-	-
Residential real estate	-	-
Commercial real estate	-	-
Moveable assets (car, exports…)	-	-
Equity instruments and debt securities	-	-
Others	-	-
Total	**-**	**-**

Table 15: Adjustment balance evolution for general and specific credit risk for the Group as of 31st December 2020

	Adjustments for credit risk	
(in EUR millions)	Aggregate adjustments for specific credit risk	Aggregate adjustments for specific credit risk
Opening balance (31/12/2019)	**-294**	**-357**
Increases due to amounts set aside for likely loan losses during the period	-127	-309
Decreases due to amounts recovered for likely loan losses during the period	35	-
Reductions in the stock of credit risk adjustments	-	-
Transfers between credit risk adjustments	-	-
Impact of variations in exchange rates	-	-
Other adjustments	-13	-
Closing balance (31/12/2020)	**-399**	**-666**

5.6. REGULATORY METHODOLOGY AND RISK MEASUREMENT SYSTEMS

Bpifrance Group determines the capital requirements relating to its credit risk exposure in accordance with the standardised approach. It notably refers to credit assessments (ratings) provided by rating agencies certified by the supervisory body as complying with the requirements of the external rating agencies (ECAI[5]– External Credit Assessment Institution). The list and correspondence between external credit assessment made by each institution and the various grades of credit rating are those released by the ACPR (the Prudential Control and Resolution Authority) in its guidance note on calculation methodology for prudential ratios.

At Bpifrance, the following agencies are involved for the calculation of applicable weightings.

Table 16: ECAI

Main exposure categories	ECAI
Central government and equivalent	Moody's, Standard & Poor's and Fitch Ratings
Credit institutions	Moody's, Standard & Poor's and Fitch Ratings
Securitisation	Moody's, Standard & Poor's and Fitch Ratings
Corporates (incl. SMEs)	Banque de France (FIBEN)

Articles 138 and 139 of the CRR state that:

- If 3 external assessments are available, the less favourable of the 2 highest ratings is retained;
- If only 2 external assessments are available, the less favourable of the 2 ratings is retained.

In case no external rating relating to an issue exists, the external long-term rating of the issuer is preferred for senior securities only, except in the specific case of exposure to institutions for which the weighting is deducted from the credit quality grade of the State where they are established.

The charts below provide the breakdown of the main exposure categories mentioned in table 17 by credit quality steps (CQS).

Chart 8: Corporate portfolio (incl SMEs) broken down by CQS as of 31st December 2020, in €bn

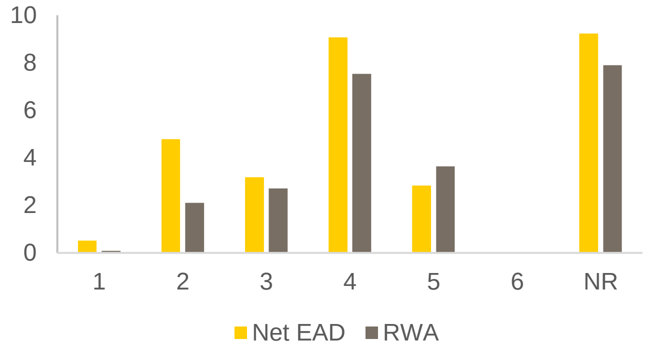


Chart 9: Bank portfolio broken down by CQS as of 31st December 2020, in €bn

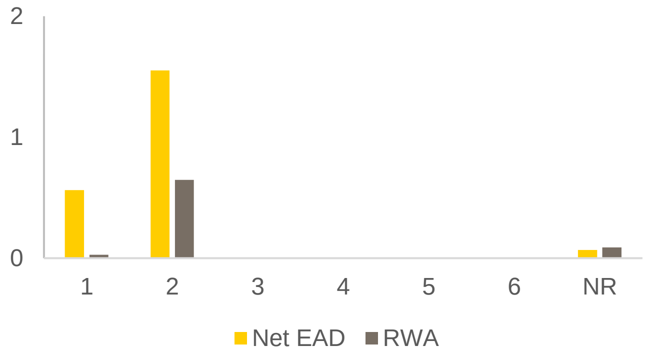
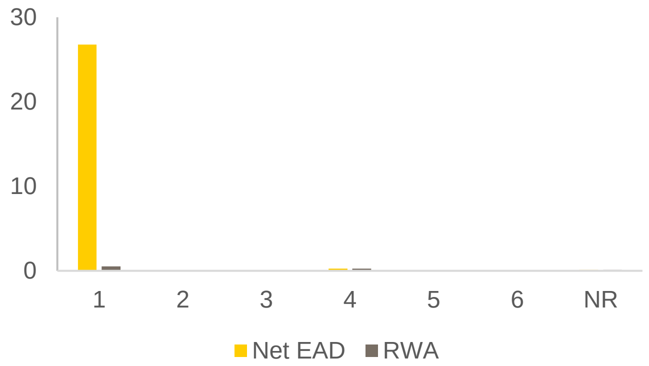


Chart 10: Sovereign portfolio broken down by CQS as of 31st December 2020, in €bn



[5] The certified rating agencies are supervised by ESMA (European Securities and Market Authority).

The following table provides the breakdown by credit quality step of all the Group business lines exposures. The exposure categories under standardised approach are sorted out by counterparty's nature and product type in one of the 17 exposure classes defined in article 112 of the CRR.

Table 17: Group risk exposed value (EAD) broken down by credit quality step as of 31st December 2020

(in EUR millions)	Credit quality rating	Gross EAD	EAD (*)	RWA
Central government and equivalent		**26,583**	**27,143**	**904**
	1	26 097	26,775	535
	2	0	0	0
	3	0	0	0
	4	306	245	245
	5	18	12	12
	6	0	0	0
	NR	162	112	112
Local and regional authority		**262**	**260**	**52**
	1	262	260	52
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	0	0	0
Public sector entity		**307**	**1,171**	**0**
	1	307	1,171	0
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	0	0	0
Multilateral develoment bank		**0**	**0**	**0**
	1	0	0	0
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	0	0	0
International organisations		**0**	**0**	**0**
	1	0	0	0
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	0	0	0
Credit institution		**1,853**	**2,189**	**772**
	1	41	563	29
	2	1,733	1,553	648
	3	0	0	0
	4	10	5	5
	5	1	1	1
	6	0	0	0
	NR	68	68	90

(in EUR millions)	Credit quality rating	Gross EAD	EAD (*)	RWA
Corporate (incl. SMEs)		**40,110**	**29,620**	**24,001**
	1	616	520	92
	2	5,893	4,783	2,104
	3	4,028	3,182	2,715
	4	11,661	9,070	7,531
	5	3,824	2,827	3,647
	6	23	14	16
	NR	14,064	9,223	7,897
Retail clients (incl. SMEs)		**8,209**	**6,555**	**4,368**
	1	2	1	1
	2	46	36	20
	3	67	53	31
	4	568	454	259
	5	299	239	136
	6	22	15	9
	NR	7,207	5,757	3,912
Exposures secured by a real estate asset (incl. SME)		**11,382**	**10,656**	**6,717**
	1	46	43	25
	2	411	386	223
	3	590	562	347
	4	2,875	2,684	1,601
	5	1,552	1,476	940
	6	0	0	0
	NR	5,908	5,506	3,582
Exposures in default		**4,375**	**2,539**	**3,098**
	1	133	129	8
	2	60	36	25
	3	18	13	15
	4	382	256	323
	5	922	559	727
	6	1,470	821	982
	NR	1,390	725	1,017
Exposures with a particular high risk		**16,685**	**16,476**	**24,714**
	1	0	0	0
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	16,685	16,476	24,714
Exposures in covered bonds		**419**	**419**	**42**
	1	419	419	42
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	0	0	0

(in EUR millions)	Credit quality rating	Gross EAD	EAD (*)	RWA
Exposures to institutions or corporates with a short-term credit assessment		**111**	**103**	**31**
	1	111	103	31
	2	0	0	0
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	0	0	0
Exposures in the form of share units in CIUs		**899**	**899**	**712**
	1	0	0	0
	2	375	375	187
	3	0	0	0
	4	0	0	0
	5	0	0	0
	6	0	0	0
	NR	524	524	524
Exposures in shares		**5,497**	**5,497**	**5,529**
	1	4,000	4,000	4,023
	2	1,033	1,033	1,039
	3	29	29	30
	4	279	279	280
	5	0	0	0
	6	0	0	0
	NR	156	156	157
Other exposures		**820**	**804**	**804**
	1	4	4	4
	2	48	46	46
	3	57	56	55
	4	173	153	133
	5	80	67	55
	6	35	23	22
	NR	423	456	489
Total		**117,512**	**104,333**	**71,744**

(*) After CRM adjustments

5.7. CREDIT RISK MITIGATION MECHANISM

Risk mitigation is a critical part of Bpifrance's risk management policy and strategy. Due to its specific nature, the Group has access to guarantee funds for its banking activity.

Guarantee funds are unincorporated vehicles. They are accounted for at fair value in the liabilities of Bpifrance's consolidated balance sheet, but they are ring-fenced and subject to specific accounting standards. They are governed by conventions signed between the provider and Bpifrance. These conventions establish the sort of fields (Creation, Development, Transmission…), the contribution policy, rates, leverage (multiplying factor), as well as the fund's accounting standards. Guarantee funds are reviewed on a 6-month basis by auditors and supervised by the Cour des Comptes (Court of Audit).

Guarantee funds apply on all the Finance department business lines. They serve as true "loss absorption buffers" to protect the Bpifrance core equity.

Besides guarantee funds, Bpifrance Group has recourse to risk mitigation techniques (CRMs) to protect itself from the default risk of its counterparties. Within the group, two major sorts of CRMs are used:

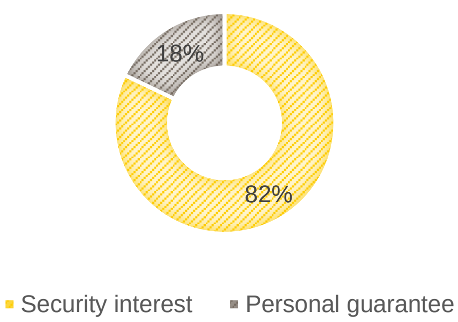
- Personal guarantees: they include the commitments taken by a third party to supersede a defaulting counterparty (substitution principle). If the guarantor's weight is more favourable than the one of the original exposures, the guarantor's weighting is retained up to the concerned exposure;
- Security interests: they include collaterals that can be real assets and financial assets (cash deposits, financial instruments).

Security interests are carefully reviewed upon submission to assess the asset value. Regardless of the quality of the security, the first decision criteria remain the debtor's debt service capacity generated by its own operational business. Most CRMs used by Bpifrance are security interests (82%). Value and quality are then reflected in Bpifrance's risk parameters.

In addition, Bpifrance does not use credit derivatives as an eligible risk mitigation technique.

.
The following chart shows the security breakdown at Bpifrance.

Chart 11: Security interests vs. personal guarantees



The table below provides a detailed overview of exposures (in EAD, EUR millions) covered by eligible personal guarantees and security interests under Regulation (EU) No.575/2013.

Table 18: Exposures covered by risk mitigation techniques as of 31st December 2020

(in EUR millions)	Security interests	Personal guarantees
Central government and equivalent	0	-
Local and regional authority	1	-
Public sector entity	3	1
Multilateral development banks	-	-
International organisation	-	-
Credit institution	133	1
Corporate	2,748	2,099
of which SME	2,173	1,659
Retail client	1,108	-
of which SME qualified as retail client	1,108	-
Exposures secured by a real estate asset (*)	6,307	-
of which SME	4,371	-
Exposures in default	141	151
Exposures bearing a particularly high risk	68	-
Exposures in covered bonds	-	-
Exposures to entities and corporate subject to a short-term credit review	-	37
Exposures in collective investments	-	-
Exposures in shares	-	-
Other exposures	-	-
Total	**10,509**	**2,289**

(*) including real estate assets used as collateral

5.8. COUNTERPARTY RISK

Counterparty risk from a prudential regulation perspective is the potential loss for Bpifrance, assuming a future default of a counterparty with which it would be committed in a market deal.
Transactions generating replacement risks notably include OTC derivative product contracts such as swaps. Within Bpifrance, the replacement risk is measured and managed in accordance with the mark-to-market method set in article 274 of the Regulation (EU) No.575/2013. This method consists in assessing the current replacement cost of all the positive market value contracts, with a fixed add-on on top of it.

The add-on is a fixed percentage, depending on the type of transaction, maturity and nature of the derivative underlying product.
The effects of the settlement agreements and security interests are considered in accordance with settlement rules as they are defined in the market price valuation method, and in discounting collaterals.

Bpifrance Group has extremely limited exposure to counterparty risk, RWA consumption relating to counterparty risk. Furthermore, most of derivative deals are made via central counterparties (CCP). It enables to further mitigate the counterparty risk.

Table 19: Group counterparty risk breakdown by exposure category of 31st December 2020

(in EUR millions)	**Gross EAD (*)**	**EAD (**)**	**RWA**	**Minimum capital requirement (***)**
Central government and equivalent	-	-	-	-
Credit institution	317	184	7	1
Corporate	-	-	-	-
Grand Total	**317**	**184**	**7**	**1**

(*) After taking account of settlement agreements, but before taking account of received margin calls
(**) After taking account of received margin calls
(***) Incl. CVA capital charge on exposure to credit institutions

6. SECURITISATION

From a prudential perspective, securitisation is a transaction or a scheme by which a credit risk related to an exposure or a series of exposures is tranched, and which is governed by the following three principles:

- Payments made as part of the transaction or scheme depend on the performance of the exposure or series of exposures;
- The tranching subordination determines loss allocation during the life of the transaction or scheme;
- The transaction or scheme do not create exposures that have all the characteristics listed in article 147 (8) of Regulation (EU) No 575/2013.

As of December 31st, 2020, Bpifrance was exposed up to €42m to securitisation. This exposure is exclusively made of charges on securities issued by third-party securitised medium- and long-term corporate receivable vehicles.

6.1. RISK MANAGEMENT OF SECURITISATION EXPOSURE

The Finance Department produces a monitoring report on securitisation investments that includes:

- The composition of underlying assets, historical trends, comparison with similar operations, comparison of asset performance (default rate and recovery rate) with expected performances and stress scenarios;
- The monitoring of key macroeconomic factors;
- and the monitoring of structural aspects of operations: cash reserve levels, analysis of excess margin (excess spread), monitoring of trigger thresholds, level of credit enhancement.

For all investments completed within the investment framework as described above, an annual modelling is performed using the Bloomberg cash flow model and applying stress scenarios.

When underlying assets of securitisation positions owned by Bpifrance are exclusively French corporate receivables, Bpifrance also monitors the evolution of the underlying assets credit quality thanks to the Banque de France grades and the grades issued by the internal Bpifrance rating system.

Risk monitoring of these securitisation positions is partly carried out by Bpifrance's quantitative teams who assess the impact of the evolution of underlying asset characteristics on the securitisation positions held. The modelling methodology is based on a loss assessment model on a loan portfolio.
All modellings take into account the characteristics of underlying assets such as default, early redemption, collateral, rating data and portfolio sector diversification. They enable the analysis of the impact of the evolution of the underlying asset credit quality on securitisation positions, while also considering structural characteristics specific to each of the operations concerned such as the absence or presence of a recharging period and its duration, contractual payment waterfall, cases of early or accelerated repayments, cases of halt of a revolving period, capital structure, credit and liquidity enhancement, and the definition of default.
Some securitisation positions held by Bpifrance are collateral exposures backed by internal guarantee funds, which are therefore little to not exposed credit risk.

6.2. SECURITISATION POSITIONS

On November 22nd, 2018 Bpifrance has notified the CEB of its intention to use the SEC-ERBA within the conditions stated in article 254-2 of Regulation (EU) 2017/2401. Thus Bpifrance will use this method. In case the conditions of application of the SEC-ERBA cannot be met, Bpifrance will apply a weighting of 1,250%.

The tables below provide an overview of the securitisation position at Bpifrance.

Table 20: Securitisation positions as of 31st December 2020

(in EUR millions)	2019			2020		
Asset weighting	Gross EAD	EAD (*)	RWA	Gross EAD	EAD (*)	RWA
Method based on external ratings	**11**	**11**	**16**	**27**	**27**	**14**
	11	11	16	27	27	14
Look-through method	**16**	**16**	**21**	**15**	**15**	**24**
	16	16	21	15	15	24
Total	**27**	**27**	**37**	**42**	**42**	**38**

(*) Before CRM adjustments

Table 21: Securitisation positions kept or acquired as of 31st December 2020

(in EUR millions)

Tranche category	31/12/2019	31/12/2020
Senior tranche	-	17
Mezzanine tranche	**27**	**25**
Junior tranche	-	-
Total	**27**	**42**

7. OPERATIONNAL RISK

The operational risk is the risk of loss resulting from failing or inappropriate internal process or external events, whether they are deliberate, accidental or natural. At Bpifrance, operational risk is looked after in accordance with the operational risk management policy.

By nature, Bpifrance is potentially exposed to all the operational risks reported in article 324 of the Regulation (EU) No.575/2013.

To identify, monitor and limit operational risks impact Bpifrance implemented the following observation and measure system:

- Mapping of the operational risks in association with all the departments and reviewed every year;

- An incident report process for operational risks to investigate the origins of said incidents, and ensure correct process design, in particular internal control steps;

- The implementation of alert thresholds along with a governance escalation process.

In 2020, Bpifrance Group has launched the process of reinforcing its operational risk management and monitoring systems to meet the standards set by the regulator. As such, a dedicated team was established within the Compliance and Permanent Control Department (DCCP) and first actions engaged, enabling the deployment of an IT solution to manage the mapping of operational risks and non-compliance zones, centralise incident data collection and in the medium term, formalise and follow 1st and 2nd level controls. Implementing measures to improve the system will occur gradually by 2022.
Within the period (2020), the main proven operational risks declared concerned the following Basel operational risk categories: ‘Execution, deliver and management process’ (40%), ‘Damage to tangible assets’ (58%) and lastly ‘External fraud’ (2%).

DATA PROTECTION, SECURITY AND RESILIENCE OF INFORMATION SYSTEMS

Information Systems Security is a major issue for Bpifrance and the subject of a particular attention from the General Management and the Board.
The constant challenge consists in continuing to deploy the system and demonstrate that the actions undertaken provide a better control of cyber risk to which Bpifrance is exposed to, while moving from a ‘defensive’ stance to an ‘offensive’ one.

Therefore, the ISS management gets stronger every year: new procedural body and associated permanent controls, new tools integrating the latest technologies, reinforced security requirements, growing teams and resources, 24/7 cybersurveillance, etc.

Audits and anti-intrusion tests were largely continued in 2020, both on Group tools and business lines. As for employees, awareness-raising and training actions have been increased to encourage employees to be proactive in fighting cyberthreats.

Regular testing in business continuity has demonstrated its effectiveness especially in the health context, by enabling all Group employees to work under optimal efficiency conditions, and within constraint timeframes while ensuring Bpifrance’s Information System was protected.

All these elements as well as the progress made on projects and arbitration points are presented to the Safety Committee, which meets quarterly.

It is worth mentioning that Bpifrance has also recourse to insurance techniques to externalise the impact of some operational risks, partially or fully. Careful attention is paid to the identification, analysis and mitigation of unexpected and exceptional operational risks, therefore of rare or exceptional occurrences, which may have a significant or heavy impact on Group’s net income.

Lastly, about the calculation capital requirement relating to operational risk, it must be noted that Bpifrance uses the base method, i.e. application of a fixed rate of 15% on banking revenues over the last three years. As of 31/12/2020, this RWA amounted to €2,23bn.

8. NON-CONFORMITY RISK

Bpifrance is subject to a set of banking and financial regulations (prudential requirements are specifically targeted in the regulatory risk, and the LCBFT (Anti Money Laundering and Counter Terrorism Financing Regulations) and corruption regulations are subject to specific risks). In case of non-compliance with the rules and principles of compliance, Bpifrance takes the risk of seeing its reputation damaged. This risk is more particularly monitored by the Compliance Department (DCCP) within the Group.

As such, since 2016 Bpifrance has set up a Group compliance policy which includes the subjects on which the DCCP must be consulted, as well as an internal control charter to strengthen the internal culture of our establishment and to reaffirm the universality of intervention of the internal control bodies.
This policy was updates in April 2019 to consider changes in the perimeter and experience feedback, to establish the rules in place regarding conflicts of interest, anti-fraud and anti-corruption measures, sanctions, embargos, and personal data protection.
Awareness campaigns and training are key to conformity and ethics; therefore, the DCCP systematically train new staff in the Group and organise ad hoc workshops.

In addition, a regulatory watch committee has been set up since 2017 to ensure the identification of new regulations to come, to prevent future risks of non-compliance, thus ensure the proper implementation of work necessary for compliance.

As such, Bpifrance has updated its outsourcing process with the publication in September 2020 of its new Outsourcing Policy, to conform with the outsourcing guidelines (EBA/GL/2019/02) which came into effect on September 30th, 2019.

Finally, the process to conform with the new European General Data Protection and Regulation (RGPD) is still a work in progress. Bpifrance has strengthened its resources in the area by opening in 2020 an additional position to assist the Data Protection Officer.

9. FINANCIAL RISKS

KEY FIGURES AS OF 31ST DECEMBER 2020

Bpifrance group's LCR is 930%[1]. Compared to 31/12/19, the 436 points increase in LCR is mainly explained by the rise in liquidity reserve allowed using the European Central Bank's refinancing program at a subsidised rate (TLTRO III).

Bpifrance's NFSR on 31/12/20 is on the rise compared to 31/12/19, going from 114% to 133%. This is due to the sharp increase in the stable funding available (+€15.2bn) compared to a more measured increase in the required stable funding (+€4.0bn).

Bpifrance Group finance management aims to maintain financial equilibrium in terms of liquidity, interest rate and foreign exchange positions.

Bpifrance Group manages its balance sheet so that its structure is globally balanced from a rate and forex perspective. The sought-after back-to-back arrangements between sources and uses aims to limit the institution exposure to financial risks. The interest rate and forex risks are measured globally monthly and managed via a limit system. Interest rate and forex hedging are obtained via future financial instruments traded on open or OTC markets (mainly interest rate and forex swaps) or via government securities dealings.

Table 22: Detailed LCR ratio calculation for the banking subsidiary and the Group as of 31st December 2020

	31/12/2019	2020[1]
	Bpifrance	Bpifrance
Liquidity reserve	3,265,586,695	8,176,572,409
Net outflows	726,382,425	922,909,816
LCR	**450%**	**930%**

[1] *Average end-of-month ratios over a 12-month observation period*

9.1. LIQUIDITY RISK

The liquidity risk is defined as the risk not being able to meet its cash outflows or collateral needs on due date and at a reasonable cost. This risk can occur in the event of cash flows non-simultaneity. The refinancing risk (core part of the liquidity risk) occurs when necessary funds for financing non-liquid assets cannot be sourced in acceptable timing and pricing terms.

Bpifrance's liquidity risk is updated yearly as required by the ILAAP (Internal Liquidity Assessment Adequacy Process). The appetite for liquidity risk is framed by main principles as set by the Board of Directors, among which the yearly autonomy regarding markets in the event of a crisis and the liquidity reserves management under normal management.

The defined key liquidity indicators allow the measurement of Bpifrance's suitability for risk appetite. These indicators reflect Bpifrance's desire to ensure continuity of business over the year, in normal as well as stressed management, at the predefined levels in these two scenarios.

Furthermore, Bpifrance has a pool of **liquid assets** that can be organised in three groups:

- Cashflow and a portfolio of bonds issued by the French Sate (OAT), which constitute **current liquidity**;
- Liquid assets that are rapidly movable under standard or stressed management and which are not included in the above list, constituting the **current liquidity buffer**;
- Other liquid assets**,** forming **the liquidity reserve from the contingency plan** for the event of a confirmed liquidity stress situation, i.e. a situation in which the institution could not, for a period calibrated by the risk appetite, obtain new resources on the capital market.

The Group's liquidity risk is monitored as part of a liquidity risk management policy defined by ILAAP and included in the Group's Risk Management Policy.

➢ Refinancing

The institution globally measures its medium and long-term needs based on deals' schedule, new activities assumptions and disposal standards for transactions without maturity. On that basis, the financial shortfall is disclosed. Financing needs with new activity forecasts are updated every month, monthly over the following twelve months, then on a yearly basis beyond this horizon. Furthermore, Bpifrance Group operates on financial markets, notably on the domestic bond market. It also has access to the centralised LDD resources of the Caisse des Dépôts. Besides, it maintains a portfolio of government securities of which the repurchase agreement secures access to interbank liquidity in the best possible interest rate terms. Last, it holds a stock of negotiable debts that are eligible for refinancing with the ECB.

➢ Liquidity risk governance

The Bpifrance Board of Directors defines the bank's risk appetite and entrusts the ALM Committee with liquidity leading. This committee meets regularly to monitor, decide, and ensure compliance with existing limits.

Besides these regular meetings the ALM Committee can be called upon, notably if market parameters are suddenly changing or if existing limits are exceeded.

➢ Release of information on encumbrance attached to assets

An asset must be considered as encumbered if it has been pledged or if it is subject to any sort of scheme aiming to secure, guarantee or enhance any transaction from the off or on balance sheet of which it cannot be freely withdrawn.

Table 28 in appendix provides information on encumbered assets at Bpifrance.

9.2. INTEREST RATE RISK

Interest rate risk for Bpifrance includes the risk to incur losses after unfavourable changes in interest rates, particularly the case of an unbalance between interest rates generated by its assets and those owed by its liabilities.
Bpifrance Group globally manages the interest rate risk: all the interest rate positions are monitored on micro and macro hedging basis by the ALM team of the Finance Department. As such, hedging instruments are assigned to management portfolios and the valuation of

their contribution to the institution's interest rate risk mitigation is integrated in the monitoring process.

➢ Key indicators to measure interest rate risk

The institution's interest rate risk is evaluated through the variations of the following indicators:

- The sensitivity of the net interest margin (NIM) on 12 months, measuring the income risk;
- The sensitivity of the net present value of the balance sheet, excluding equity (Economic Value of Equity, EVE) in the case of the value risk.

The sensitivity in NIM and EVE are evaluated thanks to six EBA-prescribed rate scenarios, as presented in the EBA/CP/2018/02 report:

- Translations of the rate curve:
parallel crashes of +2%, -2% floored;
- Steepening;
- Flattening;
- Rise/Drop in short rates.

In addition, a scenario relative to a +1% parallel crash on the rate curve is retained.

Sensitivity of NIM is the difference in interest net margins under those different scenarios, including hypotheses for new production. Therefore, the projected net interest margins are calculated based on:

- Their schedule for contractually mature elements;
- Yield conventions for non contractually mature elements;
- Conventions considering behavioural options (early repayments, entering litigation, conversion rates for off-balance sheet engagements, withdrawals) periodically reviewed within the ALM Department.

Sensitivity in EVE is the obtained by figuring out the difference in EVE in all aforementioned scenarios. The EVE represents a liquidate view of Bpifrance's net asset; working out its sensitivity therefore represents its variability under those different scenarios.

Income and value risks for Bpifrance SA are the following:

- A 2% increase in short rates, currently and over the next 12 months, would trigger a €118.4m increase of the institution's net interest margin;
- A translation of all the rate curves of 2% would represent an estimated drop of the EVE of -€557m or -2.4% of the prudential equity (CET 1 and 2), a projection clearly inferior to the regulatory limit of 20% of equity.

➢ Interest rate risk governance

The Board of Directors defines Bpifrance's risk appetite, relative to financial risk.
The ALM Committee enforces the risk appetite as defined by the monitored indicators measuring the interest rate risk.

Therefore, the various indicators for interest rate risk are monitored by the ALM Committee. Bpifrance tracks its interest rate risk through different Committees:

- Monitoring of the finance activity, which has been the subject of a presentation to the Bpifrance ALM committee, meeting monthly;
- Monitoring of the Bpifrance Group, which has been the subject of a presentation to the Bpifrance ALM committee, meeting quarterly;
- Monitoring of the guarantee fund securities portfolio, presented quarterly to Bpifrance's Financial Management Committee.

Additionally, the Board of Directors is periodically informed of the indicators' evolution.

Decisions made by the ALM committee are implemented by i) the ALM Department in the Finance Department, in charge of the actual management of the interest rate risk and by ii) the Markets Department, in charge of operations for rate hedging.

9.3. FOREIGN EXCHANGE RISK

This is the risk that movement in foreign exchange rates held by the Bpifrance Group will have an adverse impact on the Group. Operational risk (resulting mainly from lending and borrowing) and structural risk (induced by foreign currency investments) can be identified. As of 31st December 2020, Bpifrance Group's exposure to foreign exchange risk is marginal compared to the size of its balance sheet. The management framework is differentiated according to the characteristics of the exposure type (operational or structural), with different limits and sets of authorised currencies. For one given currency, the measure of exchange risk is the instant position in this currency adjusted in Euros.

Currency risk is monitored monthly during the ALM Committee, and quarterly during the Group Risk Management Committee.

9.4. EQUITY RISK

The market risk is the loss of value in financial instruments resulting from changes in the market parameters, volatility of said parameters and correlations between these parameters.
Bpifrance Group holds large portfolios of shares, essentially composed of listed and non-listed shares, as well as interests in investment funds. The build-up of these portfolios is the result of the implementation of the group investment doctrine which favours the acquisition of minority interests, realised in a wise manner and following the logic of "patient" capital. Investments are made in a selective manner, while considering the value creation potential of companies or funds. No Bpifrance Group's equity portfolio is dedicated to 'trading' deals in this context.

The organisation of the Bpifrance Group investment business lines is structured around a management company of which operations comply with the rules set by the AMF and an investment firm governed by a senior management team involved in the selection and monitoring of investments. The equity risk is taken care of ab initio at the time of investment decisions subjected to reasoned approvals granted by the funds' investment committees and depending on the amount at stake, by investment committees and board of directors of the investment firm. For exceptionally large investments, the ultimate decision is made by the Board of Directors of Bpifrance.

The equity risk is then subject to regular monitoring by the funds' valuation committees and the provisions committee of the investment firm.

These committees meet on a 6-month basis at least, some of them quarterly. They review the situation of companies and funds held, as well as the evolution of investments' value.

For the main lines directly held, this process is completed by an investment review committee summoned twice a month by the quarterly Group Risk Management Committee as well as the Group Bpifrance ALM Committee.

The equity risk is also subject to a global monitoring aiming to measure and appreciate the maximum risk of loss for all the portfolios held, as well as equity needs that could derive from it in a predetermined horizon and in a selected confidence range, in standard market and business-as-usual conditions on the one hand, and in stressed conditions on the other hand.
This global monitoring is performed under the VaR prudential methodology used by the Caisse des Dépôts. The approach is that of the 'Monte-Carlo' VaR, with a confidence threshold of 99.99%.

As of December 31st, 2020, the 1-year VaR for a confidence range of 99.99% amounts to €9.62bn.

- Equity exposures to the bank portfolio

The following table presents the levels of gross exposures and risk-exposed values in a standard method, as of 31st December 2020.

Table 23: Gross exposure amounts and risk-exposed values in the standard method

(in EUR million)	**Balance sheet amounts**	**Off balance sheet amounts**	**Risk weighting coefficients**	**Net exposures value**	**RWA**	**Minimum capital requirements**
Private equity exposures	12,825	3,617	150%	16,233	24,349	1,948
Exchange-traded exposures	5,476		100%	5,497	5,497	440
Other equity exposures	21		250%	21	53	4
TOTAL	**18,322**	**3,617**		**21,751**	**29,898**	**2,392**

Equity exposures match the Bpifrance Participations portfolios managed by Bpifrance Investissement. The equity exposures (on- and off-balance sheet) amount to €21.8bn as of 31st December 2020, with a RWA of €29.9bn.

The following table details the net gains and losses on Group's shares and interests.

Table 24: Gains and losses on equity and Group participations

(in EUR million)	31/12/2019	31/12/2020
Net gains/ losses from shares and interests*	**3,561**	**570**

* Change in value of Bpifrance Participations' consolidated portfolio.

The method for calculating the change in value of Bpifrance Participations' consolidated portfolio is based on 3 pillars: income, capital gains or losses on all types of securities and the portfolio change in fair value at JVR, OCI and MEE.

10. OTHER RISKS

10.1. STRATEGY RISKS

The 2023-focused strategic plan enables Bpifrance to renew its engagement with entrepreneurs and support them in projecting themselves into the post-Covid19 world. Bpifrance remains the patient bank for all companies, always at their side to rise to structural challenges and mobilise the means to support major transformations in tomorrow's economy, particularly in the climate change area. Bpifrance will remain focused on its clients' needs while objectives remain to provide power to those involved, free energies and ambitions while staying as a professional reference in Finance and Advice.

This 2023 strategic plan is based on 6 priorities:

- Recovery support through a wide range of long-term unsecured loans, private credit and equity guarantees (e.g. Plan 1,200 tickets);
- Constant amplification of the Climate Plan, pushing us to more than double our commitments, massively push French Deeptech as well as support and consider the climate factor in every action;
- Deployment of the French Fab Plan: rebuild manufacturing through digitalisation, delocalisation, technology (Tech in Fab), support for export, internationalisation, globalisation, with specific focus on automotive and aeronautic industries;
- The rise of our 100% digital platform for small, unsecured loans for creators and small businesses;
- Support for 4 strategic sectors in France, with a strong innovation potential: health, tourism, education, culture;
- Development of management on behalf of third parties

10.2. REGULATORY RISK ASSOCIATED WITH PRUDENTIAL DEVELOPMENTS

Bpifrance is exposed to regulatory risk. Recent and future changes in the legislation and regulations applicable to financial institutions may have a significant impact on the bank and its rentability as well as the financial environment in which it operates. In the eventuality of non-compliance with regulations, Bpifrance would be subjected to financial and regulatory sanctions.

On the regulatory level, the year 2020 was marked by the provisions of the regulatory and supervisory bodies to address the economic challenges of the Covid-19 pandemic. These consisted of both a relaxation of certain regulatory requirements and a decrease in some supervision measures for institutions, while in return additional requests to secure levels of prudential capital (by limiting dividends distribution). Finally, with the objective of maintaining financial stability, the supervisor focused on managing the risks of institutions, by monitoring non-performing loans and other measures linked to the pandemic crisis.

The publication of the CRR2 and CRDV 'regulatory package' in 2019 is being implemented by Bpifrance. The CRR2 and CRDV provisions, mostly applicable from June 2021, mainly concern the leverage ratio set at 3%, provisions on interest rate risk (IRRBB), stable funding ratio (NSFR), the new calculation method for counterparty risk (SA_CCR) and large exposures.
In the context of the pandemic, the European Council and Parliament decided to speed up the application of certain provisions from the banking package to facilitate support by institutions in the real economy (Regulation 2020/873).

Furthermore, Bpifrance awaits the texts transposing into European laws the Basel III agreements on the standard approach to credit risk, operational risk, leverage ratio and CVA, whose publication date has been postponed because of the pandemic. These new rules shall apply in 2022.

Impacts linked to the new regulatory frames are currently being assessed and implemented by Bpifrance. The Risk Department reports to the Group's Regulatory Monitoring Committee on the various prudential issues affecting risk measurement and management and ensure the proper application of these requirements within the Prudential Supervision Committee (COSUP).

10.3. RISK OF CONCENTRATION IN AN ECONOMIC SECTOR

The Group's banking business via its subsidiary Bpifrance is exclusively concentrated in France. **Bpifrance's operations are diversified both by product and by sector of activity.**
This diversification of risks towards the client base is governed by a series of limits on LTA and FCT activities (with the exclusion of innovations subsidies).
This device has been designed in accordance with Bpifrance's equity and outstanding sums and comprises three limitations:

- Overall limit;
- Limit per beneficiary group (with consideration of the internal panel's note);
- Sectorial limit (by activity sector as defined by NAF codes).

The limits are based on the allocation of capital (the regulatory capital consumed for financing activities). For each of these limits, alert thresholds are set. An escalation process, defined in the group risk management policy, is triggered if the alert threshold is exceeded. These limits must be respected when granting any new transaction as well as when deciding on the transfer of outstanding amounts, and in addition to the possible threshold rules specific to certain products. These limits are monitored by several departments of the Finance pole, and reporting is made quarterly to the Bpifrance Risk Committee. **Bpifrance's risk of concentration on an economic sector is governed by a sector limit**. This limit applies to each business sector as defined by the NAF codes attached to it, according to the distribution established by the Risk Management Department in its sector monitoring.

The supervision of compliance with these limits (global and sector-based) is the responsibility of the Risk Department, which implements an alert system for Executive Officers when this limit is close to being reached. Any granting decision that exceeds these limits is presented to the Commitments Committee and is the responsibility of the Executive Officers. These limits are monitored quarterly by the Group Risk Management Committee and the Risk Committee of the Board of Directors and reviewed at least once a year.

10.4. COUNTRY RISK

The Bpifrance Group is exposed to country risk, that is the risk that an economic, political, social, financial or regulatory change in a foreign country in which the bank has exposures adversely affects its financial interests. It concerns all types of exposures (credit, investment, export insurance, financial operations) including those on sovereign counterparties.

Given its activity and shareholding, Bpifrance had a large majority of its exposures in France. Exposures in France represent 97% of Bpifrance's total exposures (see table 7 page 28). Thus, the Group is not vulnerable to the political, macroeconomic and financial contexts or circumstances of a region or country other than France.

10.5. ANTI MONEY LAUNDERING AND COUNTER TERRORISM FINANCING REGULATIONS (AML-CT RISK)

The current Anti money laundering and Counter Terrorism system at Bpifrance uses:

A procedural body (AML-CT policy and procedures) which explains and describes:

- all processes active at Bpifrance Investissement and in the Finance pole,
- the risk classification AML-CT.

A tool (embedded in Bpifrance's third-party repository) dedicated to the collection of data documents related to the KYC and allowing to score clients (according to the AML-CT risk classification). Several training sessions to raise awareness and increase the knowledge of clients, as well as use the tool were offered to operational staff.

History of actions undertaken since 2018 as part of the update of Bpifrance's AML-CT system:

- Implementation of a new tool dedicated to AML-CT (Flaminem) allowing the user to input KYC information, enhance data and client links reliability, update faster the tool's parameters connect more efficiently the tool to the KYC data providers (such as Altares, Dow Jones…). All staff are concerned (Front, Middle…). This equipment is available to all concerned staff since September 2019.

- Deployment of the daily monitoring of Bpifrance's client database (clients and effective beneficiaries). Transaction screening (Sepa and Swift) is operational since 16th December 2019.

- Treatment of alerts related to referencing and evaluation of first-class providers effective (connected to Dow Jones lists) since December 2019.

- Processing and monitoring of alerts generated by the scenarios deployed in the operations monitoring system (in production early 2020).

10.6. CORRUPTION RISK

Bpifrance Group is subjected to the new anti-corruption requirements of Art 17 of the December 9th, 2016 Law, known as Law Sapin 2.

Bpifrance has implemented an anti-corruption process which covers all 8 pillars of the law and includes:

- The mapping of corruption and influence-peddling risks, encompassing the entirety of the activities and validated by risk committees in December 2018; this map is continually updated;
- An anti-corruption policy published in 2018, including a code of conduct,
- A complete training device dedicated to the matter and aimed at all Bpifrance's collaborators, based on in-person training and a tailored 'serious game' to present the process and its rules within Bpifrance,
- A third-party evaluation system for clients, extended to contractors since January 2018,
- An extended alert process, published as early as January 2018,
- Reinforced accounting control protocols focused on corruption and influence-peddling and extended in 2019,
- A disciplinary system,
- A control protocol for secondary and tertiary levels and specific to anti-corruption matters.

After the compliance upgrade, Bpifrance's Executive Management wished to obtain the anticorruption certification ISO 37001. The certification audit took place between September and November 2019 and 'did not highlight any deviation from standard requirements. Therefore, on 6th December 2019 Bpifrance's anticorruption management system gained the 37001 Certification. The Y2 surveillance audit conducted in November 2020 did not identify any deviations from the standards. Certification was therefore maintained.

10.7. REPUTATION RISK

To minimise reputation risks, Bpifrance has adopted a code of ethics describing rules and principles which all must follow. These include good behaviour, respect of applicable regulations and internal protocols, conflicts of interest management… and offers guidelines for specific topics related to personal ethics such as mandates held (and the foregoing of personal attendance fees when representing professional interests, where appropriate), presents and other incentives collected in the context of business relationships and personal transactions in securities. This code of ethics was last updated in January 2018 as an annex to the rules of procedures for each of the corporate entities employing group collaborators, and therefore has been reviewed by the workplace inspectorate. This code complements several bills, procedures, instructions and guides for internal good practice.

Furthermore, Bpifrance is equipped with a Media and Institutional Relations Department (DRIM) and a team of public relations and media professionals.

Among its main missions: promoting Bpifrance's actions, asserting Bpifrance's image, managing media crises whilst protecting Bpifrance's employees and activities, analysing the media perception, reporting to General Management, providing feedback to the Communications Department, organising exchanges between public entities, lobbies, professional representatives and Bpifrance's teams, disseminating Bpifrance's image amongst public and private policymakers, looking after specific matters. This Department also watches Bpifrance's e-reputation.

Reputation risk is also analysed through our cartography of operational risks, which is regularly updated given the sensitivity of the matter for an institution such as Bpifrance.

Exposure to this risk increased in 2020 as the Group, acting in support of the French economy during the health crisis, launched many new products and expanded its customer base (PGE, Bpifrance Entreprises 1 funds, etc). As a result, a significant number of external communications were carried out, including advertising spots and public interventions by Nicolas Dufourcq.
With an increased visibility and a growing reputation, the Group is now more exposed to image risk, which can take the following forms:

- Risk related to the Group's IT solutions, including the risk of 'loss of digital sovereignty' as relayed by the press after the hosting abroad of data relating to loans from Bpifrance to French companies;
- Questioning of Bpifrance's climate and environmental strategy, as in 2020 when Oxfam's headline 'Bpifrance, bank for climate of blah-blah bank?' questions the group's decision to keep financing the oil and parapetrolic industries;
- Risk of funding and aid refusals appearing in the media and social media, causing controversy;
- Risk of identity theft which has occurred several times as in October, when the Bpi Subsidiary website was cyber-squatted;
- Risk of being identified as a cluster and thus losing employer credibility.

In addition, the awareness plan has been reinforced since the start of 2020 with, to complement the mandatory IT security e-learning plan for all new entrants, the implementation of permanent false phishing tests internally, as well as the deployment of a 'spam report' tool to enable employees to report any suspicious email to the security department.
Finally, the diversification and internationalisation of funding sources may eventually induce a risk linked to the very image, in the public sphere, of concerned countries in a context of heightened international tensions.

In case of a media crisis the DRIM has a crisis plan template that includes an internal unit in charge of deploying an appropriate response plan. In the event of a most severe situation, an external professional team could be called upon to tackle the problems as quickly as possible and limit damages done to the group's image.

10.8. LEGAL RISK

The term 'legal risk' includes managing regulatory risks and to a larger extent, legal and contractual matters.

According to banking and finance regulations, legal risk is defined by Art.10 of Order of 3 November 2014 related to internal audit as 'the risk for any dispute with a counterparty resulting from any imprecision, shortcoming or weakness that may be attributed to the company liable through its activities'. However, this definition of the legal risk must encompass a larger scope and include the failure to comply with all the legal regulations applicable to Bpifrance within its operations.

Finally, operational risks may, as they materialise, incur legal consequences i.e. dispute risk or conviction risk).

This risk is particularly monitored within Bpifrance group by the Legal Department (DJG) and in close collaboration with functions related to the 'risk chain'.

10.9. ENVIRONNEMENTAL AND SOCIAL RISKS

The identification and treatment of these are presented in part 3.1. of Bpifrance Annual Report.

11. REMUNERATION POLICY

11.1. GOVERNANCE OF THE REMUNERATION POLICY

Bpifrance Group is governed since July 12th, 2013, its creation date, by new bylaws and governance rules as regards remuneration policy.
Besides and in accordance with decree 2013-990 dated November 7th, 2013, Bpifrance is not any more placed under the scope of decree dated August 9t, 1953 modified, relating to control by the government, and is not any more subject to the annual review of its remuneration policy by the CIASSP (Pay Audit Inter-Ministerial Commission of the Public Sector).

It should be noted that since January 1st, 2017 Bpifrance has incorporated a new subsidiary: Bpifrance Assurance Export, an SAS with a single partner and which manages the public export guarantees previously entrusted to Coface under control, for and on behalf of the state. This integration was accompanied by a redesign of Bpifrance Assurance Export's employee status in 2017. The new status, applicable as on January 1st, 2018 is part of the Group's compensation policy.

Furthermore, Bpifrance has acquired in 2018 the entire capital of the company 'Bpifrance Courtage', now its 100% subsidiary. 'Bpifrance Courtage' SAS is in charge with the insurance brokering activity. Its new legal status blends in the group's remuneration policy.

The governance implemented by Bpifrance Group as regards remuneration policy enables to ensure compliance with applicable regulation and to guarantee its monitoring.

In accordance with article L511-72 of the Monetary and Financial Code, the group remuneration policy is established by the Executive Management from proposals from the Group's Human Resources Department. Its general principles are adopted by the Boards of Directors which monitor its implementation. They take support from opinions and/or recommendations issued by the Remuneration Committees, to which participates the HR Department Director who leads the meetings.

There is one Remuneration Committee for Bpifrance and one Appointments and Remuneration Committee for Bpifrance Investissements which care about matters under their fields of expertise. Group transversal matters are reviewed by the Group Remuneration Committee which is also informed about topics relating to the subsidiaries.

The Bpifrance's Remuneration Committee is, at the time of writing this document, composed as follows:

- A member designated from among the members, representing the State: Martin Vial, commissioner for State Participations – Agence des Participations de l'Etat (APE),
- A member designated from among the members, representing the Caisse des Dépôts et Consignations: Antoine Saintoyant, Director of Strategic Investments of the Caisse des Dépôts,
- A member designated from among the members, representing the Regions: Harold Huwart, Vice-President of the Centre-Loire Region,
- A member designated from among the members, nominated as qualified person based on their competence in economic and financial matters as well as sustainable development, appointed by decree following the joint proposal of the Caisse des Dépôts et Consignations and the State: Monsieur Bernard Delpit, Deputy General Director for Groupe Safran.

Their duties are defined in accordance with article L511-102 of the Monetary and Financial Code and are reported in the rules of conduct of the companies' Boards of Directors. In this framework, they meet at least once a year to review the principles of the remuneration policy and their evolution, to issue an opinion and make any relevant recommendation. In 2020, Bpifrance's Remunerations Committee met on 31st March and 12th November.

The CEO's remuneration is set by the Group Board of Directors based on opinion and recommendation issued by the Group Remuneration Committee and with the approval of the Minister of Economy. It falls under the cap on the remuneration of public company managers and is composed of a fixed part and a Target-Based Bonus.
Regarding the bonus part of this remuneration, its theoretical bonus is capped, and its granting depends on quantitative and qualitative criteria

reviewed each year in accordance with the Group's strategy and annual objectives.

Regarding the staff in charge of risk management and compliance, their fixed remunerations and bonuses are decided by the Board of Directors after proposal from the CEO based on opinion and recommendation from the Remuneration Committee. Attribution and payment criteria for variable remuneration are decided by the CEO.

Remunerations, fixed parts or bonuses, of the COMEX, are decided by the CEO and presented FYI to the Remunerations Committee, with the detail of the career and remuneration of each of its members.

Finally, remunerations, fixed parts or bonuses, of the General Management Committee members, excluding COMEX, are decided by the CEO. Those of the N-2 'deputy' layer are in the scope of the Executive Committee for those in the 'Top 120' regarding their bonuses, and a two-step decision (supervisor and supervisor's supervisor) for their salary.

The whole employee remuneration policy is budgeted with figures reviewed and approved by respective Executive Boards and endorsed by the Group HR Director and the subsidiaries' HR Directors.

11.2. MAIN CHARACTERISTICS OF THE REMUNERATION POLICY

Groupe Bpifrance's remuneration policy offers an attractiveness and retention vector to employees. It is defined in compliance with the applicable regulation, matching the group's risk appetite as defined in its reference document.

The remuneration policy structure is based on a common ground defined at Group level in the "agreement relating to Bpifrance's social construction" dated June 3rd, 2013: a fixed part completed, as the case may be, with bonus elements and a collective incentive, profit-sharing and contribution scheme – PEE PERECO.

It is spread across all the subsidiaries, taking account of each business line's specificity. It is essentially based on a fixed remuneration, to which additional remuneration elements set by collective agreements can be added, notably incentives, profit-sharing and contributions.

It must be noticed that, following the decree 2014-1658 dated December 29th, 2014, Bpifrance (formerly Bpifrance Financement) has reinstated the scope of the profit-sharing scheme.

➢ **Variable compensation mechanisms based on objectives**

Besides, two bonus schemes are offered: an individual scheme with variable bonuses based on objectives of performance bonus, and a collective scheme "Network Bonus". These aim to value both collective and individual performances for a said year and are established with maximum limits in terms of absolute amount and percentage of the fixed salary, with specific calculation criteria. These two schemes are non-cumulative and aim to highlight performance reward without encouraging excessive risk-taking:

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- The "On-target Bonus" (OTB) is an individual scheme. It includes a cap expressed as a percentage of the fixed salary or an amount. It is based on a grid of performance measurement objectives combining quantitative and qualitative, collective and individual criteria. It is offered to members of the 'Top120' as previously defined and to colleagues with a work contract offering an OTB, in particular management employees of Bpifrance Investissement.

- The 'Top120 OTB' includes a 'group part' (50% or 25% depending on being member of the General Management Committee or not), an 'entity part' (25%) and a 'individual part' (25% or 50%). The 'group part' criteria are the same for all and combine 6 quantitative criteria (such as Operational EBIT or group's business line sales) and 2 qualitative criteria (such as the evolution of the managerial barometer).

- Grants are decided yearly by the Executive Committee after recommendation from the Human Resources and are based on a double level decision (N+1 and N+2).
  In total, the variable bonus paid in 2020 represent on average €18,465 gross (€19,420 in 2019) and 20.8% of gross annual base salary (21.8 % in 2019).

- As for the "Network Bonus", it depends on a collective scheme only dedicated to the colleagues of the Bpifrance Network / Assurance Export (excluding Network Directors, Regional Directors and Transaction Management Directors). It aims to value, for each one of the Network divisions, the collective performance of their teams relatively to the annual trading objectives. To assess compliance with the risk management policy, this performance measurement includes a discount in case of early litigation (within the 9th or 10th till 24th month after signing, depending on the business line).
  The minimum threshold for the bonus to materialise is the achievement of 90% of the objectives up to 140%; the said bonus envelop is split 40% as a team bonus and 60% as an on-target qualitative and quantitative individual bonus.

- In 2019 the 'Network Bonus' amounts to €3,905 gross (€3,847 in 2019) and 9.2% of the fixed gross salary in average (9.2% in 2019).

There is no compensation system linked directly to risk taking nor associating

employees in capital (nor in the form of options). There is also no guaranteed variable remuneration. On an exceptional basis and upon recruitment signing only, a bonus can be guaranteed. In case of an early departure, the amount of bonus corresponds to the effective performance over time.
Finally, Bpifrance does not offer any other on-target individual scheme in its remuneration policy (such as LTIP, Carried Interest) nor any deferred compensation scheme, Carried Interest).

All of the above-mentioned remuneration policy elements apply to the colleagues in charge of the transaction validations and checks and to 'risk-takers/carriers' with, in this case, one or more specific criteria and/or objectives relating to compliance with the risk management policy and/or risk control.

Besides,

- Bpifrance is committed to cap risk-takers' net bonuses at €100k. As such in 2020, no bonus reached this limit; no deferral mechanism has therefore been used. If a variable portion linked to annual performances exceeds a net €100k, the payment in the excess amount would be deferred over 5 years, the first payment of the exceeding third not being allowed until the third year following the performance year considered.
  Said payments are conditional on the individual and collective performance of the company as well as the vehicles. They may be subject to total or partial questioning in the event of underperformance during the payment years in question.
- Within Bpifrance, the bonus part does not exceed 100% of the fixed salary as, in fact, it is limited to 45% of the fixed salary.

- **Principles of gender-neutral remuneration**

In accordance with art. L511-71 amended by Ordinance No.2020-1635 of December 21st, 2020 art 1, Bpifrance's remuneration policy and practice are based on the principle of equal remuneration between male and female employees for the same job or equal value work.
Bpifrance subsidiaries undertake to monitor annually the gross annual salary differences identified between women and men, by occupation category and classification level, and to take corrective action if necessary.
In addition, each of Bpifrance's subsidiaries calculates and publishes yearly the Professional Equality Index.

In 2020, for the year 2019 the Bpifrance Index (formerly Bpifrance Financement) scored 88 points out of 100. That of Bpifrance Assurance Export was 97/100 and Bpifrance Investment 89/100.

11.3. INFORMATION RELATIVE TO THE REMUNERATION OF EXECUTIVE OFFICERS, MEMBERS OF THE EXECUTIVE COMMITTEE AND RISK TAKERS

11.3.1. Remuneration of the chief executive officer

In the year 2020, the remuneration of Nicolas DUFOURCQ amounted to €450,000 gross.

Table 25: Gross remuneration granted to the Director General in 2020

(In EUR)	Year	Fixed salary	Variable compensation	Fixed/Variable ratio	Total
Nicolas DUFOURCQ	**2020**	400,000	50,000	12.50%	**450,000**
	2019	400,000	50,000	12.50%	**450,000**

The variable compensation allocated in 2020 as decided by the Board of Directors and approved by the Minister of Economy and Finance, amounted to €50,000 gross or 100% of the maximum amount for each of the criteria.
Criteria for this variable remuneration, although clearly identified, are not detailed for reasons of confidentiality.

11.3.2. Remuneration of the members of the Executive Committee

In addition to the Chief Executive Officer, the Bpifrance Executive Committee is made up of 12 members.

Table 26: Summary of the compensations awarded to members of the Executive Committee for the 2020 financial year

(in EUR)	Fixed salary	Variable remuneration on objective	Variable / Fixed ratio	Total
Members of the Executive Committee (including Corporate Officer)	3,086,725	848,220	27.5%	**3,934,945**

11.3.3. Remuneration of risk takers

In accordance with the regulations, the scope of Bpifrance's risk-takers covers the entire population whose activities have a significant impact on the company's risk profile.
The methodology used to qualify the ‘risk-taker’ functions in the Bpifrance organisation was updated by decision of the Executive Committee in January 2016 and transmitted to the Remuneration Committee and Boards of Directors who approved.
The methodology was adapted to the case of Bpifrance (formerly Bpifrance Financement) and submitted to the Remuneration committees in September 2018 and the following Boards of Directors. It is based on criteria relative to the function, decision-making duties or remuneration levels and includes whenever relevant delegation or sub-delegation of authority. It also defines an identification process involving the Human Resources department, the group’s Legal Risk department, Compliance department and Legal Department.

For Bpifrance Investissement, it was defined in compliance with the AIFM Directive and confirmed by the Financial Market Authority, while receiving approval from the investment management company.
At the end of 2020, the scope referred to as in Art L.511-71 of the Monetary and Financial Code included 328 people at the group Bpifrance, including the Corporate Officer.

Bpifrance's risk takers:

- Executive managers and responsible leaders – 10 people;
- Supervisors of control functions – 7 people;
- Risk-takers responsible for central functions – 19 people;
- Business risk-takers – 292 people.

The entirety of Bpifrance's remuneration policy applies to risk-takers with, in this case, one or more specific criteria and/or objectives relating to compliance with the strategy and risk policy and/or risk management, code of ethics and Bpifrance's anti-corruption policy.
These criteria are established individually according to the function performed by the employee.

Table 27: Summary of fixed and variable remunerations conditioned to objectives, granted to risk-takers for the year 2020

(In EUR)	**Executive managers and responsible leaders**	**Control functions (1)**	**Central functions (2)**	**Business functions (3)**	**Total Group**
Number of people	10	7	19	292	**328**
Fixed remuneration	2,396,860	821,544	2,561,167	25,192,310	**30,971,881**
Variable remuneration on objective	714,320	154,525	650,548	6,293,551	**7,812,944**
Variable/fixed remuneration ratio	30%	19%	25%	25%	**25%**
Total remuneration	**3,111,180**	**976,069**	**3,211,715**	**31,485,861**	**38,784,825**

(1) DCCP, Internal audit, Financial audit
(2) HR, Finance, IT, Risks, ALM, Actuaries and Evaluation, Market Operations, Team leading
(3) Functions linked to a trade (Investors, Team Directors…)

It is worth mentioning that the concerned Bpifrance employees are required not to use personal hedging strategies or compensation-related insurances to counteract the impact of alignment with the risk incorporated into their remuneration. Also, variable compensation is not paid through instruments or methods that facilitate the circumvention of regulatory requirements.

11.4. TRANSPARENCY AND CONTROL OF THE REMUNERATION POLICY

The remuneration policy is subject to periodic reviews by the Group's General Inspection and the supervisory authorities (Prudential Supervisory and Resolution Authority [ACPR], ECB, AIFM / AMF approval).
In addition, information on the remuneration of senior management (corporate officers) is published in the annual registration document.
Lastly, and in accordance with Article L.511-73 of the Monetary and Financial Code, the portion of the remuneration of the persons referred to in Article L.511-71 paid by Bpifrance (formerly Bpifrance Financement) is the subject of a resolution in General Assembly.

12. RECRUITMENT POLICIES AND DIVERSITY IN THE BOARD OF DIRECTORS

12.1. RECRUITMENT POLICY FOR THE BPIFRANCE BOARD OF DIRECTORS

The recruitment policy for Bpifrance's Board of Directors is based on achieving an economic and financial expertise.

Indeed, for 12 of the 16 administrators an economic and financial expertise is required:

- For Bpifrance's Managing Director, and for the nine administrators representing the stakeholders, the required knowledge is of economic and financial nature (refer to respectively articles 7 41° and 7° of the ordnance No 2005-722 relative to the Public Investment Bank).

- For the 2 administrators nominated for their qualities as per art 7 3° of the ordnance No 2005-722, the required expertise is in the economic, financial and sustainability fields.

Each year the Board of Directors is audited by an independent provider. The Nomination Committee manages this evaluation as per article L. 511-100 of the Monetary and Financial Code.
In accordance with the law the Committee monitors the balance and diversity of knowledge, skills, and experience for the Board Members.

12.2. DIVERSITY POLICY FOR THE BPIFRANCE BOARD OF DIRECTORS

On 18 December 2020, the Board of Directors adopted a diversity policy.

Under the terms of this policy the Board of Directors delegates to the Appointments Committee the task of setting targets in terms of age, professional qualifications and experience among directors, to ensure that they have the necessary skills to comprehend the risks, stakes - including social and environmental stakes – and potential societal developments.
In case the Board of Directors does not feature a particular skill, a nomination can be brought about to be studied and solve the situation if an Administrator seat as per the aforementioned categories is vacant.

Furthermore, the 2005-722 ordnance relative to the Public Investment Bank focuses on 2 main points in terms of diversity:

- On the one hand, the search for a variety of backgrounds. There are 6 categories of Administrators:
    1) Administrators representing the State (4), appointed by decree,
    2) Administrators representing the other stakeholders (5, of which 4 are appointed after proposal from the Caisse des Dépôts,
    3) Bpifrance CEO,
    4) Two qualified personalities as Administrators,
    5) Two Administrators representing the Regions, appointed after proposal from the Regions of France Association,
    6) Two Administrators representing Bpifrance's Employees, elected by their peers.

- On the other hand, the quest for a strict gender parity within the Board of Directors and within the categories of Administrators:
    - qualified personality,
    - representative of the Regions,
    - representative for the Employees.

13. APPENDIXES

Table 28: Release of mandatory data relating to Bpifrance's encumbered assets, as of December 31st, 2020 in accordance with article 443 of the Regulation (EU) No.575/2013 of the European Parliament.

	Assets - In EUR	**Carrying value of encumbered assets**	**Of which theoretically eligible EHQLA and HQLA**	**Fair value of encumbered assets**	**Of which theoretically eligible EHQLA and HQLA**	**Carrying value of unencumbered assets**	**Of which EHQLA and HQLA**	**Fair value of unencumbered assets**	**Of which EHQLA and HQLA**
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	18,701,548,205	18,617,302,205			75,614,486,410	2,003,404,990		
030	Equity instruments					14,253,964,000			
040	Debt securities	8,667,998,832	8,667,998,832	9,138,449,508	9,138,449,508	3,351,141,168	2,003,404,990	2,199,519,272	2,099,723,641
050	Of which: covered bonds	420,952,470	420, 952,470	435,030,833	435,030,833	5,075,056	5,075,056	5,586,250	5,586,250
060	Of which: asset-based securities					17,192,008	17,192,008	17,131,121	17,131,121
070	Of which: issued by public administrations	8,247,046,362	8,247,046,362	8,703,418,675	8,703,418,675	1,631,027,514	1,585,316,812	1,725,373,726	1,680,085,876
080	Of which: issued by financial companies	420,952,470	420,952,470	435,030,833	435,030,833	469,272,654	418,088,179	469,793,536	419,637,766
090	Of which: issued by non-financial companies					1,250,841,000		4,352,010	
120	Other assets	10,033,549,373	9,949,303,373			58,009,381,242			

	Collateral received - In EUR	**Fair value of the encumbered collateral received, or own debt securities**	**Of which theoretically eligible EHQLA and HQLA**	**Unencumbered** **Fair value of collateral received, or own debt securities issued available for encumbrance**	**Of which EHQLA and HQLA**
		010	030	040	060
130	**Collateral received by the reporting institution**				
140	Loan application				
150	Equity instruments				
160	Debt securities				
170	Of which: covered bonds				
180	Of which: asset-based securities				
190	Of which: issued by public administrations				
200	Of which: issued by financial companies				
210	Of which: issued by non-financial companies				
220	Application for loans and advances other than loans				
230	Other assets				
231	Of which: …				
240	**Debt securities issued by the institution other than covered bonds or asset-based securities**				
241	**Covered bonds and asset-backed debt securities issued by the institution and not yet pledged**				
250	**TOTAL ASSETS, COLLATERALS RECEIVED AND OWN DEBT SECURITIES ISSUED**	18,701,548 205	18,701,548,205		

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued other than covered bonds and asset-backed securities encumbered
		010	030
010	Carrying amount of selected financial liabilities	18,037,678,234	18,701,548,205

Table 29: Detailed leverage ratio

Table LRSum: Summary of reconciliation of accounting assets to Leverage Ratio Exposures as of 31st December 2020

(in EUR millions)		**Applicable amount as of 31/12/2019**	**Applicable amount as of 31/12/2020**
1	Total assets according to published financial statements	79,809	94,316
2	Adjustment for entities consolidated from an accounting point of view, but which do not fall within the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the applicable financial reporting framework, but excluded from the total measure of exposure	-	-
4	Adjustments for derivative financial instruments	-6	-317
5	Adjustment for securities financing transactions (SFTs)	-	-
6	Adjustment for off-balance sheet items	18,435	19,840
EU-6a	Adjustment for intragroup exposures exempt from total exposure measure	-	-
EU-6b	Adjustment for exposures exempt from total exposure measurement	-	-
7	Other adjustments	-2,185	-3,502
8	**Total Exposure for Leverage Ratio Purposes**	**96,052**	**110,338**

Table LRCom: Leverage ratio — collective declaration as of 31st December 2020

(in EUR millions)		Leverage Ratio Exposures under the CRR 31/12/2019	Leverage Ratio Exposures under the CRR 31/12/2020
Balance sheet exposure (except derivatives and SFT)			
1	Balance Sheet Items (Derivatives, SFTs and Excluded Trust Assets, but Collateral Included)	78,790	91,267
2	Assets deducted in the determination of Tier 1 capital	1,455	1,086
3	**Total balance sheet exposures (derivatives, SFT and excluded fiduciary assets) (sum of lines 1 and 2)**	**77,335**	**90,181**
Derivative exposures			
4	Replacement cost of all derivative transactions (i.e. net of qualifying cash variation margins)	125	129
5	Additional amount for potential future exposures associated with all derivative transactions (mark-to-market valuation)	157	188
EU-5a	Exposure determined by application of the initial exposure method	-	-
6	Securities provided for derivatives when deducted from balance sheet assets according to the applicable financial reporting framework	-	-
7	Deduction of receivables recognized as assets for the cash change margin provided in connection with derivative transactions	-	-
8	CCP leg exempted from exposures for cleared transactions by customers	-	-
9	Adjusted effective notional value of credit derivatives sold	-	-
10	Adjusted actual notional differences and deductions from mark-ups for credit derivatives sold	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**282**	**317**
Exposure on SFT			
12	Gross SFT assets (excluding offsetting) after adjusting for transactions accounted for as sales	-	-
13	Net value of cash payables and receivables of gross SFT assets	-	-
14	Counterparty credit risk exposure for SFT assets	-	-
EU-14a	Derogation for SFT: Exposure to counterparty credit risk on SFT assets	-	-
15	Exposures when the establishment acts as an agent	-	-

EU-15a	CCP leg exempt from customer compensated SFT exposures	-	-
16	**Total exposures to securities financing transactions (sum of lines 12 to 15a)**	**-**	**-**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures in gross notional value	22,097	24,069
18	Adjustments for conversion to equivalent credit amounts	- 3,662	- 4,229
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**18,435**	**19,840**
	Exposures exempted under Article 429 (14) of Regulation (EU) No 575/2013 (on-balance sheet and off-balance sheet exposures)		
EU-19b	Exposures exempted under Article 429 (14) of Regulation (EU) No 575/2013 (on-balance sheet and off-balance sheet exposures)	-	-
	Equity and measurement of total exposure		
20	Tier 1 capital	23,202	22,977
21	Total exposure measure for leverage ratio (sum of rows 3, 11, 16, 19, EU-19a and EU-19b)	96,052	110,338
	Leverage ratio		
22	Leverage ratio	24.16%	20.82%
	Transitional Provisions Election and Amount of Derecognized Trust Assets		
EU-23	Choice of transitional provisions for the definition of the measure of own funds	-	-
EU-24	Amount of trustee assets derecognised under Article 429 (11) of Regulation (EU) No 575/2013	-	-

Table LRSpl: Breakdown of balance sheet exposures (except derivatives, SFT and exempt exposures), as of 31st December 2020

(in EUR millions)		Leverage Ratio Exposures under the CRR	
		31/12/2019	**31/12/2020**
Breakdown of balance sheet exposures (excluding derivatives, SFT and exempt exposures)			
EU-1	**Total balance sheet exposures (excluding derivatives, SFTs and exempt exposures), including:**	77,335	90,181
EU-2	Trading book exposures	-	-
EU-3	Exposures of the banking book, of which:	77,335	90,181
EU-4	Guaranteed bonds	411	419
EU-5	Exposures considered as sovereign	8,635	26,548
EU-6	Exposures to regional governments, multilateral development banks, international organizations and public-sector entities not considered sovereign borrowers	10,736	276
EU-7	Establishments	1,187	1,378
EU-8	Exposures secured by mortgage on real estate	10,285	10,827
EU-9	Exposures on retail customers	5	0
EU-10	Companies	24,993	28,909
EU-11	Exposures in default	1,256	1,403
EU-12	Other exposures (notably equities, securitisations and other assets not corresponding to credit obligations)	19,828	20,421

Table 30: Bpifrance's prudential consolidation scope as of 31st December 2020

Name of entity	Consolidation method	% interest	Prudential treatment under CRR/CDR 4
Bpifrance - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
Bpifrance Régions - MAISONS-ALFORT	Global integration	99.99%	Equity requirement for the activities of the subsidiaries
Auxi-Finances - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
SCI Bpifrance - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
Bpifrance Courtage - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FCT Bpifrance SME 2019-01 - SAINT-DENIS	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FCT Bpifrance TPE Digital - SAINT DENIS	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FCT Bpifrance SME 2020-01 - SAINT-DENIS	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
Bpifrance Assurance Export - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
Bpifrance Participations - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FSI PME Portefeuille - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FFI parts A - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FFI Parts B - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FONDS de FONDS PME - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FFI 2 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FFI 3 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FFI 4 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FFI 5 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FPMEI - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Croissance 1 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Croissance 2 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Croissance 3 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Croissance 4 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Croissance 5 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FIC DETTE PRIVEE - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
FIC DETTE PRIVEE II - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Régions 1 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Régions 2 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Régions 3 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Régions 4 - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries
France Investissement Tourisme - MAISONS-ALFORT	Global integration	100.00%	Equity requirement for the activities of the subsidiaries

Avenir Entreprise Développement C1 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Avenir Entreprise Développement C2 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Avenir Entreprise Développement C3 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Avenir Entreprise Développement C4 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Avenir Entreprise Mezzanine - MAISONS-ALFORT	Global integration	66,84%	Equity requirement for the activities of the subsidiaries
Avenir Entreprise Investissement - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Avenir Tourisme - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
ETI2020 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
CDC Entreprises Capital Investissement - PARIS	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
FCPR Part'Com - PARIS	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Lion participations - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
FSN Ambition Numérique - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance Innovation 1 Venture - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance Capital 1 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance Mezzanine 1 - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance International Capital - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance IC Investment Holding - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
FEF Capital - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance Investissement - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Bpifrance Innovation 1 Large Venture II - MAISONS-ALFORT	Global integration	100,00%	Equity requirement for the activities of the subsidiaries
Alsabail - STRASBOURG	Equity method	40.69%	Weighting of the equity value
Tyrol Acquisition (Groupe TDF) - Luxembourg	Equity method	23.99%	Weighting of the equity value
Eutelsat Communications - PARIS	Equity method	26.47%	Weighting of the equity value
PSA - PARIS	Equity method	12.32%	Weighting of the equity value
STConso (Palier avec STM Consolidé à 27,91%) - GENEVE	Equity method	50.00%	Weighting of the equity value
Future French Champion - MAISONS-ALFORT	Equity method	50.00%	Weighting of the equity value
Fonds Lac I - MAISONS-ALFORT	Equity method	33.39%	Weighting of the equity value

Table 31: Concordance table

CRR articles	Themes	Pillar III Report Reference	Pillar III Report 2020 pages
435	Objectives and risk management policy	2. Bpifrance overview	5
		3.1 Governance and organisation of the risk sector	9
		3.2 Risk Governance	9
436	Scope of intervention	4.1 Prudential perimeter	15
437	Shareholders' equity	4.2 Shareholders' equity	17
438	Capital requirements	4.3 Capital requirements	20
439	Exposure to counterparty credit risk	5.1 Credit policy	24
		5.2 Risk management process	25
		5.3 Quantitative data on credit risk exposure	26
		5.8 Counterparty risk	43
440	Equity buffers	4.2 Shareholders' equity	17
442	Adjustments for credit risk	5.4. Credit risk exposure	27
443	Unencumbered assets	13. Appendixes	64
444	Use of ECAIs	5.6 Regulatory methodology and risk measurement systems	37
446	Operational risk	7. Operational risk	46
447	Equity exposures in the non-trading portfolio	9.4 Equity risk	51
448	Exposures to interest rate risk for non-trading portfolio positions	9.2 Interest rate risk	49
449	Exposure to securitisation positions	6. Securitisation	44
450	Remuneration policy	11. Remuneration policy	57
451	Leverage	4.4 Leverage ratio	21
412	Requirement to cover liquidity needs	9.1 Liquidity risk	49

Bpifrance
Société Anonyme à Conseil d'Administration
Au capital de 5 440 000 000 €
320 252 489 RCS Créteil

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