

RATING ACTION COMMENTARY

Fitch Affirms EPIC Bpifrance at 'AA-', Outlook Stable

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Fitch Ratings - Milan - 27 Mar 2024: Fitch Ratings has affirmed EPIC Bpifrance Long-Term Issuer Default Ratings (IDRs) at 'AA-' with Stable Outlook and Short-Term IDRs at 'F1+'. Fitch has also affirmed Bpifrance's debt programmes at 'AA-' and 'F1+', which all benefit from EPIC Bpifrance's independent, unconditional and irrevocable first-call guarantee. A full list of rating actions is below.

Fitch views EPIC Bpifrance as a government-related entity (GRE) of France (AA-/Stable) and equalises its ratings with the sovereign's in light of the 'Virtually Certain' support that France would give it in case of need, as assessed in the agency's Government-Related Entities (GRE) Rating Criteria.

KEY RATING DRIVERS

Support Score Assessment 'Virtually certain'

We consider that extraordinary support from the French state to EPIC Bpifrance would be 'Virtually Certain' in case of need, reflecting a support score of 50 (out of a maximum 60) under Fitch's GRE criteria. This reflects the combination of responsibility to support and incentive to support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Very Strong'

EPIC Bpifrance has the special legal status of *établissement public à caractère industriel et commercial* (EPIC), which gives the government tighter control over the entity. Its general interest missions are defined by law and are tightly monitored by the state. EPIC Bpifrance is under the supervision of the Ministries of Economy and of Higher Education, Research and Innovation. The state appoints all six members of EPIC's board of directors by decree and a government commissioner has the power to veto some of the board's decisions.

Precedents of Support 'Very Strong'

EPIC Bpifrance's special status as a national *établissement public* (EP) means that in the event of its dissolution, all its assets and liabilities would be transferred to the French state or to another public entity designated by the state. There are precedents for this support mechanism in France. As an EP, EPIC Bpifrance may also benefit from the French state's emergency liquidity mechanisms, including the purchase of short-term bonds by the French Treasury, if needed.

The state directly supported the Bpifrance group in the past with capital injections and by favouring the merger between Bpifrance Financement and Bpifrance SA back in 2021, which strengthened Bpifrance's capital and significantly increased its financing capacity to perform its public missions.

Incentives to Support

Preservation of Government Policy Role 'Strong'

Bpifrance is a strategic public institution that implements France's economic and industrial policies by promoting the financing and development of French companies, notably SMEs and mid-caps. To fund its activities, Bpifrance relies on external financing through its debt programmes guaranteed by EPIC Bpifrance and a default would threaten Bpifrance's ability to carry out its operations.

For its importance in implementing key government policies, Fitch believes that a default of Bpifrance would have grave political repercussions at the national government level. Bpifrance is the state's main arm in implementing the EUR54 billion "France 2030", a flagship plan aimed at making the French economy more competitive and to support companies' environmental transition. Of the EUR21 billion invested under "France 2030" as of September 2023, roughly half flowed through Bpifrance.

Contagion Risk 'Very Strong'

EPIC Bpifrance is a core government entity and its subsidiary Bpifrance is a reference issuer with established access to national and international markets. A default of EPIC Bpifrance, the first-demand grantor of all Bpifrance issuances, would be highly detrimental to the French state's credit standing and would also negatively affect the borrowing capacity of other French GREs, notably other EPs.

Operating Performance

EPIC Bpifrance's standalone financial performance directly depends on that of Bpifrance via dividends received from the latter. During 2023, the state took over the assets of the

ring-fenced fund FII retained by EPIC Bpifrance, which included shares in TSA (Thales holding) and Electricité de France (BBB+/Stable) for a total value of about EUR12 billion. The activity of the FII fund were already isolated from EPIC Bpifrance's guarantor activity.

On a consolidated level, Bpifrance's 2023 results encompass the impact of rising inflation on opex, downward reviews of innovation capital and high interest rates that affected the net banking product. Bpifrance's net operating income at EUR0.9 billion (EUR1.1 billion in 2022) includes devaluations of the venture capital portfolio and higher operating costs. The sharp decrease in net cost of risk to EUR56 million in 2023 from EUR163 million in 2022 reflects the end of the pandemic period as evidenced by the reversal of related provisions. The year-end result remained positive at EUR1.1 billion, down from EUR1.5 billion in 2022.

Derivation Summary

Fitch views EPIC Bpifrance as a GRE of the French state and equalises its ratings with those of the sovereign. This reflects the 'Virtually Certain' likelihood of support from the French state.

Debt Ratings

The ratings of Bpifrance's debt programmes are in line with those of EPIC Bpifrance.

Issuer Profile

EPIC Bpifrance owns 49.2% and fully guarantees Bpifrance, the French public bank in charge of the financing and development of SMEs and mid-caps in France, alongside Caisse des Depots et Consignations with a similar stake. Fitch does not assign IDRs to Bpifrance or its subsidiaries.

Liquidity and Debt Structure

EPIC Bpifrance's standalone debt is negligible and almost entirely contracted with the French state. Its subsidiary Bpifrance is the main debt issuing body with EUR36 billion outstanding bonds at end-2023 (under its EMTN programme). Bpifrance's bonds benefit from an irrevocable, unconditional, autonomous, first-call guarantee from EPIC Bpifrance.

Bpifrance's solvency remained strong with a common equity tier 1 ratio of 29.5% at end-2023, well above the regulatory requirement of 9.75%. Bpifrance had a good liquidity position of EUR17.3 billion and a liquidity coverage ratio at 368%, above the regulatory minimum of 100%.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

EPIC Bpifrance's Long-Term IDRs could be downgraded if the sovereign's ratings were downgraded.

A downgrade could also result from a weaker assessment of the responsibility to support or incentive to support rating factors, leading to a support score of below 45 points under our GRE Criteria. This could result from lower strategic importance for the state, which Fitch views as unlikely.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive rating action could result from similar action on the sovereign.

ESG Considerations

Fitch no longer provides ESG scores for EPIC Bpifrance or Bpifrance as their ratings and ESG profiles are derived from their ultimate parent (the French state). ESG relevance scores and commentary for the parent entity can be found here

<https://www.fitchratings.com/entity/france-80442195#ratings>

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

EPIC Bpifrance's IDRs and Bpifrance's debt programmes ratings are linked to France's ratings.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
Bpifrance		
senior unsecured	LT AA-	Affirmed AA-

senior unsecured	ST	F1+	Affirmed	F1+
EPIC Bpifrance	LT IDR	AA- Rating Outlook Stable		AA- Rating Outlook Stable
	Affirmed			
	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	AA- Rating Outlook Stable		AA- Rating Outlook Stable
	Affirmed			
	LC ST IDR	F1+	Affirmed	F1+

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APPLICABLE CRITERIA

[Government-Related Entities Rating Criteria \(pub. 12 Jan 2024\)](#)

[Public Policy Revenue-Supported Entities Rating Criteria \(pub. 12 Jan 2024\) \(including rating assumption sensitivity\)](#)

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Bpifrance

EU Issued, UK Endorsed

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