

Bpifrance

William Hahn

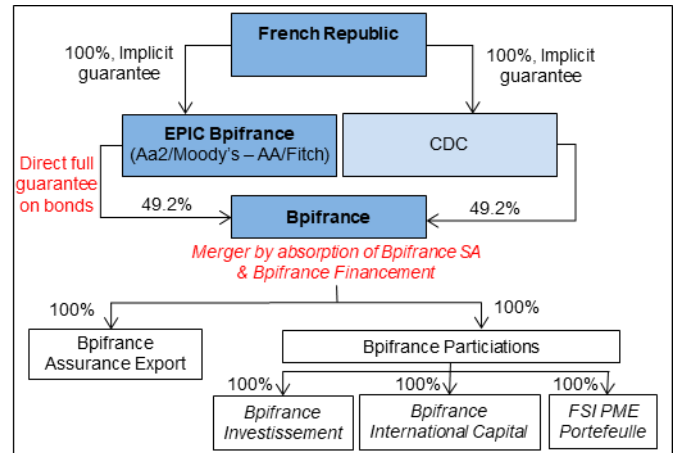
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| | Senior Unsecured | Outlook |
|---------|------------------|----------|
| Moody's | Aa2 | Stable |
| S&P | - | - |
| Fitch | AA | Negative |

Source: Moody's, S&P and Fitch

Background and ownership

Established on 12 July 2013 from the merger of OSEO, CDC Enterprises and FSI, **EPIC Bpifrance** is the French national public development bank dedicated to promoting the financing and development of companies in France, in particular SMEs. EPIC Bpifrance is fully owned by the French government, whilst its legally binding missions are conducted by Bpifrance. Bpifrance was formed from the merger of Bpifrance SA, and Bpifrance Financement in December 2020 in an effort to simplify the legal structure and reduce administrative and management costs of the group. The intra-group merger also strengthened the new entity's equity position and related reserves to EUR21.1bn at FY20 (FY19: EUR2bn). Together these entities constitute Bpifrance Group, which is the French public bank dedicated to promoting financing and development of companies in France, notably SMEs and mid-caps.



Source: Bpifrance

EPIC Bpifrance benefits from an implicit but automatic solvency and liquidity guarantee from the state, derived from its status as an *établissement public à caractère industriel et commercial* (EPIC). Should an EPIC be dissolved, its assets and liabilities would be transferred to the authority responsible for its creation (the French state). Therefore, EPIC Bpifrance is not subject to liquidation laws, and its creditors have ultimate recourse to the French state if needed. EPIC Bpifrance credit ratings are thus in line with those of the French Republic assigned by rating agencies Moody's and Fitch. In turn, the bonds and commercial paper issued by Bpifrance have an autonomous, unconditional and irrevocable first-demand guarantee from EPIC Bpifrance. Accordingly, the ratings on the debt issued by Bpifrance are derived from EPIC Bpifrance.

Bpifrance is 49.2% owned by EPIC Bpifrance and 49.2% by Caisse des Dépôts (CDC). Private commercial banks hold 1.4% of Bpifrance while the entity itself holds the remaining 0.2% of its equity. Bpifrance is directly and fully regulated by the European Central Bank (ECB) and under domestic supervision through the Financial Markets Authority (AMF) and Autorité de Contrôle Prudentiel et de Résolution (ACPR). As a credit institution, Bpifrance has access to ECB refinancing.

Main activities

EPIC Bpifrance's organization and mission are established by law by the French government:

- (i) To promote and support innovation, most notably technological, and to contribute to technology transfer
- (ii) To promote the development and financing of small and medium-sized enterprises (SMEs)

Within the group, only Bpifrance accesses capital markets for funding purposes to finance the activities it conducts across three main business lines. The **Financing** division houses credit, guarantees and innovation financing; **Equity Investment** subsidiary covers venture capital, growth capital and funds of funds; Bpifrance also covers the risks associated with public export guarantees through its **Export credit insurance** since the transfer of COFACE SA in 2016.

As the adverse effects of the pandemic persist, Bpifrance has demonstrated its importance to the French state by supporting domestic companies' cash flows. In line with national emergency measures enacted in March 2020, Bpifrance increased its guarantees up to 90% (previously 40%-70%) on loans granted by banks for three to seven years and on overdrafts for 12-18 months. It supports the implementation of the government's EUR300bn state guarantee plan and allowed for suspension of payments for six months on existing loans for clients most impacted by the crisis. Bpifrance stated that it is prepared to extend additional measures by the state if necessary and thus takes a vital role in the French government's effort in combating the adverse economic effects of the pandemic.

Financial strength indicators

Profitability – In common with most public development banks, profit maximisation is not a core focus for Bpifrance. Pro-forma revenues in FY20 amounted to EUR1.2bn (-14.7% yoy), lowered by reduced income from its investment division (-35% yoy). The cost base was up 11.5% to EUR793m and paired with the group's policy of proactive provisioning for expected risks,

cost of risk charges were elevated at EUR462m (+456% yoy). Together these burdens led to a net loss of EUR121m compared to a net profit of EUR1bn one year prior. The cost-to-income ratio increased to 64% from 48.9%, which is considered high for a development bank.

Asset quality – The group's balance sheet grew to EUR94.3bn (+18% yoy) as at FY20. It comprised mainly of loans to customers (47% of total), followed by financial assets (13%), securities (8.5%), and cash balances with central banks (8%). As per April 2021 investor presentation, loans were mostly extended to SMEs (45% of total), mid-caps (24%), micro businesses (19%) and large-caps (12%). The focus on smaller entities ensures granularity across sectors and a lack of single name concentration. Sectoral exposure shows that Bpifrance lends to some of the sectors most affected by the pandemic with trade, transport, hotels and catering exposure at 25%, followed by industry (22%), real estate (15%) and construction (11%). The SME focus also results in a higher-than-peers NPL ratio of 4.1% at FY20 (FY19: 3.9%), covered by 46.4% in loan loss reserves and guarantees (FY19: 43.7%).

Funding and Liquidity – Bpifrance relies largely on wholesale funding to finance its activities, with issued debt accounting for 80% (EUR56.6bn) of non-equity funding, complemented by EUR8bn of state guarantees. Capital market access derives from the group's EUR45bn EMTN programme, which mainly targets benchmark issues in EUR. The programme was increased from EUR35bn last year due to higher financing needs postmerger. There is also a EUR4bn NEU MTN programme, and a EUR6bn NEU CP programme. Bpifrance also issued a EUR1.5bn Covid response bond to help finance and support businesses affected by the pandemic. Outstanding EMTN/NEU MTN notes at FY20 amounted to EUR31.7bn, EUR12bn of which had a maturity of 5 years or longer. Bonds issued by Bpifrance are eligible for the ECB's Public Sector Purchase Programme. Liquidity reserves were solid at EUR17bn and the LCR ratio was well above requirement at 886% (FY19: 450%). NSFR stood at 133% (FY19: 115%).

Capitalisation – At FY20, the transitional CET1 ratio stood at 30.6% (FY19: 33.4% pro-forma) well above its 9.5% requirement. The ratio benefited from the intragroup merger in December 2020 and only stood at 14.75% in 2019 on an unadjusted basis. Total capital ratio (TCR) was 30.7% down from 33.6% (pro-forma) one year prior. The fully-loaded leverage ratio was also strong at 20.7% (FY19: 24.2% pro-forma) well above the 3% requirement.

| Bpifrance – Key Data | | |
|--------------------------|-------|-------|
| Balance sheet (EURbn) | 2020 | 2019* |
| Total Assets | 94.3 | 79.8 |
| Net Loans | 44.4 | 39.7 |
| Debt Securities in Issue | 56.6 | 43.8 |
| Shareholders' Equity | 24.1 | 24.9 |
| Income statement (EURm) | 2020 | 2019* |
| Revenues | 1,239 | 1,454 |
| Expenses | 793 | 711 |
| Cost of risk | 462 | 83 |
| Net income | -121 | 1,018 |
| (%) | 2020 | 2019* |
| Transitional CET1 | 30.6 | 33.4 |
| Transitional TCR | 30.7 | 33.6 |
| Leverage Ratio (FL) | 20.7 | 24.2 |
| LCR | 886 | 450 |
| NSFR | 133 | 115 |
| Cost to Income | 64.0 | 48.9 |
| RoE | -0.4 | 4.1 |

Source: Bpifrance; *reported on pro-forma basis

Rating agencies' views

Moody's – EPIC Bpifrance is fully owned by the French State. Its status as an Etablissement public à caractère industriel et commercial (EPIC) reflects the mandate it is entrusted with by the State which consists, amongst other things, in promoting along with the banking industry the financing of French companies' innovation projects, in particular those undertaken by small and mid-sized enterprises (SMEs). While there is no explicit state guarantee on its debt, as EPIC Bpifrance is not subject to liquidation laws, its creditors have ultimate recourse to the French State. The issuer rating is therefore aligned with the rating of the French government (Aa2) given this public policy mandate and close links to the French State.

Fitch – Fitch classifies EPIC Bpifrance as a government-related entity (GRE) of the French state (AA/Stable) under its GRE rating criteria and equalises EPIC Bpifrance's ratings with those of the sovereign. EPIC Bpifrance's public missions are carried out by Bpifrance and its subsidiaries. Together, they constitute Bpifrance Group, which is the French public bank dedicated to promote the financing and development of companies in France, notably small and medium enterprises (SMEs) and mid-caps.

Recent Benchmark Transactions

| Issue Date | Security | Maturity/Call | Currency | Size (m) | Type | Coupon | Yield | Final Spread (bps) |
|------------|-----------------------|---------------|----------|----------|-------|--------|---------|--------------------|
| 29/04/2021 | Sr. Unsecured (Green) | 7Y | EUR | 1,250 | Fixed | 0.00% | -0.014% | OAT + 18 |
| 28/05/2020 | Sr. Unsecured | 10Y | EUR | 1,250 | Fixed | 0.25% | 0.31% | OAT + 35 |

Source: BondRadar

This is an issuer profile and contains factual statements only. All statements are sourced from Bpifrance's financial reports, which can be found at <https://www.bpifrance.fr/Investor-Relations>

Credit Research

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[Standard & Poor's]

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[Moody's]

The Name of the Credit Rating Agencies Group, etc

The name of the Credit Rating Agencies group: Moody's Investors Service ("MIS")

The name and registration number of the Registered Credit Rating Agency in the group: Moody's Japan K.K. (FSA commissioner (Rating) No.2)

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1) As of 26 April 2016, Daiwa Securities Co. Ltd., its parent company Daiwa Securities Group Inc., GMO Financial Holdings, Inc., and its subsidiary GMO CLICK Securities, Inc. concluded a basic agreement for the establishment of a business alliance between the four companies.

As of end-December 2017, Daiwa Securities Group Inc. owned shares in GMO Financial Holdings, Inc. equivalent to approximately 9.3% of the latter's outstanding shares. Given future developments in and benefits from the prospective business alliance, Daiwa Securities Group Inc. could boost its stake in GMO Financial Holdings, Inc. to up to 20% of outstanding shares.

2) Daiwa Real Estate Asset Management is a subsidiary of Daiwa Securities Group Inc. and serves as the asset management company for the following J-REITS: Daiwa Office Investment Corporation (8976), Daiwa Securities Living Investment Corporation (8986).

3) Samty Residential Investment became a consolidated subsidiary of Daiwa Securities Group Inc. effective 10 September 2019.

4) On 30 May 2019, Daiwa Securities Group Inc. formalized an equity/business alliance with Samty, and as of 14 June 2019 it owned 16.95% of shares outstanding in Samty along with convertible bonds with a par value of ¥10bn. Conversion of all of said convertible bonds into common shares would bring the stake of Daiwa Securities Group Inc. in Samty to 27.28%.

5) Daiwa Securities Group Inc. and Credit Saison Co., Ltd. entered into a capital and business alliance, effective 5 September 2019. In line with this alliance, Daiwa Securities Group Inc. is to acquire up to 5.01% of Credit Saison's total common shares outstanding (excl. treasury shares; as of 31 Jul 2019).

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- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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