Interim Financial Report, First Half 2021

The information contained in this document is a free translation of the Coface Group's Interim Financial Report for the first semester 2021 ("Rapport Financier, premier semestre 2021") and while efforts are made to provide an accurate translation, there may be material errors, omissions or inaccuracies in the reporting.

In no way does Coface assume any responsibility for any investment or other decisions made based upon the information provided on this translation. The original language version of the document in French prevails over the translation.

This document is publicly available at www.coface.com/Investors.

NOTE

COFACE SA (hereinafter, the "Company") is a public limited company (société anonyme) with a Board of Directors (conseil d'administration) incorporated under the laws of France, having its head office at 1 Place Costes et Bellonte, 92270 Bois-Colombes, France and registered with the Nanterre Trade and Companies Register under number 432 413 599. Unless stated otherwise, references in this document to the "Group" or the "Coface Group" are references to the Company and its subsidiaries, branches and holdings.

At the date of June 30, 2021, the Company's share capital amounted to €300,359,584 divided into 150,179,792 shares with a nominal value of €2 (two) each, all of the same class, and all of which are fully subscribed and paid up.

Presentation of financial and other information

This report includes free English language translations of the audited consolidated financial statements of COFACE SA as of and for the year ended December 31, 2020 and for the six months ended June 30, 2020 and 2021. The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and the interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34. COFACE SA publishes its consolidated financial statements in euros. Sums of aggregates and totals in this report may not match exactly due to rounding.

This report presents certain figures on an actual historical value basis, on a "constant scope" basis or on a "constant exchange rate" basis. Where figures are presented at constant scope, the previous year's figures (N-1) are adjusted to reflect the entities that entered or left the scope of consolidation during the most recent year (N). The Coface Group believes that comparing periods at constant scope and exchange rate is helpful in enabling investors to understand the effect of exchange rate fluctuations and changes in scope of consolidation on its financial results. However, figures adjusted for the effects of changes in the scope of consolidation and in exchange rates should not be substituted for the IFRS data.

Forward-Looking Statements

This report includes information on the Coface Group's outlook and future areas of development. These forward-looking statements may be identified by the use of the future or conditional tenses, or forward-looking terminology such as "considers", "anticipates", "thinks", "aims", "expects", "intends", "should", "plans", "estimates", "believes", "hopes", "may" or, in each case, their negative, or other variations or other comparable terminology. These forward-looking statements do not constitute historical data and should not be interpreted as a guarantee that the stated facts and data will take place or be achieved. They appear in a number of places throughout this report and include statements regarding the Coface Group's intentions; estimates and objectives with regard, in particular, to the Coface Group's market, strategy, growth, results, financial position and cash flow.

These forward-looking statements are based on data, assumptions and estimates that the Coface Group deems reasonable. They may evolve or be modified due to uncertainty linked, in particular, to the economic, financial, competitive or regulatory environment. Furthermore, the forward-looking statements contained in this report also involve risks, both known and unknown, uncertainty and other factors that were they to occur, could affect the Coface Group's future results, performance and achievements. Such factors may include, in particular, changes in the economic and business climate as well as the risk factors presented in chapter 5 of the Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers) on March 31, 2021 under the number D.21-0233.

Risk Factors

You are strongly encourages to carefully consider the risk factors presented in the aforementioned sections of the Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers) on March 31, 2021 under the number D.210-0233.

The occurrence of all or any of these risks is liable to have an adverse effect on the Coface Group's business, financial position or financial results. Additional risks that are not known at the date of this report, or that the Coface Group currently considers immaterial, may have the same adverse on the Coface Group, its business, financial position, operating results or growth prospects, as well as on the market price of its shares listed on Euronext Paris (ISIN: FR0010667147).

All this information is available on the website of the Company (www.coface.com/Investors) and the AMF (www.amf-france.org).

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I. Half Year Activity Report

I. Half-year activity report

Like every quarter, in June, Coface Group's economic research team revised its global growth forecasts for the current year and its short-term business credit risk assessments by country, major geographical area and sector of activity. It also announced its initial growth forecasts for 2022. It forecasts global growth of 5.6% in 2021 ahead of a slowdown to 4.3% in 2022.

a) Economic environment in the first half

The sudden shutdown of the economy due to the Covid-19 pandemic in the first quarter of 2020 and the drastic response measures taken have given way to recovery. The recovery began in the second quarter of 2020 in China, where the epidemic was quickly stamped out and where the production of protective equipment was in strong demand. It then spread to the rest of the world in the second half of 2020 before gathering pace in the first half of 2021, in particular due to the strength of the upturn in the United States. Meanwhile, the pandemic has slowed in much of the world, allowing for the easing, and sometimes full removal, of restrictions. The resurgence of the virus in several countries has been treated more adeptly, with less devastating consequences for the economy, while businesses and consumers have become accustomed to pursuing their activities despite the constraints. Vaccination programmes have taken off, especially in North America, Israel, the United Kingdom, Hungary, the Gulf States, Chile, Uruguay and, to a lesser extent, in Western Europe, reducing the virus' grip. At a political level, advanced economies and many emerging economies in Latin America, Central and Eastern Europe and Asia have maintained their fiscal support measures for businesses and consumers. Advanced countries pursued their ultra-accommodative monetary policy, while in some emerging countries (Russia, Ukraine, Brazil, Turkey), the authorities preferred to raise key interest rates to counter rising inflation. The rebound, which was initially limited to the mining, agricultural and manufacturing sectors, spread to services, with the exception of tourism and international passenger air transport, which continued to suffer. Strong demand for agricultural, forest, fishing and mining commodities and intermediate products made from chemicals, paper or metals pushed up prices in these sectors, benefiting exporting countries. A shortage of electronic components owing to strong demand for telephones, domestic appliances and mobile computing, as well as the recovery in the automotive sector, triggered a rise in prices and held up production. International trade maintained the strong performance seen in the previous half year, driven by demand from China, North America and Europe. This momentum was hit by a shortage of transport capacity. Shipping was affected by containers being in the wrong place and outbreaks of Covid among crew members and in certain ports. Air freight transport suffered from the sharp decline in mixed commercial flights.

The US economy received major support from both fiscal and monetary policy, boosted by the USD 1.9 trillion support package announced in March 2021, and by the rapid rollout of vaccinations. A rapid decline in the number of cases allowed social distancing measures (which were relatively limited) to be eased, then removed. Consumer spending, driven by a catch-up effect and savings built up in 2020, rebounded sharply, as did housing construction on the back of cheap credit. Canada saw a modest improvement, mainly due to the slow start to vaccinations and periodic spikes in Covid cases in several provinces. However, as in the United States, the housing market was particularly strong. The country also benefited from the vigorous US economy through its exports. In all logic, Coface has raised its short-term trade credit risk assessment for both countries. Canadian wood benefited from the bullish trend in housing construction, while dynamic consumption boosted packaging and retail activities, as well as the agri-food industry. Paper used in sanitary products has also been in strong demand during the pandemic. Lastly, metals and chemicals, which supply many industries, benefited from the upturn in manufacturing activity.

The recovery also gathered pace in Western Europe in the first half of the year, in particular in the countries the worst hit by the health and economic crisis in 2020, namely Belgium, France, Greece, Italy and Spain. The upturn was slower in Northern European countries (Scandinavia, Germany, Netherlands and the Alpine countries), where the crisis had a more moderate impact. Ireland outperformed the region due to its pharmaceutical and IT multinationals. However, the recovery was overall weaker in Europe than in the United

States owing to the slower vaccine rollout and the concomitant rise in the number of Covid cases in the first quarter, which required the continuation or reintroduction of social distancing measures in several countries, with harmful effects on economic activity. We have nonetheless raised our risk assessment for the United Kingdom, which has so far overcome the Brexit hurdle without too much difficulty. Like in North America, the recovery in manufacturing and robust housing construction benefited the chemicals and metals sectors. The outlook for wood is positive due to the surge in house construction and strong demand from the United States and China, as well as the heatwave in British Colombia, Canada's main forestry production region. Stronger consumer spending benefited the retail sector and packaging. Lastly, the pandemic also benefited pharmaceuticals and sanitary paper manufacturers.

In Central Europe, Hungary, Poland, Slovakia and the Czech Republic benefited from the recovery in Western Europe, with which they are highly integrated, especially in the automotive and domestic appliance sectors, and from vibrant consumption and investment. Romania and Serbia also shared this bullish environment, stimulated by accommodative fiscal policy. Croatia continued to face problems related to the drop in tourism, but a generous fiscal policy kept domestic demand afloat. Turkey did not fall into recession in 2020 and gained momentum in the first half of 2021. Domestic demand was buoyed by a very expansive monetary policy and easy lending terms from public banks, despite the negative effects of measures to combat Covid. Its goods exports were driven by the recovery in European demand and the sharp depreciation in the Turkish currency. This led us to raise our assessment for Turkey's textile-clothing sector. However, tourism remained sluggish. Further east, in Azerbaijan, Kazakhstan and Russia, the rise in oil and gas prices was offset by reduced quotas under the OPEC+ agreement. Armenia, Mongolia and Uzbekistan benefited from higher mineral prices, though Uzbekistan suffered from the temporary interruption of gold production. In Ukraine, the first quarter saw continued Covid restrictions before a rise in cereals and steel exports and a surge in expatriate remittances from Poland and Russia revitalised domestic demand. The impact of remittances was also felt in Kyrgyzstan and Tajikistan. We have raised our assessments for Russia and Azerbaijan.

The recovery in China continued in the first half of 2021. However, the pace of growth weakened slightly due to tighter lending conditions and a slowdown in public investment. In addition, congestion in southern container ports worsened due to Covid outbreaks. The South Korean and Taiwanese economies have been relatively spared by Covid and benefited in full from strong demand for electronic components. Other leading economies in the region – Indonesia, Malaysia, the Philippines and Vietnam – which were not hard hit by the health crisis, began to recover sharply before slowing at the end of the period due to a surge in the epidemic and the introduction of social distancing measures, which pushed some manufacturing indicators into negative territory. Also, foreign tourists, who are crucial to some economies, have not yet returned. This was bad news for Thailand, though it recorded an upturn in vehicle exports. In more positive news, Indonesia and Malaysia benefited from a sharp increase in agricultural and mineral export volumes and an ever bigger rise in value terms. This windfall was shared by Australia (whose assessment we raised) and New Zealand, despite a renewed outbreak of the epidemic in Australia at the end of the period, which weighed on its thriving domestic demand. India, which was hard hit by the pandemic, seemed to have returned to strong growth until momentum was slowed by the return of Covid and restrictions that crushed growth. Lastly, Singapore benefited from the continued strong recovery in regional trade and in global trade more generally.

In Central America and the Caribbean, Mexico, under the CUSMA free-trade agreement, and other countries such as Costa Rica, Guatemala, Salvador and the Dominican Republic, members of DR-CAFTA, benefited from the upbeat North American economy through their exports of manufactured goods (vehicles, domestic appliances, electronic devices, textiles) and food products, as well as from expatriate remittances from the United States. Along with the Dominican Republic, several countries in Latin America, including Argentina, Bolivia, Brazil, Chile, Ecuador, Peru and Uruguay, also enjoyed a surge in exports of agricultural, mineral and forest products in volume and an even sharper upturn in value terms. A renewed escalation in Covid cases in several countries seems to have had little impact on their economy as preventive measures have remained limited. Domestic demand was strong in Brazil and Chile, in particular as Chilean consumers were still able to benefit from the easing of restrictions on the withdrawal of retirement savings. Elections – which were sometimes heated – had little influence, unlike the serious political and social unrest which dented activity in Colombia. Economies that are highly dependent on tourism, most of which are smaller countries, for example

Caribbean nations, continued to suffer from travel restrictions imposed by the countries that account for most of their tourists (Western Europe, North America). We have raised our assessment for Chile, Ecuador, Guatemala and Mexico, and more specifically for wood, electronics, chemicals, metals and paper in several countries.

The recovery was timid in Africa and the Middle East. The leading sub-Saharan economies – South Africa, Angola and Nigeria – which were facing serious structural problems before the crisis, struggled to recover, despite the rise in prices for mining commodities, of which they are major exporters. Domestic demand is being held back by high unemployment and economic policy is hindered by fiscal imbalances and high debt. Cameroon, Congo, Mozambique, Namibia, Zambia and, to a lesser extent, Ghana, are facing the same problems and the same consequences. In Ethiopia and Democratic Republic of Congo, security issues have once again come to the fore. Economies dominated by agriculture (Ivory Coast, Kenya, Senegal) proved more resilient during the crisis and have picked up faster, despite the absence of foreign tourists. Further north, Morocco benefited from the upturn in European demand, in particular in the automotive sector, but Egypt and single-industry countries (Cape Verde, Madagascar, Mauritius, etc.) continued to suffer from the virtual stoppage in tourism. Tunisia suffered more as political and social unrest added to the setbacks in tourism. Algeria only partially benefited from the rise in oil and gas prices due to the constraints arising from the poor state of its public finances and external accounts. Libya returned to the oil and gas scene following improvements in its political situation and national security. In the Middle East, the sharp rise in oil and gas prices facilitated the recovery in the Gulf States and Saudi Arabia, but the crisis left its mark on their public finances, the availability of foreign workers and construction activity. Iran and Iraq, and in particular Libya, continue to be held back by political problems. Israel benefited from the sharp recovery in the United States and Europe owing to its presence in pharmaceuticals and electronics. Based on the above, we raised our assessment of Saudi Arabia, Botswana, the United Arab Emirates, Guinea and Israel, as well as for retail in the UAE and Israel and paper in Israel.

Overall, in the first half of 2021, Coface recognised an improvement in companies' short-term credit risk in 18 countries, while it downgraded 71 country ratings in the same period a year earlier.

b) Significant events in the period

Change in governance –Bernardo Sanchez Incera appointed Chairman of the Board of Directors

On February 10, 2021, Natixis and Arch Capital announced that the sale of a 29.5% stake in Coface capital had received all the necessary approvals for its closing. In line with the announcements made in February 2020, all the directors representing Natixis have resigned. The Board then co-opted four directors presented by Arch as well as Bernardo Sanchez Incera, who was then appointed Chairman of the Board. As of today, Coface's Board of Directors has therefore 10 members, 4 women and 6 men, the majority (6) of whom are independent directors.

Rating agencies recognise Coface's good performance

On February 10, 2021, the rating agency Moody's has confirmed the financial strength rating (Insurance Financial Strength – IFS) for Coface at A2. The agency has also raised the outlook for Coface, which is now stable.

On March 18, 2021, the rating agency AM Best affirmed the A (Excellent) Insurer Financial Strength – IFS rating of Compagnie française d'assurance pour le commerce extérieur (la Compagnie), Coface North America Insurance Company (CNAIC) and Coface Re. The outlook for these ratings remain "stable".

On April 20, 2021, the rating agency Fitch affirmed Coface AA- Insurer Financial Strength (IFS) rating. The agency also removed the Rating Watch Negative. The outlook is now stable.

Appointment of a Group Chief Operating Officer of Coface

On March 24, 2021, Declan Daly was appointed Chief Operating Officer of the Coface Group, effective as of April 1, 2021. He will continue to report directly to Xavier Durand, the Coface Group's Chief Executive Officer, and will join the Group's Executive Committee. In this newly created role, Declan will be responsible for furthering and accelerating Coface's transformation terms of service quality and operational efficiency across the Group.

Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of 3 March 2021, decided to cancel the 1,852,157 shares purchased under the share buyback program, as announced on 27 October 2020; and subsequently reduce the company's share capital.

Therefore, the share capital of COFACE SA now stands at €300,359,594 divided into 150,179,792 shares with a nominal value of €2 each.

Expiry of the main government schemes

In 2020, many governments were quick to recognize the crucial role of credit insurance in maintaining business-to-business credit, the primary source of financing for many companies. In order to guarantee the availability of credit insurance in a period when the risk is not necessarily insurable, many states set up guarantee mechanisms of varying form and scope. As of 31 December 2020, Coface had signed 13 government agreements representing 64% of its exposure.

As initially planned, the vast majority of these government schemes (excluding top-up) have expired on 30 June 2021 leading to run-off on these policies. Indeed, governments and credit insurance players, including Coface, agree with the analysis that an extension is not necessary based on the current market situation. However, the various players will continue to work closely together after June 30 2021 in order to be able to act quickly, within the context of EU legislation, in the event that the economic situation deteriorates significantly.

Entry into the scope of consolidation

During the first semester 2021, three entities held for several years entered into the scope of consolidation. These entities are Coface Poland insurance service, Coface Romania insurance service and Coface Finance Israel.

c) Events after June 30, 2021

There has been no material change in the Group's financial or commercial position since 30 June 2021.

d) Comments on the results as at 30 June 2021

The changes at constant FX and perimeter presented for comparison purposes in the tables below take into account the consolidation of Coface GIEK Kredit from 1 July 2020.

i. Revenue

The Group's consolidated revenue increased by 7.4% at constant FX and perimeter (+6% at current FX and perimeter), rising from €724.6 million for the first half of 2020 to €768.0 million for the six months to 30 June 2021.

Changes in exchange rates had an adverse impact on revenue of 1.4 points. This was mainly due to the depreciation of the US dollar (the main foreign currency in the portfolio) and, to a lesser extent, of Asian and Latin American currencies (in particular the Argentine peso and the Brazilian real).

The table below shows the changes in the Coface Group's consolidated revenue by business line for the six months ending on 30 June 2020 and 2021:

Change in consolidated revenue by activity (in millions of euros)	**As at 30 June**		**Change**		
	2021	**2020**	**in €m**	**as a %**	**as a %: at constant FX and perimeter**
Insurance	736.5	696.1	40.4	5.8%	7.3%
of which Earned premiums (1)	*638.7*	*599.1*	*39.6*	*6.6%*	*8.5%*
of which Services (2)	*97.8*	*97.0*	*0.8*	*0.8%*	*0.1%*
Factoring	31.5	28.6	3.0	10.4%	10.9%
Consolidated revenue	**768.0**	**724.6**	**43.4**	**6.0%**	**7.4%**

(1) Earned premiums - Credit Insurance, Single Risk and Bonding
(2) Sum of revenue from services related to Credit Insurance ("Insurance fees and commissions" and "Other insurance-related services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information - "Business information turnover" and debt collection services - "Receivables management").

Insurance

Revenue from insurance businesses (including surety bonds and single risk coverage) increased by 7.3% at constant FX and perimeter (-0.5% at current FX and perimeter), rising from €696.1 million for the first half of 2020 to €736.5 million for the first half of 30 June 2021.

Gross earned premiums were up by 8.5% at constant FX and perimeter (-1.9% at current FX and perimeter), from €599.1 million at 30 June 2020 to €638.7 million at 30 June 2021. Mature markets were heavily impacted by the contraction in their clients' business in the second half of 2020 and saw premiums fall. However, an economic recovery is under way in 2021, leading to an increase in premium income.

Production of new contracts, representing €72.2 million (annualised) in the first half of 2021, declined in relation to the first half of 2020 (€88.8 million). The retention rate (ratio between the annualised value of renewed policies and the annualised value of policies to be renewed during the period) remained high at 92.4% for the six months ending on 30 June 2021. The price effect was positive at +2.3% at 30 June 2021, whereas it was only just positive at +0.4% one year earlier. This was due to the effects of repricing. Lastly, premium volume benefited from the growth in policyholders' business (volume effect of +1.9% at 30 June 2021, compared with +0.4% in the first half of 2020).

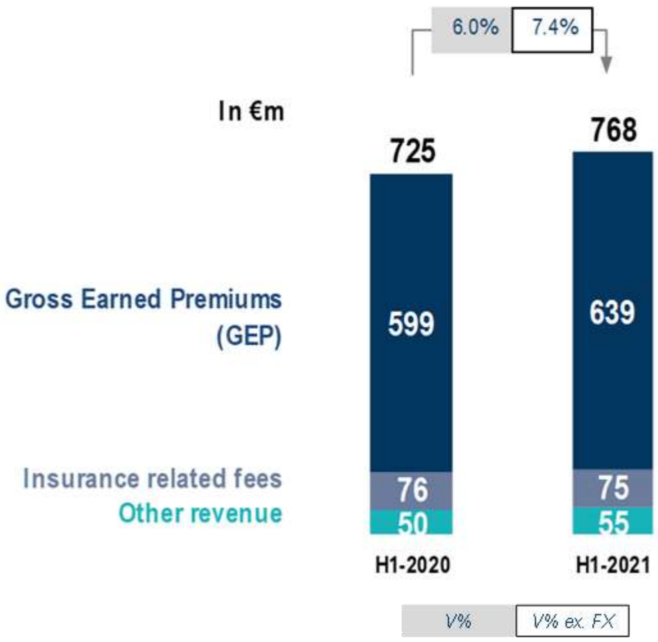
Revenue from service activities rose slightly, by 0.1% at constant FX and perimeter (+0.8% at current FX and perimeter), from €97 million for the first half of 2020 to €97.8 million for the six months to 30 June 2021. This growth was driven by an 11% increase in information services revenue – this business line is a priority for development under the Build to Lead strategic plan.

Factoring

Factoring revenue (in Germany and Poland only) was up by 10.9% at constant FX and perimeter (+10.4% at current FX and perimeter), from €28.6 million for the first half of 2020 to €31.5 million for the six months to 30 June 2021.

In Germany, factoring revenue increased by 10.8% at current FX and perimeter owing to the rebound in activity volumes.

Poland saw a similar trend with factoring revenue up 8.8% at current FX and perimeter and +11.7% at constant FX.



Change in revenue by region

The following table shows the changes in consolidated revenue (net of intra-group flows) within the Group's seven geographic regions in the first six months of 2020 and 2021:

Change in consolidated revenue by region of invoicing (in millions of euros)	**As at 30 June**		**Change**			
	2021	**2020**	**in €m**	**as a %**	**as a %: at constant FX**	**as a %: at constant FX and perimeter**
Western Europe	153.7	142.6	11.2	7.8%	7.9%	7.9%
Northern Europe	166.9	147.0	19.9	13.6%	13.3%	9.8%
Mediterranean & Africa	212.0	200.5	11.4	5.7%	7.0%	7.0%
North America	66.3	69.2	-2.9	-4.2%	3.2%	3.2%
Central Europe	75.4	73.5	1.9	2.6%	5.1%	2.4%
Asia-Pacific	57.6	57.1	0.5	0.8%	6.5%	6.5%
Latin America	36.2	34.7	1.5	4%	17.4%	17.4%
Consolidated revenue	**768.0**	**724.6**	**43.4**	**6.0%**	**8.4%**	**7.4%**

All regions posted higher revenue at constant FX and perimeter, with revenue growth being particularly strong in Northern Europe (+9.8%) and Latin America (+17.4%).

In Western Europe, revenue increased by 7.9%, with slower client activity in relation to the first half of 2020 offset by continuing strong growth in TCI premium income.

Northern Europe recorded a 9.8% increase in revenue (13.6% at current FX) due to a very sharp increase in client activity in relation to 30 June 2020 and the consolidation of Coface GIEK Kredit.

In the Mediterranean & Africa region, revenue rose by 7% (5.7% at current FX), mainly driven by a significant increase in volumes in relation to the first half of 2020.

In North America revenue was up by +3.2% (-4.2% at current FX) as activity levels improved on the previous year.

Central Europe reported a +2.4% increase in revenue (+2.6% at current FX due to the consolidation of two service entities in Romania and Poland). Factoring revenue also rose in Poland.

In the Asia-Pacific region, revenue increased by 6.5% (+0.8% at current FX), buoyed by stronger retention and new contract production rates than in 2020 and better activity levels.

Latin America reported revenue growth of 17.4% (+4% at current FX), boosted by an improvement in the retention rate and a favourable price effect. Portfolios in this region include a number of contracts in international currencies (essentially the US dollar), which impacted the performance at current FX.

ii. Underwriting income

Underwriting income before reinsurance

Underwriting income before reinsurance amounted to €240 million for the six months ending on 30 June 2021, an increase of 418% on the first half of 2020 (€193.7 million) due to a fall in the loss ratio.

The 30.1 point improvement in the combined ratio before reinsurance to 62.0% in the first half of 2021 (92.1% in the first half of 2020) was attributable to a 29.4 point improvement in the loss ratio and a 0.7 point drop in the cost ratio. The cost ratio benefited from savings in office rental fees and travel expenses in the first half of 2021.

Loss experience

The Group's loss ratio before reinsurance, including claims handling expenses, declined by 29.4 points, from 59.0% for the six months to 30 June 2020 to 29.5% for the half year ended on 30 June 2021. This reflects a significant fall in claims reported as well as the reversal of provisions in the previous financial year due to the improving economic situation. The loss experience therefore declined across all geographic regions.

Loss Experience	**As at 30 June**		**Change**	
(in millions of euros and %)	**2021**	**2020**	**in €m**	**as a %**
Claims expenses incl. claims handling costs	188.7	353.3	-164.6	-46.6%
Loss ratio before reinsurance	29.5%	59.0%		-29,4 pts
Earned premiums	638.7	599.1	39.6	6.6%

In Western Europe, the loss ratio stood at 30.9% for the six months to 30 June 2021 (-31.4 points), reflecting the low frequency and severity of claims reported compared to the first half of 2020.

Northern Europe recorded an 18.4 points drop in its loss ratio to 27.0% owing to a more favourable economic environment and a lower severity rate.

The Mediterranean & Africa region reported a 20.1 points drop in its loss ratio to 34.9% following an increase in the frequency and severity of claims in Gulf countries and South Africa in 2020.

In North America, the loss experience was down 47.9 points to 28.8%, reflecting a better economic environment and a significant fall in claims reported.

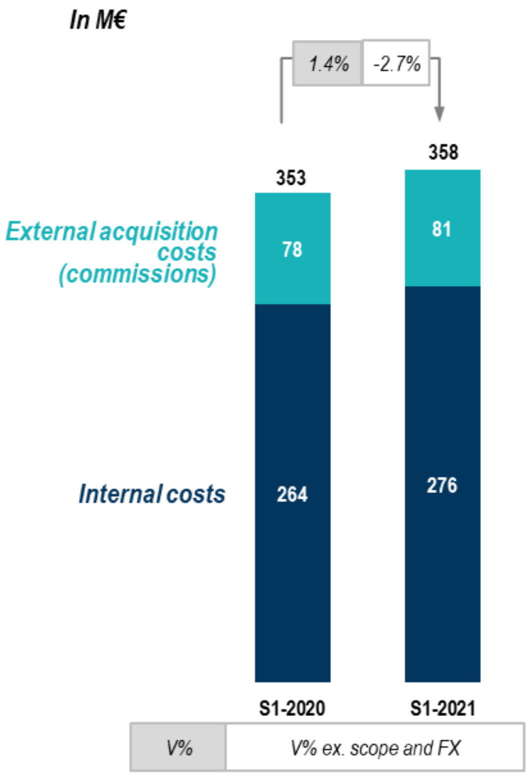
The loss ratio in Central Europe was down 21.4 points to 24.7%, benefiting from an economic rebound and a low level of claims.

In the Asia-Pacific region, the loss ratio improved by 39.5 points to 13.2%, confirming the economic rebound and the fall in the severity of claims.

In Latin America, the loss ratio stood at 21.8% at 30 June 2021, down 70.1 points from the period ended 30 June 2020, which was badly hit by the consequences of the economic crisis and the severity of claims.

Change in loss experience by region of invoicing (as a %)	**As at 30 June**		**Change (% points)**
	2021	**2020**	
Western Europe	30.9%	62.3%	-31.4 pts
Northern Europe	27.0%	45.5%	-18.4 pts
Mediterranean & Africa	34.9%	55.0%	-20.1 pts
North America	28.8%	76.6%	-47.9 pts
Central Europe	24.7%	46.1%	-21.4 pts
Asia-Pacific	13.2%	52.7%	-39.5 pts
Latin America	21.8%	91.9%	-70.1 pts
Loss ratio before reinsurance	**29.5%**	**59.0%**	**-29.4 pts**

Overheads



General expenses (in millions of euros)	As at 30 June		Change		
	2021	**2020**	**in €m**	**as a %**	**as a %: at constant FX and perimeter**
Internal general expenses	276.3	263.9	12.4	4.7%	5.7%
of which claims handling costs	*16.3*	*15.2*	*1.1*	*7.5%*	*8.4%*
of which investment management expenses	*1.9*	*1.6*	*0.3*	*17.5%*	*17.7%*
Commissions	81.2	78.0	3.2	4.1%	6.9%
Total general expenses	**357.6**	**341.9**	**15.6**	**4.6%**	**5.9%**

Total overheads, which include claims handling expenses and internal investment management expenses, increased by 5.9% at constant FX and perimeter (4.6% at current FX and perimeter), from €341.9 million for the period ended on 30 June 2020 to €357.6 million for the six months to 30 June 2021.

Policy acquisition commissions were up by 6.9% at constant FX and perimeter (4.1% at current FX and perimeter), from €78.0 million for the first half of 2020 to €81.2 million at 30 June 2021. This increase, driven by the brokerage-based Asia-Pacific and North American markets, was smaller than the rise in earned premiums (+8.5% at constant FX and perimeter), as the in-sourcing of agents in North America helped generate savings.

Internal overheads including claims handling expenses and investment expenses increased by 5.7% at constant FX and perimeter (4.7% at current FX and perimeter), from €263.9 million for the first half of 2020 to €276.3 million for the six months to 30 June 2021.

Payroll costs increased by 5.8% at constant FX and perimeter (5.4% at current FX and perimeter), from €154.2 million in the first half of 2020 to €162.4 million in the same period of 2021. New hires relating to the resumption of transformation projects and the development of adjacent business account for this increase.

IT expenses rose by 19.1% at constant FX and perimeter (20.9% at current FX and perimeter) to €29.1 million owing to transformation projects and the low level of these expenses in the first half of 2020 (when transformation projects and investments were reprioritised in response to the crisis).

The rise in other expenses (taxes, information costs, rent) was limited to 1.6% at constant FX and perimeter (-1.1% at current FX and perimeter), from €85.6 million in the first half of 2020 to €87.6 million in the first half of 2021. This slight increase was mainly due to savings made in the first half of 2020 because of confinement measures and the postponement of certain projects.

The gross cost ratio improved by 0.7 point, from 33.2% in the first half of 2020 to 32.5% in the first half of 2021, as revenue rose faster than overheads. Accordingly, the decline in earned premiums had a positive impact of 2.1 points, which was offset by the 0.9 point increase in internal overheads and the 0.5 point rise in policy acquisition commissions.

In Western Europe, overheads were up 14.7% at constant FX and perimeter (+14.8% at current FX and perimeter). Investments in staff and IT are resuming. External expenses (policy acquisition commissions) rose in line with the rebound in activity.

In Northern Europe, overheads rose by 6.2% at current FX and perimeter and by 1.5% at constant FX and perimeter. These expenses increased following the consolidation of Coface GIEK Kredit in this region from 1 July 2020. In addition, the region hired new staff in service activities and factoring.

In the Mediterranean & Africa region, overheads were up 4.6% at constant FX and perimeter (+5.9% at current FX and perimeter). Policy acquisition costs and premiums rose while internal overheads also increased to cover the development of service activities, and in particular information services.

In North America, overheads were up 2.5% at constant FX and perimeter (+10.6% at current FX and perimeter). Much of this increase was due to the finalisation of the in-sourcing of agents in the United States at the end of May 2020.

In Central Europe, overheads rose slightly, by 0.8% at constant FX and perimeter (-0.5% at current FX and perimeter). Two services entities in Coface Romania insurance services and Coface Poland insurance services include in the scope of consolidation in the first half of 2021.

In the Asia-Pacific region, overheads fell by -8.2% at constant FX and perimeter (-3.7% at current FX and perimeter). External policy acquisition fees declined in the main countries in this region and the effects of rent renegotiations in 2020 were felt.

In Latin America, overheads contracted by 3.0% at constant FX and perimeter (+12.2% at current FX and perimeter). Payroll costs increased notably due to inflation (especially in Argentina), but a number of leases were renegotiated and the generalisation of remote working reduced office-related expenses.

Underwriting income after reinsurance

Underwriting income after reinsurance amounted to €155.8 million for the six months ending on 30 June 2021, up 286% on the first half of 2020 (€40.4 million).

The €78.3 million increase in reinsurance costs to €84.3 million at 30 June 2021 (€6 million at 30 June 2020) can be attributed to the very low loss experience for the current year and previous underwriting periods and the impact of government reinsurance schemes (negative impact of €24.9 million in the first half of 2021).

	As at 30 June		Change	
(in thousands of euros and %)	**2021**	**2020**	**(in €m)**	**(en %)**
Revenue	768,038	724,619	43,419	6.1%
Claims expenses	-188,723	-353,275	164,551	-46.6%
Policy acquisition costs	-124,821	-116,618	-8,203	7.0%
Administrative costs	-133,333	-132,621	-713	0.5%
Other insurance activity expenses	-32,997	-30,072	-2,924	10%
Expenses from banking activities, excluding cost of risk	-6,412	-6,596	184	-3%
Cost of risk	106	163	-57	-35%
Expenses from services activities	-41,815	-39,256	-2,559	7%
UNDERWRITING INCOME BEFORE REINSURANCE	**240,043**	**46,345**	**193,698**	**418%**
Income and expenses from ceded reinsurance	-84,254	-5,969	-78,285	1311%
UNDERWRITING INCOME AFTER REINSURANCE	**155,788**	**40,375**	**115,413**	**286%**
Combined ratio after reinsurance	51.9%	88.6%	-	-

iii. Investment income, net of management expenses (excluding finance costs)

Financial markets

In the first half of 2021, the global economy continued to normalise after the exceptional shock suffered in 2020, but the pace of recovery varied between regions. The United States experienced a very sharp improvement, underpinned by sizeable stimulus measures. Europe was penalised by ongoing restrictions in the first quarter before seeing a sharp rebound in the second quarter as many sectors gradually began to reopen.

The United States economy grew strongly, benefiting from the removal of Covid restrictions as well as confirmation from the Federal Reserve that it would pursue its expansionary monetary policy for an extended period, and the new $2 trillion infrastructure plan, which comes on top of the $1.9 trillion recovery package. The manufacturing and services sectors continued their sharp rebound, driven by robust demand. The unemployment rate stood at 5.9% in June, with businesses reporting an increase in their work force, although the labour market remained weaker than before the crisis. Inflation picked up sharply, to stand at 5.0% over 12 months in May. Against this backdrop, the US 10-year yield ended the first half of the year higher, rising from 0.91% to 1.47% and pushing all yields upwards. The S&P 500 also ended the period higher, with a rally of +16% since the start of the year.

In the Eurozone, the economy ended the period on a positive note, boosted by an easing in the Covid-19 epidemic, which allowed a gradual reopening in many sectors, and by the ECB, which confirmed it would maintain its extremely dovish monetary policy. The main beneficiary during this period was the industrial sector, which was underpinned by the recovery in demand, while service businesses only began to rebound in the second quarter as restrictions were eased. Employment remained weak, although the extension of job protection measures reduced pressure on the unemployment rate, which was stable at 7.9% in May (compared with 7.4% in January 2020). Inflation slowed slightly to 1.9% in June. On the debt markets, the German 10-year yield rose sharply on the back of US Treasury bonds, increasing from -0.60% on 1 January 2021 to -0.21% on 30 June 2021. Meanwhile, the equity market rose by +14% in Europe over the period.

In the emerging economies, the easing of restrictions and increased mobility boosted the economic recovery. Many growth forecasts were revised upwards and the improvement in international trade for commodities producers was the main driver of the rebound. Some emerging market central banks have already raised their key rates, while others are likely to follow suit soon. However, the contraction in global liquidity and tougher financial and monetary conditions following the Fed's tightening weighed on emerging market central banks. Fiscal policy should remain relatively expansionary, with efforts to improve public finances postponed to 2022 or later.

Financial income

Against this economic backdrop of recovery and low interest rates, Coface Group decided to raise its portfolio's risk level, which it had lowered significantly in 2020, by reducing its exposure to money market products and investing in emerging government bonds and equities.

The overall value of the portfolio declined by €35 million over the first half of the year, mainly due to non-consolidated subsidiaries, with the consolidation of three entities that were previously not consolidated and a fall in the value of other non-consolidated entities. Equities and bonds increased due to reinvestments and the equity market rally.

The financial portfolio by main asset classes breaks down as follows:

Market value (in € million)	**30/06/2021**	**31/12/2020**
Listed shares	204	141
Unlisted shares	8	8
Bonds	1,990	1,914
Loans, Deposits and UCITS money-market funds	392	540
Investment property	234	231
Total investment portfolio	**2,827**	**2,834**
Associated and non-consolidated companies	121	150
Total	**2,949**	**2,984**

In the first half of 2021, income from the investment portfolio came to €18.1 million, of which -€0.6 million was from realised gains and impairment/reversals net of hedging (equities and fixed-income), compared to €17.6 million, of which -€0.9 million from realised gains and impairment/reversals net of hedging (equities and fixed-income) for the first half of 2020. This increase in income came mainly from the rise in current returns owing to the reduction in money market assets. Although yields rose over the period, the fall in the value of bonds was largely offset by the rise in equities and real estate, limiting the overall decline in the financial portfolio's value. The Group managed to stabilise its accounting rate of return excluding realised gains, which stood at 0.7% in the first half of 2021, unchanged from the same period of 2020.

Investment portfolio income (in € million)	As at 30 June	
	2021	2020
Shares	4.1	4.7
Fixed income instruments	10.0	7.6
Investment property	4.0	5.3
Total investment portfolio	**18.1**	**17.6**
o/w realized gains/losses	-0.6	-0.9
Associated and non-consolidated companies	-0.2	1.0
Net foreign exchange gains and derivatives	1.6	1.3
Financial investments charges	-3.7	-3.2
Total	**15.9**	**16.7**

After income from equity securities, foreign exchange and derivatives income, financial expenses and investment fees, net financial income for the first half of 2021 came to €15.9 million, compared with €16.7 million in the same period of 2020. The shortfall was mainly due to the postponement of dividend payments from non-consolidated entities to the second half of 2021.

The economic rate of return of financial assets before foreign exchange and derivatives income, equity securities and investment fees was therefore 0.9% for the first half of the year, versus -0.7% for the same period in 2020. The economic rate of return improved sharply in the first half of 2021 in relation to the previous year due to the increase in revaluation reserves compared with 2020, when revaluation reserves declined over the same period due to the onset of the health crisis.

iv. Operating income

(in millions of euros)	As at 30 June		Change		
	2021	2020	in €m	as a %	as a % : at constant FX and perimeter
Consolidated operating income	**172.1**	**55.4**	**116.7**	**211%**	**200%**
Operating income including financial costs	**161.7**	**44.4**	**117.3**	**264%**	**246%**
Other operating incomes and expenses	0.4	-1.8	2.2	NS	NS
Operating income including financial costs and excluding other operating incomes and expenses	**161.2**	**46.1**	**115.1**	**250%**	**233%**

Consolidated operating income stood at €172.1 million, up 211% compared to the half year ended 30 June 2020 (€116.7 million).

Current operating income, including finance costs and excluding non-recurring items (other operating income and expenses), increased by 250%, from €46.1 million for the half year ended 30 June 2020 to €161.2 million for the half year ended 30 June 2021.

The combined ratio after reinsurance improved by 36.7 points, from 88.6% for the half year ended 30 June 2020 to 51.9% for the half year ended 30 June 2021. The net loss ratio and cost ratio improved by 36.0 points and 0.8 point respectively.

Other operating income and expenses amounted to €0.4 million, comprising mainly the following:

- expenses related to a dispute in Switzerland, for €0.2 million;
- reversals of allowances following the entry of three entities into the scope of consolidation (entities in Israel, Romania and Poland), for +€0.8 million.

Change in consolidated operating income by region (in millions of euros)	**As at 30 June**		**Change**	**Share of half-yearly total at June 30, 2020**
	2021	**2020**		
Western Europe	-5.6	1.0	-6.6	-3%
Northern Europe	55.6	36.9	18.7	31%
Mediterranean & Africa	64.9	26.5	38.4	36%
North America	18.3	-7.3	25.6	10%
Central Europe	25.1	9.7	15.4	14%
Asia-Pacific	10.8	-1.0	11.8	6%
Latin America	12.2	-8.7	20.9	7%
Total (excluding inter-regional flows and holding costs not rebilled)	**181.3**	**57.1**	**124.2**	**100%**

v. Net income (attributable to equity holders of the parent)

Coface Group's effective tax rate fell from 46% for the half year ended 30 June 2020 to 23.8% for the half year ended on 30 June 2021. The high effective tax rate in the first half of 2020 was due to the occurrence of a major loss in one country, for which it was decided not to record a deferred tax asset. In the first half of 2021, the Group recorded deferred tax assets in several entities.

Net income (Group share) amounted to €123.2 million at 30 June 2021, up 414% in relation to the first half of 2020 (€24 million).

e) Group Cash and Capital

Shareholders' equity

Coface SA's net equity Group share under IFRS totalled €1.996 billion as at 30 June 2021, down slightly compared to the end of December 2020, when it stood at €1.988 billion.

Goodwill

Goodwill stood at €154.5 million as at 30 June 2021, compared to €154.2 million at the end of December 2020.

Debt

Coface Group's consolidated debt, excluding current operating debt, consists of financial debt and operating debt incurred in connection with the refinancing of the factoring business.

The financing of the factoring business amounted to €2.064 billion at 30 June 2021, compared with €1.961 billion at 31 December 2020.

Gross financial debt, excluding the financing of the factoring business, accounted for €382.4 million at the end of June 2021 compared with €389.8 million at 31 December 2020. The variation of -€7.4 million was essentially due to an adjustment arising from the amount of the accrued coupon on subordinated debt (payment made in March 2021). The Group's gross debt-to-equity ratio stands at 19%, i.e. the same level as at 31 December 2020.

Solvency of the Group

In accordance with regulations, the Group measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) calculated based on a Partial Internal Model approved in 2019 by the Autorité de Contrôle Prudentiel et de Résolution (Prudential Supervisory Authority) for its insurance business, on the basis of the standard formula for its other insurance lines and according to bank regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet (see the 2020 Registration Document, Section 5.2.3 "Risks related to hedging the Group's solvency" – SCR ratio).

For insurance activities, pursuant to the Solvency II Regulation which became effective on 1 January 2016, the Group has carried out an estimated calculation of the Solvency Capital Requirement (SCR) at June 30, 2021. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operational risks. It takes account of frequency risks and severity risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon.

The Group also calculates the capital requirement for the factoring business. It is estimated by applying a 10.5% rate to the risk-weighted assets (or RWA). RWAs are calculated on the basis of the factoring exposure, by applying weighting as a function of the probability of default and the expected loss given default.

The amount of the capital requirement for the insurance business and the capital requirement for the factoring business is comparable with the available capital.

The Group has carried out an estimate[1] of its capital requirement and solvency ratio as at 30 June 2020. The estimated total capital requirement as at 30 June 2021 is €1,188 million (compared to €1,077 billion as at 31 December 2020), including €1,010 million corresponding to the insurance SCR (estimated using the Partial Internal Model) and €178 million to the capital required by the financing companies.

Available capital as at 30 June 2021 is estimated at €2,264 million (compared to €2,204 billion as at 31 December 2020). Available capital should be compared with the sum of the insurance SCR and the capital requirement for factoring.

As of 30 June 2021, the capital requirement solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring), is estimated at 191%[2] (compared with 205% at the end of 2020).

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[1] Capital requirements as at 30 June 2021 were estimated using the Partial Internal Model.

[2] This estimated solvency ratio constitutes a preliminary calculation based on Coface's interpretation of the Solvency II Regulation; the result of the final calculation may differ from the result of this preliminary calculation. The estimated solvency ratio is not audited.

*Estimation of the factoring capital requirement according to the standard approach

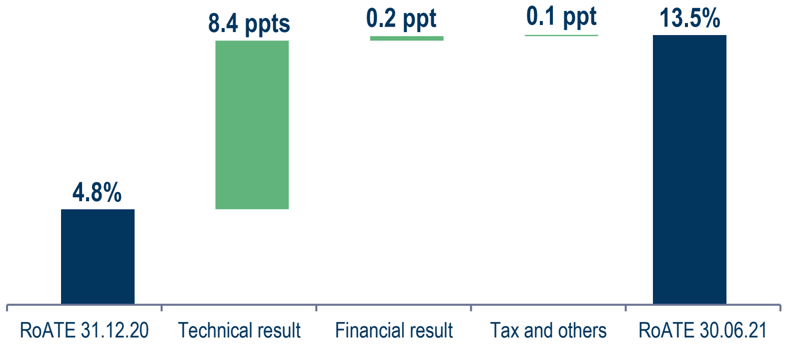
Given the approval of the Partial Internal Model in December 2019, the Group's solvency capital requirement (SCR) and minimum capital requirement (MCR) were defined using the Partial Internal Model. This model allows for better alignment between regulatory capital requirements and Coface's portfolio.

Return on equity

The return on equity ratio is used to measure the return on the Coface Group's invested capital. Return on average tangible equity (or "RoATE") is the ratio between net income for the period and the average of accounting equity (both attributable to equity holders of the parent) excluding intangible items (intangible asset values).

The table below presents the factors used to calculate the Coface Group's RoATE over the December 2020 to June 2021 period:

(in million euros)	As at 30 June 2021	As 31 December 2020
Accounting equity (attributable to equity holders of the parent) including net income (attributable to equity holders of the parent) – A	1,996	1,998
Intangible assets – B	233	231
Tangible equity – C (A – B) As at 30 June 2021, tangible equity include the annualized net income – C (A-B+E)	1,764	1,767
Average tangible equity– D ([Cn+Cn-1]/2)	1,827	1,736
Net income (attributable to equity holders of the parent)– E	123.2	82.9
RoATE – E/D As at 30 June 2021, net income is annualized– E x 2/D	13.5%	4.8%



f) Risk factors

By the nature of its activities, the Coface Group is exposed to five major types of risk (credit risk, financial risk, strategic risk, operational and non-compliance risk and reinsurance risk) of which credit risk and financial risk are the two most significant. Credit risk is the risk of losses arising from non-payment by a debtor of a receivable owed to one of the Group's policyholders. Financial risk is the risk of losses due to unfavourable variations in interest rates, exchange rates or the market value of securities or property investments. For the efficient management of its operations and processes, the Coface Group has set up its own risk management structure.

Because the Coface Group is a listed company, the main risk factors and uncertainties faced by the Group are described in detail in Chapter 5 "Main risk factors and their management inside the Group" of the Coface Group's Registration Document filed with the AMF on 31 March 2021 under number D.21-0233.

In the first half of 2021, given the ongoing epidemic, Coface is closely monitoring its risks and demonstrating its agility. The guarantee mechanisms put in place by the States since the second half of 2020, ended on 30 June 2021.

g) Future risks and uncertainties

Factoring companies have applied IFRS 9, "Financial Instruments" since 1 January 2018.

Application of the aforementioned standard to insurance entities is deferred to 2023, i.e. at the same time as IFRS 17, "Insurance Contracts", on the recognition of insurance contracts. These two important draft standards could have a significant impact on the recognition of liabilities linked to insurance policies and the classification of financial assets.

h) Outlook

i. Economic environment

In our scenario, the global economic recovery should continue in the second half of 2021, despite temporary local spikes in the virus.

The recovery should gain strength in Europe with increased vaccination coverage, the removal of the last health restrictions, the reopening of tourism – at least within the region – and the start of the implementation of the European Union's recovery package, NextGenerationEU, which should have an impact on investment. Households, or at least those with average or high incomes, have built up savings likely to be spent on durable goods and consumer goods, although some of these savings may be kept as a precaution. In North America, US growth could be weaker than in the previous period unless the American Jobs and American Families Plans are quickly adopted on terms similar to those set out by President Biden, in which case the pace of growth will pick up. However, if the labour force participation rate does not return to pre-crisis levels, this could become an obstacle, at least in some sectors. Monetary policy is expected to remain very dovish in both regions, and fiscal support measures will be withdrawn very gradually, especially in Europe. Housing construction should be the main beneficiary, while the service sector is likely to continue to catch up industry.

In emerging Asia, the rise of Covid at the end of the first half of 2021 in several countries that had previously been little affected and the resulting restrictions on movement, combined with the limited effectiveness of the dominant Chinese vaccine, could cause growth to remain flat, albeit at high levels. The Chinese authorities' efforts to prevent the economy from overheating and the delays facing freight transport and the availability of electronic components could have the same effect. It will be some time before tourists return, to the detriment of Thailand, Indonesia, Cambodia and other countries. However, Indonesia and Malaysia should continue to benefit from high commodity prices, while in Cambodia and Bangladesh, clothes exports should be boosted by the reopening of stores in the West.

Among the advanced Asian economies, South Korea and Taiwan should continue to ride the wave of strong demand for components, with the former also benefiting from strong demand in the automotive and shipping sectors. In contrast, only a moderate recovery is expected in Japan, with automotive and electronic goods production hindered by the component shortage, while the Olympic Games will have a neutral impact at best. Australia and New Zealand will benefit from high commodity prices, with New Zealand also profiting from solid demand from China. Their domestic demand should hold up, with both countries having contained the virus, in particular due to the absence of land borders. Poor political relations between Australia and China are affecting trade between the two countries.

In Africa, the Middle East, Latin America, the Caribbean, Central Asia and Eastern Europe, which are mostly emerging and developing countries, producers and net exporters of agricultural, forest and mining commodities should continue to benefit from higher prices. In contrast, net importers of these products face higher costs. In any case, this will raise the cost of living for the majority of their population, reducing purchasing power. Tourism, which is crucial for some of these countries, may resume only slowly, which will also dampen domestic demand. In these circumstances, investors, and foreign investors in particular, could remain cautious, or at least selective. However, few of these countries are likely to apply strict health restrictions in the event of a resurgence of the virus (which has already been seen in several of these countries at the end of the first half) owing to their high economic and social cost and the difficulty in ensuring compliance.

As well as the fairly probable events described above, other highly uncertain elements could have a positive or negative impact on growth.

The first is the occurrence of another major wave of Covid infections, in particular in advanced countries, which could be obliged to reintroduce restrictions with a harmful effect on activity. Much will depend on vaccination coverage, with vaccinations stagnating in the United States and Western Europe and well behind in most other countries, and on the effectiveness of vaccines against new strains of the virus. However, we can expect any measures to be more proportionate and that people have become accustomed to carrying on with their lives in these circumstances.

The second uncertainty lies with oil and gas prices. They are currently on the rise, but will be influenced by production in Libya, Iran and Venezuela, the future of shale oil in the United States, and the OPEC+ agreement. This will largely impact oil producing countries' public finances and external accounts.

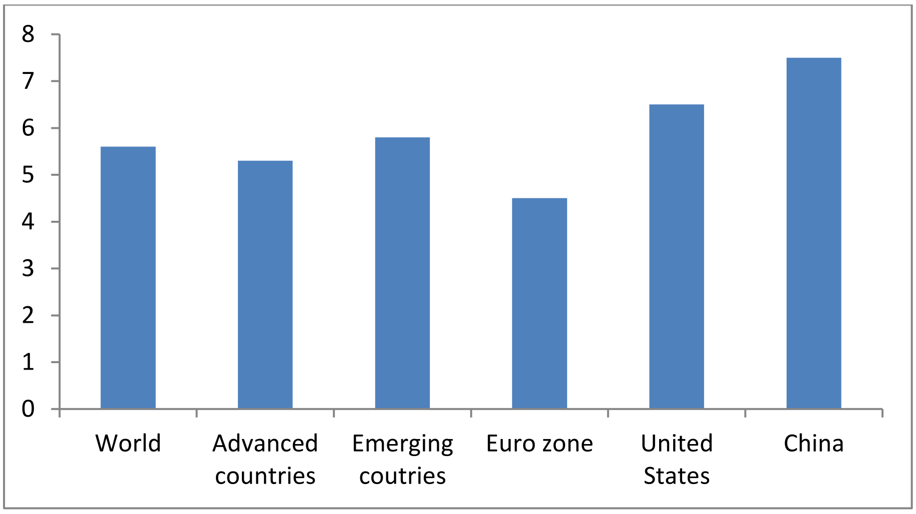
The third unknown is the price of other commodities and intermediate chemical, metal, paper and other products. Will prices continue to rise, even though the rally is, depending on the product, being fuelled by the construction boom, strong demand for electric vehicles, surplus inventories, or speculation? Will the shortage of electronic components continue until 2022? The answer to these questions will be crucial for producers and manufacturers, but also for the sectors that use these products.

We expect transport prices to remain high until 2022 but cannot rule out an earlier decline if the health situation among crew members returns to normal, health restrictions are eased at ports or commercial flights resume. This will also facilitate trade flows.

The main central banks (ECB, Fed, etc.) consider the current rise in inflation to be short-lived and linked to temporary phenomena. Since it is not affecting economic agents' expectations, this increase in inflation does not require them to tighten monetary policy. If they were to change their opinion, this could raise the cost of borrowing for emerging and developing countries that secure funding on the financial markets, as they will have to retain investors or attract new ones.

For the time being, we are not seeing a significant deterioration in companies' financial position, nor an increase in payment default rates, which remain at all-time lows. When governments withdraw their support (payment of furlough schemes, loan guarantees and reduced rates, reductions in taxes or social security contributions, simpler bankruptcy procedures, etc.), which is already largely the case for emerging and developing countries, companies' cash flow is likely to be affected. Much will depend on the pace at which the support is removed, and the measures taken to underpin the worst affected sectors, whose future is the most uncertain (retail, aviation, tourism, etc.).

GDP growth rate (in %) estimation for 2021 (source Coface)



ii. Outlook for the Group

In the second quarter of 2021, the global economy confirmed its rebound. As such, Coface expects a global GDP growth of 5.6% in 2021 followed by 4.3% in 2022. Progress on vaccinations and the massive measures to support the economy have led to localised overheating resulting in big price increases of varying duration (timber, steel, semi-conductors). These price increases have fuelled the debate on whether some degree of persistent inflation could return. Despite these tensions and the existence of viral outbreaks, Coface is expecting a continued economic recovery in the second half of the year.

Against this backdrop, the number of bankruptcies has remained at historically low levels in most countries, whether or not they have set up government trade credit insurance schemes. The number of bankruptcies is therefore expected to logically increase as the economy recovers from the public health crisis and economic support measures are withdrawn.

In this context, Coface continues to invest in improving its efficiency and its operating tools, while strengthening its growth opportunities in adjacent businesses.

Coface's operations continue to be backed by a solid balance sheet. Its solvency ratio reached 191%[3], and 186%[1] excluding government schemes, which is above the target range of 155% to 175%.

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[3]*This estimated solvency ratio disclosed is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.*

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II. Consolidated financial statements

II. Consolidated financial statements

Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at June 30th, 2021 are established in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

The interim financial statements include:
- the balance sheet;
- the income statement;
- the consolidated statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;
- the notes to the financial statements.

They are presented with comparative financial information at December 31st, 2020 for balance sheet items, and for the 6 months ended June 30th, 2020 for income statement items.

The accounting principles and policies used for the interim financial statements as at June 30th, 2021 are the same as the ones used for the year ended December 31st, 2020. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and adopted by the European Union[4]. They are detailed in the note "Applicable Accounting Standards" of consolidated financial statements for the year ended December 31st, 2020.

Finally, mid-year financial statements take into account all the measures established by governments (primarily Europeans) to maintain the availability of credit insurance to a large number of firms. These measures mainly comprise reinsurance contracts and are described in the Significant events section
Coface Group's Board of Directors reviewed these condensed consolidated financial statements on July 28th, 2021. The Audit Committee also previously reviewed them on July 23th, 2021.

[4] The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/finance/ company-reporting/ifrs-financial-statements/index_fr.htm

Significant events

Change in governance –Bernardo Sanchez Incera appointed Chairman of the Board of Directors

On February 10, 2021, Natixis and Arch Capital announced that the sale of a 29.5% stake in Coface capital had received all the necessary approvals for its closing. In line with the announcements made in February 2020, all the directors representing Natixis have resigned. The Board then co-opted four directors presented by Arch as well as Bernardo Sanchez Incera, who was then appointed Chairman of the Board. As of today, Coface's Board of Directors has therefore 10 members, 4 women and 6 men, the majority (6) of whom are independent directors.

Rating agencies recognise Coface's good performance

On February 10, 2021, the rating agency Moody's has confirmed the financial strength rating (Insurance Financial Strength – IFS) for Coface at A2. The agency has also raised the outlook for Coface, which is now stable.
On March 18, 2021, the rating agency AM Best affirmed the A (Excellent) Insurer Financial Strength – IFS rating of Compagnie française d'assurance pour le commerce extérieur (la Compagnie), Coface North America Insurance Company (CNAIC) and Coface Re. The outlook for these ratings remain "stable".
On April 20, 2021, the rating agency Fitch affirmed Coface AA- Insurer Financial Strength (IFS) rating. The agency also removed the Rating Watch Negative. The outlook is now stable.

Appointment of a Group Chief Operating Officer of Coface

On March 24, 2021, Declan Daly was appointed Chief Operating Officer of the Coface Group, effective as of April 1, 2021. He will continue to report directly to Xavier Durand, the Coface Group's Chief Executive Officer, and will join the Group's Executive Committee. In this newly created role, Declan will be responsible for furthering and accelerating Coface's transformation terms of service quality and operational efficiency across the Group.

Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of 3 March 2021, decided to cancel the 1,852,157 shares purchased under the share buyback programme, as announced on 27 October 2020; and subsequently reduce the company's share capital.
Therefore, the share capital of COFACE SA now stands at €300,359,594 divided into 150,179,792 shares with a nominal value of €2 each.

Expiry of the main government schemes

In 2020, many governments were quick to recognize the crucial role of credit insurance in maintaining business-to-business credit, the primary source of financing for many companies. In order to guarantee the availability of credit insurance in a period when the risk is not necessarily insurable, many states set up guarantee mechanisms of varying form and scope. As of 31 December 2020, Coface had signed 13 government agreements representing 64% of its exposure.
As initially planned, the vast majority of these government schemes (excluding top-up) have expired on 30 June 2021 leading to run-off on these policies. Indeed, governments and credit insurance players, including Coface, agree with the analysis that an extension is not necessary based on the current market situation. However, the various players will continue to work closely together after June 30 2021 in order to be able to act quickly, within the context of EU legislation, in the event that the economic situation deteriorates significantly.

Entry into the scope of consolidation

During the first semester 2021, three entities held for several years are entred into the scope of consolidation. These entities are Coface Poland insurance service, Coface Romania insurance service and Coface Finance Israel.

Consolidated balance sheet

Asset

(in thousands of euros)	Notes	June 30, 2021	Dec. 31, 2020
Intangible assets		**232,697**	**230,852**
Goodwill	*1*	154,535	154,245
Other intangible assets	*2*	78,162	76,607
Insurance business investments	*3*	**2,948,944**	**2,982,945**
Investment property	*3*	288	288
Held-to-maturity securities	*3*	1,797	1,872
Available-for-sale securities	*3*	2,870,040	2,896,314
Trading securities	*3*	79	67
Derivatives	*3*	5,553	7,237
Loans and receivables	*3*	71,186	77,167
Receivables arising from banking activities	*4*	**2,379,199**	**2,326,941**
Reinsurers' share of insurance liabilities	*10*	**687,534**	**603,453**
Other assets		**1,023,073**	**1,007,645**
Buildings used for operations purposes and other property, plant and equipment		107,388	112,765
Deferred acquisition costs		41,096	35,494
Deferred tax assets		49,639	49,250
Receivables arising from insurance and reinsurance operations		520,888	516,561
Trade receivables arising from service activities		58,619	62,390
Current tax receivables		47,343	49,853
Other receivables		198,100	181,332
Cash and cash equivalents	*5*	**356,447**	**400,969**
TOTAL ASSETS		**7,627,894**	**7,552,804**

Liability

(in thousands of euros)	Notes	June 30, 2021	Dec. 31, 2020
Equity attributable to owners of the parent		**1,996,245**	**1,998,308**
Share capital	*6*	300,360	304,064
Additional paid-in capital		810,420	810,420
Retained earnings		645,285	656,118
Other comprehensive income		116,948	144,807
Consolidated net income of the year		123,233	82,900
Non-controlling interests		**277**	**267**
Total equity		**1,996,522**	**1,998,575**
Provisions for liabilities and charges	*7*	**87,805**	**96,307**
Financing liabilities	*8*	**382,416**	**389,810**
Lease liabilities	*9*	**84,128**	**88,124**
Liabilities relating to insurance contracts	*10*	**1,880,837**	**1,804,092**
Payables arising from banking activities	*11*	**2,383,779**	**2,318,392**
Amounts due to banking sector companies	*11*	669,323	535,447
Amounts due to customers of banking sector companies	*11*	319,964	357,384
Debt securities	*11*	1,394,492	1,425,562
Other liabilities		**812,408**	**857,504**
Deferred tax liabilities		104,567	110,507
Payables arising from insurance and reinsurance operations		334,766	414,133
Current taxes payables		112,221	70,621
Derivatives		2,014	26
Other payables		258,840	262,219
TOTAL EQUITY AND LIABILITIES		**7,627,894**	**7,552,804**

Consolidated income statement

(in thousands of euros)	Notes	June 30, 2021	June 30, 2020
Gross written premiums		*745,433*	*666,167*
Premium refunds		*(50,156)*	*(38,331)*
Net change in unearned premium provisions		*(56,562)*	*(28,749)*
Earned premiums	*12*	**638,715**	**599,087**
Fee and commission income		*74,532*	*75,518*
Net income from banking activities		*31,548*	*28,567*
Income from services activities		*23,243*	*21,448*
Other revenue	*12*	**129,323**	**125,533**
Revenue		**768,038**	**724,619**
Claims expenses	*13*	**(188,723)**	**(353,275)**
Policy acquisition costs	*14*	*(124,821)*	*(116,618)*
Administrative costs	*14*	*(133,333)*	*(132,621)*
Other insurance activity expenses	*14*	*(32,997)*	*(30,072)*
Expenses from banking activities, excluding cost of risk	*14*	*(6,412)*	*(6,596)*
Expenses from services activities	*14*	*(41,815)*	*(39,256)*
Operating expenses		**(339,378)**	**(325,163)**
Risk cost		**106**	**163**
UNDERWRITING INCOME BEFORE REINSURANCE		**240,043**	**46,345**
Income and expenses from ceded reinsurance	*15*	(84,254)	(5,969)
UNDERWRITING INCOME AFTER REINSURANCE		**155,788**	**40,375**
Investment income, net of management expenses (excluding finance costs)	*16*	15,857	16,732
CURRENT OPERATING INCOME		**171,645**	**57,108**
Other operating income and expenses	*17*	448	(1,756)
OPERATING INCOME		**172,094**	**55,351**
Finance costs		(10,436)	(10,993)
Share in net income of associates			
Badwill		(0)	0
Income tax expense		(38,423)	(20,408)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**123,236**	**23,951**
Non-controlling interests		(3)	12
NET INCOME FOR THE YEAR		**123,233**	**23,963**
Earnings per share (€)	*19*	0.83	0.16
Diluted earnings per share (€)	*19*	0.83	0.16

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	June. 30, 2021	June. 30, 2020
Net income of the period		**123,232**	**23,963**
Non-controlling interests		3	(12)
Other comprehensive income			
Currency translation differences reclassifiable to income		**(5,113)**	**(11,577)**
Reclassified to income		(0)	(0)
Recognised in equity		(5,113)	(11,577)
Fair value adjustments on available-for-sale financial assets		**(23,434)**	**(19,873)**
Recognised in equity – reclassifiable to income – gross		(18,948)	(36,192)
Recognised in equity – reclassifiable to income – tax effect		(1,628)	7,875
Reclassified to income – gross		(2,839)	8,881
Reclassified to income – tax effect		(19)	(437)
Fair value adjustments on employee benefit obligations		**692**	**2,936**
Recognised in equity – not reclassifiable to income – gross		935	4,027
Recognised in equity – not reclassifiable to income – tax effect		(243)	(1,091)
Other comprehensive income of the period, net of tax		**(27,855)**	**(28,514)**
Total comprehensive income of the period		**95,380**	**(4,563)**
- attributable to owners of the parent		95,373	(4,527)
- attributable to non-controlling interests		7	(36)

Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Reclassifiable revaluation reserves	Other comprehensive income: Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at December 31, 2019		304 064	810 420	523 628	-11 190	-8 425	184 659	-25 413	146 729	1 924 472	269	1 924 741
2019 net income to be appropriated				146,729					(146,729)			
Payment of 2019 dividends in 2020												
Total transactions with owners		**0**	**0**	**146 729**	**0**	**0**	**0**	**0**	**-146 729**	**0**	**0**	**0**
December 31, 2020 net income									82 900	82 900	4	82 904
Fair value adjustments on available-for-sale financial assets recognized in equity							17 261			17 261	1	17 262
Fair value adjustments on available-for-sale financial assets reclassified to income statement							562			562	0	562
Change in actuarial gains and losses (IAS 19R)								1 298		1 298		1 298
Currency translation differences						-25 135				-25 135	-15	-25 150
Cancellation of COFACE SA shares												
Treasury shares elimination					-4 632					-4 632		-4 632
Free share plans expenses				1 698						1 698		1 698
Transactions with shareholders and others				-126						-116	8	-108
Equity at December 31, 2020		**304 064**	**810 420**	**671 939**	**-15 822**	**-33 560**	**202 482**	**-24 115**	**82 900**	**1 998 308**	**267**	**1 998 575**
2020 net income to be appropriated				82,900					(82,900)			
Payment of 2020 dividends in 2021				(81,976)						(81,976)	4	(81,980)
Total transactions with owners		**(0)**	**(0)**	**924**	**(0)**	**(0)**	**(0)**	**(0)**	**(82,900)**	**(81,976)**	**(4)**	**(81,980)**
June 30, 2021 net income									123,232	123,232	3	123,235
Fair value adjustments on available-for-sale financial assets recognized in equity							(20,576)			(20,576)	(0)	(20,576)
Fair value adjustments on available-for-sale financial assets reclassified to income statement							(2,858)			(2,858)	(0)	(2,858)
Change in actuarial gains and losses (IAS 19R)								692		692		692
Currency translation differences						(5,117)				(5,117)	4	(5,113)
Cancellation of COFACE SA shares		(3,704)		(11,298)						(15,002)		(15,002)
Treasury shares elimination					40					40		40
Free share plans expenses				(482)						(482)		(482)
Transactions with shareholders and others				(16)						(16)	7	(9)
Equity at June 30, 2021		**300,360**	**810,420**	**661,067**	**(15,782)**	**(38,677)**	**179,048**	**(23,423)**	**123,232**	**1,996,245**	**277**	**1,996,522**

Consolidated statement of cash flows

(in thousands of euros)	June 30, 2021	June 30, 2020
Net income for the period	**123,233**	**23,963**
Non-controlling interests	3	(12)
Income tax expense	38,423	20,408
Finance costs	10,436	10,993
Operating income (A)	**172,094**	**55,352**
+/- Depreciation, amortization and impairment losses	17,057	12,428
+/- Net additions to / reversals from technical provisions	(33,886)	21,702
+/- Unrealized foreign exchange income / loss	16,414	1,913
+/- Non-cash items	29	21,394
Total non-cash items (B)	***(7,641)***	***57,437***
Gross cash flows from operations (C) = (A) + (B)	***171,708***	***112,789***
Change in operating receivables and payables	(97,936)	47,760
Net taxes paid	(2,674)	(10,525)
Net cash related to operating activities (D)	***(100,609)***	***37,235***
Increase (decrease) in receivables arising from factoring operations	(49,019)	219,048
Increase (decrease) in payables arising from factoring operations	(68,489)	(199,279)
Increase (decrease) in factoring liabilities	130,686	27,804
Net cash generated from banking and factoring operations (E)	***13,178***	***47,573***
Net cash generated from operating activities (F) = (C+D+E)	84,277	197,596
Acquisitions of investments	(701,281)	(395,737)
Disposals of investments	735,262	412,878
Net cash used in movements in investments (G)	***33,981***	***17,141***
Acquisitions of consolidated subsidiaries, net of cash acquired	840	655
Disposals of consolidated companies, net of cash transferred		(0)
Net cash used in changes in scope of consolidation (H)	***840***	***655***
Acquisitions of property, plant and equipment and intangible assets	(8,999)	(7,754)
Disposals of property, plant and equipment and intangible assets	72	(1,671)
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(8,927)***	***(9,425)***
Net cash used in investing activities (J) = (G+H+I)	25,894	8,371
Proceeds from the issue of equity instruments		(0)
Treasury share transactions	(14,962)	(4,632)
Dividends paid to owners of the parent	(81,976)	(0)
Dividends paid to non-controlling interests	(4)	(0)
Cash flows related to transactions with owners	***(96,942)***	***(4,632)***
Proceeds from the issue of debt instruments	(7,053)	(0)
Cash used in the redemption of debt instruments	(0)	(0)
Lease liabilities variations	(8,389)	(6,063)
Interests paid	(17,830)	(18,691)
Cash flows related to the financing of Group operations	(33,271)	(24,754)
Net cash generated from (used in) financing activities (K)	-130 213	(29,385)
Impact of changes in exchange rates on cash and cash equivalents (L)	-24 480	(11,327)
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**-44 522**	**165,254**
Net cash generated from operating activities (F)	84,277	197,596
Net cash used in investing activities (J)	25,894	8,371
Net cash generated from (used in) financing activities (K)	(130,213)	(29,385)
Impact of changes in exchange rates on cash and cash equivalents (L)	(24,480)	(11,327)
Cash and cash equivalents at beginning of period	**400,969**	**320,777**
Cash and cash equivalents at end of period	**356,447**	**486,031**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(44,522)**	**165,254**

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III. Notes to the condensed interim consolidated financial statements

III. Notes to the condensed interim consolidated financial statements

All amounts are stated in thousands of euros in the following notes, unless specified otherwise.

Note 1. Goodwill

The value of goodwill decreased by 290 thousand euro in the first half of 2021; this change is entirely due to changes in exchange rates.

In accordance with IAS 36, goodwill is not amortized but is systematically tested for impairment at end of each semester or whenever there is an impairment indicator.

Impairment testing methods

Goodwill and other non-financial assets were tested for impairment losses at June 30, 2021. Coface performed the tests by comparing the value in use of the groups' CGUs with their allocated goodwill carrying amounts.

The value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU. This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by Management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond the fifth year, the terminal value is calculated by projecting the final year cash flows to perpetuity.

The main assumptions used to determine the value in use for the CGUs were a long-term growth rate of 1.5% for all entities and a weighted average cost of capital of 11.3%.

The assumptions used for goodwill impairment testing were as follows by group of CGUs at June 30, 2021:

(in millions of euros)	**Northern Europe**	**Western Europe**	**Central Europe**	**Mediterranean and Africa**	**North America**
Cost of capital	11.3%	11.3%	11.3%	11.3%	11.3%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	601.7	489.4	227.0	320.2	57.2

The assumptions used in December 2020 were as follows:

(in millions of euros)	**Northern Europe**	**Western Europe**	**Central Europe**	**Mediterranean and Africa**	**North America**
Cost of capital	11.5%	11.5%	11.5%	11.5%	11.5%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	587.5	474.0	214.5	304.9	54.8

Sensitivity of impairment tests

Sensitivity analyses were performed for the impairment tests, based on the following sensitivity factors:

- long-term growth rate sensitivity: the impairment tests were stressed for a 0.5 percentage point decrease in the applied perpetual growth rate. The analysis concluded that such a 0.5 percentage point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended June 30, 2021;
- cost of capital sensitivity: impairment tests were stressed for a 0.5 percentage point increase in the applied cost of capital. The analysis concluded that such a 0.5 percentage point increase would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended June 30, 2021;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2024 and 2025): additional impairment tests were performed based on a 2 percentage points increase in the loss ratio and a 1 percentage point increase in the cost ratio. It appears that an increase by 1 percentage point and 2 percentage points in the assumptions used would not have an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended June 30, 2021.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table:

Outcome of impairment tests

(in millions of euros)	**Northern Europe**	**Western Europe**	**Central Europe**	**Mediterranean and Africa**	**North America**
Contribution to consolidated net assets (1)	601.7	489.4	227.0	320.2	57.2
Value in use of CGU	887.9	644.5	379.8	652.4	100.4
Sensitivity: Long-term growth rate -0.5 point (2)	864.5	629.5	362.3	632.7	96.9
Sensitivity: WACC +0.5 point	855.5	623.7	358.4	625.1	95.6
Sensitivity: Loss/ Cost Ratio 2025 +1 point (2)	875.5	584.7	372.1	633.1	92.3
Sensitivity: Loss/ Cost Ratio 2025 +2 points (2)	863.1	524.9	364.4	613.7	84.3

(1) The contribution to the consolidated Group's net assets corresponds to their book value
(2) The sensitivity analyses were carried out to the value in use

Note 2. Other intangible assets

The change in other intangible assets amounted to a negative €1,556 thousand at June 30, 2021. This change is mainly explained by an increase in the book value of €7 888 thousand offset by an increase in the provision for depreciation and amortisation of €6,332 thousand.

Note 3. Insurance business investments

3.1 – Analysis by category

At June 30th, 2021, the carrying amount of available-for-sale (AFS) securities amounted to €2,870,040 thousand, securities held for trading ("trading securities") came to €79 thousand and held-to-maturity (HTM) securities was €1,797 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments. The distribution of the bonds portfolio by rating at June 30, 2020 was as follows:

- Bonds rated “AAA”: 11.6%
- Bonds rated “AA” and “A”: 54.6%
- Bonds rated “BBB”: 29.1%
- Bonds rated “BB” and lower: 4.7%.

	June 30, 2021					Dec. 31, 2020				
(in thousands of euros)	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
AFS securities	**2,667,881**	**202,159**	**2,870,040**	**2,870,040**		**2,672,996**	**223,318**	**2,896,314**	**2,896,314**	
Equities and other variable-income securities	186,036	147,221	333,257	333,257		153,192	145,980	299,172	299,172	
Bonds and government securities	2,262,369	40,311	2,302,680	2,302,680		2,300,679	66,185	2,366,864	2,366,864	
o/w direct investments in securities	*1,950,950*	*36,900*	*1,987,850*	*1,987,850*		*1,852,163*	*58,521*	*1,911,686*	*1,911,685*	
o/w investments in UCITS	*311,419*	*3,411*	*314,830*	*314,830*		*447,525*	*7,654*	*455,179*	*455,179*	
Shares in non-trading property companies	219,476	14,630	234,106	234,106		219,125	11,155	230,280	230,280	
HTM securities										
Bonds	1,797		**1,797**	2,419	621	1,872		**1,872**	2,587	715
Fair value through income – trading securities										
Money market funds (UCITS)	79		**79**	79		67		**67**	67	
Derivatives (positive fair value)		**5,553**	**5,553**	**5,553**			**7,237**	**7,237**	**7,237**	
(derivatives negative fair value for information)		*(2,014)*	*(2,014)*	*(2,014)*			*(26)*	*(26)*	*(26)*	
Loans and receivables	**71,186**		**71,186**	**71,186**		**77,167**		**77,167**	**77,167**	
Investment property	**695**	**(407)**	**288**	**288**		**695**	**(407)**	**288**	**288**	
TOTAL	**2,741,639**	**207,305**	**2,948,944**	**2,949,566**	**621**	**2,752,797**	**230,148**	**2,982,945**	**2,983,660**	**715**

(in thousands of euros)	Gross June 30, 2021	Impairment	Net June 30, 2021	Net Dec. 31, 2020
AFS securities	**2,913,509**	**(43,467)**	**2,870,040**	**2,896,314**
Equities and other variable-income securities	372,115	(38,859)	333,257	299,172
Bonds and government securities	2,302,680		2,302,680	2,366,864
o/w direct investments in securities	*1,987,850*		*1,987,850*	*1,911,685*
o/w investments in UCITS	*314,830*		*314,830*	*455,179*
Shares in non-trading property companies	238,714	(4,608)	234,106	230,280
HTM securities				
Bond	**1,797**		**1,797**	**1,872**
Fair value through income – trading securities				
Money market funds (UCITS)	**79**		**79**	**67**
Derivatives (positive fair value)	**5,553**		**5,553**	**7,237**
(for information, derivatives with a negative fair value)	*(2,014)*		*(2,014)*	*(26)*
Loans and receivables	**71,281**	(95)	**71,186**	**77,167**
Investment property	**288**		**288**	**288**
TOTAL	**2,992,508**	**(43,562)**	**2,948,944**	**2,982,945**

Impairment

(in thousands of euros)	Dec. 31, 2020	Additions	Reversals	Exchange rate effects and other	June 30, 2021
AFS securities	**43,457**	**222**	**(221)**	**10**	**43,467**
Equities and other variable-income securities	38,848	222	(221)	10	38,859
Bonds and government securities	(0)	(0)	(0)		(0)
Shares in non-trading property companies	4,608				4,608
Loans and receivables	**95**	**(0)**			**95**
TOTAL	**43,552**	**222**	**(221)**	**10**	**43,562**

Reversals are related to the disposal of AFS securities.

Change in investments by category

	Dec. 31, 2020						June 30, 2021
(in thousands of euros)	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,896,314**	**541,106**	**(564,091)**	**(21,786)**	**0**	**18,499**	**2,870,040**
Equities and other variable-income securities	299,172	41,116	(7,344)	641	0	(327)	333,257
Bonds and government securities	2,366,864	499,639	(556,747)	(25,902)		18,826	2,302,680
Shares in non-trading property companies	230,280	351		3,474			234,106
HTM securities							
Bonds	1,872	3	(78)				1,797
Fair value through income – trading securities	67		11			0	79
Loans, receivables and other financial investments	**84,692**	**6,690**	**(19,245)**	**(1,339)**	**1**	**6,230**	**77,030**
TOTAL	**2,982,945**	**547,798**	**(583,403)**	**(23,125)**	**1**	**24,729**	**2,948,944**

Derivatives

The structural use of derivatives is strictly limited to hedging. The notional amounts of the hedges therefore do not exceed the amounts of the underlying assets in the portfolio.

During the first half of 2021, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risk via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio.

Investments in equities were subject to systematic partial hedging through purchases of put options. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the Eurozone.

Regarding the bond portfolio, no rate hedging was implemented during the first half of 2021. However, Coface retains the possibility of resuming this hedging activity.
Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

None of these transactions qualified for hedge accounting under IFRS as they were mainly currency transactions and partial market hedges.

3.2 – Financial instruments recognised at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorises the inputs used to measure fair value into three levels as follows:

Level 1: Quoted prices in active markets for an identical financial instrument.

Level 1 securities represent 85% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organised markets, as well as units in dedicated mutual funds whose net asset value is calculated and published on a very regular basis and is readily available (AFS securities);
- government bonds and bonds indexed to variable interest rates (HTM securities);
- French units in money-market funds, SICAV (trading securities).

Level 2: Use of inputs, other than quoted prices for an identical instrument that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).

Level 2 securities represent 3% of the Group's portfolio. This level is used for the following instruments:

- unlisted equities;
- loans and receivables due from banks or clients and whose fair value is determined using the historical cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data.

Level 3 securities represent 12% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Value in use is the present value of future cash flows that may result from an asset or cash-generating unit. The valuation, using on the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two further years based on standardised management ratios (loss ratios and target cost ratios). Beyond the fifth year, the terminal value is valued on a basis of perpetual capitalisation of the last year's cash flow.

Breakdown of financial instrument fair value measurements as at June 30th, 2021 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,870,040**	**2,870,040**	**2,508,621**	**23**	**361,395**
Equities and other variable-income securities	333,257	333,257	205,943	23	127,290
Bonds and government securities	2,302,680	2,302,680	2,302,680		
Shares in non-trading property companies	234,106	234,106			234,106
HTM securities					
Bonds	1,797	2,419	2,419		
Fair value through income – trading securities					
Money market funds (UCITS)	79	79	79		
Derivatives	**5,553**	**5,553**	**5,444**		**109**
Loans and receivables	**71,186**	**71,186**		**71,186**	
Investment property	**288**	**288**			**288**
TOTAL	**2,948,944**	**2,949,566**	**2,516,563**	**71,210**	**361,793**

Movements in Level 3 securities as at June 30, 2020

		Gains and losses recognized in the period		Transactions for the period			
(in thousands of euros)	At Dec. 31, 2020	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	At June 30, 2021
AFS securities	**386,055**	**(222)**	**(24,864)**	**2,465**	**(1,880)**	**673**	**361,396**
Equities and other variable-income securities	155,775	(222)	(28,340)	2,114	(1,880)	673	127,290
Shares in non-trading property companies	230,280		3,474	351			234,105
Derivatives	**109**					**(0)**	**109**
Investment property	**288**						**288**
TOTAL	**386,452**	**(222)**	**(24,864)**	**2,465**	**(1,880)**	**673**	**361,793**

Breakdown of financial instrument fair value measurements as at December 31st, 2020 by level in the fair value hierarchy

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,896,314**	**2,896,314**	**2,442,488**	**67,771**	**386,055**
Equities and other variable-income securities	299,172	299,172	143,373	23	155,775
Bonds and government securities	2,366,864	2,366,864	2,299,116	67,747	
Shares in non-trading property companies	230,280	230,280			230,280
HTM securities					
Bonds	1,872	2,587	2,587		
Fair value through income – trading securities					
Money market funds (UCITS)	67	67	67		
Derivatives	**7,237**	**7,237**	**715**	**6,413**	**109**
Loans and receivables	**77,167**	**77,167**		**77,167**	
Investment property	**288**	**288**			**288**
TOTAL	**2,982,945**	**2,983,660**	**2,445,858**	**151,350**	**386,452**

Movements in Level 3 securities as at December 31, 2020

		Gains and losses recognized in the period		Transactions for the period			
(in thousands of euros)	At Dec. 31, 2019	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2020
AFS securities	**390,308**	**(10,159)**	**5,355**	**8,424**	**(1,488)**	**(1,825)**	**386,055**
Equities and other variable-income securities	154,835	(5,559)	9,389	1,653	1,841	(1,825)	155,775
Shares in non-trading property companies	235,473	(4,600)	(4,034)	6,771	(3,329)		230,280
Derivatives	**109**					**(0)**	**109**
Investment property	**288**						**288**
TOTAL	**390,705**	**(10,159)**	**5,355**	**8,424**	**(1,488)**	**(1,825)**	**386,452**

SPPI Financial assets at June 30, 2021 (IFRS 9)

(in thousands of euros)	Fair value	Fair value variation
Direct investments in securities - SPPI financial assets	1 955 675	-18 787
Direct investments in securities - No SPPI financial assets	32 175	-134
Direct investments in securities	**1 987 850**	**-18 922**
Loans and receivables - SPPI financial assets	71 186	0
Loans and receivables	**71 186**	**0**
Cash and cash equivalents - SPPI financial assets	317 101	0
Cash and cash equivalents	**317 101**	**0**
SPPI financial assets	**2 343 962**	**-18 787**
No SPPI financial assets	**32 175**	**-134**
TOTAL	**2 376 137**	**-18 922**

(in thousands of euros)	Gross value	Fair value
SPPI financial assets without a low credit risk	**90,128**	**92,717**

IFRS 9 has been applicable to factoring companies since January 1, 2018.

Note 4. Receivables arising from banking sector

Receivables arising from banking sector

Breakdown by nature

(in thousands of euros)	June 30, 2021	Dec. 31, 2020
Receivables arising from banking sector	2,379,199	2,326,941
Non-performing receivables arising from banking sector	35,369	37,490
Allowances for receivables arising from banking sector	(35,369)	(37,490)
TOTAL	**2,379,199**	**2,326,941**

Receivables arising from the banking sector represent receivables acquired within the scope of factoring agreements.
They are recognised at cost within assets in the balance sheet and they are classified as level 1. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

Where applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery. These receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

Note 5. Cash and cash equivalents

(in thousands of euros)	June 30, 2021	Dec. 31, 2020
Cash at bank and available	331,031	378,134
Cash equivalents	25,416	22,835
TOTAL	**356,447**	**400,969**

At June 30, 2021, operating cash was down € 44.5 million compared to December 31, 2020. Support provided by many governments and the low level of claims made it possible to reinvest excess liquidity while maintaining a cautious position.
Cash and cash equivalents are all available; no amount is placed in escrow type accounts.

Note 6. Share capital

Ordinary shares	Number of shares	Per value	Share capital (in €)
At December 31, 2020	152,031,949	2	304,063,898
Cancellation of shares	(1,852,157)	2	(3,704,314)
At June 30, 2021	**150,179,792**	**2**	**300,359,584**
Treasury shares deducted	(1,172,425)	2	(2,344,850)
At June 30, 2021 (excluding treasury shares)	**149,007,367**	**2**	**298,014,734**

Shareholders	June 30, 2021		Dec. 31, 2020	
	Number of shares	%	Number of shares	%
Arch Capital Group Ltd.	44,849,425	30,10%	(0)	0,00%
Natixis	19,304,456	12,96%	64,153,881	42,86%
Public	84,853,486	56,95%	85,536,083	57,14%
Total excluding treasury shares	**149,007,367**	**100%**	**149,689,964**	**100%**

On February 10, 2021, Natixis and Arch Capital Group Ltd. announced that the transaction relating to the sale of 29.5% of the shares of Coface SA had obtained all the necessary authorizations.

Arch Capital Group Ltd. as of June 30, 2021, holds 30.10% of the shares of the Coface Group excluding treasury shares, and holds 29.86% of the shares including treasury shares.

Note 7. Provisions for liabilities and charges

(in thousands of euros)	June. 30, 2021	Dec. 31, 2020
Provisions for disputes	2,060	2,143
Provisions for pension and other post-employment benefit	62,852	63,619
Other provisions for liabilities and charges	22,893	30,546
Total	**87,805**	**96,307**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations. The other provisions for liabilities and charges mainly include provisions for liabilities (€9.9 million) and provisions for restructuring (€9.9 million).

The main net change in the first half of 2021 is related to the write back of provisions for liabilities: Coface Holding Israël (€7.2 million) due to the entry of Coface Finanz Israël in the consolidation scope.

Provisions related to the *strategic* plan amounted to €8.6 million as of June 30, 2021.

Note 8. Financing liabilities

(in thousands of euros)	June 30, 2021	Dec. 31, 2020
Due within one year		
- Interest	4,080	11,756
- Amortization of expenses	(583)	(571)
Total	**3,497**	**11,185**
Due between one and five years		
- Amortization of expenses	(1,081)	(1,376)
- Nominal	380,000	380,000
Total	**378,919**	**378,624**
Due beyond five years		
- Amortization of expenses	(0)	(0)
- Nominal	(0)	(0)
Total	**(0)**	**(0)**
TOTAL	**382,416**	**389,810**

On March 27th, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 , with an annual interest rate of 4.125%.
The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly attributable transaction costs.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the COFACE Group's main operating entity.

On March 25th, 2014, Compagnie française d'assurance pour le commerce extérieur issued a joint and serveral guarantee totalling €380 million, to the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As at June 30, 2021, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €382,416 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €1,664 thousand;
- increased by accrued interest of €4,080 thousand.

The impact on consolidated income statement income as at June 30, 2021 mainly includes the interest related to the period for €8,281 thousand.

Note 9. Lease liabilities

(in thousand of euros)	June 30, 2021	Dec. 31, 2020
Lease liabilities - Real estate leasing	73 944	78 354
Lease liabilities - Equipment leasing	10 183	9 771
Lease liabilities - Leasing	**84 128**	**88 124**

Note 10. Liabilities relating to insurance contracts

(in thousands of euros)	June. 30, 2021	Dec. 31, 2020
Provisions for unearned premiums	314,578	255,380
Claims reserves	1,375,498	1,372,822
Provisions for premium refunds	190,760	175,890
Liabilities relating to insurance contracts	**1,880,837**	**1,804,092**
Provisions for unearned premiums	(71,623)	(44,891)
Claims reserves	(538,635)	(485,476)
Provisions for premium refunds	(77,276)	(73,086)
Reinsurers' share of insurance liabilities	**(687,534)**	**(603,453)**
Net technical provisions	**1,193,303**	**1,200,639**

Claims reserves include provisions to cover claims incurred but not yet reported, as well as contingencies in the estimation of reserves for reported claims; they amounted to 897 million euros at June 30, 2021.

Note 11. Payables arising from banking sector activities

(in thousands of euros)	June 30, 2021	Dec. 31, 2020
Amounts due to banking sector companies	669,323	535,447
Amounts due to customers of banking sector companies	319,964	357,384
Debt securities	1,394,492	1,425,562
TOTAL	**2,383,779**	**2,318,392**

The lines "Amounts due to banking sector companies" and "Debt securities" correspond to sources of refinancing for the Group's factoring entities – Coface Finanz (Germany) and Coface Factoring Poland.

Note 12. Revenue

Breakdown of consolidated revenue

(in thousands of euros)	June 30, 2021	June 30, 2020
Premiums – direct business	*689,532*	*615,544*
Premiums – inward reinsurance	*55,901*	*50,623*
Gross written premiums	**745,433**	**666,167**
Premium refunds	**(50,156)**	**(38,331)**
Change of provisions for unearned premiums	**(56,562)**	**(28,749)**
Earned premiums	**638,715**	**599,087**
Fees and commission income	**74,532**	**75,518**
Net income from banking activities	**31,548**	**28,567**
Other insurance-related services	*,70*	*,44*
Business information and other services	*18,386*	*17,145*
Receivables management	*4,787*	*4,259*
Income from other activities	**23,243**	**21,448**
Revenue or income from other activities	**129,324**	**125,533**
CONSOLIDATED REVENUE	**768,038**	**724,619**

Consolidated revenue by country of invoicing

(in thousands of euros)	June 30, 2021	June 30, 2020
Northern Europe	166,924	147,009
Western Europe	153,736	142,566
Central Europe	75,415	73,510
Mediterranean & Africa	211,977	200,538
North America	66,280	69,219
Latin America	36,156	34,698
Asia-Pacific	57,550	57,079
CONSOLIDATED REVENUE	**768,038**	**724,619**

Consolidated revenue by activity

(in thousands of euros)	June 30, 2021	June 30, 2020
Earned premiums - Credit	*599,823*	*556,941*
Earned premiums - Single risk	*10,915*	*16,285*
Earned premiums - Credit insurance	**610,738**	**573,226**
Fees and commission income	**74,532**	**75,518**
Other insurance-related services	**70**	**44**
Revenue of credit insurance activity	**685,340**	**648,787**
Earned premiums - Guarantees	**27,977**	**25,860**
Financing fees	13,309	13,882
Factoring fees	18,754	15,577
Other	(514)	(892)
Net income from banking activities (factoring)	**31,548**	**28,567**
Business information and other services	18,386	17,145
Receivables management	4,787	4,259
Revenue of business information and other services activity	**23,173**	**21,404**
CONSOLIDATED REVENUE	**768,038**	**724,619**

Note 13. Claim expenses

(in thousands of euros)	June 30, 2021	June 30, 2020
Paid claims, net of recoveries	(181,548)	(272,431)
Claims handling expenses	(16,297)	(15,155)
Change in claims reserves	9,122	(65,690)
Total	**(188,723)**	**(353,275)**

Claims expenses by period of occurrence

	June 30, 2021			June 30, 2020		
(in thousands of euros)	Gross	Outward	Net	Gross	Outward	Net
Claims expenses – current year	(454,488)	211,776	(242,713)	(486,441)	174,028	(312,413)
Claims expenses – prior years	265,765	(93,496)	172,269	133,166	(34,958)	98,208
Total	**(188,723)**	**118,279**	**(70,444)**	**(353,275)**	**139,069**	**(214,205)**

Note 14. Overheads by function

(in thousands of euros)	June 30, 2021	June 30, 2020
Acquisition costs	(124,821)	(116,618)
Administrative costs	(133,333)	(132,621)
Other operating expenses	(32,997)	(30,072)
Expenses from banking activities, excluding cost of risk	(6,412)	(6,596)
Expenses from other activities	(41,815)	(39,256)
Operating expenses	**(339,378)**	**(325,163)**
Investment management expenses	**(1,890)**	**(1,608)**
Claims handling expenses	**(16,297)**	**(15,155)**
TOTAL	**(357,566)**	**(341,927)**
of which employee profit-sharing	*(2,625)*	*(894)*

Total overheads include general insurance expenses (by function), expenses from other activities and expenses from banking activities. They stood at €357,566 thousand as at June 30, 2021 versus €341,927 thousand as at June 30, 2020.

In the income statement, claims handling expenses are included in "Claims expenses" and investment management expenses are shown in "Investment income, net of management expenses (excluding finance costs)".

Note 15. Income and expenses from ceded reinsurance

(in thousands of euros)	June 30, 2021	June 30, 2020
Ceded claims	66,469	78,216
Change in claims provisions net of recoveries	51,810	67,714
Commissions paid by reinsurers	107,289	86,058
Income from ceded reinsurance	**225,568**	**231,988**
Ceded premiums	(336,448)	(265,117)
Change in unearned premiums provisions	26,625	27,160
Expenses from ceded reinsurance	**(309,823)**	**(237,957)**
Total	**(84,254)**	**(5,969)**

Note 16. Investment income, net of management expenses (excluding finance costs)

Investment income by class

(in thousands of euros)	June 30, 2021	June 30, 2020
Equities	4,161	(3,678)
Fixed income	13,148	7,612
Investment properties	3,994	5,308
Sub-total	**21,303**	**9,241**
Associated and non consolidated companies	(,197)	1,030
Exchange rate - change profit / loss	(1,581)	9,694
Financial and investment charges	(3,668)	(3,234)
TOTAL	**15,857**	**16,732**

Note 17. Other operating income and expenses

(in thousands of euros)	June 31, 2021	June 30, 2020
Entry of Coface Poland Insurance into scope of consolidation	(77)	
Build to Lead restructuring expenses	(255)	
Impairment charge of goodwill in Latin America CGU		(655)
Other operating expenses	(905)	(2,143)
including internalisation costs of sales representatives in the US		*(1,312)*
Total other operating expenses	**(1,237)**	**(2,798)**
	0	
Entry of Coface Romania Insurance into scope of consolidation	425	
Entry of Coface Finance Israël into scope	457	
Build to Lead restructuring incomes		635
Other operating income	804	407
Total other operating income	**1 686**	**1,042**
TOTAL	**448**	**(1,756)**

Other operating income and expenses amounted to € 448K as of June 30, 2021.

Note 18. Breakdown of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.

Geographic segmentation by billing location does not necessarily match the debtor's location.

Reinsurance income, which is calculated and recognised for the whole Group at the level of *Compagnie française d'assurance pour le commerce extérieur* and Coface Re, has been reallocated at the level of each region.

Income taxes by segment have been calculated based on this monitoring framework.

Analysis of June 30, 2021 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa	North America	Latin America	Asia - Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**166,548**	**152,388**	**76,093**	**212,825**	**66,281**	**36,155**	**57,550**	**339,171**	**14,570**	**(0)**	**(353,543)**	**768,038**
o/w Earned Premium	*116,603*	*134,274*	*59,851*	*177,611*	*59,821*	*35,147*	*55,407*	*339,171*	*(0)*	*(0)*	*(339,170)*	*638,715*
o/w Factoring	*25,443*	*925*	*5,180*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*31,548*
o/w Other insurance-related services	*24,502*	*17,189*	*11,062*	*35,214*	*6,460*	*1,008*	*2,143*	*(0)*	*14,570*	*(0)*	*(14,373)*	*97,775*
Claims-related expenses (including claims handling costs)	(31,529)	(41,833)	(15,098)	(62,666)	(17,211)	(7,647)	(7,302)	(49,049)	(0)	(2,458)	46,070	(188,723)
Cost of risk	147	(0)	(41)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	106
Commissions	(11,749)	(18,799)	(5,523)	(22,626)	(7,342)	(4,908)	(10,276)	(142,543)	(0)	(0)	142,547	(81,219)
Other internal general expenses	(58,496)	(50,850)	(26,327)	(60,546)	(23,182)	(11,614)	(18,162)	(0)	(13,246)	(13,981)	18,246	(258,158)
UNDERWRITING INCOME BEFORE REINSURANCE*	64,921	40,906	29,104	66,987	18,546	11,986	21,810	147,579	1,324	(16,439)	(146,681)	240,043
Income/(loss) on ceded reinsurance	(7,899)	(59,155)	(3,573)	(2,633)	(1,066)	(1,486)	(12,536)	(143,485)	(0)	(0)	147,579	(84,254)
Other operating income and expenses	(0)	(229)	739	(61)	(0)	14	(14)	(0)	(0)	(0)	(0)	449
Net financial income excluding finance costs	(20)	14,132	(616)	1,747	1,286	1,793	1,720	(0)	254	(598)	(3,841)	15,857
Finance costs	(1,402)	(1,268)	(534)	(1,151)	(456)	(92)	(173)	(0)	(55)	(8,281)	2,976	(10,436)
OPERATING INCOME including finance costs	55,600	(5,614)	25,120	64,889	18,310	12,215	10,807	4,094	1,523	(25,318)	32	161,658
Badwill	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
NET INCOME BEFORE TAX	55,600	(5,614)	25,120	64,889	18,310	12,215	10,807	4,094	1,523	(25,318)	32	161,658
Income tax expense	(13,215)	1,334	(5,970)	(15,423)	(4,352)	(2,903)	(2,569)	(973)	(362)	6,018	(8)	(38,423)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	42,385	(4,280)	19,150	49,466	13,958	9,312	8,238	3,121	1,161	(19,300)	24	123,236
Non-controlling interests	(1)	(1)	(1)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(3)
NET INCOME FOR THE PERIOD	**42,384**	**(4,281)**	**19,149**	**49,466**	**13,958**	**9,312**	**8,238**	**3,121**	**1,161**	**(19,300)**	**24**	**123,233**

** Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs, and other current operating expenses, and expenses from service activities.*

Analysis of June 30, 2020 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa	North America	Latin America	Asia - Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**147,953**	**139,842**	**74,209**	**201,427**	**69,219**	**34,698**	**57,079**	**401,455**	**14,634**		**(415,897)**	**724,619**
o/w Earned Premium	*98,943*	*122,426*	*60,219*	*167,132*	*62,011*	*33,302*	*55,052*	*401,455*			*(401,453)*	*599,087*
o/w Factoring	*24,239*	*(434)*	*4,762*									*28,567*
o/w Other insurance-related services	*24,771*	*17,850*	*9,228*	*34,295*	*7,208*	*1,396*	*2,027*		*14,634*		*(14,444)*	*96,965*
Claims-related expenses (including claims handling costs)	(45,004)	(76,268)	(27,734)	(91,889)	(47,515)	(30,603)	(29,010)	(196,156)		(1,878)	192,782	(353,275)
Cost of risk	(4)		167									163
Commissions	(10,214)	(17,743)	(5,089)	(21,829)	(8,590)	(3,985)	(10,576)	(161,790)			161,817	(77,999)
Other internal general expenses	(54,981)	(47,281)	(26,485)	(57,852)	(22,315)	(12,092)	(19,782)	(0)	(14,500)	(10,326)	18,450	(247,164)
UNDERWRITING INCOME BEFORE REINSURANCE*	**37,750**	**(1,450)**	**15,068**	**29,857**	**(9,201)**	**(11,982)**	**(2,289)**	**43,509**	**134**	**(12,204)**	**(42,847)**	**46,345**
Income/(loss) on ceded reinsurance	(435)	(3,955)	(6,184)	(5,254)	1,906	268	(501)	(35,324)			43,510	(5,969)
Other operating income and expenses	(0)	80	(11)	185	(1,312)	(698)						(1,756)
Net financial income excluding finance costs	(130)	7,991	2,362	2,323	1,857	3,859	2,257		(243)	(448)	(3,096)	16,732
Finance costs	(262)	(1,695)	(1,532)	(594)	(555)	(157)	(427)		(75)	(7,977)	2,281	(10,993)
OPERATING INCOME including finance costs	**36,923**	**971**	**9,703**	**26,517**	**(7,305)**	**(8,710)**	**(960)**	**8,185**	**(184)**	**(20,629)**	**(152)**	**44,359**
NET INCOME BEFORE TAX	**36,923**	**971**	**9,703**	**26,517**	**(7,305)**	**(8,710)**	**(960)**	**8,185**	**(184)**	**(20,629)**	**(152)**	**44,359**
Income tax expense	(16,987)	(447)	(4,464)	(12,199)	3,361	4,007	442	(3,766)	85	9,491	70	(20,408)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERE	**19,936**	**524**	**5,239**	**14,318**	**(3,944)**	**(4,703)**	**(518)**	**4,419**	**(99)**	**(11,138)**	**(82)**	**23,951**
Non-controlling interests	(1)		(0)	12								12
NET INCOME FOR THE PERIOD	**19,935**	**525**	**5,239**	**14,330**	**(3,944)**	**(4,703)**	**(518)**	**4,419**	**(99)**	**(11,138)**	**(82)**	**23,963**

** Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs, and other current operating expenses, and expenses from service activities.*

Note 19. Earnings per share

	June 30, 2021		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	149,348,666	123,233	0.83
Dilutive instruments	(0)		
DILUTED EARNINGS PER SHARE	**149,348,666**	**123,233**	**0.83**

	June 30, 2020		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	150,864,378	23,963	0.16
Dilutive instruments	(0)		
DILUTED EARNINGS PER SHARE	**150,864,378**	**23,963**	**0.16**

Note 20. Related parties

On 10 February 2021, Natixis and Arch Capital Group Ltd. announced that the transaction involving the sale of 29.5% of Coface SA's shares had obtained all the necessary authorizations.
At 30 June 2021, Arch Capital Group Ltd. held 30.10% of Coface Group's shares, excluding treasury stock, and 29.86% of the shares including treasury stock.
Natixis is no longer related party.

	Number of shares	%
Arch Capital Group Ltd.	44 849 425	30,10%
Natixis	19 304 456	12,96%
Public	84 853 486	56,95%
Total	**149 007 367**	**100.00%**

Relations between the Group's consolidated entities and related parties

The COFACE Group's main transactions with related parties concern Arch Capital Group and its subsidiaries.

The main related-party transactions are as follows:

- reinsurance policies between Coface and Arch Reinsurance Group which is owned by Arch Capital Group Ltd.
- Coface's credit insurance coverage made available to entities related to Coface;
- recovery of insurance receivables carried out by entities related to Coface on behalf of Coface;
- rebilling of general and administrative expenses, including overheads, personnel expenses, etc.

These transactions are broken down below:

Current operating income *(in thousands of euros)*	June 30, 2021 Arch Reinsurance Group
Revenue (net banking income, after cost of risk)	(0)
Claims expenses	(0)
Expenses from other activities	(0)
Policy acquisition costs	(0)
Administrative costs	(0)
Other current operating income and expenses	(0)
Reinsurance result	(583)
Operating income/(loss)	**(583)**

Related-party receivables and payables *(in thousands of euros)*	June 30, 2021 Arch Reinsurance Group
Financial investments	
Other assets	
Reinsurance receivables	20
Cash and cash equivalents	
Liabilities relating to insurance contracts	
Amounts due to banking sector companies	
Reinsurance debts	412
Other liabilities	

Note 21. Off-balance sheet commitments

(in thousands of euros)	June 30, 2021		
	TOTAL	Related to financing	Related to activity
Commitments given	**1,029,846**	**1,018,195**	**11,651**
Endorsements and letters of credit	1,018,195	1,018,195	0
Property guarantees	7,500	0	7,500
Financial commitments in respect of equity interests	4,151	0	4,151
Commitments received	**1,423,553**	**886,261**	**537,292**
Endorsements and letters of credit	136,235	0	136,235
Guarantees	398,557	0	398,557
Credit lines linked to commercial paper	700,000	700,000	(0)
Credit lines linked to factoring	186,261	186,261	(0)
Financial commitments in respect of equity interests	2,500	0	2,500
Guarantees received	**351,941**	**(0)**	**351,941**
Securities lodged as collateral by reinsurers	351,941	(0)	351,941
Financial market transactions	**187,140**	**(0)**	**187,140**

Endorsements and letters of credit correspond mainly to :

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes' investors (10-year maturity)
- a guarantee from Cofinpar of €7,000 thousand
- a joint guarantee of €631,195 thousand euros given to banks financing the factoring business.

Securities lodged as collateral by reinsurers concern Coface Ré for €316,341 thousand and Compagnie française pour le commerce extérieur for €35,600 thousand.

	Dec. 31, 2020		
(in thousands of euros)	TOTAL	Related to financing	Related to activity
Commitments given	**1,029,839**	**1,018,188**	**11,651**
Endorsements and letters of credit	1,018,188	1,018,188	0
Property guarantees	7,500	0	7,500
Financial commitments in respect of equity interests	4,151	0	4,151
Commitments received	**1,537,881**	**1,018,976**	**518,905**
Endorsements and letters of credit	117,702	0	117,702
Guarantees	398,704	0	398,704
Credit lines linked to commercial paper	700,000	700,000	0
Credit lines linked to factoring	318,976	318,976	0
Financial commitments in respect of equity interests	2,500	0	2,500
Guarantees received	**401,315**	**(0)**	**401,315**
Securities lodged as collateral by reinsurers	401,315	(0)	401,315
Financial market transactions	**163,766**	**(0)**	**163,766**

Note 22. IFRS 17

IFRS 17 "Insurance Contracts" published by the IASB on May 18th, 2017 will replace IFRS 4 "Insurance Contracts" effective from January 1st, 2023.

On June 25th 2020, the IASB published amendments to IFRS 17 "Insurance Contracts" in order to help companies apply the standard and report their financial performance more easily.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation features.
So far, insurance contracts are recorded at historical costs and will be recorded at current value after the application of IFRS 17 standard. Therefore, the value of insurance contracts will be based on future cash flows generated, including a risk margin in order to consider the uncertainty regarding these flows. IFRS 17 introduces the concept of contractual service margin. This margin represents the benefit not earned by the insurer and will be released over time, depending on the service provided by the insurer to the policyholder.
The standard requires a higher level of granularity regarding details of calculations than before as it requires estimations by group of contracts.

These accounting changes will modify the profile of the insurance income statement.

Given the importance of the changes made and despite uncertainties of the standard, Coface has set up a project structure, allowing it to address all aspects of the standard: modelling, adaptation of systems and organisations, production of accounts and scales strategy, financial communication and change management.

Note 23. Entry into the scope of consolidation

Entries into the scope of consolidation in the first half of 2021 mainly concern three entities, two service companies Coface Poland Insurance Service, Coface Romania Insurance Service, and one factoring Coface Finance Israel.

In the absence of an IFRS standard covering entries into the scope of consolidation of entities held for several years and in accordance with CRC regulation n ° 99-02, the results accumulated by these three entities since their takeover have been recorded in the consolidated income, after deduction of dividends received by the group.

The contribution of new entities to the Coface Group's consolidated accounts as of June 30, 2021 is presented below:

- Turnover: € 2,222 thousand;
- Net income: € 1,465 thousand;
- Equity: € 271 thousand;
- Total balance sheet: € 9,385 thousand.

Note 24. Events after the reporting period

No significant event occurring after the end of the period is to be reported.

IV. Statutory auditors’ review report on the half-yearly consolidated financial statements

IV. Statutory auditors’ review report on the half-yearly consolidated financial statements

For the period from January 1 to June 30, 2021

This is a free translation into English of the statutory auditors’ review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group’s half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders of COFACE SA,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of COFACE SA, for the period from January 1 to June 30, 2021.
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

<u>Conclusion on the financial statements</u>

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements. We precise that it is not our role to report the matters related to the sincerity and the concordance with the condensed half-yearly consolidated financial statements of Solvency II information extracted from the report.

Paris-La Défense, on July 29th, 2021

The Statutory Auditors

French original signed by

Deloitte & Associés	Mazars
Jérôme LEMIERRE *Associé*	Jean-Claude PAULY *Associé*

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V. Statement of the person responsible for the financial statements

V. Statement of the person responsible for the financial statements

I hereby declare, after having taken every reasonable measure for such purpose, that the information contained in this interim financial report for the first half 2021, to my knowledge, is true to fact and that no material aspects of such information have been omitted.

I certify that, to the best of my knowledge, the interim condensed consolidated financial statements of the period under review have been prepared in accordance with applicable accounting standards and give a true and fair view of assets, financial position and income of the Group and the companies comprised in the consolidation scope, and that the interim activity report, in paragraph I. of this document, includes a fair review of the important events occurring during the first half of the financial year and their impact on the financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year.

The limited review report for the interim consolidated financial statements for the six-month period ended June 30, 2021 is reproduced above, in paragraph IV.

Bois-Colombes, on July 28, 2021

Xavier DURAND

CEO of COFACE SA

VI. Key indicators

VI. Key indicators

A. KEY PERFORMANCE INDICATORS

1. Financial indicators

For details on the definitions of these indicators, please refer to chapter 3, section 3.7.1 of the 2020 Registration Document filed with the AMF on March 31, 2021 under number D. 21-0233.

2. Operating indicators

For details on the definitions of these indicators, please refer to chapter 3, section 3.7.2 of the 2020 Registration Document filed with the AMF on March 31, 2021 under number D. 21-0233.

B. ALTERNATIVE PERFORMANCE MEASURES (APM)

This section deals with indicators that are not defined by accounting standards and are used by the company in its financial communication, also available on section 3.7.4 of the 2020 Registration Document filed with the AMF on March 31, 2021 under number D. 21-0233.

This section has been developed in accordance to the AMF Position – IAP DOC 2015-12.

The indicators below represent the company's APM *a) APM linked to revenue and its items:*

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2021	**2020**
Turnover with restated items				
(1) 2 types of revenue restatements: i- Calculation of the percentage of revenue growth in like-for-like (i.e. constant scope and FX): - Year Y recalculated at the exchange rate for year Y-1 - Year Y-1 at the scope of year Y ii- Removal or addition of revenue in value (€) considered as non-recurring. The term “non-recurring” refers to impacts on revenue which do not occur every year.	i- Historic method for calculating like-for-like percentages for Coface ii- Item considered as non-recurring, which means that it will not occur again in the current year (Year Y).	i- (Revenue Y – FX Impact Y-1) / (Revenue Y-1 + Impact scope N) - 1 ii- Revenue Y +/- Restatements / Additions of non-recurring items Y	i. 7.4% = (768.0 - (-17.3) / (724.6 + 6.4) - 1 ii. 768.0 +/- 0.0	i. **-0.6%** = (724.6 - (-6.6) / (732.6 + 3.2) - 1 ii. 724.6 +/- 0.0
Fee and commission income/Earned premiums (current – like-for like)				
Weight of fee and commission income compared to earned premiums in like-for like (i.e. constant scope and FX): - Year Y at the exchange rate for year Y-1 - Year Y-1 at the scope of year Y Fee and commission income corresponds to revenue billed for ancillary services.	Indicator used to monitor changes in fees and commission income compared to the main Revenue item on a like-for-like basis (ie. constant scope and FX).	Fee and commission income/Earned premiums Like-for-Like (no scope impact ; ex. FX)	**Current:** **11.8%** = 74.6 / 632.4 **Constant:** **11.5%** = 75.2 / 654.9	**Current:** **12.6%** = 75.6 / 599.1 **Constant:** **12.5%** = 75.8 / 605.6

Internal general expenses excluding non-recurring items				
(2) Restatement or Addition of items considered as non-recurring to internal overheads. The term "non-recurring" refers to the impacts on expenses which do not occur every year.	Indicator used to compare the change in internal overheads, excluding non-recurring items.	Current internal overheads +/- Restatements / Addition of non-recurring items	**276.3** M€ = 276.3 +/- 0.0	**263.9** M€ = 263.9 +/- 0.0

b) APM linked to operating income:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2021	**2020**
Restated operating income excluding non-recurring items (including financial costs and excluding other operating income and expenses)				
Restatement or Addition of items considered as non-recurring, to the operating income: these include non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or general expenses (see definition above) (2))	Indicator used to compare the change in operating income, excluding non-recurring items.	Current operating income +/- Restatements / Addition of non-recurring items	**161.2** M€ = 172.1 + (-10.4) – (+0.4)	**46.1** M€ = 55.4 + (-11.0) – (-1.8)

c) APM linked to net income:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2021	**2020**
Net income excluding non-recurring items				
Restatement or Addition of items considered as non-recurring, to net income: These include non-recurring income and expenses likely to impact either revenue (see definition above, (1)) or expenses (see definition above) (2)) This aggregate is also restated to account for "current operating income and expenses" classified after operating income in the management income statement (3).	Indicator used to compare the change in net income, excluding non-recurring items.	Net income +/- Restatements / Additions of non-recurring items	**123.2** M€ +/- 0,0	**24.0** M€ +/- 0,0

d) APM in connection with combined ratio:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2021	**2020**
Gross loss ratio (or loss ratio before reinsurance) and gross loss ratio including claims management fees refer to the very same indicator				
Please, refer to part VII of the present document				
Net loss ratio (or loss ratio after reinsurance)				
Please, refer to part VII of the present document				
Gross/Net cost ratio (or cost ratio before/after reinsurance)				
Please, refer to part VII of the present document				
Gross/Net combined ratio (or combined ratio before/after reinsurance)				
Please, refer to part VII of the present document				
Net combined ratio excluding restated and non-recurring items ***[A]***				
Restatement or Addition of items considered as non-recurring to the combined ratio after reinsurance. This includes non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or overheads (see definition above) (2))	Indicator used to compare the change in combined ratios after reinsurance, excluding non-recurring items.	Combined ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**[A]=[B]+[C]** **51.9%** = 21.4% + 30.4%	**[A]=[B]+[C]** **88.6%** = 57.4% + 31.2%
Net loss ratio excluding non-recurring items ***[B]***				
Restatement or Addition of items considered as non-recurring to loss ratio after reinsurance.	Indicator used to compare the change in loss ratios after reinsurance, excluding non-recurring items.	Loss ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**21.4%** = 21.4% +/- 0.0pts	**57.4%** = 57.4% +/- 0.0pts

Net cost ratio excluding restated and non-recurring items ***[C]***				
Restatement or Addition of items considered as non-recurring, to cost ratio after reinsurance. These include non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or overheads (see definition above) (2))	Indicator used to compare the change in cost ratios after reinsurance, excluding non-recurring items.	Cost ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**30.4%** = 30.4% +/- 0.0pts	**31.2%** = 31.2% +/- 0.0pts
Current underwriting year gross loss ratio - loss ratio before reinsurance and excluding claims handling expenses for the current underwriting year ***[D]***				
Ultimate claims expense (after recourse) over earned premiums (after premium rebates) for the current underwriting year. The insurance attachment year (insurance period) is exclusively the current year Y.	Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	= Claims attached to the current year/ Gross earned premiums for the current year See ultimate loss ratios development triangles	**75.1%** = see ultimate loss ratios development triangles	**87.6%** = see ultimate loss ratios development triangles
Prior underwriting years gross loss ratio - loss ratio before reinsurance and excluding claims handling expenses for the prior underwriting years ***[E]***				
Corresponds to the Gains/Losses for underwriting years (insurance periods) prior to the current year Y, which is not included. A Gain or Loss corresponds respectively to an excess or deficit in claims provisions compared to the loss ratio actually recognised.	Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	[E] = [F-D]	**-48.1%** = 27.0 % - 75.1%	**31.1%** = 56.4% - 87.6%
All underwriting years gross loss ratio – loss ratio before reinsurance and excluding claims handling expenses for all underwriting years ***[F]***				
Corresponds to the accounting loss ratio relating to all underwriting years (Current year Y and its prior years). Indicator used to calculate	Key indicator in loss monitoring	-(Claims / Earned premiums) (see P&L)	**27.0%** = - (-172.4 / 638.7)	**56.4%** = - (-338.1 / 599.1)

the loss ratio before reinsurance, excluding claims handling expense.				

e) APM in connection with equity:

Definition	**Justification**	**Reconciliation with the financial statements**	**Comparison Y/Y-1**	
			2021	**2020**
RoATE – Return on average tangible equity				
Net income (attributable to the equity owner of the parent – group share) for the year over average tangible equity (average equity restated for intangible assets).	The return on equity ratio is used to measure the return on the Group's invested capital.	Net income group share Y /[(Equity attributable to equity holders of the parent Y-1, restated for intangible assets + Equity attributable to equity holders of the parent Y, restated for intangible assets)/2] For intermediary periods (Q1, H1 and 9M results), the net income is annualized ie. For Q1: Net income x 4 For H1: Net income x 2 For 9M : Net income / 3 x 4	**13.5%** = (123.2x2) / [(1, 767 + 1,892) /2] The annualized net income (x2) is taken into account for both the ratio's numerator and denominator	**2.8%** = (24.0x2) / [(1 704 + 1,693) /2] The annualized net income (x2) is taken into account for both the ratio's numerator and denominator
RoATE excluding exceptional and non-recurring items				
RoATE (refer to the definition above) recalculated based on the net income excluding non-recurring items and the average tangible equity excluding non-recurring items.	The return on equity ratio excluding non-recurring items is used to track changes on the Group's invested capital between two reporting periods	Net income group share Y excluding non-recurring items /[(Equity attributable to equity holders of the parent Y-1 excluding non-recurring items, restated for intangible assets + /[(Equity attributable to equity holders of the parent Y excluding non-recurring items, restated for intangible assets)/2] For intermediary periods (Q1, H1 and 9M results), the net income is annualized ie. For Q1: Net income x 4; For H1: Net income x 2 For 9M : Net income / 3 x 4	Not applicable	Not applicable

f) *APM linked to the investment portfolio*:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2021	**2020**
Accounting rate of return of financial assets				
Investment income before income from investments in companies, foreign exchange gains or losses and financial expenses compared to the balance sheet total of financial assets excluding investments in companies	Indicator used to monitor the accounting performance of the financial assets portfolio	Investment portfolio income / ((market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1)/2)	**0.6%** = 18.1 / (((2,949 - 121) + (2,984 - 150)) / 2)	**0.6%** = 17.6 / (((2,905 - 150) + (2,991 - 142)) / 2)
Accounting rate of return of financial assets excluding income from disposals				
Investment income before income from investments in companies, foreign exchange gains or losses and financial expenses excluding capital gains or losses on disposals compared to the balance sheet total of financial assets excluding investments in companies	Indicator used to monitor the recurring accounting performance of the financial assets portfolio	Investment portfolio income excluding capital gains or losses / ((market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1)/2)	**0.7%** = (18.1 -0.6) / (((2,949 - 121) + (2,984 - 150)) / 2)	**0.7%** = (17.6 + 0.9) / (((2,905 - 150) + (2,991 - 142)) / 2)

Economic rate of return of financial assets				
Economic performance of the asset portfolio. Thus the change in revaluation reserves for the period over the balance sheet total of financial assets is added to the accounting return.	Indicator used to monitor the economic performance of the financial assets portfolio	((Accounting rate of return of financial assets + (revaluation reserves of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y – revaluation reserves of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1) / ((market value of financial assets ((stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1) / 2	**0.9%** = (18.1 + 102.7 – 96.2) / (((2,949 - 121) + (2,984 - 150)) / 2)	**-0.7%** = (17.6 + 48.0 - 85.2) / (((2,905 - 150) + (2,991 - 142)) / 2)

Investment portfolio income				
Income from the investment portfolio (stocks excluding share in companies, fixed-income instruments and real estate)	Used to monitor income from the investment portfolio only	Income from stocks excluding investments in companies + fixed-income instruments + real estate income	**18.1 M€** = 4.2 + 13.1 + 4.0 - 3.2	**17.6 M€** = -3.7 + 7.6 + 5.3 + 8.4
Others				
Income from derivatives excluding exchange rate, investments in companies and financial expenses.	Used to monitor income from investments in companies, derivatives excluding exchange rate and fees relating to investments.	Income from derivatives excluding exchange rate + investments in companies + financial expenses.	**-2.3 M€** = 1.6 - 0.2 -3.7	**-0.9 M€** = 1.3 + 1.0 -3.2

g) APM linked to reinsurance:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Ceded premiums / Gross earned premiums (or premium cession rate)				
Weight of ceded premiums compared to earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cede to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not written.	Indicator used to monitor the drivers of the change in reinsurance result	(Ceded premiums (o/w change in premium reserves) / Earned premiums)	**48.5%** = -(-309.8 / 638.7)	**39.7%** = -(-238.0 / 599.1)
Ceded claims / total claims (or claims cession rate)				
Weight of ceded claims compared to total claims. Ceded claims correspond to the share of claims that Coface transfers to reinsurers under reinsurance treaties signed with them.	Indicator used to monitor the drivers of the change in reinsurance result	- Ceded claims (o/w change in claims reserves after recourse) / total claims incl. claims handling costs	**62.7%** = -118.3 / -(172.4 + 16.3)	**41.3%** = -145.9 / -(338.1 + 15.2)
Underwriting income before reinsurance				
Please, refer to Chapter 3 of the 2019 registration document.				

VII. Appendix: Calculation of financial ratios

VII. Appendix: Calculation of financial ratios

Loss Ratio

This ratio allows the Coface Group to measure the underwriting profitability of insurance contracts during the financial year. By analysing this ratio, it is also possible to price policies effectively by taking into account the amount of claims made by policyholders.

Loss Ratio before Reinsurance

The loss ratio before reinsurance is the ratio of claim expenses (as defined below) to gross earned premiums (the sum of the gross written premiums and unearned premium provisions), net of premium rebates. Premium rebates are reimbursements made to policyholders of part of the premiums paid by them when claims under their insurance policies do not exceed a certain threshold (low claims bonus) or when there are no claims (no-claims bonus).

Loss Ratio after Reinsurance

The loss ratio after reinsurance corresponds to the ratio of claims expenses (net of claims expenses ceded to reinsurers under reinsurance treaties entered into by the Coface Group) to the gross earned premiums (net of premiums ceded to reinsurers).

Cost Ratio

Cost Ratio before Reinsurance

The cost ratio before reinsurance is the ratio of overheads (as defined below) to gross earned premiums (as described above).

The cost ratio before reinsurance is used by the Coface Group to measure all the costs related to the acquisition and management of its portfolio of contracts in a given financial year. The Coface Group's credit insurance business is supported by services activities such as corporate information and recovery of receivables. These services are inherent to the traditional credit insurance activity (related services) and the related expenses are included in the overheads of the Coface Group. The overheads are also increased by complementary activities such as factoring (in Germany and Poland). However, in order for the cost ratio calculated by the Coface Group to be comparable to the cost ratio calculated by other main market players, revenue generated by the additional businesses (non-insurance) described above is deducted from overheads.

Cost Ratio after Reinsurance

The cost ratio after reinsurance is the ratio of general expenses (after deduction of reinsurance premiums paid by reinsurers) to gross earned premiums (net of premiums ceded to reinsurers).

Overheads

Overheads accounted for in the cost ratio are the sum of:

- policy acquisition costs (consisting of the external costs of acquisition of contracts, corresponding to commissions paid to business contributor intermediaries (brokers or other intermediaries) and internal contract acquisition costs corresponding to the cost of maintaining distribution networks and the costs relating to drafting services in charge of writing contracts);
- administrative costs (including Coface Group operating costs, payroll costs, IT costs, etc. excluding profit-sharing and incentive schemes);
- other current operating expenses (expenses that cannot be allocated to any of the purposes defined by the accounting plan, in particular including management expenses);
- expenses from banking activities (general operating expenses, such as payroll costs, IT costs, etc., relating to the factoring business); and
- expenses from other activities (overheads related exclusively to information and recovery for customers without credit insurance) minus revenue related to:
    - fees and commission income (ancillary fees charged under insurance contracts for the provision of credit insurance related services, such as debtor information, fees for monitoring credit limits of customers of policyholders and receivables management and recovery of receivables),
    - other related benefits and services (ancillary services, such as administrative fees for managing claims and reinvoiced receivables recovery fees),
    - information and other services (fees charged for access to information on corporate solvency and marketing information) provided to customers without credit insurance,
    - receivables management (fees charged for receivables recovery services) provided to customers without credit insurance,
    - the net banking income relating to the factoring activities.

Combined Ratio

The combined ratio measures the overall profitability of the Coface Group's activities and its technical margin.

The combined ratio is the sum of the loss ratio and the cost ratio. It is tracked by the Coface Group both before and after reinsurance (claims expenses net of those ceded to reinsurers under reinsurance treaties entered into by the Coface Group and overheads, less reinsurance commissions paid by the reinsurers over total gross earned premiums net of premiums ceded to reinsurers).

Calculation of ratios

In the course of its business, and in addition to the financial information published in accordance with IFRS, the Coface Group tracks certain key operating ratios that provide an understanding of its performance and profitability of its products (loss ratio, cost ratio and combined ratio).

In €k	H1-20	H1-21
Earned Premiums		
Gross earned premiums [A]	**599,087**	**638,715**
Ceded premiums	(237,957)	(309,823)
Net earned premiums [D]	**361,129**	**328,892**
Claims expenses		
Claims expenses [B]	**(353,275)**	**(188,723)**
Ceded claims	**78,216**	**66,469**
Change in claims provisions	67,714	51,810
Net claims expenses [E]	**(207,344)**	**(70,444)**
Technical expenses		
Operating expenses	**(325,165)**	**(339,378)**
Employee profit sharing and incentive plans	894	2,625
Other revenue	125,533	129,324
Operating expenses, net of revenues from other services before reinsurance [C]	**(198,739)**	**(207,430)**
Commissions received from reinsurers	86,058	107,289
Operating expenses, net of revenues from other services after reinsurance [F]	**(112,681)**	**(100,141)**

$$\boldsymbol{combined\,ratio\,before\,reinsurance} = \ loss\ ratio\ before\ reinsurance\frac{[B]}{[A]} + \ cost\ ratio\ before\ reinsurance\frac{[C]}{[A]}$$

$$\boldsymbol{combined\,ratio\,after\,reinsurance} = \boldsymbol{loss\,ratio\,after\,reinsurance}\frac{[E]}{[D]} + \ \boldsymbol{cost\,ratio\,before\,reinsurance}\frac{[F]}{[D]}$$

Ratios	H1-20	H1-21
Loss ratio before reinsurance	59.0%	29.5%
Loss ratio after reinsurance	**57.4%**	**21.4%**
Cost ratio before reinsurance	33.2%	32.5%
Cost ratio after reinsurance	**31.2%**	**30.4%**
Combined ratio before reinsurance	92.1%	62.0%
Combined ratio after reinsurance	**88.6%**	**51.9%**

End of the document