Consolidated financial statements

Preliminary version, unaudited financial statements – under audit

free translation

December, 31 2020

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Consolidated balance sheet

Asset

(in thousands of euros)	Notes	Dec. 31, 2020	Dec. 31, 2019
Intangible assets		**230,852**	**220,844**
Goodwill	*1*	154,245	155,833
Other intangible assets	*2*	76,607	65,011
Insurance business investments	*3*	**2,982,945**	**2,990,686**
Investment property	*3*	288	288
Held-to-maturity securities	*3*	1,872	1,842
Available-for-sale securities	*3*	2,896,314	2,911,034
Trading securities	*3*	67	43
Derivatives	*3*	7,237	1,809
Loans and receivables	*3*	77,167	75,670
Receivables arising from banking activities	*4*	**2,326,941**	**2,346,710**
Reinsurers' share of insurance liabilities	*17*	**603,453**	**450,367**
Other assets		**1,007,645**	**1,053,538**
Buildings used for operations purposes and other property, plant and equipment	*6*	112,765	123,776
Deferred acquisition costs	*8*	35,494	40,384
Deferred tax assets	*19*	49,250	64,042
Receivables arising from insurance and reinsurance operations	*7*	516,561	532,362
Trade receivables arising from service activities	*8*	62,390	62,112
Current tax receivables	*8*	49,853	49,675
Other receivables	*8*	181,332	181,187
Cash and cash equivalents	*9*	**400,969**	**320,777**
TOTAL ASSETS		**7,552,804**	**7,382,922**

Liability

(in thousands of euros)	Notes	Dec. 31, 2020	Dec. 31, 2019
Equity attributable to owners of the parent		**1,998,308**	**1,924,472**
Share capital	*10*	304,064	304,064
Additional paid-in capital		810,420	810,420
Retained earnings		656,118	512,438
Other comprehensive income		144,807	150,821
Consolidated net income of the year		82,900	146,729
Non-controlling interests		**267**	**269**
Total equity		**1,998,575**	**1,924,741**
Provisions for liabilities and charges	*13*	**96,307**	**100,932**
Financing liabilities	*15*	**389,810**	**389,261**
Lease liabilities	*16*	**88,124**	**92,990**
Liabilities relating to insurance contracts	*17*	**1,804,092**	**1,827,219**
Payables arising from banking activities	*18*	**2,318,392**	**2,362,805**
Amounts due to banking sector companies	*18*	535,447	523,020
Amounts due to customers of banking sector companies	*18*	357,384	301,058
Debt securities	*18*	1,425,562	1,538,727
Other liabilities		**857,504**	**684,974**
Deferred tax liabilities	*19*	110,507	107,357
Payables arising from insurance and reinsurance operations	*20*	414,133	219,863
Current taxes payables	*21*	70,621	66,295
Derivatives	*21*	26	889
Other payables	*21*	262,219	290,570
TOTAL EQUITY AND LIABILITIES	**21**	**7,552,804**	**7,382,922**

Consolidated income statement

(in thousands of euros)	Notes	Dec. 31, 2020	Dec. 31, 2019
Gross written premiums		*1,273,767*	*1,327,635*
Premium refunds		*(78,111)*	*(95,079)*
Net change in unearned premium provisions		*8,678*	*3,041*
Earned premiums	*22*	**1,204,334**	**1,235,597**
Fee and commission income		*143,985*	*140,114*
Net income from banking activities		*58,450*	*64,106*
Income from services activities		*44,094*	*41,270*
Other revenue	*22*	**246,530**	**245,491**
Revenue		**1,450,864**	**1,481,088**
Claims expenses	*23*	**(623,653)**	**(536,247)**
Policy acquisition costs	*24*	*(238,453)*	*(242,675)*
Administrative costs	*24*	*(261,807)*	*(274,784)*
Other insurance activity expenses	*24*	*(60,971)*	*(70,739)*
Expenses from banking activities, excluding cost of risk	*24/25*	*(12,833)*	*(13,742)*
Expenses from services activities	*24*	*(81,608)*	*(75,198)*
Operating expenses	*24*	**(655,672)**	**(677,138)**
Risk cost	*25*	**(100)**	**(1,804)**
UNDERWRITING INCOME BEFORE REINSURANCE		**171,439**	**265,900**
Income and expenses from ceded reinsurance	*26*	(44,116)	(77,963)
UNDERWRITING INCOME AFTER REINSURANCE		**127,322**	**187,937**
Investment income, net of management expenses (excluding finance costs)	*27*	26,903	36,938
CURRENT OPERATING INCOME		**154,225**	**224,877**
Other operating income and expenses	*28*	(13,787)	(6,000)
OPERATING INCOME		**140,438**	**218,877**
Finance costs		(21,740)	(21,386)
Share in net income of associates			
Badwill		8,910	4,662
Income tax expense	*29*	(44,704)	(55,434)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**82,904**	**146,720**
Non-controlling interests		(4)	10
NET INCOME FOR THE YEAR		**82,900**	**146,730**
Earnings per share (€)	*31*	0.55	0.97
Diluted earnings per share (€)	*31*	0.55	0.97

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	December. 31, 2020	December. 31, 2019
Net income of the period		**82,900**	**146,729**
Non-controlling interests		4	(10)
Other comprehensive income			
Currency translation differences reclassifiable to income		**(25,150)**	**19,163**
Reclassified to income		(0)	(0)
Recognised in equity		(25,150)	19,163
Fair value adjustments on available-for-sale financial assets	3;12;19	**17,824**	**78,024**
Recognised in equity – reclassifiable to income – gross		20,218	107,140
Recognised in equity – reclassifiable to income – tax effect		(2,956)	(21,795)
Reclassified to income – gross		959	(8,927)
Reclassified to income – tax effect		(397)	1,606
Fair value adjustments on employee benefit obligations	3;12;19	**1,298**	**(3,229)**
Recognised in equity – not reclassifiable to income – gross		1,700	(4,386)
Recognised in equity – not reclassifiable to income – tax effect		(402)	1,157
Other comprehensive income of the period, net of tax		**(6,028)**	**93,958**
Total comprehensive income of the period		**76,876**	**240,677**
- attributable to owners of the parent		76,886	240,679
- attributable to non-controlling interests		(10)	(2)

Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares	Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
						Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
Equity at December 31, 2018		307,799	810,420	530,377	(21,452)	(27,685)	106,641	(22,184)	122,333	1,806,249	148	1,806,397
Effect of the first application of the standard IFRS 16				**202**						**202**		**202**
2018 net income to be appropriated				122,333					(122,333)			
Payment of 2018 dividends in 2019				(119,424)						(119,424)	(6)	(119,430)
Total transactions with owners		**(0)**	**(0)**	**2,909**	**(0)**	**(0)**	**(0)**	**(0)**	**(122,333)**	**(119,424)**	**(6)**	**(119,430)**
December 31, 2019 net income									146,729	146,729	(10)	146,719
Fair value adjustments on available-for-sale financial assets recognized in equity							85,338			85,338	7	85,345
Fair value adjustments on available-for-sale financial assets reclassified to income statement							(7,320)			(7,320)	(1)	(7,321)
Change in actuarial gains and losses (IAS 19R)								(3,229)		(3,229)		(3,229)
Currency translation differences						19,161				19,161	2	19,163
Cancellation of COFACE SA shares		(3,735)		(11,265)	15,000							
Treasury shares elimination					(4,738)					(4,738)		(4,738)
Free share plans expenses				1,277						1,277		1,277
Transactions with shareholders and others				128		99				227	129	356
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									11,145	11,145	(17)	11,128
Fair value adjustments on available-for-sale financial assets recognized in equity	3 ; 12 ; 14 ; 19						17,261			17,261	1	17,262
Fair value adjustments on available-for-sale financial assets reclassified to income statement	3 ; 12 ; 14 ; 19						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)						(126)	8	(118)
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

Consolidated statement of cash flows

(in thousands of euros)	December 31, 2020	December 31, 2019
Net income for the period	**82,900**	**146,729**
Non-controlling interests	4	(10)
Income tax expense	44,704	55,434
Finance costs	21,740	21,385
Operating income (A)	**149,348**	**223,538**
+/- Depreciation, amortization and impairment losses	45,513	43,499
+/- Net additions to / reversals from technical provisions	(75,244)	26,210
+/- Unrealized foreign exchange income / loss	12,922	(4,845)
+/- Non-cash items	7,330	26,181
Total non-cash items (B)	***(9,478)***	***91,045***
Gross cash flows from operations (C) = (A) + (B)	***139,870***	***314,583***
Change in operating receivables and payables	118,575	(8,074)
Net taxes paid	(32,419)	(39,389)
Net cash related to operating activities (D)	***86,155***	***(47,463)***
Increase (decrease) in receivables arising from factoring operations	(6,321)	167,125
Increase (decrease) in payables arising from factoring operations	(56,841)	(44,727)
Increase (decrease) in factoring liabilities	37,677	(141,814)
Net cash generated from banking and factoring operations (E)	***(25,485)***	***(19,416)***
Net cash generated from operating activities (F) = (C+D+E)	**200,541**	**247,704**
Acquisitions of investments	(655,210)	(773,793)
Disposals of investments	631,206	708,711
Net cash used in movements in investments (G)	***(24,004)***	***(65,082)***
Acquisitions of consolidated subsidiaries, net of cash acquired	(4,042)	(11,186)
Disposals of consolidated companies, net of cash transferred		(0)
Net cash used in changes in scope of consolidation (H)	***(4,042)***	***(11,186)***
Acquisitions of property, plant and equipment and intangible assets	(40,974)	(14,299)
Disposals of property, plant and equipment and intangible assets	8,385	12,942
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(32,589)***	***(1,357)***
Net cash used in investing activities (J) = (G+H+I)	**(60,635)**	**(77,625)**
Proceeds from the issue of equity instruments		(0)
Treasury share transactions	(4,632)	(4,122)
Dividends paid to owners of the parent	0	(119,424)
Dividends paid to non-controlling interests	(1)	(6)
Cash flows related to transactions with owners	***(4,633)***	***(123,552)***
Proceeds from the issue of debt instruments	(132)	(0)
Cash used in the redemption of debt instruments	250	0
Lease liabilities variations	(13,629)	(10,902)
Interests paid	(21,193)	(20,854)
Cash flows related to the financing of Group operations	(34,704)	(31,756)
Net cash generated from (used in) financing activities (K)	-39 337	(155,308)
Impact of changes in exchange rates on cash and cash equivalents (L)	-20 378	3,587
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**80 191**	**18,358**
Net cash generated from operating activities (F)	200,541	247,704
Net cash used in investing activities (J)	(60,635)	(77,625)
Net cash generated from (used in) financing activities (K)	(39,337)	(155,308)
Impact of changes in exchange rates on cash and cash equivalents (L)	(20,378)	3,587
Cash and cash equivalents at beginning of period	**320,777**	**302,419**
Cash and cash equivalents at end of period	**400,969**	**320,777**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**80,192**	**18,358**

Basis of preparation

These IFRS consolidated financial statements of the Coface Group as at December 31, 2020 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union[1]. They are detailed in the note “Accounting principles” of the present consolidated financial statements as at December 31, 2020.

The balance sheet is presented with comparative financial information at December 31, 2019. The income statement is presented with comparative financial information at December 31, 2019.

These IFRS consolidated financial statements for the year ended December 31, 2020 were reviewed by the Coface Group’s Board of Directors on February 10, 2021.

[1] The standards adopted by the European Union can be consulted on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements

Significant events

Coface launches its new 2023 strategic plan, Build to Lead

During its investor day organised on 25 February in Paris, Coface presented its new 2023 strategic plan Build to Lead. This plan seeks to take further the business and cultural transformation undertaken under Fit to Win.
In particular the new plan will: a) continue to strengthen risk management and underwriting discipline; b) improve service, commercial and operational efficiency; c) invest in select growth initiatives in trade credit insurance as well as in specialty lines and d) maintain balance sheet strength.
With the implementation of the plan Build to Lead, Coface raises all its financial targets.
The rapid occurrence of the health and economic crisis induced after the presentation of the plan does not call into question the fundamentals of the plan. Circumstances have led to a review of the Group's short-term priorities, but the strategic direction remains the same.

Coface demonstrates its agility in crisis management

Faced with the occurrence of the health crisis and the economic freeze in a large number of countries, Coface quickly took measures to mitigate the effects on its economic model. First, Coface's teams were working from home with no disruption in quality of service delivered to clients, thus demonstrating operational agility.
On the financial level, Coface rapidly reduced the level of risk of its investment portfolio and significantly increased its liquidity level to 21% at the peak of the crisis at the end of the first quarter, before gradually reinvesting its liquidities folowing the implementation of the financial measures taken by governments and central banks.
During this period, the Group was able to refinance its factoring business without any problems thanks to the over-collateralisation of available bank lines and the responsiveness of its teams, who were also able to renew certain bank lines on time or in advance, while maintaining satisfactory financial conditions in line with its expectations.
For reasons of prudence, in line with the recommendations of regulatory and governmental authorities, and to maintain its financial agility, the Board of Directors decided at its meeting on April 1 to propose to the Combined General Meeting of May 14, 2020 to pay no dividend for the financial year ending December 31, 2019. This measure resulted in a gain of approximately 13 points on the Group's solvency ratio.
Lastly, in response to the general deterioration in credit risk, Coface took an exceptionally high number of preventive measures in its insurance and factoring portfolios. Despite record volumes, most of the decisions were taken following a detailed analysis of the situation of each debtor, based on its country, sector and specific situation.

Coface cooperates with a number of countries to guarantee the availability of credit insurance

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 businesses. In order to guarantee the availability of credit insurance in a period when the risk is not necessarily insurable, many states have set up guarantee mechanisms of varying form and scope. During the year Coface has signed 13 government agreements that represent 64% of its exposure as of 31 December 2020.

Depending on the country, these mechanisms take the form of proportional reinsurance treaties or supplementary guarantees. The treaties generally cover domestic policyholders or policyholders domiciled in the country and concern the entire existing portfolio and new business. Depending on the country, the schemes are subject to a cession rate for premiums and claims, which may differ, and generally give rise to the payment of a reinsurance commission. It enables the insurer's customers to purchase a guarantee that is no longer available on the private market because of the difficulty of insuring risks that have become too uncertain.

The impact of all these governmental schemes on FY-2020 accounts have lowered pre-tax profit by €5.9m in 2020. Given the current low level of claims activity, under these schemes, Coface will end up ceding more premiums than claims.

During the last quarter, Coface signed 12 extensions of agreements with France, Germany, Italy, United Kingdom, the Netherlands, Denmark, Belgium, Slovenia, Canada, Portugal, Israel and Norway. These agreements aim to extend the arrangements put in place in 2020 until 30 June 2021.

Rating agencies recognise Coface's good performances

Before the beginning of the crisis, on 24 February, Rating agency AM Best has assigned a Financial Strength Rating (FSR) of A (Excellent) to Compagnie française d'assurance pour le commerce extérieur (la Compagnie) and to Coface Re. Both ratings have a stable outlook.
The agency has also affirmed the FSR of Coface North America Insurance Company (CNAIC) to A (Excellent). The outlook remains stable.

After the crisis started, the rating agencies quickly analysed the potential consequences of the crisis on the various sectors of economic activity. In the insurance sector, and particularly in credit insurance, the first reaction was to anticipate a deterioration in the rating profile.
Thus, the rating agency Moody's confirmed Coface's Insurance Financial Strength (IFS) A2 rating on 27 March 2020 but the outlook is now moved to negative.

Ratings agency Fitch has, on 31 March 2020 placed Coface on Rating Watch Negative. This includes Coface's Insurer Financial Strength (IFS) rating. On November 5th, the agency maintained the rating watch at negative.

Shareholding evolution

On 25th of February 2020, Natixis announced the sale of 29.5% of the share capital of Coface to Arch Capital Group Ltd and has stated its intention to resign from COFACE's Board of Directors after the closing of the transaction. Natixis also specified that its agreement with Arch states that, on this date, Coface's Board of Directors will be composed of ten members comprising four members proposed by Arch and six independent directors (including the current five independent directors).

Coface's Board of Directors, liaising with the Nominations and Compensation Committee, decided to immediately launch a search for the future Chairman of the Board whose term of office will take effect on the closing date of the transaction. The Chairman of the Board will be an independent director.

Final completion of the transaction is subject to obtaining all the required regulatory authorizations.

Arch affirmed support of COFACE's current management and of its new 2023 strategic plan Build to Lead.

Coface finalised the acquisition of GIEK Kredittforsikring AS

On July 1, Coface announced the closing of the acquisition of GIEK Kredittforsikring AS, a company created in 2001 that manages the short-term export credit insurance portfolio previously underwritten by the Norwegian ECA, GIEK. Coface has acquired all GIEK Kredittforsikring AS shares, and the business will thus operate under the brand name Coface GK.

GIEK is consolidated in the group account starting from 1st of July and its integration lead to the recognition of a 8.9m€ badwill in the September 2020 net result.

Merger of the Brazilian subsidiary SBCE (Seguradora Brasileira C.E.) with Coface Do Brasil

Following the buyout in 2019 by Compagnie Française d'Assurance pour le Commerce Extérieur of minority interests in its subsidiary SBCE (Seguradora Brasileira C.E.), it was decided to merge it into its other subsidiary Coface Do Brasil. This operation is in line with the Group's desire to rationalise its presence in Brazil and meet regulatory requirements. The impact of this transaction on the consolidated financial statements for the year is nil.

Nicolas Namias is appointed as Chairman of Directors of COFACE SA

The Board of Directors of COFACE SA had a meeting on September 9, 2020 and elected Nicolas Namias, Chief Executive Officer of Natixis, as Chairman of the Board of Directors. He succeeds François Riahi, who is leaving the COFACE SA board following his departure from Natixis.

Implementation of a share buyback programme

Through its Build to Lead plan, Coface continues to improve the capital efficiency of its business model. Confident in the strength of its balance sheet, Coface launched on 26 October 2020 a shares buybacks programs for a total amount of 15 million euros. The description of these programs is as follows:

- a program for a targeted amount of 15 million euros was launched at October 27,2020 and extends until January 29, 2021 with 1,852,157 additional shares bought. As of December 31, 2020, Coface purchased 1,110,677 shares for an amount of 8,613,694,42 euros.

Scope of consolidation

Change in the scope of consolidation in 2020

First-time consolidation

Coface GIEK Kredittforsikring AS (Norwegian entity) was acquired on July 1, 2020 at 100%.

Exit from consolidation scope

No scope exit in 2020.

Merger

SBCE (Seguradora Brasileira C.E.) was absorbed by Coface Do brasil Seguros de Credito SA.

Special purpose entities (SPE)

SPEs used for the credit insurance business

Coface's credit enhancement operations consist of insuring, via a special purpose entity (SPE), receivables securitised by a third party through investors, for losses in excess of a predefined amount. In this type of operation, Coface has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

Coface does not sponsor securitisation arrangements. It plays the role of mere service provider to the special purpose entity by signing a contract with the SPE. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the financial statements.

SPEs used for financing operations

Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).

Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French SPV (special purpose vehicle), the FCT Vega securitisation fund. The sold receivables are covered by credit insurance.

The securitisation fund acquires the receivables at their nominal value less a discount (determined on the basis of the portfolio's past losses and refinancing costs). To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue ABCP (asset-backed commercial paper) on the market, and (ii) subordinated units to Coface Factoring Poland. The Coface Group holds control over the relevant activities of the FCT.

The FCT Vega securitisation fund is consolidated in the Group financial statements.

SPEs used for investing operations

The "Colombes" mutual funds were set up in 2013 to centralise the management of the Coface Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caceis has been selected as custodian and asset servicing provider.

The European branches of Compagnie Française d'Assurance pour le commerce extérieur, which do not have any specific local regulatory requirements, participate in the centralized management of their assets, set up by the Compagnie française d'assurance pour le commerce extérieur. They receive a share of the global income resulting from the application of an allocation key representing the risks subscribed by each branch and determined by the technical accruals.
Fonds Lausanne was created in 2015 in order to allow Coface Ré to subcribe for parts in investment funds, the management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.
The three criteria established by IFRS 10 for consolidation of the FCP Colombes and FCP Lausanne funds are met. Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated. They are fully controlled by the Group.

All of Coface entities are consolidated by full integration method.

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2020	Interest Dec. 31, 2020	Control Dec. 31, 2019	Interest Dec. 31, 2019
Northern Europe						
Germany	Coface, Niederlassung in Deutschland (ex Coface Kreditversicherung)	-	Branch*		Branch*	
Germany	Coface Finanz GMBH	Full	100,00%	100,00%	100,00%	100,00%
Germany	Coface Debitorenmanagement GMBH	Full	100,00%	100,00%	100,00%	100,00%
Germany	Coface Rating Holding GMBH	Full	100,00%	100,00%	100,00%	100,00%
Germany	Coface Rating GMBH	Full	100,00%	100,00%	100,00%	100,00%
Germany	Kisselberg KG	Full	100,00%	100,00%	100,00%	100,00%
Germany	Fct Vega (Fonds de titrisation)	Full	100,00%	100,00%	100,00%	100,00%
Netherlands	Coface Nederland Services	Full	100,00%	100,00%	100,00%	100,00%
Netherlands	Coface Nederland	-	Branch*		Branch*	
Denmark	Coface Danmark	-	Branch*		Branch*	
Sweden	Coface Sverige	-	Branch*		Branch*	
Norway	GIEK Kredittforsikring AS	Full	100,00%	100,00%	-	-
Western Europe						
France	COFACE SA	Parent company	100,00%	100,00%	100,00%	100,00%
France	Compagnie française d'assurance pour le commerce extérieur	Full	100,00%	100,00%	100,00%	100,00%
France	Cofinpar	Full	100,00%	100,00%	100,00%	100,00%
France	Cogeri	Full	100,00%	100,00%	100,00%	100,00%
France	Fimipar	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 2	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 2 bis	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3 bis	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3 ter	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 3 quater	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 4	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 5 bis	Full	100,00%	100,00%	100,00%	100,00%
France	Fonds Colombes 6	Full	100,00%	100,00%	100,00%	100,00%
Belgium	Coface Belgium Services	Full	100,00%	100,00%	100,00%	100,00%
Belgium	Coface Belgique	-	Branch*		Branch*	
Switzerland	Coface Suisse	-	Branch*		Branch*	
Switzerland	Coface Ré	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 2	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 2 bis	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 3	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 3 bis	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 5	Full	100,00%	100,00%	100,00%	100,00%
Switzerland	Fonds Lausanne 6	Full	100,00%	100,00%	100,00%	100,00%
UK	Coface UK Holdings	Full	100,00%	100,00%	100,00%	100,00%
UK	Coface UK Services	Full	100,00%	100,00%	100,00%	100,00%
UK	Coface UK	-	Branch*		Branch*	
Ireland	Coface Ireland	-	Branch*		Branch*	

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2020	Percentage Interest Dec. 31, 2020	Percentage Control Dec. 31, 2019	Percentage Interest Dec. 31, 2019
Central Europe						
Austria	Coface Austria Kreditversicherung Service GmbH	Full	100,00%	100,00%	100,00%	100,00%
Austria	Coface Central Europe Holding AG	Full	100,00%	100,00%	100,00%	100,00%
Austria	Compagnie francaise d´assurance pour le Commerce Exterieur SA Niederlassung Austria	-	Branch*		Branch*	
Hungary	Compagnie francaise d´assurance pour le commerce extérieur Hungarian Branch Office	-	Branch*		Branch*	
Poland	Coface Poland Credit Management Services Sp. z o.o.	Full	100,00%	100,00%	100,00%	100,00%
Poland	Coface Poland Factoring Sp. z o.o.	Full	100,00%	100,00%	100,00%	100,00%
Poland	Compagnie francaise d'assurance pour le commerce exterieur Spólka Akcyjna Oddzial w Polsce	-	Branch*		Branch*	
Czech Republic	Compagnie francaise d'assurance pour le commerce exterieur organizační složka Česko	-	Branch*		Branch*	
Romania	Coface Romania CMS	Full	100,00%	100,00%	100,00%	100,00%
Romania	Compagnie francaise d'assurance pour le commerce exterieur S.A. Bois - Colombes – Sucursala Bucuresti	-	Branch*		Branch*	
Romania	Coface Technologie - Roumanie	-	Branch*		Branch*	
Slovakia	Compagnie francaise d´assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu	-	Branch*		Branch*	
Slovenia	Coface PKZ	Full	100,00%	100,00%	100,00%	100,00%
Lithuania	Compagnie Francaise d'Assurance pour le Commerce Exterieur Lietuvos filialas	-	Branch*		Branch*	
Bulgaria	Compagnie Francaise d'Assurance pour le Commerce Exterieur SA – Branch Bulgaria	-	Branch*		Branch*	
Russia	CJSC Coface Rus Insurance Company	Full	100,00%	100,00%	100,00%	100,00%
Mediterranean & Africa						
Italy	Coface Italy (Succursale)	-	Branch*		Branch*	
Italy	Coface Italia	Full	100,00%	100,00%	100,00%	100,00%
Israel	Coface Israel	-	Branch*		Branch*	
Israel	Coface Holding Israel	Full	100,00%	100,00%	100,00%	100,00%
Israel	BDI – Coface (business data Israel)	Full	100,00%	100,00%	100,00%	100,00%
South Africa	Coface South Africa	Full	97,50%	97,50%	97,50%	97,50%
South Africa	Coface South Africa Services	Full	100,00%	100,00%	100,00%	100,00%
Spain	Coface Servicios España,	Full	100,00%	100,00%	100,00%	100,00%
Spain	Coface Iberica	-	Branch*		Branch*	
Portugal	Coface Portugal	-	Branch*		Branch*	
Greece	Coface Grèce	-	Branch*		Branch*	
Turquey	Coface Sigorta	Full	100,00%	100,00%	100,00%	100,00%
North America						
United States	Coface North America Holding Company	Full	100,00%	100,00%	100,00%	100,00%
United States	Coface North America	Full	100,00%	100,00%	100,00%	100,00%
United States	Coface Services North America	Full	100,00%	100,00%	100,00%	100,00%
United States	Coface North America Insurance company	Full	100,00%	100,00%	100,00%	100,00%
Canada	Coface Canada	-	Branch*		Branch*	
Latin America						
Mexico	Coface Seguro De Credito Mexico SA de CV	Full	100,00%	100,00%	100,00%	100,00%
Mexico	Coface Holding America Latina SA de CV	Full	100,00%	100,00%	100,00%	100,00%
Brazil	Coface Do brasil Seguros de Credito SA	Full	100,00%	100,00%	100,00%	100,00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE)	Full	0,00%	0,00%	100,00%	100,00%
Chile	Coface Chile SA	Full	100,00%	100,00%	100,00%	100,00%
Chile	Coface Chile	-	Branch*		Branch*	
Argentina	Coface Argentina	-	Branch*		Branch*	
Ecuador	Coface Ecuador	-	Branch*		Branch*	
Asia-Pacific						
Australia	Coface Australia	-	Branch*		Branch*	
Hong-Kong	Coface Hong Kong	-	Branch*		Branch*	
Japan	Coface Japon	-	Branch*		Branch*	
Singapore	Coface Singapour	-	Branch*		Branch*	
Taiwan	Coface Taiwan	-	Branch*		Branch*	

*Branch of Compagnie française d'assurance pour le commerce extérieur

Accounting principles

Applicable accounting standards

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of Coface as of December 31, 2020 are prepared in accordance with IAS / IFRS and IFRIC interpretations as adopted in the European Union and applicable at that date.

Standards applied since January 1st , 2020

IFRS 16

IFRS 16 "Leases" amendment Covid-19-Related Rent Concessions, adopted by European Commission on Octobre 9th, 2020 is mandatory applicable since June, 1st 2020 with possible early application.
This amendment had no impact on Coface's accounts.

Amendments to IAS 1 and IAS 8

The amendment to IAS 1 and IAS 8 "Definition of the Meaningful Term" adopted by the European Commission on 29 November 2019 is mandatory from 1 January 2020. These amendments clarify the definition of the term "significant" in order to facilitate the exercise of the judgment of whether or not the information is significant and improve the relevance of the information presented in the notes the financial statements. This amendment had no impact on Coface's accounts.

IFRS 17

IFRS 17 "Insurance contracts" published by the IASB on May 18, 2017 will replace IFRS 4 "Insurance contracts". IFRS 17 has not yet been adopted in the European Union. IFRS 17 has an effective date of 1 January 2023 but early application of IFRS 17 is permitted if an entity also applies IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17. The amendment to IFRS 17 was published by the IASB on June 25, 2020.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation.
So far, insurance contrats are recorded at historical costs and will be recorded at current value after the application of the standard IFRS 17. Therefore, insurance contracts values 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 estimatation 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, which enables, within different themes, to analyze all the dimensions of the standard: modeling, adaptation of systems and organizations, production of accounts and scales strategy, financial communication and change management.

IFRS 9

The new IFRS 9 "Financial Instruments" was adopted by the European Commission on November 22, 2016 and has been applicable retrospectively since January 1, 2018.
IFRS 9 replaces IAS 39 and defines the new rules for the classification and measurement of financial assets and liabilities, the new methodology for credit risk impairment of financial assets, and the treatment of hedging transactions at the same time. It excepts macro-hedging transactions for which a separate draft standard is under study by the IASB.

Exemption

The amendment to IFRS 4 relating to the joint application of IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts" with specific measures for financial conglomerates was adopted on November 9, 2017 and is applicable since January 1, 2018. This European regulation allows European financial conglomerates to opt to postpone the application of IFRS 9 for their insurance sector until January 1, 2023 (date of application of the new IFRS 17 Insurance Contracts standard) under conditions:

- not to transfer financial instruments between the insurance sector and the other sectors of the conglomerate (with the exception of instruments at fair value through profit or loss);
- to indicate the insurance entities that apply the IAS 39 standard;
- to provide additional specific information in the attached notes.

Coface, meeting the eligibility criteria of a financial conglomerate, applies this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2021. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

Scope of application

Consequently, the entities concerned by the application of IFRS 9 are exclusively entities in the factoring business, an activity operated by Coface in Germany and in Poland.
Pursuant to the option opened by IFRS 9, Coface has chosen not to restate prior years published as comparative information for its financial statements.

Consolidation methods used

In accordance with IAS 1 “Presentation of Financial Statements”, IFRS 10 and IFRS 3 on Business Combinations, certain interests that are not material in relation to the Coface Group’s consolidated financial statements were excluded from the scope of consolidation. Materiality is determined based on specific threshold and on a qualitative assessment of the relevance of each entity’s contribution to the consolidated financial statement of Coface. The main thresholds applicable are as follows:

Total balance sheet	€40 millions
Technical result	€5 millions
Net income	+/- €2 millions

Moreover, under the Coface Group rules, the non-consolidated companies should fully distribute all their distributable profits except in the case of regulatory requirements or exceptional elements.

The consolidation methods applied are as follows:

- companies over which the Coface Group exercises exclusive control are fully consolidated;
- companies over which the Coface Group exercises significant influence are accounted for by the equity method.

All the entities of the Coface Group scope are fully consolidated.

IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” in relation to consolidated financial statements as well as SIC-12 on special purpose entities. The control of an entity must now be analysed through three aggregate criteria: the power on the relevant activities of the entity, exposure to the variable returns of the entity and the investor’s ability to affect the variable returns through its power over the entity. The analysis of Special Purpose Entities (SPE’s) from Coface Group is presented in the note Scope of consolidation.

Intercompany transactions

Material intercompany transactions are eliminated on the balance sheet and on the income statement.

Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

- management is committed to a plan to sell the asset (or disposal group);
- a non-binding offer has been submitted by at least one potential buyer;
- it is unlikely that significant changes will be made to the plan or that it will be withdrawn.

Once assets meet these criteria, they are classified under "Non-current assets held for sale" in the balance sheet at the subsequent reporting date, and cease to be depreciated/amortised as from the date of this classification. An impairment loss is recognised if their carrying amount exceeds their fair value less costs to sell. Liabilities related to assets held for sale are presented in a separate line on the liabilities side of the balance sheet.

If the disposal does not take place within 12 months of an asset being classified as "Non-current assets held for sale", the asset ceases to be classified as held for sale, except in specific circumstances that are beyond Coface's control.

A discontinued operation is a clearly identifiable component of an entity that either has been disposed of, or is classified as held for sale, and:

- the component represents a separate major line of business or geographical area of operations;
- without representing a separate major line of business or geographical area of business, the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the component is a subsidiary acquired exclusively with a view to resale.

The income from these operations is presented on a separate line of the income statement for the period during which the criteria are met and for all comparative periods presented. The amount recorded in this income statement line includes the net income from discontinued operations until they are sold, and the post -tax net income recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

Year-end and accounting period

All consolidated companies have a December 31 year-end and an accounting period of 12 months.

Foreign currency translation

Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.,* currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group's entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates.

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

The balance sheets of foreign subsidiaries whose functional currency is not the euro are translated into euros at the year-end exchange rate, except for capital and reserves, which are translated at the historical exchange rate. All resulting foreign currency translation differences are recognised in the consolidated statement of comprehensive income.

Income statement items are translated using the average exchange rate for the year, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

Hyperinflationary Economies

The application of IAS29 *Financial Reporting in Hyperinflationary Economies* is required, as of July 1, 2018, for entities whose functional currency is Argentine Peso.

The Group has activities in Argentina whose contribution to the total consolidated balance sheet and net income is not significant as of December 31, 2020 and as of December 31, 2019.

Thus, the impact of the application of this standard is also not significant at group level and was not taken into account in the financial statements as of December 31, 2020 and as of December 31, 2019.

General principles

The insurance business

An analysis of all of Coface's credit insurance policies shows that they fall within the scope of IFRS 4, which permits insurers to continue to use the recognition and measurement rules applicable under local GAAP when accounting for insurance contracts.

Coface has therefore used French GAAP for the recognition of its insurance contracts.

However, IFRS 4:

- prohibits the use of equalisation and natural disaster provisions
- and requires insurers to carry out liability adequacy tests.

The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IFRS 15 "Revenue from contracts with customers".

Revenue is recognised when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

The factoring business

Companies engaged in the factoring business apply IFRS 9 "Financial Instruments". A financial instrument is a contract that gives rise to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

Trade receivables are classified within the “Loans and receivables” category. After initial recognition at fair value, these receivables are measured at amortised cost using the effective interest method (EIM). The financing fee is recorded over the term of the factoring transactions, which is equivalent to it being included in the EIM in view of the short-term nature of the transactions concerned.

IFRS 15 “Revenue from contracts with customers” standard is also applied for factoring business according the same rules as the service business.

Classification of income and expenses for the Group’s different businesses

Breakdown by function of insurance company expenses

The expenses of French and international insurance subsidiaries are initially accounted for by nature and are then analysed by function in income statement items using appropriate cost allocation keys. Investment management expenses are included under investment expenses. Claims handling expenses are included under claims expenses. Policy acquisition costs, administrative costs and other current operating expenses are shown separately in the income statement.

Factoring companies

Operating income and expenses of companies involved in the factoring business are reported as “Income from banking activities” and “Expenses from banking activities” respectively.

Other companies outside the insurance business and factoring business

Operating income and expenses of companies not involved in the insurance or factoring businesses are reported under “Income from other activities” and “Expenses from other activities”, respectively.

Revenue

Consolidated revenue includes:

- premiums, corresponding to the compensation of the group's commitment to cover the risks planned in their insurance policy: credit insurance (short term), single risk (medium term) and surety (medium term). The bond is not a credit insurance product because it represents a different risk nature (in terms of the underlying and the duration of the risk), but its remuneration takes the form of a premium; It responds to the definitions of insurance contracts given in IFRS 4;
- other revenues which include:
    - revenue from services related to credit insurance contracts ("fee and commission income"), corresponding to debtors' information services, credit limit monitoring, management and debt recovery. They are included in the calculation of the turnover of the credit insurance activity;
    - revenue from services which consist of providing customer access to credit and marketing information and debt collection services to clients without credit insurance contracts;
    - net income from banking activities are revenues from factoring entities. They consist mainly of factoring fees (collected for the management of factored receivables) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring customers, less interest paid on refinancing of the factoring debt). Premiums paid by factoring companies to insurance companies (in respect of debtor and ceding risk) are deducted from net banking income.

Consolidated revenue is analysed 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) and by business line (credit insurance, bonding, factoring, and information & other services).

Insurance operations

Earned premiums

Gross written premiums

Gross premiums correspond to written premiums, excluding tax and net of premium cancellations. They include an estimate of pipeline premiums and premiums to be cancelled after the reporting date.

The estimate of pipeline premiums includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum and final premiums. It also includes a provision for future economic risks that may impact end-of-year premiums.

Premiums invoiced are primarily based on policyholders' revenue or trade receivables balances, which vary according to changes in revenue. Premium income therefore depends directly on the volume of sales made in the countries where the Group is present, especially French exports and German domestic and export sales.

Premium refunds

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with the loss attributed to the policy.

The "premium refunds" item includes provisions established through an estimation of rebates to be paid.

Reserves for unearned premiums

Reserves for unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the provision corresponds to the fraction of written premiums relating to the period between the year-end and the end of the coverage period of the premium.

Gross earned premiums

Gross earned premiums consist of gross premiums issued, net of premium refunds, and variation in reserves for unearned premiums.

Deferred acquisition costs

Policy acquisition costs, including commissions are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred corresponds to policy acquisition costs related to the period between the year-end and the next premium payment date. Deferred acquisition costs are included in the balance sheet under "Other assets".

Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

Contract service expenses

Paid claims

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses.

Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

The provisions also include a provision for collection costs and claims handling expenses.

Specific provisions are also recorded for major claims based on the probability of default and level of risk exposure, estimated on a case-by-case basis et validated by a committee (*special reserves committee*)

In the guarantee business, local methods are applied. Provisions are only recorded for claims of which the Company concerned has been notified by the year-end. However, an additional provision is recorded when the risk that the guarantee will be called on is higher due to the principal (guaranteed) becoming insolvent, even if no related bonds have been called on. This additional provision is calculated based on the probability of default and the level of risk exposure.

Subrogation and salvage

Subrogation and salvage represent estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all open underwriting periods.

The subrogation and salvage includes a provision for debt collection costs.

In accordance with the applicable French Regulations, separate provisions are set aside for claims and recoveries.

Reinsurance operations

All of the Group’s inward and ceded reinsurance operations involve transfers of risks.

Inward reinsurance

Inward reinsurance is accounted for on a contract-by-contract basis using data provided by the ceding insurers.

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

Commissions paid to ceding insurers are deferred and recognised in the income statement on the same basis as reserves for unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period-end.

Ceded reinsurance

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related treaties.

Reinsurers’ share of technical provisions is determined on the basis of technical provisions recorded under liabilities.

Funds received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded reserves for unearned premiums (which are unearned premiums multiplied by reinsurance rate)

Other operating income and expenses

In accordance with Recommendation no. 2013-03 issued by the ANC (the French accounting standards setter), "Other operating income" and "Other operating expenses" should only be used to reflect a major event arising during the reporting period that could distort the understanding of the Company's performance. Accordingly, limited use is made of this caption for unusual, abnormal and infrequent income and expenses of a material amount which Coface has decided to present separately in the income statement so that readers can better understand its recurring operating performance and to make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

Other operating income and expenses are therefore limited, clearly identified, non-recurring items which are material to the performance of the Group as a whole.

Goodwill

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred;
- to which we add the amount of any non-controlling interest in the acquiree;
- and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;
- less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value).

In the case of a bargain purchase, the resulting gain is recognised in net income on the acquisition date.

If new information comes to light within the 12 months following the initial consolidation of a newly-acquired company and that new information affects the initial fair values attributed to the assets acquired and liabilities assumed at the acquisition date, the fair values are adjusted with a corresponding increase or decrease in the gross value of goodwill.

Goodwill is allocated, at the acquisition date, to the cash-generating unit (CGU) or group of CGUs that is expected to derive benefits from the acquisition. In accordance with paragraph 10 of IAS 36, goodwill is not amortised but is tested for impairment at least once a year or whenever events or circumstances indicate that impairment losses may occur. Impairment testing consists of comparing the carrying amount of the CGU or group of CGUs (including allocated goodwill) with its recoverable amount, which corresponds to the higher of value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

Impairment tests on goodwill and intangible assets

In accordance with IAS 36, for the purpose of impairment testing the strategic entities included in the Group's scope of consolidation are allocated to groups of CGUs.

A group of CGUs is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets (other CGUs). Paragraph 80 of IAS 36 stipulates that goodwill acquired in a business combination must, from the acquisition date, be allocated to each of the acquirer's groups of CGUs that is expected to benefit from the synergies of the combination.

Coface has identified groups of CGUs, based on its internal organisation as used by management for making operating decisions.

The seven groups of CGUs are as follows:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

Measuring groups of CGUs and performing goodwill impairment tests

Existing goodwill is allocated to a group of CGUs for the purpose of impairment testing. Goodwill is tested for impairment at least once a year or whenever there is an objective indication that it may be impaired.

Goodwill impairment tests are performed by testing the group of CGUs to which the goodwill has been allocated.

If the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised and allocated to reduce the carrying amount of the assets of the group of CGUs, in the following order:

- first, by reducing the carrying amount of any goodwill allocated to the group of CGUs (which may not be subsequently reversed); and
- then, the other assets of the group of CGUs pro rata to the carrying amount of each asset in the Group.

The recoverable amount represents the higher of value in use (determined using the discounted cash flow method) and fair value less costs to sell (determined using multiples data from comparable listed companies as well as comparable recent transactions).

Method used for measuring the value of Coface entities

<u>Value in use: Discounted cash flow method</u>

Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Coface Group management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business line development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.

The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

Under the discounted cash flow method, Coface applies a discount rate to insurance companies and a perpetuity growth rate to measure the value of its companies.

<u>Fair value</u>

Under this approach, Coface values its companies by applying multiples of (i) revenue (for services companies), revalued net assets (for insurance companies) or net banking income (for factoring companies), and (ii) net income. The benchmark multiples are based on stock market comparables or recent transactions in order to correctly reflect the market values of the assets concerned.

The multiples-based valuation of an entity is determined by calculating the average valuation obtained using net income multiples and that obtained using multiples of revenue (in the case of services companies), revalued net assets (insurance companies) or net banking income (factoring companies).

Intangible assets: IT development costs

Coface capitalises IT development costs and amortises them over their estimated useful lives when it can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the current and future availability of adequate resources to complete the development; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Internally generated software is amortised over its useful life, which is capped at 15 years.

Property, plant and equipment: property assets

Property, plant and equipment are measured using the amortised cost model. Coface applies this model to measure its property, plant and equipment, including buildings used in the business. IFRS requires the breakdown of these buildings into components where the economic benefits provided by one or more components of a building reflect a pattern that differs from that of the building as a whole. These components are depreciated over their own useful life.

Coface has identified the following components of property assets:

Land	Not depreciated
Enclosed/covered structure	Depreciated over 30 years
Technical equipment	Depreciated over 15 years
Interior fixtures and fittings	Depreciated over 10 years

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities.

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership.

An impairment loss is recognised if the carrying amount of a building exceeds its market value.

Financial assets

The Group classifies its financial assets into the following five categories: available-for-sale financial assets, financial assets held for trading, held-to-maturity investments, financial assets at fair value through income, and loans and receivables.

The date used by Coface for initially recognising a financial asset in its balance sheet corresponds to the asset's trade date.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributable to the acquisition (hereafter referred to as the purchase price). The difference between the fair value of the securities at year-end and their purchase price (less actuarial amortisation for debt instruments) is recorded under "Available-for-sale financial assets" with a corresponding adjustment to revaluation reserves (no impact on net income). Investments in non-consolidated companies are included in this category.

Financial assets held for trading

Financial assets held for trading are recorded at the fair value of the securities at year-end. Changes in fair value of securities held for trading during the accounting period are taken to the income statement.

Held-to-maturity investments (HTM)

Held-to-maturity investments are carried at amortised cost. Premiums and discounts are included in the calculation of amortised cost and are recognised over the useful life of the financial asset using the yield-to-maturity method.

Financial assets at fair value through profit or loss

Financial assets at fair value through income are accounted for in the same way as securities held for trading.

Loans and receivables

The "Loans and receivables" category includes cash deposits held by ceding insurers lodged as collateral for underwriting commitments. The amounts recognised in relation to these deposits corresponds to the cash amount actually deposited.

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market are also included in this caption. These assets are recognised at amortised cost using the effective interest method.

Loans and receivables also include short-term deposits whose maturity at the date of purchase or deposit is more than three months but less than 12 months.

Fair value

The fair value of listed securities is their market price at the measurement date. For unlisted securities fair value is determined using the discounted cash flow method.

Impairment test

Available-for-sale financial assets are tested for impairment at each period-end. When there is objective evidence that such an asset is impaired and a decline in the fair value of that asset has previously been recognised directly in equity, the cumulative loss is reclassified from equity to income through "Investment income, net of management expenses".

A multi-criteria analysis is used to assess whether there is any objective indication of impairment. An independent expert is used for these analyses, particularly in the case of debt instruments.

Impairment indicators include the following:

- for debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty's financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method);

- for equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealised losses of over 30% or which have represented unrealised losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity instrument's market price over a given period, or information relating to the issuer's financial position. Where appropriate, an impairment loss is recognised based on the instrument's market price at the period-end. Independently of this analysis, an impairment loss is systematically recognised when an instrument represents an unrealised loss of over 50% at the period-end, or has represented an unrealised loss for more than 24 months;

- for investments in unlisted companies: an unrealised loss of over 20% over a period of more than 18 months, or the occurrence of significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer and indicate that the amount of the investment in the equity instrument will not be recovered.

If the fair value of an instrument classified as available-for-sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed, with the amount of the reversal recognised in:

- equity, for equity instruments;
- income, for debt instruments, in an amount corresponding to the previously-recognised impairment loss.

In accordance with IFRIC 10, impairment losses recognised on equity instruments in an interim reporting period are not reversed from income until the securities concerned are divested.

Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

- whose value changes in response to the change in the interest rate or price of a product (known as the "underlying");
- that requires no or a very low initial net investment; and
- that is settled at a future date.

A derivative is a contract between two parties – a buyer and a seller – under which future cash flows between the parties are based on the changes in the value of the underlying asset.

In accordance with IAS 39, derivatives are measured at fair value through income, except in the case of effective hedges, for which gains and losses are recognised depending on the underlying hedging relationship.

Derivatives that qualify for hedge accounting are derivatives which, from their inception and throughout the hedging relationship, meet the criteria set out in IAS 39. These notably include a requirement for entities to formally document and designate the hedging relationship, including information demonstrating that the hedging relationship is effective, based on prospective and retrospective tests. A hedge is deemed to be effective when changes in the actual value of the hedge fall within a range of 80% and 125% of the change in value of the hedged item.

- For fair value hedges, gains or losses from remeasuring the hedging instrument at fair value are systematically recognised in income. These amounts are partially offset by symmetrical gains or losses on changes in the fair value of the hedged items, which are also recognised in income. The net impact on the income statement therefore solely corresponds to the ineffective portion of the hedge.
- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in income.

Coface's derivatives were used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the "Colombes" funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognised at fair value through income.

Financing liabilities

This item mainly includes the subordinated debt.

Borrowings are initially recognised at fair value after taking account of directly-attributable transaction costs.

They are subsequently measured at amortised cost using the effective interest method. Amortised cost corresponds to:

- the measurement of the financial liability on initial recognition; minus
- repayments of principal; plus or minus
- cumulative amortisation (calculated using the effective interest rate) and any discounts or premiums between the initial amount and the maturity amount.

Premiums and discounts are not included in the initial cost of the financial liability. However, they are included in the calculation of amortised cost and are recognised over the life of the financial liability using the yield-to-maturity method. As and when they are amortised, premiums and discounts impact the amortised cost of the financial liability.

Accounting treatment of debt issuance costs

Transaction costs directly attributable to the issuance of financial liabilities are included in the initial fair value of the liability. Transaction costs are defined as incremental costs directly attributable to the issuance of the financial liability, *i.e.,* that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument.

Transaction costs include:

- fees and commissions paid to agents, advisers, brokers and other intermediaries;
- levies by regulatory agencies and securities exchanges;
- and transfer taxes and duties.

Transaction costs do not include:

- debt premiums or discounts;
- financing costs;

- internal administrative or holding costs.

Payables arising from banking sector activities

This item includes:

- amounts due to banking sector companies: corresponds to bank credit lines. They represent the refinancing of the credit extended to factoring clients;
- amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations. They include:
  - amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor, and
  - factoring contract guarantee deposits;
- debt securities. This item includes subordinated borrowings and non-subordinated bond issues. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business line.

All borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

Receivables arising from factoring operations

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax.

Two categories of provisions are recorded and are shown in deduction of the receivables:

- Provisions booked by way of a charge to the income statement (under "Cost of risk") when it appears probable that all or part of the amount receivable will not be collected.
- Provisions evaluated through expected loss or "ECL" calculation also recorded as an expense in the income statement (under "cost of risk")

The ECL calculation, introduced by IFRS 9, relies on calculation models using the internal ratings of debtors ("DRA" *Debtor Risk Assessment*). The methodology for calculating depreciation ("ECL" *Expected Credit Loss*) is based on the three main parameters: the probability of default "PD", the loss given default "LGD" and the amount of exposure in case of default "EAD" (Exposure at default). The depreciation will be the product of the PD by the LGD and the EAD, over the lifetime of the receivables. Specific adjustments are made to take into account the current conditions and the prospective macroeconomic projections (forward looking)

The net carrying amount of receivables arising from factoring operations is included in the consolidated balance sheet under "Receivables arising from banking and other activities".

Cash and cash equivalents

Cash includes all bank accounts and demand deposits. Cash equivalents include units in money-market funds (SICAV) with maturities of less than three months.

Provisions for liabilities and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the reporting date if a present obligation towards a third party resulting from a past event exists at that date and it is probable or certain, as of the date when the financial statements are drawn up, that an outflow of resources embodying economic benefits to that third party will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions are discounted when the effect of the time value of money is material.

The provisions for liabilities and charges include the provisions for tax risks (except income tax risk), for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

The provision for vacant premises is calculated taking into account the future rents that the company committed to pay until the end of the lease, from which are deducted the future income expected from potential subleases.

Employee benefits

In some countries in which Coface operates, employees are awarded short-term benefits (such as paid leave), long-term benefits (including "long-service awards") and post-employment benefits, such as statutory retirement benefits.

Short-term benefits are recognised as a liability in the accounts of the Coface companies that grant such benefits.

Other benefits, including long-term and post-employment benefits are subject to different coverage and are classified as follows:

- defined contribution plans: consequently, the Company's legal or constructive obligation is limited to the amount that it agrees to pay to the fund, whichh will pay due amounts to the employees. These plans are generally state pension plans, which is the case in France;
- defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to employees.

In accordance with IAS 19, Coface records a provision to cover its liability, regarding primarily:

- statutory retirement benefits and termination benefits;
- early retirement and supplementary pension payments;
- employer contributions to post-employment health insurance schemes;
- long-service awards.

Based on the regulations specific to the plan and country concerned, independent actuaries calculate:

- the actuarial value of future benefits, corresponding to the present value of all benefits to be paid. The measurement of this present value is essentially based on:
    - demographic assumptions,
    - future benefit levels (statutory retirement benefits, long service awards, etc.),
    - the probability that the specified event will occur,
    - an evaluation of each of the factors included in the calculation of the benefits, such as future salary increases,
    - the interest rate used to discount future benefits at the measurement date;
- the actuarial value of benefits related to service cost (including the impact of future salary increases), determined using the projected unit credit method which spreads the actuarial value of benefits evenly over the expected average remaining working lives of the employees participating in the plan.

Stock options

In accordance with IFRS 2 “Share-based Payment”, which defines the recognition and measurement rules concerning stock options, the options are measured at the grant date. The Group uses the Black and Scholes option pricing model for measuring stock options. Changes in fair value subsequent to the grant date do not impact their initial measurement.

The fair value of options takes into account their expected life, which the Group considers as corresponding to their compulsory holding period for tax purposes. This value is recorded in personnel costs on a straight-line basis from the grant date and over the vesting period of the options, with a corresponding adjustment directly in equity.

In connection with its stock market listing, the Coface Group awarded to certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (cf. note 11).

In accordance with the IFRS 2 rules, only stock options granted under plans set up after November 7th, 2002 and which had not vested at January 1st, 2005 have been measured at fair value and recognised in personnel costs.

IFRS 16

According to IFRS 16 "Leases", applied since January 1, 2019, the definition of leasing contracts implies, on one hand, the identification of an asset and, on the other hand, the control by lessee of the right to use this asset. The control is established when the lessee has the 2 following rights during all the time of the use :

- The right to have almost all economical benefits coming from the asset use
- The right to decide the use of the asset

Coface practices only a lessee activity. For this one, the standard imposes the accounting on the balance sheet of all leases as a right of use, registered in the tangible and intangible assets and in the liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period. Coface uses the exemptions provided by the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or relating to low-value underlying assets (less than 5 000 US $).
The right of use is amortized linearly and the financial debt is amortized actuarially over the duration of the lease. The interest expenses on the financial debt and the amortization expenses of the right to use will be made distinctly to the income statement.

Income tax

Income tax expense includes both current taxes and deferred taxes.

The tax expense is calculated on the basis of the latest known tax rules in force in each country where the results are taxable.

On January 1st, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly by more than 95% (Compagnie française d’assurance pour le commerce extérieure, Cofinpar, Cogeri and Fimipar).

Temporal differences between the values of assets and liabilities in the consolidated accounts, and those used to determine the taxable income, give rise to the recording of deferred taxes.

Deferred taxes are recorded by the liability method for temporary differences between the carrying amount of assets and liabilities at each period-end and their tax base.

Deferred tax assets and liabilities are calculated for all temporary differences, based on the tax rate that will be in force when the differences are expected to reverse, if this is known, or, failing that, at the tax rate in force at the period-end.

Deferred tax assets are recorded only when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame.

Receivables and payables denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into euros at the year-end exchange rate.

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur (formerly COFACE SA) and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

Exchange differences concerning receivables and payables denominated in a foreign currency and relating to a consolidated company are treated as part of Coface's net investment in that company. In accordance with IAS 21, these exchange differences are recorded in other comprehensive income until the disposal of the net investment.

Segment information

Coface applies IFRS 8 for segment information reporting, which requires an entity's operating segments to be based on its internal organisation as used by management for the allocation of resources and the measurement of performance.

The segment information used by management corresponds to the following geographic regions:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

No operating segments have been aggregated for the purposes of published segment information.
The Group's geographic industry sector segmentation is based on the country of invoicing.

Related parties

A related party is a person or entity that is related to the entity preparing its financial statements (referred to in IAS 24 as "the reporting entity").

Estimates

The main balance sheet items for which management is required to make estimates are presented in the table below:

Estimates	Notes	Type of information required
Goodwill impairment	1	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss *ratio assumptions*.
Provision on receivables on banking	4	Depreciation of receivables on banking activity includes

activity		provision evaluated through expected credit loss (ECL) (introduced by IFRS 9)
Provision for earned premiums not yet written	17	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	17 ; 22	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	17 ; 23	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	17 ; 23 ; 42	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	17 ; 23 ; 42	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	14	Pension benefit obligations are measured in acordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

The policies managed by the Coface Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on Group principles pending the publication of an IFRS that deals with insurance liabilities.

The recognition of technical provisions requires the Group to carry out estimates, which are primarily based on assumptions concerning changes in events and circumstances related to the insured and their debtors as well as to their economic, financial, social, regulatory and political environment. These assumptions may differ from actual events and circumstances, particularly if they simultaneously affect the Group's main portfolios. The use of assumptions requires a high degree of judgement on the part of the Group, which may affect the level of provisions recognised and therefore have a material adverse effect on the Group's financial position, results, and solvency margin.

For certain financial assets held by the Group there is no active market, there are no observable inputs, or the observable inputs available are not representative. In such cases the assets' fair value is measured using valuation techniques which include methods or models that are based on assumptions or assessments requiring a high degree of judgement. The Group cannot guarantee that the fair value estimates obtained using these valuation techniques represent the price at which a security will ultimately be sold, or at which it could be sold at a given moment. The valuations and estimates are revised when circumstances change or when new information becomes available. Using this information, and respecting the objective principles and methods described in the consolidated and combined financial statements, the Group's management bodies regularly analyse, assess and discuss the reasons for any decline in the estimated fair value of securities, the likelihood of their value recovering in the short term, and the amount of any ensuing impairment losses that should be recognised. It cannot be guaranteed that any impairment losses or additional provisions recognised will not have a material adverse effect on the Group's results, financial position and solvency margin.

Note 1. Goodwill

In accordance with IAS 36, goodwill is not amortised but is systematically tested for impairment at the year-end or whenever there is an impairment indicator.

Breakdown of goodwill by region :

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,345	8,394
Mediterranean & Africa	22,541	22,672
North America	5,687	6,201
Latin America	(0)	895
TOTAL	**154,245**	**155,833**

The change in goodwill decreased of € 1,558 thousand; this decrease is due to the recognition of a goodwill impairment loss recognized on the Latin America CGU in the amount of 845 thousand euros as well as the change in exchange rates for 743 thousand euros.

Impairment testing methods

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2020. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

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 this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

The main assumptions used to determine the value in use of the groups of CGUs were a long-term growth rate of 1.5% for all entities and the weighted average cost of capital.
The impact of the Covid crisis is reflected in the business plans used and the weighted average cost of capital in the impairment tests.

The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2020:

(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

It should be noted that the impairment tests in the first half of 2020 showed that the carrying amount of the Latin America CGU was lower than the value in use. Thus, there is no longer any goodwill on the Latin America CGU following the recognition of a goodwill impairment loss recognized on this CGU.

The assumptions used in 2019 were as follows:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	528.8	472.1	199.5	262.6	59.6	57.2

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 tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-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 December 31, 2020;
- cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-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 December 31, 2020;

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-point increase in the loss ratio and a 1-point increase in the cost ratio. It appears that an increase of 1 point and 2 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 December 31, 2020.

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)	587.5	474.0	214.5	304.9	54.8
Value in use of CGU	880.6	585.4	399.5	668.6	87.2
Sensitivity: Long-term growth rate -0.5 point (2)	859.0	490.7	390.3	649.4	84.0
Sensitivity: WACC +0.5 point	850.0	486.8	386.3	641.1	82.7
Sensitivity: Loss/ Cost Ratio 2025 +1 point (2)	869.1	376.3	392.3	650.6	79.7
Sensitivity: Loss/ Cost Ratio 2025 +2 points (2)	857.5	321.1	385.0	632.6	72.2

(1) The contribution to the consolidated Group's net assets corresponds to the difference between the value-in-use of the cash generating units (CGU) and their book value
(2) The sensitivity analyses were carried out to the Group's net assets

Note 2. Other intangible assets

(in thousands of euros)	Dec. 31, 2020 Net value	Dec. 31, 2019 Net value
Development costs and software	74,141	62,359
Purchased goodwill	2,062	2,212
Other intangible assets	404	440
TOTAL	**76,607**	**65,011**

	Dec. 31, 2020		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	226,421	(152,280)	74,141
Purchased goodwill	3,680	(1,618)	2,062
Other intangible assets	2,944	(2,539)	404
TOTAL	**233,045**	**(156,437)**	**76,607**

	Dec. 31, 2019		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	210,814	(148,455)	62,359
Purchased goodwill	3,873	(1,661)	2,212
Other intangible assets	2,928	(2,488)	440
TOTAL	**217,615**	**(152,604)**	**65,011**

The Group's intangible assets consist mainly of development costs (CARS project, IFRS17, Others).

These investments amounted to €24.5 million in 2020 financial year compared to €12.1 million in 2019 financial year.

Change in the gross amount of intangible assets

(in thousands of euros)	Dec. 31, 2019	Scope entry	Increases	Decreases	Curency translation	Dec. 31, 2020
Development costs and software	210,814	557	24,725	(8,949)	(726)	226,421
Purchased goodwill	3,873	(0)	(0)	(0)	(193)	3,680
Other intangible assets	2,928	(0)	92	(6)	(71)	2,944
TOTAL	**217,615**	**557**	**24,817**	**(8,955)**	**(990)**	**233,045**

In 2020, Coface GIEK Kreditforsikring AS intergrated the scope of consolidation.

(in thousands of euros)	Dec. 31, 2018	Scope entry	Increases	Decreases	Curency translation	Dec. 31, 2019
Development costs and software	197,670	1,099	12,027	(2,159)	2,177	210,814
Purchased goodwill	6,747	(0)	(0)	(3,089)	215	3,873
Other intangible assets	2,821	(0)	70	(14)	51	2,928
TOTAL	**207,238**	**1,099**	**12,097**	**(5,262)**	**2,443**	**217,615**

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	Dec. 31, 2019	Scope entry	Additions	Reversals	Curency translation variation and other	Dec. 31, 2020
Accumulated amortization - development costs and software	(146,618)	(0)	(11,817)	5,824	522	(152,089)
Accumulated impairment - development costs and software	(1,837)	(0)	(186)	1,838	(5)	(190)
Total amortisation and impairment - development costs and software	**(148,455)**	**(0)**	**(12,003)**	**7,662**	**517**	**(152,279)**
Accumulated amortization - purchased goodwill	(1,661)	-	(102)	(0)	146	(1,618)
Accumulated impairment - purchased goodwill	(0)	-	(0)	(0)	(0)	(0)
Total amortization and impairment - purchased goodwill	**(1,661)**	**(0)**	**(102)**	**(0)**	**146**	**(1,618)**
Accumulated amortization - other intangible assets	(2,488)	-	(105)	6	48	(2,539)
Accumulated impairment - other intangible assets	(0)	-	(0)	(0)	(0)	(0)
Total amortization and impairment - other intangible assets	**(2,488)**	**(0)**	**(105)**	**6**	**48**	**(2,539)**
TOTAL	**(152,604)**	**(0)**	**(12,210)**	**7,668**	**711**	**(156,437)**

Note 3. Insurance business investments

3.1 – Analysis by category

At December 31, 2020, the carrying amount of available-for-sale (AFS) securities amounted to €2,896,314 thousand, securities held for trading ("trading securities") came to €67,00 thousand and held-to-maturity (HTM) securities was €2,857 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 December 31, 2020 was as follows:

- Bonds rated "AAA": 11.2%
- Bonds rated "AA" and "A": 52.1%
- Bonds rated "BBB": 32.1%
- Bonds rated "BB" and lower: 4.6%.

	Dec. 31, 2020					Dec 31, 2019				
(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	**2,672,996**	**223,318**	**2,896,314**	**2,896,314**		**2,706,300**	**204,734**	**2,911,034**	**2,911,034**	
Equities and other variable-income securities	153,192	145,980	299,172	299,172		171,089	145,867	316,956	316,956	
Bonds and government securities	2,300,679	66,185	2,366,864	2,366,864		2,314,927	43,680	2,358,607	2,358,607	
o/w direct investments in securities	*1,853,153*	*58,531*	*1,911,685*	*1,911,685*		*2,075,248*	*42,097*	*2,117,346*	*2,117,346*	
o/w investments in UCITS	*447,525*	*7,654*	*455,179*	*455,179*		*239,679*	*1,582*	*241,261*	*241,261*	
Shares in non-trading property companies	219,125	11,155	230,280	230,280		220,284	15,190	235,473	235,473	
HTM securities										
Bonds	1,872		**1,872**	2,587	715	1,842		**1,842**	2,574	733
Fair value through income – trading securities										
Money market funds (UCITS)	67		**67**	67		43		**43**	43	
Derivatives (positive fair value)		**7,237**	**7,237**	**7,237**			**1,809**	**1,809**	**1,809**	
(derivatives negative fair value for information)		*(26)*	*(26)*	*(26)*			*(889)*	*(889)*	*(889)*	
Loans and receivables	**77,167**		**77,167**	**77,167**		**75,670**		**75,670**	**75,670**	
Investment property	**695**	**(407)**	**288**	**288**		**695**	**(407)**	**288**	**288**	
TOTAL	**2,752,797**	**230,148**	**2,982,945**	**2,983,660**	**715**	**2,784,550**	**206,137**	**2,990,687**	**2,991,418**	**733**

(in thousands of euros)	Gross Dec. 31, 2020	Impairment	Net Dec. 31, 2020	Net Dec. 31, 2019
AFS securities	**2,939,773**	**(43,457)**	**2,896,314**	**2,911,034**
Equities and other variable-income securities	338,020	(38,849)	299,172	316,956
Bonds and government securities	2,366,864		2,366,864	2,358,607
o/w direct investments in securities	*1,911,685*		*1,911,685*	*2,117,346*
o/w investments in UCITS	*455,179*		*455,179*	*241,261*
Shares in non-trading property companies	234,889	(4,608)	230,280	235,473
HTM securities				
Bond	**1,872**		**1,872**	**1,842**
Fair value through income – trading securities				
Money market funds (UCITS)	**67**		**67**	**43**
Derivatives (positive fair value)	**7,237**		**7,237**	**1,809**
(for information, derivatives with a negative fair value)	*(26)*		*(26)*	*(889)*
Loans and receivables	**77,262**	(95)	**77,167**	**75,670**
Investment property	**288**		**288**	**288**
TOTAL	**3,026,499**	**(43,552)**	**2,982,945**	**2,990,687**

Impairments

(in thousands of euros)	Dec. 31, 2019	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2020
AFS securities	**37,609**	**7,941**	**(2,054)**	**(40)**	**43,457**
Equities and other variable-income securities	37,601	3,341	(2,054)	(40)	38,848
Bonds and government securities	(0)	(0)	(0)	0	(0)
Shares in non-trading property companies	8	4,600			4,608
Loans and receivables	**95**	**(0)**	**(0)**	**(0)**	**95**
TOTAL	**37,704**	**7,941**	**(2,054)**	**(40)**	**43,552**

A 100% accrual of the unrealized capital loss recognized as of December 31, 2020 concerning the BNPP SPF2 RE fund was recorded, i.e. € 4.6 million. It is in connection with the Covid crisis and the fall in the value of certain underlying assets mainly in the commercial sector.

No other accrual has been recorded on the portfolio for the Covid crisis.

Impairment of AFS securities is reversed when the securities are sold.

Change in investments by category

(in thousands of euros)	Dec. 31, 2019 Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Dec. 31, 2020 Carrying amount
AFS securities	**2,911,034**	**624,405**	**(633,562)**	**22,673**	**(5,886)**	**(22,348)**	**2,896,314**
Equities and other variable-income securities	316,956	33,378	(46,720)	1,619	(1,286)	(4,775)	299,172
Bonds and government securities	2,358,607	584,256	(583,514)	25,088	0	(17,574)	2,366,864
Shares in non-trading property companies	235,473	6,771	(3,329)	(4,034)	(4,600)		230,280
HTM securities							
Bonds	1,842	40	(9)				1,872
Fair value through income – trading securities	43		25			(0)	67
Loans, receivables and other financial investments	**77,767**	**23,077**	**(5,483)**	**(1,339)**	**1**	**(9,330)**	**84,692**
TOTAL	**2,990,687**	**647,522**	**(639,030)**	**21,334**	**(5,885)**	**(31,679)**	**2,982,945**

Derivatives

The structural use of derivatives is strictly limited to hedging. The nominal value of the hedge is thus limited to the amount of underlying assets held in the portfolio.

During 2020, most of the transactions carried out concerned systematic currency hedging via the conclusion of swaps or forward currency transactions for bonds issued mainly in USD and present 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 put in place during 2020, however, Coface is allowing itself the possibility of putting it back in place. A few ad hoc interest rate risk hedging operations have been implemented on negotiable debt securities in the monetary portfolio.

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 into three levels the inputs used to measure fair value. These levels are as follows:

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

Securities classified as level 1 represent 82% of the Group's portfolio. They correspond to:
- equities, bonds and government securities listed on organized 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.).

Securities classified as level 2 represent 5% 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.

Securities classified as level 3 represent 13% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Breakdown of financial instrument fair value measurements as at December 31, 2020 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	**2,896,314**	**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

(in thousands of euros)	At Dec. 31, 2019	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At Dec. 31, 2020
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
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**

Breakdown of financial instrument fair value measurements as at December 31, 2019 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	**2,911,034**	**2,911,034**	**2,520,706**	**23**	**390,308**
Equities and other variable-income securities	316,956	316,956	162,097	23	154,835
Bonds and government securities	2,358,607	2,358,607	2,358,607		
Shares in non-trading property companies	235,473	235,473			235,473
HTM securities					
Bonds	1,842	1,842	1,842		
Fair value through income – trading securities					
Money market funds (UCITS)	43	43	43		
Derivatives	**1,809**	**1,809**	**682**	**1,018**	**109**
Loans and receivables	**75,670**	**75,670**		**75,670**	
Investment property	**288**	**288**			**288**
TOTAL	**2,990,687**	**2,990,687**	**2,523,272**	**76,711**	**390,705**

Movements in Level 3 securities as at December 31, 2019

(in thousands of euros)	At Dec. 31, 2018	Gains and losses recognized in the period: In income	Gains and losses recognized in the period: Directly in equity	Transactions for the period: Purchases/ Issues	Transactions for the period: Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2019
AFS securities	**367,453**	**(8,701)**	**20,393**	**13,000**	**(2,192)**	**354**	**390,308**
Equities and other variable-income securities	141,234	(8,701)	14,620	6,760		921	154,835
Shares in non-trading property companies	226,219		5,772	6,241	(2,192)	(568)	235,473
Derivatives	**109**					**(0)**	**109**
Investment property	**288**						**288**
TOTAL	**367,850**	**(8,701)**	**20,393**	**13,000**	**(2,192)**	**354**	**390,705**

SPPI Financial assets at December 31, 2020 (IFRS 9)

(in thousands of euros)	Fair value	Fair value variation
Direct investments in securities - SPPI financial assets	1 890 379	18 531
Direct investments in securities - No SPPI financial assets	21 306	202
Direct investments in securities	**1 911 685**	**18 733**
Loans and receivables - SPPI financial assets	77 167	0
Loans and receivables	**77 167**	**0**
Cash and cash equivalents - SPPI financial assets	369 651	0
Cash and cash equivalents	**369 651**	**0**
SPPI financial assets	**2 337 196**	**18 531**
No SPPI financial assets	**21 306**	**202**
TOTAL	**2 358 502**	**18 733**

(in thousands of euros)	Gross value	Fair value
SPPI financial assets without a low credit risk	**57,251**	**59,134**

Note 4. Receivables arising from banking activities

Breakdown by nature

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Receivables arising from banking sector	2,326,941	2,346,710
Non-performing receivables arising from banking sector	37,490	55,777
Allowances for receivables arising from banking sector	(37,490)	(55,777)
TOTAL	**2,326,941**	**2,346,710**

Breakdown by age

Receivables arising from banking and other activities 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.
When applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery, being specified that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

(in thousands of euros)	Dec. 31, 2020					
		Due				
	Not Due	- 3 months	3 months to 1 Year	1 to 5 years	+ 5 years	Total
Receivables arising from banking and other activities	1,583,412	743,529				2,326,941
Non-performing receivables arising from banking and other activities			3,690	27,854	5,946	37,490
Allowances for receivables arising from banking and other activities			(3,690)	(27,854)	(5,946)	(37,490)
Total receivables arising from banking and other activities	**1,583,412**	**743,529**	**0**	**0**	**0**	**2,326,941**
Claims reserve as hedge for factoring receivables						
Total receivables arising from banking and other activities after claims reserves	**1,583,412**	**743,529**	**0**	**0**	**0**	**2,326,941**

(in thousands of euros)	Dec. 31, 2019					
		Due				
	Not Due	- 3 months	3 months to 1 Year	1 to 5 years	+ 5 years	Total
Receivables arising from banking and other activities	1,655,909	690,801				2,346,710
Non-performing receivables arising from banking and other activities			1,402	30,459	23,915	55,777
Allowances for receivables arising from banking and other activities			(1,402)	(30,459)	(23,915)	(55,777)
Total receivables arising from banking and other activities	**1,655,909**	**690,801**	**0**	**0**	**0**	**2,346,710**
Claims reserve as hedge for factoring receivables						
Total receivables arising from banking and other activities after claims reserves	**1,655,909**	**690,801**	**0**	**0**	**0**	**2,346,710**

Note 5. Investments in associates

At December 31, 2020, there is no investment in associated companies.

Note 6. Tangible assets

(in thousands of euros)	Dec. 31, 2020 Net value	Dec. 31, 2019 Net value
Buildings used for operational purposes	21,196	22,363
Other property, plant and equipment	14,041	15,800
Right-of-use assets for lessees	77,528	85,613
TOTAL	**112,765**	**123,776**

(in thousands of euros)	Dec. 31, 2020		
	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	85,281	(64,085)	21,196
Other property, plant and equipment	49,332	(35,291)	14,041
Right-of-use assets for lessees	113,330	(35,802)	77,528
TOTAL	**247,943**	**(135,178)**	**112,765**

(in thousands of euros)	Dec. 31, 2019 Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	85,281	(62,919)	22,363
Other property, plant and equipment	56,195	(40,395)	15,800
Right-of-use assets for lessees	103,919	(18,305)	85,613
TOTAL	**245,395**	**(121,619)**	**123,776**

Change in the gross amount of property, plant and equipment

(in thousands of euros)	Dec. 31, 2019	Scope entry	Increases	Decreases	Currency translation variation	Dec. 31, 2020
Land used for operational purposes	7,140	(0)	(0)	(0)	(0)	7,140
Buildings used for operational purposes	78,141	(0)	(0)	(0)	(0)	78,141
Right-of-use assets for lessees - Buildings leasing	88,009	(0)	6,295	(100)	(1,616)	92,588
Total buildings used for operational purposes	**173,290**	**(0)**	**6,295**	**(100)**	**(1,616)**	**177,869**
Operating guarantees and deposits	3,540	(0)	167	(3)	(36)	3,668
Other property, plant and equipment	52,656	82	1,947	(8,192)	(828)	45,665
Right-of-use assets for lessees - Equipment leasing	15,909	(0)	4,889	(0)	(56)	20,742
Total other property, plant and equipment	**72,105**	**82**	**7,003**	**(8,195)**	**(920)**	**70,075**
TOTAL	**245,395**	**82**	**13,298**	**(8,295)**	**(2,536)**	**247,943**

(in thousands of euros)	Dec. 31, 2018	Impact FTA IFRS 16	Jan. 01, 2019	Scope entry	Increases	Decreases	Currency translation variation	Dec. 31, 2019
Land used for operational purposes	14,010	(0)	14,010	(0)	(0)	(6,870)	(0)	7,140
Buildings used for operational purposes	93,784	(0)	93,784	2,296	(0)	(17,939)	(0)	78,141
Right-of-use assets for lessees - Buildings leasing	(0)	73,632	73,632	(0)	14,270	(0)	107	88,009
Total buildings used for operational purposes	**107,794**	**73,632**	**181,426**	**2,296**	**14,270**	**(24,809)**	**107**	**173,290**
Operating guarantees and deposits	3,412	(0)	3,412	(0)	305	(25)	(152)	3,540
Other property, plant and equipment	51,187	(0)	51,187	1,364	1,897	(1,493)	(299)	52,656
Right-of-use assets for lessees - Equipment leasing	(0)	11,763	11,763	(0)	4,122	(0)	24	15,909
Total other property, plant and equipment	**54,599**	**11,763**	**66,362**	**1,364**	**6,324**	**(1,518)**	**(427)**	**72,105**
TOTAL	**162,393**	**85,395**	**247,788**	**3,660**	**20,594**	**(26,327)**	**(320)**	**245,395**

Change in accumulated depreciation and impairment of property, plant and equipment

(in thousands of euros)	Dec. 31, 2019	Scope entry	Additions	Reversals	Currency translation variation and other	Dec. 31, 2020
Accumulated amortization – Building used for operational purposes	(62,919)	(0)	(1,607)	(0)	(0)	(64,085)
Accumulated impairment – Buildings used for operational purposes	(0)	(0)	(0)	441	(0)	0
Accumulated amortization - Right-of-use assets for lessees - Buildings leasing	(12,652)	(0)	(12,615)	27	608	(24,632)
Accumulated impairment - Right-of-use assets for lessees - Buildings leasing	(0)	(0)	(0)	(0)	(0)	(0)
Buildings used for operational purposes	**(75,571)**	**(0)**	**(14,222)**	**468**	**608**	**(88,717)**
Accumulated amortization other property, plant & equipment	(38,380)	(0)	(3,589)	6,362	472	(35,135)
Accumulated impairment other property, plant & equipment	(2,015)	(0)	(8)	1,796	70	(157)
Accumulated amortization - Right-of-use assets for lessees - Equipment leasing	(5,653)	(0)	(5,545)	(0)	28	(11,170)
Accumulated impairment - Right-of-use assets for lessees - Equipment leasing	(0)	(0)	(0)	(0)	(0)	(0)
Other property, plant and equipment	**(46,048)**	**(0)**	**(9,142)**	**8,158**	**570**	**(46,462)**
TOTAL	**(121,619)**	**(0)**	**(23,364)**	**8,626**	**1,178**	**(135,179)**

(in thousands of euros)	Dec. 31, 2018	Scope entry	Additions	Reversals	Currency translation variation and other	Dec. 31, 2019
Accumulated amortization – Building used for operational purposes	(74,680)	(0)	(1,643)	13,404	(0)	(62,919)
Accumulated impairment – Buildings used for operational purposes	(0)	(0)	(0)	(0)	(0)	(0)
Accumulated amortization - Right-of-use assets for lessees - Buildings leasing	(0)	(0)	(12,653)	(213)	214	(12,652)
Accumulated impairment - Right-of-use assets for lessees - Buildings leasing	(0)	(0)	(0)	(0)	(0)	(0)
Buildings used for operational purposes	**(74,680)**	**(0)**	**(14,296)**	**13,191**	**214**	**(75,571)**
Accumulated amortization other property, plant & equipment	(36,194)	(961)	(3,596)	2,610	(239)	(38,380)
Accumulated impairment other property, plant & equipment	(2,547)	(0)	(14)	(0)	546	(2,015)
Accumulated amortization - Right-of-use assets for lessees - Equipment	(0)	(0)	(5,643)	(0)	(10)	(5,653)
Accumulated impairment - Right-of-use assets for lessees - Equipment leasing	(0)	(0)	(0)	(0)	(0)	(0)
Other property, plant and equipment	**(38,741)**	**(961)**	**(9,253)**	**2,610**	**297**	**(46,048)**
TOTAL	**(113,421)**	**(961)**	**(23,549)**	**15,801**	**511**	**(121,619)**

Market value of buildings used in the business

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Carrying amount	21,196	22,363
Market value	72,699	43,995
Unrealised gains	**51,503**	**21,632**

Buildings held by Coface Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2020.

Note 7. Receivables arising from insurance and reinsurance operations

Breakdown by nature

	Dec. 31, 2020			Dec. 31, 2019		
(in thousands of euros)	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	289,824	(37,915)	251,909	302,755	(36,864)	265,891
Earned premiums not written	90,499	(0)	90,499	123,755	(0)	123,755
Receivables arising from reinsurance operations, net	174,374	(221)	174,153	142,937	(221)	142,716
TOTAL	**554,697**	**(38,136)**	**516,561**	**569,447**	**(37,085)**	**532,362**

Breakdown by age

(in thousands of euros)	Dec. 31, 2020					
	Not due	Due				Total
		-3 months	3 months to 1 year	1 to 5 years	+ 5 years	
TOTAL Receivables arising from insurance and reinsurance operations	**363,147**	**106,217**	**29,453**	**16,980**	**,766**	**516,561**
(in thousands of euros)	Dec. 31, 2019					
	Not due	Due				Total
		-3 months	3 months to 1 year	1 to 5 years	+5 years	
TOTAL Receivables arising from insurance and reinsurance operations	**393,216**	**83,053**	**42,816**	**12,257**	**1,020**	**532,362**

The risk of liquidity linked to insurance receivables is considered to be marginal as:

- The insurance business operates on a reverse production cycle: premiums are earned before claims are paid out
- Furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to three months.

Note 8. Other assets

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Deferred acquisition costs	35,494	40,384
Trade receivables arising from other activities	62,390	62,112
Current tax receivables	49,853	49,675
Other receivables	181,332	181,187
TOTAL	**329,068**	**333,358**

The line “Other receivables” mainly includes:

- Receivables in factoring entities towards credit-insurance entities for €34 million;
- Loans granted to non-consolidated Coface entities for €43 million.

Note 9. Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Cash at bank and available	378,134	296,121
Cash equivalents	22,835	24,656
TOTAL	**400,969**	**320,777**

As of December 31, 2020, operating cash is up by more than € 80 million compared to December 31, 2019. Following the health crisis, it was decided to increase the amount of liquidity to anticipate the payment of claims. Despite the many states support, the group has decided to be cautious about investing excess liquidity in order to retain enough cash to meet its needs.

Cash and cash equivalents are all available; no amount is placed on escrow type accounts.

Note 10. Share capital

Ordinary shares	Number of shares	Per value	Share capital (in €)
At December 31, 2019	152,031,949	2	304,063,898
Cancellation of shares	-	-	-
At December 31, 2020	**152,031,949**	**2**	**304,063,898**
Treasury shares deducted	(2,341,985)	2	(4,683,970)
At December 31, 2020 (excluding treasury shares)	**149,689,964**	**2**	**299,379,928**

Shareholders	Dec. 31, 2020		Dec. 31, 2019	
	Number of shares	%	Number of shares	%
Natixis	64,153,881	42,86%	64,153,881	42,48%
Public	85,536,083	57,14%	86,877,316	57,52%
Total excluding treasury shares	**149,689,964**	**100%**	**151,031,197**	**100%**

The parent company of COFACE Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d’Épargne.

Natixis holds, at the end of December 2020, 42.86% of the COFACE Group's shares excluding treasury shares, and 42.20% including treasury shares.The 29.5% sale of Coface's capital from Natixis to Arch Capital Group Ltd, announced on February 25, 2020, will be effective upon completion of the transaction.

Final completion of the transaction is subject to obtaining all the required regulatory authorizations.

Note 11. Share-based payments

Ongoing free share plans

Coface Group awarded, since its stock market listing in 2014, free shares to certain beneficiaries (corporate officers and employees of COFACE SA subsidiaries).

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year (in thousands of euros)
Long-term Incentive Plan 2017	Feb. 08, 2017	333,197	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	**86**
Long-term Incentive Plan 2018	Feb. 12, 2018	289,132	3 years	Feb. 15, 2021	Feb. 15, 2021	8.5	**646**
Long-term Incentive Plan 2019	Feb. 11, 2019	368,548	3 years	Feb. 14, 2022	Feb. 14, 2022	7,9	**762**
Long-term Incentive Plan 2020	Feb. 05, 2020	312,200	3 years	Feb. 06, 2023	Feb. 06, 2023	11,4	**879**

Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2019	Number of new free share grants in 2020	Number of free shares cancelled in 2020	Number of free shares acquired in 2020	Number of shares to be acquired at Dec. 31, 2020
Long-term Incentive Plan 2017	333,197			(333,197)	**(0)**
Long-term Incentive Plan 2018	298,132		(10,000)		**288,132**
Long-term Incentive Plan 2019	368,548		(1,240)		**367,308**
Long-term Incentive Plan 2020		312,200			**312,200**

The total number of shares allocated to the *Long-term Incentive Plan 2020* amounts to 347,841 shares; only 340,309 shares were affected nominatively to beneficiaries including 312,200 shares and 28,109 performance units.

Performance units are awarded instead of free shares as soon as the free shares implementation appears complex or irrelevant in terms of the number of beneficiaries. These units are indexed on the share price and subject to the same conditions of presence and performance that shares free but are valued and paid in cash at the end of the vesting period.

Free shares under the *Long-term Incentive Plan* are definitely granted based upon presence in the group and performance achievement.

Measurement of free shares

In accordance with IFRS 2 relating to "Share-based payments", the award of free shares to employees results in the recognition of an expense corresponding to the fair value of shares granted on the award date adjusted for unpaid dividends during the rights vesting period and transfer restrictions during the holding period, as well as the probability of the materialisation of the performance conditions.

The plans were measured on the assumptions below:

- discount rate corresponding to a risk-free rate on the plans' duration;
- income distribution rate set at 60%;

- the lock-in value, which is calculated in consideration of a risk-free interest rate and a two-year borrowing rate.

Based on these assumptions, a total of €2,373 thousand was expensed under the implemented plans at December 31, 2020.

Note 12. Revaluation reserves

(in thousands of euros)	Investment instruments	Reserves - gains and losses not reclassifiable to income statement	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2020	**214,812**	**(34,700)**	**(20,866)**	**159,246**	**(117)**	**159,129**
Fair value adjustments on available-for-sale financial assets reclassified to income	958		(396)	562	(0)	562
Fair value adjustments on available-for-sale financial assets recognised in equity	20,218		(2,957)	17,261	1	17,262
Change in reserves - gains and losses not reclassificable to income statement (IAS 19R)	(0)	1,700	(402)	1,298		1,298
Transactions with shareholders	(0)		(0)	(0)	(0)	(0)
At December 31, 2020	**235,988**	**(33,000)**	**(24,621)**	**178,367**	**(116)**	**178,251**

(in thousands of euros)	Investment instruments	Reserves - gains and losses not reclassifiable to income statement	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2019	**116,607**	**(30,314)**	**(1,836)**	**84,457**	**(122)**	**84,335**
Fair value adjustments on available-for-sale financial assets reclassified to income	(8,926)		1,606	(7,320)	(1)	(7,321)
Fair value adjustments on available-for-sale financial assets recognised in equity	107,131		(21,793)	85,338	6	85,344
Change in reserves - gains and losses not reclassificable to income statement (IAS 19R)		(4,386)	1,157	(3,229)		(3,229)
Transactions with shareholders	(0)		(0)	(0)	(0)	(0)
At December 31, 2019	**214,812**	**(34,700)**	**(20,866)**	**159,246**	**(117)**	**159,129**

Note 13. Provisions for liabilities and charges

(in thousands of euros)	**Dec. 31, 2020**	**Dec. 31, 2019**
Provisions for disputes	2,143	2,769
Provisions for pension and other post-employment benefit	63,619	66,447
Other provisions for liabilities and charges	30,546	31,716
Total	**96,307**	**100,932**

(in thousands of euros)	Dec. 31, 2019	Scope entry	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Currency translation variation	Dec. 31, 2020
Provisions for employee	2,554	(0)	207	(0)	(911)			(35)	1,815
Provisions for other disputes	215	(0)	283	(0)	(0)	(92)		(78)	328
Provisions for disputes	**2,769**	**(0)**	**490**	**(0)**	**(911)**	**(92)**	**(0)**	**(113)**	**2,143**
Provisions for pension	**66,447**	**560**	**3,565**	**(4,514)**	**(533)**	**(0)**	**(1,700)**	**(206)**	**63,619**
Provisions for liabilities	17,942	(0)	(0)	(0)	(1,202)	(0)	(0)	(98)	16,642
Provisions for restructuring	10,532	(0)	6,070	(3,484)	(2,094)			15	11,039
Provisions for for free share allocation plan	(0)	(0)	(3,355)	1,778	1,577			(0)	(0)
Provisions for taxes (excl. income taxes)	576	(0)		(0)		92		(38)	630
Other provisions for liabilities	2,666	(0)	(0)	(0)	(431)			(0)	2,235
Other provisions for liabilities and charges	**31,716**	**(0)**	**2,715**	**(1,706)**	**(2,150)**	**92**	**(0)**	**(121)**	**30,546**
Total	**100,932**	**560**	**6,770**	**(6,220)**	**(3,594)**	**(0)**	**(1,700)**	**(440)**	**96,307**

(in thousands of euros)	Dec. 31, 2018	Scope entry	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Currency translation variation	Dec 31, 2019
Provisions for employee	2,893	(0)	872	(850)	(360)			(2)	2,553
Provisions for other disputes	548	(0)	185	(0)	(492)	(19)		(6)	216
Provisions for disputes	**3,441**	**(0)**	**1,057**	**(850)**	**(852)**	**(19)**		**(8)**	**2,769**
Provisions for pension	**62,564**	**127**	**5,201**	**(4,995)**	**(973)**	**(0)**	**4,386**	**137**	**66,447**
Provisions for liabilities	15,138	(0)	3,166	(1,038)	2			678	17,946
Provisions for restructuring	11,426	(0)	7,014	(7,652)	(259)	(0)		(0)	10,529
Provisions for taxes (excl. income taxes)	695	(0)	(0)	(0)	(128)	19		(9)	577
Other provisions for liabilities	1,080	(0)	919	(48)	(0)	713		(0)	2,664
Other provisions for liabilities and charges	**28,339**	**(0)**	**11,099**	**(8,738)**	**(385)**	**732**		**669**	31,716
Total	**94,344**	**127**	**17,357**	**(14,583)**	**(2,210)**	**713**	**4,386**	**798**	**100,932**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring. The other provisions for liabilities and charges are essentially made up of provisions for liabilities on subsidiaries (€ 17.9 million) and provisions for restructuring (€ 10.5 million).

The main net change for the year is linked to provisions for risk on subsidiaries: Coface Services West Africa (€ 1 million).

Provisions related to the strategic plan amounted to € 10.4 million as of December 31, 2020. The net impact over the period corresponds to a € 0.5 million reversal.

Note 14. Employee benefits

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Present value of benefit obligation at January 1st	**68,684**	**64,585**
Current service cost	3,187	1,455
Interest cost	437	2,803
Actuarial (gains) / losses	(2,228)	4,506
Benefits paid	(4,659)	(4,934)
Acquisitions/mergers/deconsolidations	560	(0)
Other	(207)	142
Present value of benefit obligation at December 31st	**65,774**	**68,684**
Change in plan assets		
Fair value of plan assets at January 1st	**2,237**	**2,021**
Revaluation adjustments – Return on plan assets	65	156
Employee contributions	(0)	(0)
Employer contributions	72	83
Benefits paid	(218)	(23)
Other	(0)	(0)
Fair value of plan assets at December 31st	**2,156**	**2,237**
Reconciliation		
Present value of benefit obligation at December 31st	**65,774**	**68,684**
Fair value of plan assets	2,156	2,237
(Liability) / Asset recognised in the balance sheet at December	**(63,619)**	**(66,447)**
Income statement		
Current service cost	3,187	1,474
Benefits paid including amounts paid in respect of settlements	(0)	(0)
Interest cost	437	965
Interest income	(17)	(0)
Revaluation adjustments on other long-term benefits	(575)	1,804
Other	(207)	141
(Income) / Expenses recorded in the income statement	**2,824**	**4,365**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	(1,700)	4,386
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,700)**	**4,386**

	Dec. 31, 2020					
(in thousands of euros)	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1st	**14,424**	**27,227**	**19,235**	**3,890**	**3,908**	**68,684**
Acquisitions/mergers/deconsolidations	(0)	(0)	(0)	(0)	560	560
Current service cost	783	1,484	200	322	399	3,187
Interest cost	59	207	150	21	(0)	437
Actuarial (gains) / losses	(911)	(410)	(758)	(131)	(17)	(2,228)
Benefits paid	(956)	(2,563)	(732)	(78)	(330)	(4,659)
Other	(0)	(0)	(0)	(0)	(207)	(207)
Present value of benefit obligation at December 31st	**13,399**	**25,944**	**18,095**	**4,024**	**4,313**	**65,774**
Change in plan assets						
Fair value of plan assets at January 1st	**(0)**	**1,313**	**925**	**(0)**	**(0)**	**2,238**
Revaluation adjustments – Return on plan assets	(0)	66	(1)	(0)	(0)	65
Employer contributions	(0)	16	56	(0)	(0)	72
Benefits paid	(0)	(193)	(25)	(0)	(0)	(218)
Other	(0)	(0)	(0)	(0)	(0)	(0)
Fair value of plan assets at December 31st	**(0)**	**1,202**	**955**	**(0)**	**(0)**	**2,157**
Reconciliation						
Present value of benefit obligation at December 31st	**13,399**	**25,944**	**18,095**	**4,024**	**4,313**	**65,774**
Fair value of plan assets	(0)	1,202	955	(0)	(0)	2,157
(Liability) / Asset recognised in the balance sheet at December	**(13,399)**	**(24,742)**	**(17,140)**	**(4,024)**	**(4,313)**	**(63,618)**
Income statement						
Current service cost	783	1,484	200	322	399	3,187
Past service cost	(0)	(0)	(0)	(0)	(0)	(0)
Benefits paid including amounts paid in respect of settlements	(0)	(0)	(0)	(0)	(0)	(0)
Interest cost	59	207	150	21	(0)	437
Interest income	(0)	(9)	(8)	(0)	(0)	(17)
Revaluation adjustments on other long-term benefits	(86)	(442)	(23)	(23)	(0)	(575)
Other	(0)	(0)	(0)	(0)	(207)	(207)
(Income) / Expenses recorded in the income statement	**755**	**1,239**	**320**	**319**	**192**	**2,824**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(825)	(25)	(726)	(108)	(17)	(1,700)
Revaluation adjustments recognised in equity not reclassifiable to income	**(825)**	**(25)**	**(726)**	**(108)**	**(17)**	**(1,700)**

(in thousands of euros)	France	Germany	Dec. 31, 2019 Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1st	**16,267**	**24,666**	**16,578**	**3,312**	**3,762**	**64,585**
Current service cost	678	403	201	296	(123)	1,455
Interest cost	103	2,255	317	128	(0)	2,803
Actuarial (gains) / losses	(1,383)	2,470	3,206	213	(0)	4,506
Benefits paid	(1,241)	(2,567)	(1,067)	(59)	(0)	(4,934)
Other	(0)	(0)	(0)	(0)	142	142
Present value of benefit obligation at December 31st	**14,424**	**27,227**	**19,235**	**3,890**	**3,908**	**68,684**
Change in plan assets						
Fair value of plan assets at January 1	**(0)**	**1,248**	**773**	**(0)**	**(0)**	**2,021**
Revaluation adjustments – Return on plan assets	(0)	63	93	(0)	(0)	156
Employer contributions	(0)	8	75	(0)	(0)	83
Benefits paid	(0)	(6)	(17)	(0)	(0)	(23)
Other	(0)	(0)	(0)	(0)	(0)	(0)
Fair value of plan assets at December 31st	**(0)**	**1,313**	**924**	**(0)**	**(0)**	**2,237**
Reconciliation						
Present value of benefit obligation at December 31st	**14,424**	**27,227**	**19,235**	**3,890**	**3,908**	**68,684**
Fair value of plan assets	(0)	1,313	924	(0)	(0)	2,237
(Liability) / Asset recognised in the balance sheet at December	**(14,424)**	**(25,914)**	**(18,311)**	**(3,890)**	**(3,908)**	**(66,447)**
Income statement						
Current service cost	678	403	201	315	(123)	1,474
Past service cost	(0)	(0)	(0)	(19)	(0)	(19)
Benefits paid including amounts paid in respect of settlements	(0)	(0)	(0)	(0)	(0)	(0)
Interest cost	234	407	283	41	(0)	965
Interest income	(0)	(0)	(0)	(0)	(0)	(0)
Revaluation adjustments on other long-term benefits	(131)	1,827	20	88	(0)	1,804
Other	(0)	(0)	(0)	(0)	141	141
(Income) / Expenses recorded in the income statement	**781**	**2,637**	**504**	**425**	**18**	**4,365**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(1,383)	2,429	3,127	213	(0)	4,386
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,383)**	**2,429**	**3,127**	**213**	**(0)**	**4,386**

Actuarial assumptions

The discount rate applied to the Group's employee benefit obligations is based on the Bloomberg Corporate AA curve for French entities and on a basket of international AA-rated corporate bonds for foreign entities.

	Dec. 31, 2020			
	France	Germany	Austria	Italy
Inflation rate	1.60%	1.60%	1.60%	1.60%
Discount rate				
Supplementary retirement and other plans	0.00%	1.10%	1.10%	N/A
Statutory retirement benefits	0.50%	N/A	1.10%	1.10%
Long-service awards	0.00%	1.10%	1.10%	1.10%
Other benefits	0.00%	1.10%	N/A	1.10%
Rate of salary increases (including inflation)	1.90%	2.10%	3.00%	1.60%
Rate of increase in medical costs (including inflation)	2.50%	N/A	N/A	4.20%
Average remaining working life until retirement				
Supplementary retirement and other plans	0.00	1.16	4.20	7.40
Statutory retirement benefits	14.89	N/A	9.57	11.10
Long-service awards	14.89	14.56	18.26	7.50
Other benefits	0.00	3.34	N/A	0.00
Term (years)				
Supplementary retirement and other plans	3.72	13.17	17.28	20.20
Statutory retirement benefits	14.57	0.00	9.38	9.49
Long-service awards	8.04	10.26	10.24	10.67
Other benefits	13.88	1.68	N/A	N/A

	Dec. 31, 2019			
	France	Germany	Austria	Italy
Inflation rate	1.70%	1.70%	1.70%	1.70%
Discount rate				
Supplementary retirement and other plans	0.00%	0.80%	0.80%	N/A
Statutory retirement benefits	0.40%	N/A	0.80%	0.80%
Long-service awards	0.00%	0.80%	0.80%	0,80%
Other benefits	0.50%	0.80%	N/A	0.80%
Rate of salary increases (including inflation)	2.00%	2.20%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	2.50%	N/A	N/A	4.20%
Average remaining working life until retirement				
Supplementary retirement and other plans	0.00	1.26	4.39	8.40
Statutory retirement benefits	16.83	N/A	10.04	12.10
Long-service awards	16.83	14.88	19.38	8.50
Other benefits	0.00	3.78	N/A	0.00
Term (years)				
Supplementary retirement and other plans	3.76	13.55	18.24	22.10
Statutory retirement benefits	14.57	0,00	10.04	9.63
Long-service awards	8.93	10.57	9.31	10.80
Other benefits	14.18	1.66	N/A	N/A

Sensitivity tests on the defined benefit obligation

	Dec. 31, 2020			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
+1% increase in the discount rate	-12.41%	-11.11%	-9.00%	-1.68%
-1% decrease in the discount rate	15.62%	13.26%	10.47%	1.73%
+1% increase in the inflation rate	8.11%	9.57%	1.35%	1.34%
-1% decrease in the inflation rate	-6.74%	-8.16%	-1.73%	-1.33%
+1% increase in rate of increase in medical costs	15.05%	0.00%	0.00%	0.00%
-1% decrease in rate of increase in medical costs	-12.65%	0.00%	0.00%	0.00%
+1% increase in rate of salary increase (including inflation)	11.55%	11.63%	2.48%	1.34%
-1% decrease in rate of salary increase (including inflation)	-9.57%	-9.97%	-2.72%	-1.33%

	Dec. 31, 2019			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
+1% increase in the discount rate	-12.83%	-11.26%	-8.11%	-1.64%
-1% decrease in the discount rate	16.27%	13.54%	9.70%	1.70%
+1% increase in the inflation rate	8.12%	9.70%	0.96%	1.66%
-1% decrease in the inflation rate	-6.73%	-8.26%	-1.20%	-1.64%
+1% increase in rate of increase in medical costs	15.90%	0.00%	0.00%	0.00%
-1% decrease in rate of increase in medical costs	-12.97%	0.00%	0.00%	0.00%
+1% increase in rate of salary increase (including inflation)	11.85%	11.85%	2.04%	1.66%
-1% decrease in rate of salary increase (including inflation)	-9.83%	-10.15%	-2.15%	-1.64%

Note 15. Financing liabilities

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Due within one year		
- Interest	11,756	11,756
- Amortization of expenses	(571)	(547)
Total	**11,185**	**11,209**
Due between one and five years		
- Amortization of expenses	(1,376)	(1,948)
- Nominal	380,000	
Total	**378,624**	**378,052**
Due beyond five years		
- Amortization of expenses	(0)	(0)
- Nominal	(0)	(0)
Total	**(0)**	**(0)**
TOTAL	**389,810**	**389,261**

On March 27, 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 (10 years), 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 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As at December 31, 2020, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €389,810 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €1,947 thousand;
- increased by accrued interest of €11,756 thousand.

The impact on consolidated income statement income as at December 31, 2020 mainly includes the interest related to the period for €16,222 thousand.

Note 16. Lease liabilities

(in thousand of euros)	Dec. 31, 2020	Dec. 31, 2019
Lease liabilities - Real estate leasing	78 354	82 425
Lease liabilities - Equipment leasing	9 771	10 565
Lease liabilities - Leasing	**88 124**	**92 990**

Note 17. Liabilities relating to insurance contracts

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Provisions for unearned premiums	255,380	281,465
Claims reserves	1,372,822	1,361,352
Provisions for premium refunds	175,890	184,402
Liabilities relating to insurance contracts	**1,804,092**	**1,827,219**
Provisions for unearned premiums	(44,891)	(59,130)
Claims reserves	(485,476)	(341,936)
Provisions for premium refunds	(73,086)	(49,301)
Reinsurers' share of insurance liabilities	**(603,453)**	**(450,367)**
Net technical provisions	**1,200,639**	**1,376,852**

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €780 million at December 31, 2020.

Note 18. Payables arising from banking activities

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Amounts due to banking sector companies	535,447	523,020
Amounts due to customers of banking sector companies	357,384	301,058
Debt securities	1,425,562	1,538,727
TOTAL	**2,318,392**	**2,362,805**

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 19. Deferred tax

(in thousands of euros)	**Dec. 31, 2020**	**Dec. 31, 2019**
Deferred tax assets	(49,250)	(64,042)
Deferred tax liabilities	110,507	107,357
Net deferred tax - liabilities	**61,256**	**43,315**
Timing differences	(11,753)	(16,705)
Provisions for pensions and other employment benefit obligations	(9,135)	(9,951)
Tax loss carry forwards	(6,391)	(7,290)
Cancellation of the claims equalization provision	88,535	77,261
Net deferred tax - liabilities	**61,256**	**43,315**

Deferred tax assets and liabilities are assessed at the rate applicable on the date on which the asset will be realized or the liabilities will be settled.

The French tax law for 2020 planned a decline in the current common law rate from 33.33% to 25% gradually until 2022 for companies with more than € 250 million of turnover. This future rate change has been taken into account in the valuation of deferred taxes of the French entities of Coface Group.

Each entity is compensating deferred tax assets and liabilities whenever it is legaly authorized to compensate due tax assets and liabilities.

Changes in deferred tax balances by region

Deferred tax with positive signs are deferred tax liabilities. On the other hand, those with negative signs are deferred tax assets.

(in thousands of euros)	Dec. 31, 2019	Change through income statement	Revaluation adjustment on AFS investments	Currency translation variation	Scope entry	Other movements	**Dec. 31, 2020**
Northern Europe	49,127	4,302	,83	(,247)	4,206	,5	57,476
Western Europe	29,088	(5,665)	(,238)	,31	,0	,506	23,722
Central Europe	(2,127)	1,966	(,67)	(,258)	,0	,561	,75
Mediterranean & Africa	(24,380)	5,531	,0	,354	,0	,0	(18,495)
North America	2,402	(,278)	,489	(,221)	,0	,0	2,392
Latin America	(6,025)	(,990)	2,851	1,637	,0	,0	(2,527)
Asia Pacific	(4,770)	3,033	,234	,116	,0	,0	(1,387)
Total	**43,315**	**7,899**	**3,352**	**1,412**	**4,206**	**1,072**	**61,256**

(in thousands of euros)	Dec. 31, 2018	Jan. 1, 2019 (*)	Change through income statement	Revaluation adjustment on AFS investments	Currency translation variation	Other movements	**Dec. 31, 2019**
Northern Europe	58,943	58,943	(9,113)	,58	,0	(,761)	49,127
Western Europe	15,618	15,714	(7,353)	19,834	(,15)	,909	29,089
Central Europe	(1,069)	(1,069)	(,796)	,38	,109	(,409)	(2,127)
Mediterranean & Africa	(17,233)	(17,233)	(7,244)	,0	,97	,0	(24,380)
North America	1,404	1,404	,427	,537	,34	,0	2,402
Latin America	(2,902)	(2,902)	(3,449)	(,487)	,812	,0	(6,026)
Asia Pacific	(11,608)	(11,608)	6,786	,209	(,157)	,0	(4,770)
Total	**43,153**	**43,249**	**(20,742)**	**20,189**	**,880**	**(,261)**	**43,315**

The “Other movements” column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

Deferred taxes related to tax losses

The breakdown by region of deferred taxes assets linked to tax deficits is as follows :

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Northern Europe	2,420	986
Western Europe	(0)	1,422
Central Europe	86	609
Mediterranean & Africa	944	717
North America	71	(0)
Latin America	888	1,083
Asia-Pacific	1,981	2,472
Net deferred tax - liabilities	**6,391**	**7,290**

The recognition of deferred tax assets on tax losses is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognized at the level of entity's income tax results estimated for the period from 2021 to 2025, ie a recoverability horizon of five years. This recognition results from a Business Tax Plan prepared by each entity on the basis of the Business Plan approved by the Management.

Note 20. Payables arising from insurance and reinsurance operations

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Guarantee deposits received from policyholders and other	1,676	2,630
Amounts due to policyholders and agents	83,159	78,446
Payables arising from insurance and inward reinsurance operations	**84,835**	**81,076**
Amounts due to reinsurers	326,103	135,454
Deposits received from reinsurers	3,194	3,333
Payable arising from ceded reinsurance operations	**329,297**	**138,787**
Total	**414,133**	**219,863**

Note 21. Other liabilities

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Current tax payables	**70,621**	**66,295**
Derivatives and related liabilities	**26**	**889**
Accrued personnel costs	51,227	56,621
Sundry payables	197,402	206,781
Deferred income	7,711	9,340
Other accruals	5,879	17,828
Other payables	**262,219**	**290,570**
Total	**332,865**	**357,754**

Note 22. Revenue

Breakdown of consolidated revenue

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Premiums – direct business	*1,176,378*	*1,224,651*
Premiums – inward reinsurance	*97,389*	*102,984*
Gross written premiums	**1,273,767**	**1,327,635**
Premium refunds	**(78,111)**	**(95,079)**
Change of provisions for unearned premiums	**8,678**	**3,041**
Earned premiums	**1,204,334**	**1,235,597**
Fees and commission income	**143,985**	**140,114**
Net income from banking activities	**58,450**	**64,106**
Other insurance-related services	*,102*	*,94*
Business information and other services	*34,523*	*31,108*
Receivables management	*9,469*	*10,069*
Income from other activities	**44,094**	**41,271**
Revenue or income from other activities	**246,530**	**245,491**
CONSOLIDATED REVENUE	**1,450,864**	**1,481,088**

Consolidated revenue by country of invoicing

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Northern Europe	297,721	307,464
Western Europe	291,848	294,650
Central Europe	143,081	148,078
Mediterranean & Africa	394,890	394,175
North America	136,518	138,475
Latin America	67,328	80,653
Asia-Pacific	119,478	117,593
CONSOLIDATED REVENUE	**1,450,864**	**1,481,088**

Consolidated revenue by activity

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Earned premiums - Credit	*1,132,876*	*1,164,752*
Earned premiums - Single risk	*21,141*	*21,193*
Earned premiums - Credit insurance	**1,154,017**	**1,185,945**
Fees and commission income	**143,985**	**140,114**
Other insurance-related services	**102**	**94**
Revenue of credit insurance activity	**1,298,104**	**1,326,153**
Earned premiums - Guarantees	**50,317**	**49,652**
Financing fees	26,995	35,226
Factoring fees	32,758	30,304
Other	(1,302)	(1,424)
Net income from banking activities (factoring)	**58,450**	**64,106**
Business information and other services	34,523	31,108
Receivables management	9,469	10,069
Revenue of business information and other services activity	**43,992**	**41,177**
CONSOLIDATED REVENUE	**1,450,864**	**1,481,088**

Note 23. Claim expenses

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Paid claims, net of recoveries	(541,323)	(456,416)
Claims handling expenses	(31,839)	(31,212)
Change in claims reserves	(50,490)	(48,619)
Total	**(623,653)**	**(536,247)**

Claims expenses by period of occurrence

	Dec. 31, 2020			Dec. 31, 2019		
(in thousands of euros)	Gross	Outward	Net	Gross	Outward	Net
Claims expenses – current year	(905,412)	391,217	(514,195)	(866,463)	219,596	(646,867)
Claims expenses – prior years	281,759	(94,493)	187,266	330,216	(80,145)	250,071
Total	**(623,653)**	**296,724**	**(326,929)**	**(536,247)**	**139,451**	**(396,796)**

Note 24. Overheads by function

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Policy acquisition costs	(238,453)	(242,675)
Administrative costs	(261,807)	(274,784)
Other insurance activity expenses	(60,971)	(70,739)
Expenses from banking activities, excluding cost of risk	(12,833)	(13,742)
Expenses from services activities	(81,608)	(75,198)
Operating expenses	**(655,672)**	**(677,138)**
Investment management expenses	**(3,420)**	**(4,037)**
Claims handling expenses	**(31,839)**	**(31,212)**
TOTAL	**(690,931)**	**(712,387)**
of which employee profit-sharing	*(2,854)*	*(7,038)*

Total overheads include general insurance expenses (by function), expenses from services activities and expenses from banking activities. It came out at €690,931 thousand as at December 31, 2020 versus €712,387 thousand as at December 31, 2019.

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 25. Expenses from banking activities

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Charges to allowances for receivables	(97)	(138)
Reversal of allowances for receivables	(0)	6,559
Losses on receivables	(3)	(8,225)
Cost of risk	**(100)**	**(1,804)**
Operating expenses	**(12,833)**	**(13,742)**
TOTAL	**(12,933)**	**(15,546)**

“Cost of risk” corresponds to the risk-related expense on credit insurance operations conducted by factoring companies, which includes net additions to provisions, receivables written off during the year, and recoveries of amortised receivables.

Note 26. Income and expenses from ceded reinsurance

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Ceded claims	180,639	126,829
Change in claims provisions net of recoveries	135,321	12,622
Commissions paid by reinsurers	199,126	136,171
Income from ceded reinsurance	**515,087**	**275,622**
Ceded premiums	(544,788)	(350,573)
Change in unearned premiums provisions	(14,415)	(3,012)
Expenses from ceded reinsurance	**(559,203)**	**(353,585)**
Total	**(44,116)**	**(77,963)**

Note 27. Investment income, net of management expenses (excluding finance costs)

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Investment income	38,396	50,635
Change in financial instruments at fair value through income	2,883	1,287
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*(317)*	*(0)*
Net gains on disposals	1,784	(299)
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*(334)*	*(15)*
Additions to/(reversals from) impairment	(4,685)	(6,148)
Net foreign exchange gains/losses	(5,460)	(695)
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds (1)	*(854)*	*(4,291)*
Investment management expenses	(6,015)	(7,840)
TOTAL	**26,903**	**36,939**

(1) The Colombes and Lausanne funds foreign exchange result covered by derivatives amounts to €(0,854) thousand. This amount is broken down into €5,496 thousand in realized profit and €(6,350) thousand in unrealized losses.

Investment income by class

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Equities	(6,771)	6,591
Fixed income	22,243	39,771
Investment properties	9,702	8,411
Sub-total	**25,174**	**54,773**
Associated and non consolidated companies	5,234	(4,734)
Exchange rate - change profit / loss (*)	2,510	(5,259)
Financial and investment charges	(6,015)	(7,840)
TOTAL	**26,903**	**36,939**

Although derivative instruments are used to hedge the overall currency risk, the COFACE group does not apply hedge accounting for accounting purposes.

Note 28. Other operating income and expenses

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Fit to Win restructuring charges	(323)	(1,308)
Build to Lead restructuring charges	(4,885)	
Provisions for restructuring	(615)	(5,300)
Impairment charge of goodwill in Latin America CGU	(845)	
Other operating expenses	(8,663)	(2,829)
Total other operating expenses	**(15,331)**	**(9,437)**
Gain on sale of italian operational building		2,312
Other operating income	1,544	1,125
Total other operating income	**1,544**	**3,437**
TOTAL	**(13,787)**	**(6,000)**

Other operating income and expenses amounted to €(13.8) million as of December 31, 2020.

Other operating expenses are mainly mainly include:
- Costs related to the 29.5% sale of the Coface group capital by Natixis to Arch Capital Group for €5.6 million.
- Internalization costs of €1.3 million for sales representatives in the United States.

Note 29. Income tax expense

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Income tax	(36,805)	(76,177)
Deferred tax	(7,899)	20,743
TOTAL	**(44,704)**	**(55,434)**

Tax proof

(in thousands of euros)	Dec. 31, 2020		Dec. 31, 2019	
Net income	**82,900**		**146,729**	
Non-controlling interests	(4)		10	
Income tax expense	(44,704)		(55,434)	
Badwill	8,910		4,662	
Share in net income of associates			(0)	
Pre-tax income before share in net income of associates and badwill	**118,698**		**197,490**	
Tax rate		32.02%		34.43%
Theoretical tax	(38,007)		(67,996)	
Tax expense presented in the consolidation income statement	(44,704)	37.66%	(55,434)	28.07%
Difference	**6,697**	**(5.64)%**	**(12,562)**	**-6.36%**
Impact of differences between Group tax rates and local tax rates	10,084	8.50%	24,547	12.43%
Specific local taxes	(2,909)	(2.45)%	(3,118)	(1.58)%
o/w French Corporate value added tax (CVAE)	*(740)*	*(0.62)%*	*(1,375)*	*(0.70)%*
Tax losses for which no deferred tax assets have been recognised	(8,258)	(6.96)%	(4,934)	(2.50)%
Utilisation of previously unrecognised tax loss carryforwards	2,731	2.30%	1,266	0.64%
Dividends paid in France non deductible for tax purposes (1%)	-	0.00%	(0)	(0)
Liability method impact	(6,221)	(5.24)%	(6,175)	(3.13)%
Other differences	(2,124)	(1.79%)	976	0.49%

The effective income tax rate increased of 9 points from 37.66% at December 31, 2020 compare to 28.07% at December 31, 2019.

The difference between theoretical tax and tax expense presented in the consolidated income statement comes from a positive impact of differences between Group tax rates and local tax rates. It is offset by the negative impact of tax losses for which no deferred tax assets have been recognized and the liability method impact (mainly in France).

Note 30. 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 the one in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is the one in which the ceding insurer is located.
Geographic segmentation by billing location does not necessarily correspond to 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 December 31, 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	**299,691**	**286,216**	**144,556**	**397,272**	**136,519**	**67,328**	**119,478**	**720,282**	**29,152**	**(0)**	**(749,631)**	**1,450,864**
o/w Earned Premium	*202,081*	*251,674*	*117,343*	*329,304*	*123,689*	*64,749*	*115,493*	*720,282*	*(0)*	*(0)*	*(720,282)*	*1,204,334*
o/w Factoring	*49,879*	*(939)*	*9,510*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*58,450*
o/w Other insurance-related services	*47,731*	*35,481*	*17,703*	*67,968*	*12,830*	*2,579*	*3,985*	*(0)*	*29,152*	*(0)*	*(29,349)*	*188,080*
Claims-related expenses (including claims handling costs)	(74,768)	(120,303)	(54,100)	(182,806)	(78,764)	(46,837)	(56,383)	(297,175)	(0)	(3,927)	291,410	(623,653)
Cost of risk	(32)	(0)	(68)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(100)
Commissions	(20,319)	(35,200)	(10,382)	(42,887)	(15,055)	(8,453)	(22,493)	(273,334)	(0)	(0)	273,278	(154,845)
Other internal general expenses	(110,024)	(94,376)	(50,431)	(118,882)	(45,614)	(25,192)	(38,628)	(0)	(29,191)	(25,091)	36,602	(500,827)
UNDERWRITING INCOME BEFORE REINSURANCE*	**94,548**	**36,337**	**29,575**	**52,697**	**(2,914)**	**(13,154)**	**1,974**	**149,773**	**(39)**	**(29,018)**	**(148,341)**	**171,439**
Income/(loss) on ceded reinsurance	(22,158)	(27,823)	(9,748)	2,990	(11,052)	14,965	(13,895)	(127,169)	(0)	(0)	149,774	(44,116)
Other operating income and expenses	(5,507)	(6,486)	(21)	393	(1,300)	(866)	(0)	(0)	(0)	(0)	(0)	(13,787)
Net financial income excluding finance costs	7,020	(12,115)	8,412	15,405	3,221	5,275	3,690	(0)	(467)	(962)	(2,576)	26,903
Finance costs	(197)	(3,336)	(275)	(647)	(1,077)	(276)	(634)	(0)	(203)	(16,222)	1,127	(21,740)
OPERATING INCOME including finance costs	**73,706**	**(13,423)**	**27,943**	**70,838**	**(13,122)**	**5,944**	**(8,865)**	**22,604**	**(709)**	**(46,202)**	**(16)**	**118,698**
Badwill	(0)	8,910	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	8,910
NET INCOME BEFORE TAX	**73,706**	**(4,513)**	**27,943**	**70,838**	**(13,122)**	**5,944**	**(8,865)**	**22,604**	**(709)**	**(46,202)**	**(16)**	**127,608**
Income tax expense	(25,821)	1,581	(9,789)	(24,816)	4,597	(2,082)	3,106	(7,919)	248	16,186	6	(44,704)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**47,885**	**(2,932)**	**18,154**	**46,022**	**(8,525)**	**3,862**	**(5,759)**	**14,685**	**(461)**	**(30,016)**	**(10)**	**82,904**
Non-controlling interests	(2)	0	(1)	(1)	0	0	0	(0)	(0)	(0)	(0)	(4)
NET INCOME FOR THE PERIOD	**47,883**	**(2,932)**	**18,153**	**46,021**	**(8,525)**	**3,862**	**(5,759)**	**14,685**	**(461)**	**(30,016)**	**(10)**	**82,900**

* 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 other activities.

Analysis of December 31, 2019 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	**309,295**	**290,567**	**149,538**	**396,060**	**138,474**	**80,653**	**117,593**	**978,189**	**26,567**		**(1,005,848)**	**1,481,088**
o/w Earned Premium	*208,165*	*255,701*	*120,842*	*334,348*	*124,784*	*77,881*	*113,875*	*978,189*			*(978,188)*	*1,235,597*
o/w Factoring	*53,931*	*(705)*	*10,880*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*			*(0)*	*64,106*
o/w Other insurance-related services	*47,199*	*35,571*	*17,816*	*61,712*	*13,690*	*2,772*	*3,718*	*(0)*	*26,567*		*(27,660)*	*181,385*
Claims-related expenses (including claims handling costs)	(85,109)	(88,467)	(51,340)	(154,749)	(57,103)	(46,796)	(40,893)	(408,105)		(5,698)	402,013	(536,247)
Cost of risk	(2,353)		549									(1,804)
Commissions	(20,997)	(39,093)	(9,549)	(42,259)	(20,412)	(10,412)	(22,629)	(373,998)			374,001	(165,348)
Other internal general expenses	(114,141)	(98,847)	(54,412)	(113,335)	(42,940)	(28,618)	(38,555)	(0)	(26,535)	(29,174)	34,767	(511,790)
UNDERWRITING INCOME BEFORE REINSURANCE*	**86,695**	**64,160**	**34,786**	**85,717**	**18,019**	**(5,173)**	**15,516**	**196,086**	**32**	**(34,872)**	**(195,067)**	**265,899**
Income/(loss) on ceded reinsurance	(9,115)	(37,432)	(9,596)	(15,235)	(2,869)	(2,873)	4,037	(200,966)			196,086	(77,963)
Other operating income and expenses	(5,231)	(1,618)	(27)	1,626	(994)	244						(6,000)
Net financial income excluding finance costs	2,239	8,998	5,855	7,737	3,669	10,394	2,850		237	(1,057)	(3,982)	36,940
Finance costs	(258)	(2,851)	(612)	(862)	(1,498)	(312)	(996)		(94)	(16,207)	2,305	(21,385)
OPERATING INCOME including finance costs	**74,330**	**31,257**	**30,406**	**78,983**	**16,327**	**2,280**	**21,407**	**(4,880)**	**175**	**(52,136)**	**(658)**	**197,491**
Badwill			4,662									4,662
NET INCOME BEFORE TAX	**74,330**	**31,257**	**35,068**	**78,983**	**16,327**	**2,280**	**21,407**	**(4,880)**	**175**	**(52,136)**	**(658)**	**202,153**
Income tax expense	(20,383)	(8,571)	(9,616)	(21,659)	(4,477)	(625)	(5,870)	1,338	(48)	14,297	180	(55,434)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**53,947**	**22,686**	**25,452**	**57,324**	**11,850**	**1,655**	**15,537**	**(3,542)**	**127**	**(37,839)**	**(478)**	**146,719**
Non-controlling interests	(2)		(2)	15								10
NET INCOME FOR THE PERIOD	**53,945**	**22,685**	**25,450**	**57,339**	**11,850**	**1,655**	**15,537**	**(3,542)**	**127**	**(37,839)**	**(478)**	**146,729**

* 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 other activities.

Note 31. Earnings per share

	Dec. 31, 2020		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	150,360,581	82,900	0.55
Dilutive instruments	-		
DILUTED EARNINGS PER SHARE	**150,360,581**	**82,900**	**0.55**

	Dec. 31, 2019		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	151,165,109	146,729	0.97
Dilutive instruments	-		
DILUTED EARNINGS PER SHARE	**151,165,109**	**146,729**	**0.97**

Note 32. Group's headcount

(in full time equivalent)	Dec. 31, 2020	Dec. 31, 2019
Northern Europe	631	598
Western Europe	937	906
Central Europe	655	622
Mediterranean & Africa	634	596
North America	200	192
Latin America	205	201
Asia Pacific	134	132
Total	**3,395**	**3,248**

At December 31, 2020, the number of employees of fully consolidated companies was 3,395 full-time equivalents FTE *versus* 3,248 at December 31, 2019, up for 147 FTEs. The new entity GK Forsikring AS include 24 FTE.

Note 33. Related parties

At the end of December 2020, Natixis holds 42.86% of the Coface Group's shares excluding treasury shares, and 42.20% including treasury shares.

	Number of shares	%
Natixis	64 153 881	42,86%
Public	85 536 083	57,14%
Total	**149 689 964**	**100.00%**

Relations between the Group's consolidated entities and related parties

The Coface Group's main transactions with related parties concern Natixis and its subsidiaries.

The main related-party transactions are as follows:

- financing of a portion of the factoring activity by Natixis SA;
- financial investments with the BPCE and Natixis groups;
- 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	Dec. 31, 2020		
(in thousands of euros)	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(908)		
Claims expenses			
Expenses from other activities			
Policy acquisition costs			
Administrative costs			
Other current operating income and expenses			
Operating income/(loss)	**(908)**		

Related-party receivables and payables	Dec. 31, 2020			
(in thousands of euros)	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	49,077			
Other assets				
Cash and cash equivalents		831		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		32,935		
Other liabilities				

The €32,935 thousand in financing liabilities due to banking sector companies, at the end of December 2020, correspond to borrowings taken out with Natixis to finance the factoring activity.

Current operating income	Dec 31, 2019		
(in thousands of euros)	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,297)		
Claims expenses		4	
Expenses from other activities			
Policy acquisition costs		7	
Administrative costs		15	
Other current operating income and expenses		9	
Operating income/(loss)	**(2,297)**	**35**	

Related-party receivables and payables	Dec. 31, 2019			
(in thousands of euros)	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	53,109			
Other assets				
Cash and cash equivalents		6,613		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		97,226		
Other liabilities				15

Note 34. Key management compensation

(in thousands of euros)	Dec. 31, 2020	Dec. 31, 2019
Short-term benefits (gross salaries and wages, incentives, benefits in kind and annual bonus)	4,844	4,185
Other long-term benefits	1,425	1,017
Statutory termination benefits	(0)	(0)
Share-based payment	804	642
TOTAL	**7,073**	**5,844**

The Group Management Committee is composed of eight members on December 31, 2020 and of Coface CEO.
The line "Other long-term benefits" corresponds to the free performance shares allocation (fair value IFRS).
The line "Share-based payment" corresponds to the free performance shares' delivered in 2020 and allocated in the frame of the LTIP 2017 (fair value IFRS).
A total envelope of Euros 369 thousand was paid out to the members of the Board of Directors, the Audit, the Risk and the Compensation Committees in 2020.

Note 35. Breakdown of audit fees

	Mazars				KPMG				Deloitte				Others				Total			
(in thousands of euros)	2020.12	%	2019.12	%	2020.12	%	2019.12	%	2020.12	%	2019.12	%	2020.12	%	2019.12	%	2020.12	%	2019.12	%
Statutory and IFRS Audit																				
COFACE SA	(320)	29%	(0)	0%	(22)	13%	(337)	24%	(323)	17%	(310)	15%	(0)	0%	(0)	0%	(665)	21%	(647)	18%
Subsidiaries	(779)	69%	(0)	0%	(135)	83%	(973)	69%	(1,531)	83%	(1,792)	85%	(19)	1%	(0)	0%	(2,464)	77%	(2,765)	79%
Sub-total	**(1,099)**	**98%**	**(0)**	**0%**	**(157)**	**96%**	**(1,310)**	**93%**	**(1,854)**	**100%**	**(2,102)**	**100%**	**(19)**	**1%**	**(0)**	**0%**	**(3,129)**	**98%**	**(3,412)**	**97%**
Other fees than Statutory and IFRS Audit																				
COFACE SA	(0)	0%	(0)	0%	(0)	0%	(56)	4%	(0)	0%	30	-1%	(0)	0%	(0)	0%	(0)	0%	(26)	1%
Subsidiaries	(23)	2%	(0)	0%	(6)	4%	(37)	3%	(0)	0%	(28)	1%	(37)	2%	(0)	0%	(66)	2%	(65)	2%
Sub-total	**(23)**	**2%**	**(0)**	**0%**	**(6)**	**4%**	**(93)**	**7%**	**(0)**	**0%**	**2**	**0%**	**(37)**	**2%**	**(0)**	**0%**	**(66)**	**2%**	**(91)**	**3%**
TOTAL	**(1,122)**	**100%**	**(0)**	**0%**	**(163)**	**100%**	**(1,403)**	**100%**	**(1,854)**	**100%**	**(2,100)**	**100%**	**(57)**	**3%**	**(0)**	**0%**	**(3,196)**	**100%**	**(3,503)**	**100%**

In the 2020 financial year, the Mazars firm replaced the KPMG firm as co-auditor. The remaining KPMG fees correspond to services performed for the 2019 audit accounts.

Note 36. Off-balance sheet commitments

(in thousands of euros)	Dec. 31, 2020		
	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**

The endorsements and letters of credit correspond mainly to :

- a joint guarantee of €380,000 thousand in favor of COFACE SA subordinated notes' investors (10 year maturity);
- a guarantee from Cofinpar of €7,000 thousand
- a joint guarantee of €631,188 thousand euros given to banks financing the factoring business.
-

The securities lodged as collateral by reinsurers are concerning Coface Ré for €365,715 thousand and Compagnie française pour le commerce extérieur for €35,600 thousand.

(in thousands of euros)	Dec. 31, 2019		
	TOTAL	Related to financing	Related to activity
Commitments given	**1,055,216**	**1,037,195**	**18,021**
Endorsements and letters of credit	1,037,195	1,037,195	0
Property guarantees	7,500	0	7,500
Financial commitments in respect of equity interests	10,521	0	10,521
Commitments received	**1,503,863**	**1,018,308**	**485,555**
Endorsements and letters of credit	140,576	0	140,576
Guarantees	342,479	0	342,479
Credit lines linked to commercial paper	700,000	700,000	0
Credit lines linked to factoring	318,308	318,308	0
Financial commitments in respect of equity interests	2,500	0	2,500
Guarantees received	**382,200**	**(0)**	**382,200**
Securities lodged as collateral by reinsurers	382,200	(0)	382,200
Financial market transactions	**281,097**	**(0)**	**281,097**

Note 37. Operating leases

The Lease contracts for future years are mainly recorded in the balance sheet since the implementation of IFRS 16 on January 1, 2019.

Note 38. Relationship between parent company and subsidiaries

The main operational subsidiary of the Coface Group is the Compagnie française d'assurance pour le commerce extérieur (la Compagnie). This subsidiary, which is wholly owned by the Company, is a public limited company (société anonyme) under French law, with share capital of €137,052,417.05, registered in the Nanterre Trade and Companies Registry under number 552 069 791.
The main flows between Coface SA, the listed parent company, and la Compagnie are as follows:

- Financing:
  - Coface SA and la Compagnie have granted each other one ten-year loan;
  - In net terms, Coface SA finances la Compagnie;
  - la Compagnie stands as surety for the bond issue floated by Coface SA;
  - A two-way cash flow agreement exists between COFACE SA and la Compagnie;
  - COFACE SA delegates to la Compagnie management of its commercial paper programme and of its cash management.
- Dividends:
  - la Compagnie pays dividends to Coface SA.
- Tax consolidation:
  - la Compagnie forms part of the tax consolidation group headed by Coface SA.

The table below summarises the interim balance of la Compagnie française d'assurance pour le commerce exterieur and its principal financial flows :

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other entities	Eliminations	Total
Revenue	1,993	1,322,475	888,543	(762,147)	1,450,864
Current operating income	10,346	80,458	104,390	(40,970)	154,224
Net income	(13,689)	4,956	91,634		82,901
Fixed assets	1,837,325	5,186,339	1,301,320	(4,998,422)	3,326,562
Indebtedness outside the group	389,808		1		389,809
Cash and cash equivalent	545	252,426	147,999		400,969
Net cash generated from operating activities	26,380	81,726	86,251		194,358
Dividends paid to the quoted company		(0)	(0)		(0)

Note 39. First time consolidation of Coface GK

Coface GK is part of Coface Group consolidation scope since July 1, 2020.

In accordance with IFRS 3 Business Combinaisons, initial recognition of assets, liabilities and minority interest shall be adjusted, up to 12 months after the acquisition date, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The review ended and the initial recognition of assets and liabilities is finalized in the consolidation financial statement as of December 31, 2020.

The main balance sheet aggregates at July 1, 2020 are summarized in the chart below:

(in thousands of euros)	Opening Balance
Asset aggregates	
Insurance business investment	26,693
Reinsurers' share of insurance liabilities	9,626
Building used in the business ans other property, plant and equipment	82
Receivables arising from insurance and reinsurance operations	2,201
Trade receivables	465
Cash	4,795
Liability aggregates	
Liabilities relating to insurance contracts	14,557
Payables arising from insurance and reinsurance operations	4,097
Other payables	621

Contribution of Coface GK in the 2020 net income of Coface Group is summarize in the chart below:

(in thousands of euros)	Income statement
Revenue	5,992
Net income before badwill	(765)
Badwill	8,910

Note 40. Brexit

The UK's exit from Eurepean Union under Brexit leads to a loss of the European passport (Free or LPS).

The Coface Group has discussed with its customers in order to adapt the insurance policies affected by this matter.

Note 41. Events after the reporting period

There is no subsequent event occurred after the post closing date.

Note 42. Risk management

MAIN RISK FACTORS AND RISK MANAGEMENT WITHIN THE GROUP

1.1 Summary of main risks

The Group operates in a changing environment that leads to numerous external risks, in addition to the risks inherent in the conduct of its businesses. This chapter identifies the significant risk factors to which the Group believes it is exposed and their management.

The table below presents the main risks to which Coface is exposed. It was prepared using the risk mapping, which is reviewed annually by management and the Board of Directors. The risk mapping is based on a qualitative risk analysis aimed at assessing, for each risk factor, its probability of occurrence and its potential impact. A risk mapping is drawn up for each of the five main risk categories, which are monitored by management and the Board of Directors through the risk appetite indicators. Only major risk factors are listed in the table below. Other material risk factors are described on the following pages.

Throughout the current pandemic environment, Coface Group has managed its main risks and continued to support its policyholders while ensuring the long term stability of its control system. Remote management with employees working from home did not reduce the Group's efficiency or agility, and it confirmed its careful management of risks in 2020, as illustrated in the pages below.

RISK CATEGORIES	Main Risk Factors	Probability of Occurrence	Qualitative Scale	Changes in these rsisks between 2019 and 2020
Credit Risk	Risk of poor control of the exposures	High	High	⬆
	Risk of debtor insolvency	High	High	⬆
	Risks related to the establishment of technical provisions	High	High	⬆
Financial Risk	Risks related to the investment portfolio	Medium	Medium	⬆
	Risks related to the refinancing of the factoring business	Medium	Medium	⬆
Strategic risk	Risks related to market conditions	High	Medium	⬆
	Risk of deviating from the strategic plan	Medium	High	⬆
	Risks related to the Group's solvency coverage	Medium	High	➡
Reinsurance risk	Residual insurance risk	Medium	Medium	⬆
Operational and compliance risk	Risk related to information systems and cybersecurity (non-financial performance disclosures)	High	High	⬆
	Diversity and equal opportunities (non-financial performance disclosures)	Medium	Medium	➡

Before making a decision to invest in the Company's shares, prospective investors should consider carefully all the information set out in this document, including the risks set out below. These risks are, as of the date of this report, the risks that the Group believes, were they to occur, could have a material adverse effect on the Group, its business, its financial position, its solvency, its operating results or outlook, and which are material in making an investment decision. Prospective investors should nonetheless note that the risks described in this chapter may not be extensive, and that there may be additional risks that are not currently known or whose occurrence, as of the date of the Universal Registration Document, is not considered likely to have a material adverse effect on the Group, its business, its financial position, its operating results or outlook.

1.2 Definition and measurement of risks

1.2.1 CREDIT RISK

Credit risk is the risk of loss arising from non-payment by a debtor of a receivable owed to one of the Group's policyholders.

Credit risk may increase if exposures are concentrated (by country, sector, debtor, etc.). Traditionally, a distinction is made between frequency risk and catastrophe risk:

- frequency risk represents the risk of a sudden and significant increase in unpaid receivables for a multitude of debtors;
- catastrophe risk represents the risk of abnormally high losses being recorded for a single debtor or group of debtors, or of an accumulation of losses for a given country.

Definitions of credit risk factors

Main credit risk factors

Risk of poor control of the exposures

In an uncertain economic environment, the principle is for the insurer to approve each new debtor presented by the policyholder and to determine the maximum amount of risk the insurer is willing to accept for that debtor. The insurer also determines the maximum amount that it is ready to accept for a given debtor, for all of its policyholders. A reversal in the economic cycle (at a global, sector or country level) caused by a financial or health crisis, a failure in Coface's management systems, processes or governance, or a poor assessment of the risk of debtor insolvency could lead to delays in reducing exposures and/or an overestimation of exposures to a debtor or group of debtors, an economic sector or a country. These factors could increase the level of credit risk.

Risk of debtor insolvency

The approval of the maximum amount of risk incurred on debtors is based on an analysis of their financial strength and an assessment of their capacity to pay amounts due to our policyholders in a given economic situation. This analysis is conducted by Coface's teams based on information available to the public and/or data collected directly from the debtors, a system for analysing and managing debtor risk and internal procedures backed by specific governance. A sudden change in the economic situation, internal defaults among debtors, a failure in Coface's systems or processes, breaches of internal governance rules, partial or inaccurate information or an incorrect expert judgement may lead to an underestimation of the risk of default of one or more debtors, thereby increasing Coface's credit risk.

Risks related to the establishment of technical provisions

Technical provisions for insurance policies are recorded on the liabilities side of the balance sheet. These provisions are measured under IFRS. These technical provisions are an estimate of the amount of claims Coface is committed to pay (and the management fees relating to these claims):

- a reserve for claims payable is recorded for claims incurred, whether or not they have been reported to Coface (RFCP [2] + IBNR [3])
- a provision for unearned premiums (PUP [4]) is also recorded.

To establish technical provisions for claims, the Group makes estimates, which are primarily based on widely used actuarial methods (mainly the Chain-Ladder and Bornhuetter Ferguson methods), which are applied to past data triangles. Experience differences may be observed retrospectively between the Group's estimates and the final cost of observed claims. Poor quality data or a deterioration in the economic environment not reflected in projections may make estimates inadequate and have an adverse effect on the Group's financial position or solvency margin.

Other credit risk factors

Risk on premiums collected

The premium on a credit insurance policy is assessed on the revenue earned by the policyholder during the period covered by the policy, on an insured risk on client receivables or on a capped insured receivable, which are themselves a function of the turnover generated by the policyholder during the period covered by its credit insurance policy. Risk management on premiums collected relates both to management of the risk of underpricing and to the fact that all premiums might not be collected. Thus, failures in processes or in the pricing tool, a miscalculation of the turnover generated by policyholders, or a deterioration in economic conditions could lead to a reduction in the volume of insurance premiums due to reduced activity by policyholders or errors in our management processes, which, all other things being equal, increases the loss ratio.

Risk on new products

Like any company, Coface upgrades its product range or makes changes to existing products. These changes give rise to different risks, such as non-compliance with legal, compliance, regulatory, accounting or reputational requirements or inadequate pricing.

Credit risk assessment and management

Risks related to the management of exposures

i) *Diversification of the credit risk portfolio*

The Group maintains a diversified credit risk portfolio in order to minimise the risk of a debtor's insolvency, a slowdown in a particular business sector or an adverse event in a given country, to ensure that such events would not have a disproportionate impact on the Group's overall loss experience. Insurance policies also include credit limit adjustment clauses allowing the insurer to reduce or terminate its coverage for new sales to the debtor concerned at any time. As an exception to this rule, and according to the policyholder's expertise, the Group may grant certain policyholders a degree of autonomy in setting the credit limits for receivables not exceeding an amount as established in the contract.

Underwriting decisions are made by groups of underwriters in various underwriting centers, who work in real time and as a network using the advanced ATLAS underwriting system. These underwriting decisions observe the overall risk underwriting policy under the responsibility of the Group Risk Underwriting Department.

The overall quality of the portfolio of insured liabilities is monitored by an indicator that calculates the ratio of risk-weighted exposures to estimated premiums. This indicator is broken down by geographic region.

ii) *Overall exposure*

Until the first quarter of 2020, Coface had experienced steady growth in its exposures, in line with the "Fit to Win" strategic plan, which repositioned it on the market. Targeted measures to reduce exposures were undertaken in 2019, mainly in Latin America, to adapt the Group's risk volume to the economic situation in this region, which was in sharp decline. In 2020, due to pandemic and the global economic slowdown, significant actions to reduce exposures were undertaken, leading to an overall decrease in credit risk of around 10% over the year, to €512 billion, as shown in the chart below.

Coface total exposure (in billion of euros)

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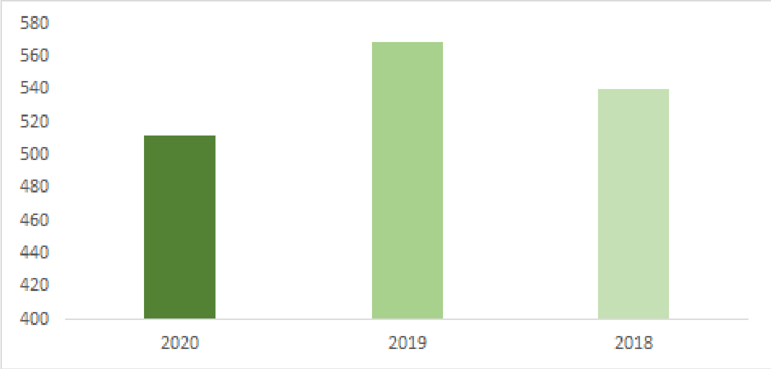
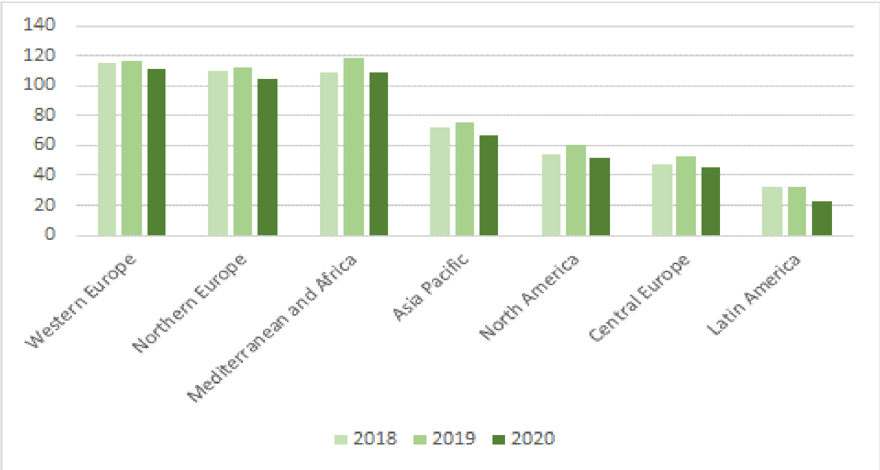
2 *Reserve for claims payable.*
3 *Losses incurred but not reported.*
4 *Provisions for unearned premiums.*



iii) *Geographical breakdown of risks*

An analysis by region shows that the reduction in exposures has been carried out in a manner appropriate to the economic situation arising from the pandemic environment, as shown in the table below. The reduction in exposures was stepped up in North America, Latin America (decline of 29%) and Central Europe due to the marked economic slowdown or uncertainties surrounding the local situation, while Northern and Western Europe experienced more limited reductions (of around 5%) due to the massive support plans provided by governments in these regions.

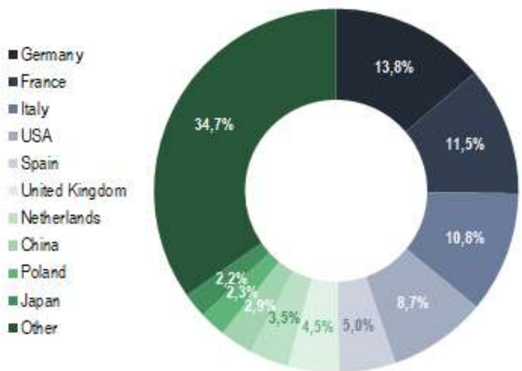
Exposure by region" chart



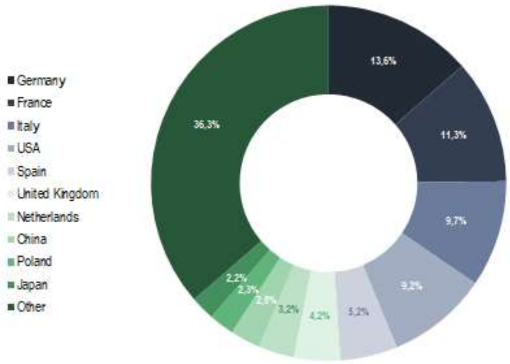
The geographical breakdown of risk can be monitored according to Coface's country risk assessment, which estimates the average credit risk of companies in a given country using a risk scale ranging from A1 to E. The overall decrease in exposures in 2020 led to a slight increase in the concentration of our risks in countries with the highest ratings by Coface, while there was no change in the ranking of these countries. The top ten countries now account for 65.3% of credit insurance exposures, vs. 63.7% in 2019. Among these top ten countries, only the United Kingdom and China are rated B by Coface – the other countries are rated between A1 and A4. Germany, which accounts for nearly 14% of Coface's risks, remains the country in which the company has the biggest exposure. More than 83% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and Spain, and in the United States.

"5.2.1 Geographical breakdown by country" chart

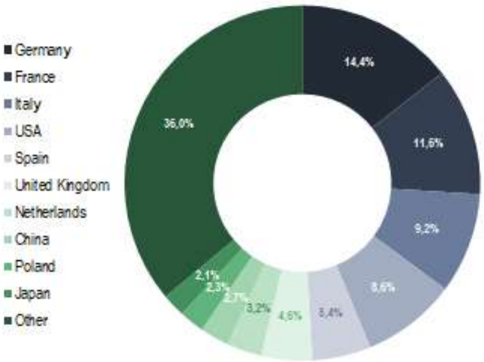
As at December 31, 2020



As at December 31, 2019



As at December 31, 2018



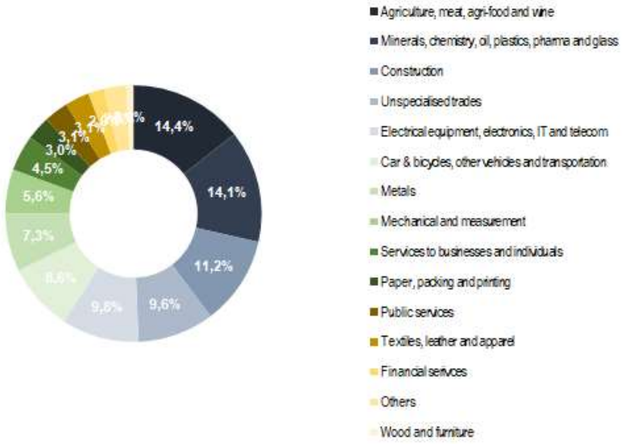
iv) ***Breakdown of risks by sector***

In 2020, Coface reduced its exposure in almost all business sectors. The reduction was more pronounced in certain sectors: the cumulative weight of the Transport and Metals sectors in the overall exposure decreased by nearly 2% between 2019 and 2020.

"5.2.1 Exposure by sector" chart

As at December 31, 2020

As at December 31, 2019



As at December 31, 2018

Term of risks

More than 95% of the Group's outstandings consist of short term risks. The maximum credit term mentioned in its policies rarely exceeds 180 days.

Level two controls ensure that the Group's rules on credit risk are properly observed.

Risk of debtor insolvency

I) *Debtor risk exposure*

The risk of default by debtors may be assessed according to the concentration of exposures on the Group's buyers. The Group provides unpaid receivables risk insurance covering over 2 million debtors worldwide. As at December 31, 2020, the average debtor risk was below €250,000. The great majority of debtors, considered individually, constitute an insignificant risk with regard to the Group's total portfolio, since no debtor represents more than 1% of the Group's outstandings. In addition, as detailed in section 5.2.4., an excess of loss reinsurance treaty ensures that no individual loss represents more than 3% of the Group's own funds, after tax.

The charts below show the breakdown of debtors[5] according to the cumulative outstanding amounts of credit risk incurred by the Group for these debtors, as at December 31, 2018, 2019 and 2020. Analysis of the number of debtors by outstandings brackets reveals a weak risk concentration profile. They also show that fluctuations in overall exposure do not significantly change the level of portfolio diversification.

5 *The debtors referred to above are clients of the Group's policyholders.*

Debtor total outstandings brackets	Outstandings* (in million of Euros)		
	2020	2019	2018
€1 - €100,000	39 912	41 230	38 996
€101,000 - €200,000	24 648	26 920	26 237
€201,000 - €400,000	33 203	36 529	36 450
€401,000 - €800,000	40 723	46 028	45 912
€801,000 - €1.5 million	41 217	48 675	47 677
€1.5 million - €5 million	91 236	105 608	102 380
€5 million - €50 million	167 227	185 421	168 544
€50 million - €200 million	48 425	47 615	47 316
€200 million and more	25 240	31 124	26 980
TOTAL	**511 830**	**569 151**	**540 492**

**The outstandings shown are gross of reinsurance (direct business and inward reinsurance) and correspond to the maximum amount of cover granted by the Group to its policyholders. They do not correspond to the effective use thereof by the policyholders.*

Centralised credit risk management

Frequency and Catastrophe risks are monitored locally, regionally and at Group level.

Frequency risk is measured for each region and country by tracking the instantaneous loss ratio6. With respect to the monitoring of exposures and portfolios, the Group has developed a more refined system of management of its risks through 38 sectors and five country risk levels (190 risk levels in total). Therefore, unpaid receivables are analysed weekly by the Group Management Committee, and monthly by the Group Risk Underwriting Committee. The loss ratios of the various commercial underwriting regions are likewise monitored at consolidated Group level.

Catastrophe risks are covered via the Group's reinsurance company, Coface Re. In addition to the weekly and monthly monitoring by individual region and country, a mechanism is established at the Group level, which relies on:

- centralisation of provisions for claims exceeding a certain amount per debtor (currently €0.5 million for all the Group's underwriting centers), which are then analysed retrospectively to improve the performance of the information, underwriting and debt collection activities;
- the DRA[7] system, which covers all debtors;
- at the risk underwriting level, monitoring which, when the amount calculated by the DRA is exceeded, requires approval and a budget to be set by the Group Underwriting Department.

Sharing of risk between the Group and the policyholder

The purpose of credit insurance is to prevent losses as far as possible, in the common interests of policyholders and the insurer. The service offered to the policyholder, before any indemnification of the losses suffered, is claims prevention and assistance in developing a client base. Credit risks are primarily underwritten based on global policies under which the policyholders entrust all of their revenue to the insurer in order to avoid the risks of adverse selection.

In general, 10% to 15% of the risk is the responsibility of the policyholder. Policies can provide for deductibles per claim, and sometimes for an overall annual deductible. An overall principle is likewise applied: most often the total revenue for a given business line is covered, and it is not possible for the policyholder to choose the individual risks to be covered.

Debt collection by the Group

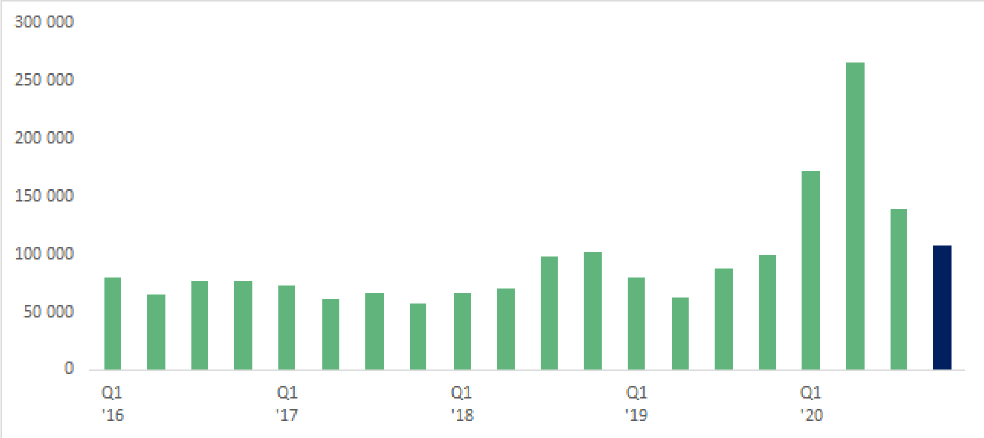
The Group also asks the majority of its policyholders to put it in charge of recovering unpaid receivables. As soon as the policyholder declares an unpaid receivable, the Group starts recovery action in an effort to limit the loss and allow the policyholder, to the extent possible, to maintain its commercial relationship with the debtor. Negotiations and, if necessary, litigation, are conducted by the world recovery network, which relies on the Group's internal resources and those of its partners in the Coface Partners network, along with collection agencies and a network of lawyers.

Loss ratios

From the first quarter of 2020, targeted actions to review our debtor risk and the associated exposures were carried out by Coface's underwriters, as shown in the chart below. In the first and second quarters, these actions concerned three main targets: debtors in sectors affected by the crisis or having high limits, groups of debtors presenting concentration risks, and insurance policies with negative profitability risks. Throughout the year, these action plans were reviewed and adapted to the situations encountered. The action plans were overseen by the head office and implemented by underwriters from the different underwriting centers, as close as possible to the field.

6 The instantaneous loss ratio is a weekly indicator that reflects changes in the loss ratio. It is monitored for each region and each country and is the subject of a weekly report to Group management.

7 DRA: Debtor Risk Assessment.



These actions reduced our exposures as described above and kept the claims ratios under control in each of the regions in which Coface operates, as shown in the graphs below.

In addition, in each region and country, Coface continued to monitor the instantaneous loss ratio and, as usual, the Management Committee continued to analyse all the Group's unpaid items on a weekly basis.

Thus, after the decline observed at end-2019, the increase in the Group's loss ratio for 2020 was limited and the ratio was below 52%. The increase was mainly due to the deterioration of the economic situation in Latin America and North America:

Loss ratio before reinsurance, including claims handling expenses

	FY-20	FY-19	FY-18
Group	51.8	43.4	44.2
Northern Europe	37.0	40.9	48.9
Western Europe	47.3	34.6	34.6
Central Europe	46.0	42.5	49.7
Mediterranean & Africa	55.4	46.3	48.8
North America	63.7	45.8	39.1
Latin America	72.3	60.1	57.9
Asia-Pacific	48.6	35.9	23.6

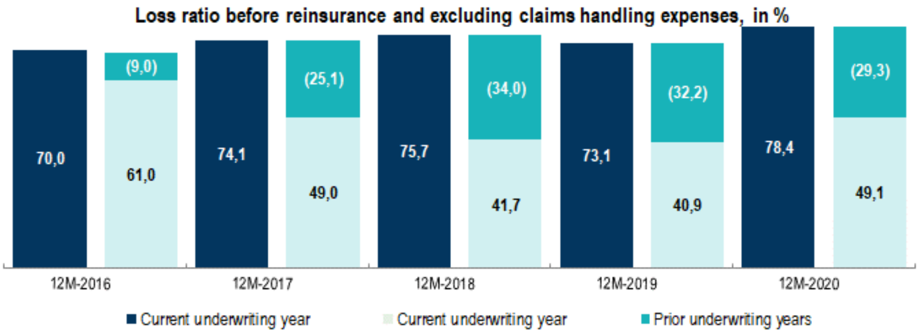
Risks related to the establishment of technical provisions

To compensate for the uncertainty surrounding the estimation of provisions for claims payable (especially the risk of under-provisioning), current accounting standards allow a provision to be recorded for this risk as a safety buffer. In practice, the Group's provisioning guidelines that are provided to the entities ensure uniform provisioning practices across the Group.

To implement these safety buffers, Coface has adopted a quantile or VaR approach to protect against an unfavourable change in loss experience (with a given return period).

In addition, the Group's risk tolerance specifies that the level of provisioning for all product lines and all years of occurrence must be at least equal to 90% of claims provisions, meaning that the provisions recorded cover 90% of possible situations of ultimate loss.

At December 31, 2019, the accounting provision exceeded the 90% quantile, protecting Coface against a ten-year deviation in provisioning, as a minimum.



Development of claims provisions

The development of claims provisions shows how claims provisions have progressed over the last decade.

The following triangle shows the development of the ultimate loss ratios and sets out, for a given line N, the outlook for each of the subsequent year-ends (N+1, N+2, etc.). The estimated final loss ratio varies according to the increasing reliability of information relating to claims still pending. The discrepancy between the initial loss ratio and the final loss ratio measures the excess or insufficiency of the provisions originally recorded.

Triangle of development of ultimate loss ratios (before reinsurance and excluding claims handling expenses)

Year of occurrence (N) / Year of development (%)	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2011	73,6	61,1	55	54,4	53,2	52,3	51,2	50,7	50	49,5
2012	77,1	67,4	60,9	58,6	59,8	59,8	59	58	58	
2013	72,7	56,9	51,1	49,2	49,4	48,4	47,5	46,9		
2014	72,6	61,8	62,9	59,7	57,2	55,9	55,6			
2015	70,3	65,6	55,6	51,7	50,4	49				
2016	70,2	63,1	52,7	51,1	50,5					
2017	74,1	61,5	50,6	46,1						
2018	75,8	61,9	49,6							
2019	73,2	67,3								
2020	78,3									

The loss experience in 2020 began at a higher level than in previous years due to the health crisis. However, Coface kept its ultimate loss ratio at 78.3% at the end of 2020.

The second table, entitled “Triangle of development of cumulative claims paid, net of recourse (before reinsurance)”, sets out, for each year of occurrence, the cumulative amount of payments relating to years of occurrence N and previously which have been made since December 31 N. The process of declaring claims, indemnifying them and any recourse extends over several years. This requires the claims per insurance period to be tracked.

Triangle of development of cumulative claims paid, net of recourse (before reinsurance)

Year of occurrence (N) / Year of development (%) (in million of euros)	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2011	67	458	566	597	626	608	596	594	592	591
2012	117	446	562	575	580	593	596	601	616	
2013	83	400	491	523	527	523	516	515		
2014	74	417	572	613	616	611	605			
2015	62	370	474	488	480	476				
2016	55	327	442	474	481					
2017	58	310	411	436						
2018	68	346	447							
2019	73	417								
2020	67									

Despite the challenging environment, there was no significant increase in claims payments for 2020 in relation to previous years.

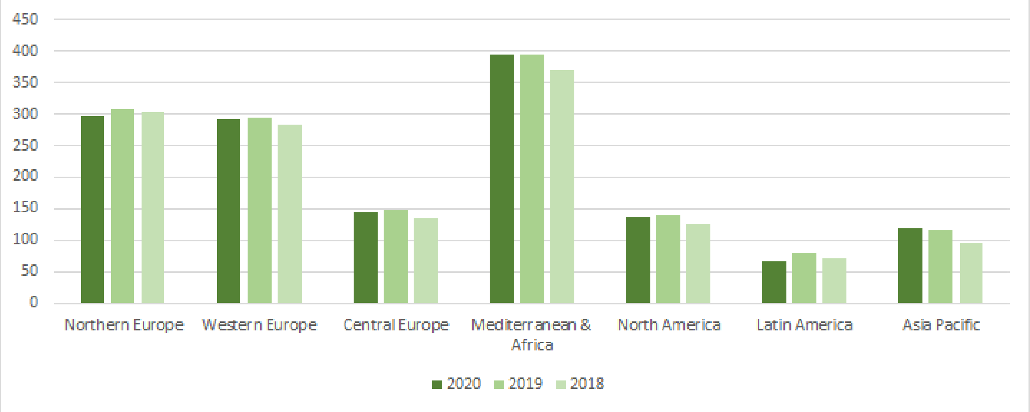
Risk on premiums collected

The implementation of the Fit To Win strategic plan (2016-2019) enabled Coface's activity to recover and led to an increase in premiums in recent years. The Build to Lead strategic plan (2020-2023) also provided for reasonable premium growth. This growth was undermined by the situation that prevailed in 2020.

Coface's turnover growth is driven by the acquisition of new clients, improvements in the client retention rate, and repricing initiatives. However, it may be affected by a decline in policyholders' turnover. This decline was moderate in 2020 and, in the first half of the year, Coface's management efforts focused on initiatives to improve client retention – the annual rate of which reached the highest level ever recorded (at 91.9% in 2020 vs. 91.6% in 2019) – and on repricing actions that were overseen by weekly executive committee meetings. In addition to these efforts, customer acquisition initiatives were ramped up in the second half of the year.

All these measures reduced the impact of the crisis on Coface's turnover, which was down 2% over the whole of 2020. However, there were differences between regions. The decline in activity was more pronounced in Latin America (due to a significant currency effect), Northern Europe and Central Europe, while turnover increased in the Mediterranean and Africa, thanks in particular to the high retention rate and repricing measures.

Coface turnover by region (in €m)



Risk on new products

The risk management system for new products is based on several procedures established within the Group to control risks related to product launches and developments:

- new product approval: the Group has set up a Group Product Committee to ensure that the product offering is consistent with the business strategy. This Committee validates the introduction of new products into the portfolio and oversees the product offering in each region. It includes the marketing, sales, organisation, compliance, risk, actuarial and any other functions depending on the project;
- product development approval: any product development, whether in terms of the policy, pricing method, distribution method, target (policyholder, country), must be conveyed to the Group's Marketing and Legal Departments;
- sales delegations: to ensure that policies are profitable, any contractual details that have a strong influence on a policy's performance or on risk management are covered by a delegation system with seven levels of responsibility;
- pricing: the Group uses a common pricing tool (PEPS), allowing its users to create prices with the help of simulation tools and to formulate business proposals that are consistent with the Group's profitability objectives.

1.2.2 FINANCIAL RISK

Financial risk includes all risks related to the management of assets and liabilities. It includes interest rate risk, foreign exchange risk, liquidity risk, equity risk, real estate risk, spread risk, and counterparty risk.

Definitions of financial risk factors

Main financial risk factors

Investment portfolio risk

- **interest rate risk** represents the sensitivity of the value of assets, liabilities and financial instruments to changes in the yield curve or the volatility of interest rates;
- **foreign exchange risk** represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of exchange rates;
- **liquidity risk** represents the inability to meet contractual or contingent payment obligations;
- **equity risk** arises from the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the market value of equities;
- **real estate risk** represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the market value of real estate assets;

- ***spread risk*** represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads against the risk-free yield curve;
- ***counterparty risk*** represents an unexpected default, or deterioration in the credit quality, of the company's counterparties and debtors.

The Group has introduced an investment policy that takes into account the management of financial risk in its strategic allocation, the regulations applicable to insurance companies, and the investment constraints resulting from the management of its liabilities. The investment strategy applied must enable the Group to honour its commitments to its policyholders, while optimising the investments and their performance within a defined risk framework.

Risks related to the refinancing of the factoring activity

Measurement of risks related to the factoring business

Factoring is a means of financing by which a company assigns the receivables due from its clients to a financial organisation, called a factor, under the terms of a contract entered into between the two parties. The company assigns its rights to the factor (subrogation) in return for rapid financing of its receivables, for a fee (commission on the services and interest on the financing).

The factor thus finances the Company in advance, which enables the Company to optimise its cash flow, and is in turn reimbursed through settlement by the debtors, either by direct collection (recourse factoring) or via a credit insurance policy taken out by the Company (non-recourse factoring), in the event of debtor non-payment or insolvency.

When the contract is negotiated, the risk incurred on financing the receivables depends on the type of product, an analysis of the client's creditworthiness, the quality of the receivable and the portfolio of debtors, and the terms and pricing applied.

The risks are covered by guarantee funds or reserves (a security retention is applied on the portion financed) for each contract, to which can be added a specific reserve fund based on a prior assessment of:

- the technical risk: failure to pay in full the invoices financed by the factor, for reasons other than debtor insolvency (dilution risk);
- the ceding company risk: potential irrecoverable losses in the event of client insolvency or default (Loss Given Default).

The ceding company risk is assessed by:

- an analysis of clients' financial position using internal rating tools;
- an on-site audit to check the reliability of internal procedures (tools, receivables, deliveries, payments, recovery, etc.) for any new or existing client;
- daily checks of invoices and financing.

Debtor risk is managed in two ways depending on the type of contract:

- non-recourse factoring: a credit insurance policy is taken out by the client with the Group or a third party credit insurer to protect it against the risk of unpaid accounts receivable;
- recourse factoring: the factor does not assume the purchaser insolvency risk alone and has recourse against their client for the unpaid invoices.

The factoring business is governed by specific Group rules and is provided by two companies, Coface Finanz (Germany) and Coface Factoring Poland (Poland).

A single tool (Magellan) provides the framework for the factoring business and includes all data relating to the contracts: data on clients, buyers, invoices, contracts, financing and guarantee funds.

The factoring outstandings are recorded in the Group tool (ATLAS) enabling consolidated management of its exposure to a buyer or a group of buyers.

The subsidiaries have adopted a specific organisational structure and internal control procedures for daily monitoring of transactions (financing flows, late payment by debtors).

A new Group-level structure has been in place since April 2017 with the creation of the Group Commercial Underwriting Department and a dedicated team that oversees the factoring business.

In addition to a level two control to ensure compliance with Group rules on the factoring business, entities are granted exposure limits, beyond which they must obtain approval from the Group Risk Underwriting Department and the Group Subscription Department.

Factoring activities are covered by the Group's reinsurance treaty (buyer risks by the credit insurance section and ceding company risks by a dedicated factoring section).

Financial risk assessment and management

Risks related to the investment portfolio

The Group has an investment portfolio mainly comprised of financial instruments. The large majority of its assets are held in fixed income products which offer more recurrent and stable returns.

The fair value of this investment portfolio amounted to €2,838 million at December 31, 2020 (excluding cash equivalents and investments in non-consolidated subsidiaries). The Group applies a diversification policy to its investment portfolio that aims to comply with current legal and regulatory requirements as well as to achieve an optimal balance between risk and return.

Investment portfolio (fair value)*	As at December 31st					
	2020		2019		2018	
	(in M€)	(%)	(in M€)	(%)	(in M€)	(%)
Equities	149	5.3 %	175	6.1 %	178	6.6 %
Bonds	1 914	67.4 %	2 119	74.4 %	1 775	65.6 %
Loans, deposits and other financial investments	540	19.0 %	319	11.2 %	525	19.3 %
Investment properties	235	8.3 %	236	8.3 %	227	8.4 %
TOTAL	**2 838**	**100.0 %**	**2 848**	**100.0 %**	**2 705**	**100.0 %**
** excluding non-consolidated subsidiaries*						

As at December 31, 2020, bonds accounted for 67.6% of the total investment portfolio.

In line with its strategic asset allocation and in light of the health crisis, the Group took steps to reduce risk in its investment portfolio from the start of the crisis. Risk was controlled thanks to a review of all of the portfolio's counterparties, starting at the end of February, and a reduction in exposure to Italian and Spanish government debt, emerging market debt, high-yield debt, BBB-rated investment grade corporate bonds, and equities, in exchange for an increase in money market investments.

Breakdown by type of debt in the bond portfolio (fair value)	As at December 31st					
	2020		2019		2018	
	(in M€)	(%)	(in M€)	(%)	(in M€)	(%)
Sovereign and similar	784	41.0 %	1 013	47.8 %	963	54.2 %
Non-sovereign	1 129	59.0 %	1 106	52.2 %	812	45.8 %
TOTAL	**1 914**	**100.0 %**	**2 119**	**100.0 %**	**1 775**	**100.0 %**

These investments are all made within a strictly defined risk framework; issuer credit quality, issue sensitivity, and the spread of risk across issuers and geographic regions are covered by clear rules defined in the various management mandates granted to the Group's dedicated asset managers.

As at December 31, 2018, 2019 and 2020, the main features of the bond portfolio by region were as follows:

Breakdown of the bond portfolio by region (fair value)	As at December 31st					
	2020		2019		2018	
	(in M€)	(%)	(in M€)	(%)	(in M€)	(%)
Asia – Developed countries	247	12.9 %	294	13.9 %	248	14.0 %
Emerging countries (1)	203	10.6 %	267	12.6 %	165	9.3 %
Eurozone	814	42.5 %	925	43.6 %	833	46.9 %
Europe outside the eurozone (2)	238	12.4 %	192	9.0 %	132	7.4 %
North America	412	21.5 %	430	20.3 %	397	22.4 %
Supranational	1	0.03 %	12	0.5 %	0	0.0 %
TOTAL	**1 914**	**100.0 %**	**2 119**	**100.0 %**	**1 775**	**100.0 %**
(1)Countries where the Group is present, primarily Brazil and Mexico.						
(2) Mainly the United Kingdom and Switzerland.						

The investment portfolio is mainly exposed to developed countries in the eurozone and North America, which saw a slight increase in investments between 2019 and 2020.

The bond portfolio remains mainly invested in government bonds (41% in 2020) and investment grade corporate bonds (54.5% in 2020)[8]. These investments were made within the framework of a strictly defined risk policy, and particular care was taken with regard to issuer quality, issue sensitivity, and the spread of issuers' positions and geographic regions in the various management mandates granted to the Group's dedicated managers. Overall in 2020, the Group improved the quality of its bond portfolio, with over 63% of investments rated A and higher, compared with 55% in 2019.

8 According to the Standard & Poor's rating scale, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of BB+ or lower are considered to be high yield debt.

Breakdown by rating* of bonds in the bond portfolio (fair value)	As at December 31st					
	2020		2019		2018	
	(in M€)	*(%)*	*(in M€)*	*(%)*	*(in M€)*	*(%)*
AAA	214	11,2 %	245	11,6 %	284	16,0 %
AA – A	997	52,1 %	929	43,8 %	755	42,5 %
BBB	615	32,1 %	776	36,6 %	588	33,1 %
BB – B	88	4,6 %	168	7,9 %	148	8,4 %
CCC and below	0	0,0 %	1	0,1 %	0	0,0 %
TOTAL	**1 914**	**100,0 %**	**2 119**	**100,0 %**	**1 775**	**100,0 %**

** Median rating between Fitch, Moody's and Standard & Poor's.*

Liquidity risk

The Group's bond portfolio has a short duration, in keeping with its liabilities. The breakdown of bond durations is presented below:

Breakdown of the bond portfolio by duration	As at December 31st					
	2020		2019		2018	
	(in M€)	*(%)*	*(in M€)*	*(%)*	*(in M€)*	*(%)*
< 1 year	276	14.4 %	443	20.9 %	316	17.8 %
1 year <> 3 years	467	24.4 %	569	26.8 %	593	33.4 %
3 years <> 5 years	409	21.4 %	438	20.7 %	418	23.5 %
5 years <> 10 years	615	32.2 %	572	27.0 %	415	23.4 %
> 10 years	146	7.6 %	97	4.6 %	33	1.9 %
TOTAL	**1 914**	**100.0 %**	**2 119**	**100.0 %**	**1 775**	**100.0 %**

The short term exposure decreased slightly, with 39.1% of bonds having a duration of less than three years at December 31, 2020, and an increase in securities with a duration of more than five years (39.6% vs. 31.6% in 2019), due to the increase in the duration of the bond portfolio.

The liquidity position of an insurance company is valued by standards which measure the Company's ability to meet its financial obligations.

i) Liquidity risk management

Liquidity risk is monitored through analysis by the Group Treasury, Investment and ALM Department of the current and projected cash flows of the various entities across the entire scope. This data is subject to constant analyses allowing cash to be managed for monetary or financial investment purposes in the event of recurring excess liquidity. The Group Treasury ensures liquidity within the Group via cash management agreements that may be drawn up between entities to cover short term cash requirements and provide flexibility in financing needs.

A series of liquidity indicators are produced for the ALM Committee, including static and dynamic balance sheet run-off by maturity to monitor any liquidity gaps and the Group's ability to absorb a pre-determined shock. Liquidity stress tests are also performed, using ORSA scenarios. At the start of the health crisis, these liquidity reviews were primarily aimed at managing the investment portfolio's money market investments, taking into account changes in the Group's situation and claims forecasts. These are used to manage liquidity risk and assess the investment portfolio's average duration.

At the same time, the liquidity of this portfolio is regularly monitored using market indicators (flow trends, spreads, buy and sell ranges) and via the asset manager, Amundi, which produces regular analyses for Coface of the time needed and cost of unwinding all portfolio lines in current and stressed market conditions. Coface ensures that, at any time, its portfolio can be liquidated to a significant extent and in less than one month.

Moreover, the investment policy implemented is geared towards very liquid investments enabling a reduction of fixed income portfolios at limited cost and with a lower discount on the instruments held regardless of market conditions. The fixed income investment portfolio (which accounts for a very large majority of the Group's overall asset allocation) is invested almost exclusively in fixed rates (which are more easily modelled) and also has a short duration (4.2 as at December 31, 2020), in line with the Group's liabilities and its credit insurance business. In addition, the investment portfolio must also retain a significant portion of its assets in highly liquid cash products, allowing full mobilisation of the amounts invested within a period of less than 15 days. The ALM Committee sets this portion on the basis of periodic stress tests conducted.

ii) Interest rate risk

A significant portion of the Group's investment portfolio is invested in bonds. As at December 31, 2020, bonds accounted for 67.6% of the total fair value of its investment portfolio.

The Group is thus subject to interest rate risk, including both interest rate and spread risk, which is particularly relevant to bonds. During a period when rates fall, there is a risk that the average portfolio interest rate will fall (reinvestment occurring at lower rates), or that the duration of the portfolio will increase (making the portfolio more sensitive to a future change in rates). Conversely, during a period when interest rates rise, there is a risk that the market value of the bond portfolio will fall, in which case the Group would have to record unrealised losses. Any significant variation in the value of its bond portfolio as a result of a change in interest rates could have a material adverse effect on its net income, cash, solvency margin and financial position.

The interest rate risk incurred by the Group on its financial portfolio is limited, with the maximum authorised modified duration of the bond asset class deliberately capped at 5[9]. The bond portfolio's modified duration as at December 31, 2020, was 4.17.

iii) Hedging policy

The Group's Investment Department, which is responsible for overseeing investments and managing the investment portfolio, may authorise the use of hedges against the risk of rising interest rates, through liquid forward financial instruments (swaps, futures, options) traded on regulated markets or over the counter with counterparties rated A- or higher.

These transactions are carried out exclusively for hedging purposes and in strict compliance with the regulations applicable to insurance companies. The nominal amount of the hedge is then strictly limited to the amount of underlying assets held in the portfolio (equities or fixed income products) in order to hedge assets actually held in the portfolio. The Group did not use this type of protection in 2020.

iv) Equity risk

Equity markets are characterised by volatility which creates a significant risk for insurers, which are subject to specific rules in terms of reserves (provisions for permanent impairment) and capital consumption (Solvency II Directive).

In this context, the Group once again reviewed its equity exposure in 2020 through work on the review of its strategic asset allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and is concentrated in the eurozone, in line with its core business. The Group has no specific concentration of its equity risk on one or more economic sectors. Management is calibrated against the MSCI EMU benchmark [10]. These investments are also subject to a discretionary hedge put in place to mitigate any potential extreme shocks. The hedging strategy is dynamic: its level, its scope and its magnitude are defined by the Investment Department working with the manager responsible for the management platform.

As at December 31, 2020, equities accounted for 5.3% of the investment portfolio, of which 5% were equities listed on a market in the eurozone. These investments were partially hedged to the Euro Stoxx 50 index. These hedges may be adjusted according to the investments and the amount of the unrealised losses or gains on the shares held.

The tables below, which enable the sensitivity of the portfolio to be measured by reference to IFRS 7, show that, excluding the impact of equity or interest rate hedges, the portfolio was slightly less sensitive to the combined effects of a 100 bp increase in bond rates and a 10% fall in the equity market at December 31, 2020, than it was on December 31, 2019. This is due to the decrease in our exposure to the corporate debt, emerging debt and equity markets, despite the increase in the bond portfolio's modified duration.

SENSITIVITY OF THE PORTFOLIO TO CHANGES IN EQUITY AND BOND MARKETS AT DECEMBER 31, 2020

(in millions of euros)	MARKET VALUE AS AT DEC. 31, 2019	IMPACT OF A 100 BP RISE IN INTEREST RATES (1) (2)	IMPACT OF A 10% FALL IN EQUITY MARKETS (2)	IMPACT OF A 20% FALL IN EQUITY MARKETS (2)
Bonds	1,914	(79.9)		
Equities	149		(14.9)	(29.8)
TOTAL	2,063	(79.9)	(14.9)	(29.8)

(1) Average bond portfolio modified duration at end-2020: 4.17.
(2) Excluding any hedging impact.

SENSITIVITY OF THE PORTFOLIO TO CHANGES IN EQUITY AND BOND MARKETS AT DECEMBER 31, 2019

(in millions of euros)	MARKET VALUE AS AT DEC. 31, 2019	IMPACT OF A 100 BP RISE IN INTEREST RATES (1) (2)	IMPACT OF A 10% FALL IN EQUITY MARKETS (2)	IMPACT OF A 20% FALL IN EQUITY MARKETS (2)
Bonds	2,119	(82.6)		
Equities	175		(17.5)	(34.9)
TOTAL	2,294	(82.6)	(17.5)	(34.9)

(1) Average bond portfolio modified duration at end-2019: 3.9.
(2) Excluding any hedging impact.

SENSITIVITY OF THE PORTFOLIO TO CHANGES IN EQUITY AND BOND MARKETS AS AT DECEMBER 31, 2018

(in millions of euros)	MARKET VALUE AS AT DEC. 31, 2018	IMPACT OF A 100 BP RISE IN INTEREST RATES (1)	IMPACT OF A 10% FALL IN EQUITY MARKETS (2)	IMPACT OF A 20% FALL IN EQUITY MARKETS (2)
Bonds	1,775	(62.5)		
Equities	178		(17.8)	(35.6)
TOTAL	1,953	(62.5)	(17.8)	(35.6)

(1) Average bond portfolio modified duration at end-2020: 3.52.
(2) Excluding any hedging impact.

v) Foreign exchange risk

As at December 31, 2020, 36.7% of the Group's consolidated turnover was earned outside the eurozone, and thus subject to exchange rate risk.

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9 A bond's modified duration measures its loss of value in the event of a rise in interest rates. Thus, a bond with a modified duration of 4 will see its market value decrease by 4% if interest rates rise by 1%.

10 Published by Morgan Stanley Capital International, the MSCI EMU index is an index weighted by the free float-adjusted market capitalisation, designed to measure the performance of equity markets in the eurozone countries.

Subsidiaries or branches whose accounts are drawn up in euros and which underwrite in other currencies must comply with the same matching principles (matching of assets and liabilities denominated in a currency other than the accounting reference currency). Exceptionally, open positions in other currencies may be hedged. The Group does not make foreign currency investments for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. The investment portfolio's exposure to foreign exchange risk is limited: as at December 31, 2020, more than 75% of investments were denominated in euros.

	AS AT DEC. 31					
	2020		2019		2018	
Breakdown of the investment portfolio by currency	*(IN €M)*	*(AS A %)*	*(IN €M)*	*(AS A %)*	*(IN €M)*	*(AS A %)*
EUR	2,140	75.5%	2,058	72.3%	1,989	73.6%
USD	274	9.7%	341	12.0%	323	12.0%
Other*	420	14.8%	449	15.8%	392	14.5%
TOTAL	2,834	100.0%	2,848	100.0%	2,705	100.0%

** Mainly Singapore dollar, pound sterling, Hong Kong dollar, and Canadian dollar.*

Moreover, for the greater part of the portfolio, which includes all of the Group's European entities, foreign exchange risk is systematically hedged for foreign currency investments that do not apply the matching principle. Therefore, as at December 31, 2020, investments in bonds denominated in US dollars, pound sterling, yen, Norwegian krone and Swedish krona in this portfolio were systematically hedged against the euro by the managers responsible for the portfolios concerned. Foreign currency transactions carried out by subsidiaries are monitored by the Group in order to decide, on a case-by-case basis, on the need to put in place the associated hedges.

SENSITIVITY OF THE NET INCOME OF FOREIGN CURRENCY ENTITIES TO EXCHANGE RATE RISK

	AVERAGE EXCHANGE RATE (DECEMBER 2020)	NET INCOME (GROUP SHARE) IN THOUSANDS OF EUROS AS AT DEC. 31, 2020	NET INCOME (GROUP SHARE) IN THOUSANDS OF FOREIGN CURRENCY AS AT DEC. 31, 2020	ASSUMPTION – 10% VARIATION IN THE EXCHANGE RATE	NET INCOME (GROUP SHARE) IN €K AFTER EXCHANGE RATE CHANGES	DIFFERENCE BETWEEN ACTUAL RATE AND EXCHANGE RATE FLUCTUATING BY 10%
Brazilian real	0.1697	(2,086)	(12,289)	0.1867	(2,294)	(209)
Canadian dollar	0.6539	(1,030)	(1,576)	0.7193	(1,133)	(103)
Swiss franc	0.9344	(4,950)	(5,297)	1.0278	(5,444)	(495)
Pound sterling	1.1247	7,512	6,679	1.2372	8,263	751
Hong Kong dollar	0.1130	9,962	88,175	0.1243	10,959	996
Mexican peso	0.0408	(1,411)	(34,572)	0.0449	(1,552)	(141)
Polish zloty	0.2250	9,675	42,990	0.2476	10,642	967
Romanian leu	0.2067	1,763	8,528	0.2274	1,939	176
Russian rouble	0.0121	2,824	233,353	0.0133	3,107	282
Singapore dollar	0.6356	(13,715)	(21,578)	0.6992	(15,087)	(1,372)
US dollar	0.8763	(5,049)	(5,762)	0.9639	(5,554)	(505)
Other		4,817			4,817	0
Euro		74,587			74,587	0
TOTAL		82,900			83,250	350

Management of risk related to exchange rate fluctuations

To prevent the adverse effects of exchange rate variations, the Group has implemented an asset-liability management policy monitored by the Investment, Finance and Purchasing Department. The primary objective of the foreign exchange risk hedging strategy is to reduce the risk associated with the exchange rate once the acceptable defined threshold has been reached or exceeded. It does not aim to eliminate all foreign exchange risk or to generate additional income by strategies considered speculative. The strategy should thus generally cover existing currency positions within the Group, with the maximum amount hedged equal to the underlying asset held in the currency in question. Finally, it should take into account the cost incurred by hedging mechanisms and its expected effects on the income statement in relation to the desired reduction in exchange rate risk.

In addition to the systematic hedging in place on the investment portfolio, the Group's foreign exchange risk hedging strategy therefore focuses primarily and where applicable on establishing "macro hedges" on the main Group exposures and on the most liquid currencies. The default recommended hedging strategy within the Group is natural hedging (hedging of monetary assets in foreign currencies by monetary liabilities in the same currencies, so that exchange rate fluctuations have a limited impact on Group income). In addition to this, financial hedging may then be considered. Any financial hedging implies the use of financial instruments to protect against exchange rate risk, in particular forward foreign currency contracts, foreign exchange swaps and currency derivatives. The various instruments will differ by their term and by whether or not they are optional. All proposals for foreign exchange risk hedging are analysed and validated by the ALM Committee.

vi) Real estate risk

Real estate risk is the risk of seeing a reduction in market value, thereby impacting the unrealised gains recorded for the real estate asset, or even leading to unrealised losses.

Under the Group's strategic allocation, the maximum exposure to real estate is limited to 9%, taking into account the liquidity risk of these assets as well as the stress test results for the asset class.

The Group's current portfolio consists of property used for its operating activities, as well as real estate investment funds. These funds mainly invest in the office, retail and logistics sectors in core locations in European countries and the United States. The Group has implemented diversification rules in terms of the number of funds, with a maximum investment ratio set for each investment vehicle and a maximum average leverage ratio of 40%.

As at December 31, 2020, the fair value of the Group's real estate exposure totalled €303.2 million, consisting of €72.6 million in property used for its operations and €230.5 million in investment property via 15 investment vehicles.

vii) Counterparty risk

As at December 31, 2020, more than 95% of the bonds held by the Group had a median rating of BBB- or above from at least one internationally recognised rating agency, and none had a CCC rating. At the same date, the exposure of its investment portfolio was primarily geared towards countries in the eurozone, with the exception of Greece. Despite this risk selection policy, it cannot be ruled out that the investment portfolio might experience significant changes in value due to persistent current and potential future tensions on the financial markets, in particular with regard to sovereign and corporate debt. These defaults or fears of defaults by public or private issuers or by any other third parties, counterparties, financial institutions, clearing houses or stock markets could disrupt the market, cause increased volatility of financial instruments, result in a series of defaults, or even lead to a liquidity squeeze, and could lead the Group to record losses or impairments on invested assets, or significant unrealised losses, or make it unable to meet future funding needs to honour its commitments. Such losses or impairments could harm the value of its investments and reduce its profitability, having a material adverse effect on its current and future revenue, net income, cash, solvency margin and financial position.

Counterparty and concentration risk management

Concentration risk is also taken into account in the investment policy via portfolio diversification requirements, and assets are managed by several asset managers. With regard to diversification of the investment portfolio, the investment policy incorporates category and concentration investment limits.

In particular, exclusions are formulated and reviewed annually, during the review of the Group's investment rules, or even half-yearly at the Strategic Investment Committee meeting (which sets investment policies and decides on strategic allocations), regarding:

- certain issuers;
- certain countries considered to be extremely high risk;
- certain products: structured products (securities or off-balance sheet items), derivatives used for purposes other than hedging (list defined in the PICIM investment policy).

Counterparty risk is also regulated as a percentage limit of total exposure. This limit, set at 5% of the total amount of assets managed, takes into account investments made on behalf of Coface in the same issuer, all types of short term financial instruments combined. A limit system based on ratings and the type of investment (short term, over one year, foreign exchange and OTC market) is also defined and regularly monitored.

Counterparty risk is also monitored on the bank counterparties with which the Group has relationships, all over the world. A monitoring list is established and updated regularly by incorporating ratings from agencies independent of the Group. The Group Treasury Department also plays a decisive role in local entities' choice of banking partners.

At December 31, 2020, the bond portfolio's ten biggest exposures to private sector issuers totalled €133.3 million, representing 7% of the portfolio's fair value. This level was stable against 2019, reflecting continued diversification in private sector exposures.

More generally, the Group has implemented management rules within its investment portfolio and for all asset classes that require geographic and sectoral diversification of risks in order to protect against or mitigate a potential default.

Risks related to the refinancing of the factoring activity

The Group's liquidity requirements correspond, on the one hand, to coverage of its operating expenses, the settlement of claims and financial expenses and, on the other hand, to the liquidity needs of the factoring business in Germany and Poland. The main sources of liquidity for the insurance business are the insurance premiums received and the net income from investments. Liquidity to cover the funding requirements of the factoring business totalled €1,961 million at December 31, 2020. This corresponded to drawdowns of bilateral credit lines and overdraft facilities for a maximum of €929 million, to issuances made under its commercial paper programme for a maximum of €650 million and a factoring receivables securitisation programme in Germany for a maximum of €1,100 million. Any early termination of the securitisation programme or related financing in the event of default or a failure to comply with commitments could have a material adverse effect on its financial position. Joint monitoring of the borrower and the guarantor, where applicable, ensures that our commitments are met within the deadlines stipulated in the financing contracts. Any quantitative criteria regarding the performance of the loan portfolio are reviewed locally and are part of the overall monitoring of risks associated with the factoring activity.

As part of its financing policy, the Group has accessed and is expected to continue to access the capital and debt markets. In this respect, it cannot guarantee that it will be able to access sufficient funding or favourable market conditions. In particular, interest rates, and investors' perception of its financial position and outlook, must be favourable to allow it to raise the financing (bank loans or fundraising on the capital markets) needed to develop its business, cover its operating expenses, settle claims and cover its financial expenses. The capital market has suffered, and could continue to suffer, from high volatility or from disruptions limiting the availability of market financing. Such insufficient liquidity and/or prolonged restrictions in accessing these forms of funding could have a material adverse effect on its business, financial position, operating results or outlook.

To fund its factoring business, Coface has particularly relied on cash derived from the issuance of commercial paper, totalling €650 million, accompanied by back-up lines taken out with a number of banks, and a factoring receivables securitisation programme in Germany amounting to €1,100 million. The current crisis caused the commercial paper market to dry up temporarily in March and April 2020, but due to the existence of internal limits and the security buffer they provide for, the Group's liquidity position did not suffer during this period. With the help of its top-tier partners, Coface managed to maintain a high level of issuance over the period without using the back-up structure, which can be activated at any time. Liquidity requirements were also lower than expected due to the contraction in the economy, which has led to a decline in activity and therefore in refinancing requirements. The Group and the factoring companies introduced frequent monitoring of financing requirements to anticipate any potential liquidity gap concerning the commercial paper issuance programme and to monitor the impact of the crisis on clients' activity. If the liquidity shortage on the money market had continued, Coface would have used its dedicated back-up facility. Meanwhile, the sharp contraction in the economy led to a decline in our clients' activity and a corresponding reduction in their refinancing requirements.

1.2.3 STRATEGIC RISK

Strategic risk refers to the risk to our results and our solvency caused by changes in market conditions, poor strategic decisions or inadequate implementation of these decisions and/or a lasting and serious deterioration in our reputation or our image on the market.

Definitions of strategic risk factors

Main strategic risk factors

Risks related to market conditions

Coface bases its strategy on a core economic scenario developed by its research teams and assumptions deriving from this scenario. These assumptions may be affected by external events that could impact Coface's strategy, such as a sudden increase in defaults due to a financial crisis, a pandemic that could lead to a slowdown in the real economy and international trade, regulatory or environmental changes that could affect certain sectors of activity, or political instability that could increase country or sector risks.

Risk of poor execution of the Build To Lead strategic plan / deviation from the strategic plan

In addition to the external factors described above, risks associated with the achievement of Coface's strategic objectives could arise from internal factors such as a product launch that does not find a market or that generates excessive risks, delays in investment, adaptation or transformation projects, or shortcomings in the management of the strategic plan.

Other strategic risk factors

Risks related to changes in regulations governing our activities

Most countries in which the Group operates apply laws and regulations covering accounting and solvency standards, capital and reserve requirements, the diversification of financial investment portfolios, the conduct of business (particularly the granting of relevant licences), distribution practices, anti-money laundering and anti-terrorism financing procedures and client protection and Know Your Customer rules. The Group's development could be affected if it encounters technical, material or human difficulties in adapting to these changes or if it were to face temporary measures required by supervisory authorities.

Risks related to acquisitions

In acquisitions such as those Coface has completed in the past and which it could consider in the future, risks arise from the fact of purchasing an entity where the quality of its business portfolio may have been poorly estimated or for which the risk of litigation may have been underestimated, or for which the risk of employee or client attrition could have been wrongly assessed.

Image or reputational risk related to our risk underwriting activity

Coface's image or reputational risk could increase if, for example, its risk policy were seen as not being in the public interest or in the event of risk-taking in sensitive sectors or on high risk beneficiaries.

Strategic risk assessment and management

Risks related to market conditions

In order to better understand market conditions and manage its strategic risk, Coface has specialised economic research teams in each region, who are close to the risks and the markets on which we incur risks. In addition, Coface has 340 credit analysts and centres for collecting and updating information on our debtors to ensure we have the most up-to-date view of the risks we incur. The teams of analysts are positioned as close as possible to the 66 countries in which Coface operates in order to have a better understanding of local risks.

A specific governance approach includes a monthly committee meeting of economic analysis teams and underwriting teams who share the latest information available on countries, sectors and debtors. At the highest level, each week, the General Executive Committee monitors the economic situation (globally and by country and sector) and the level of risk, using synthetic indicators. During the Covid crisis, risk underwriting governance was tightened with two General Executive Management Committee meetings per week to monitor developments in the health situation and the risks underwritten as closely as possible. This enabled close monitoring of risk management action plans, the number of which has considerably increased in 2020 compared with 2019.

Risk of deviating from the strategic plan

Under the leadership and oversight of senior management, the strategic plan was developed in consultation with Coface's regions and functional departments to ensure it was relevant and to engage its teams. A dedicated organisational structure was set up to monitor execution of the plan and thus minimise the risk of deviating from its objectives. This organisational structure is headed by the Transformation Office, backed by the Finance Department. These two departments are responsible for the implementation of initiatives and their financial performance, based on pre-determined indicators. An update on the implementation of the plan is presented quarterly to the Executive Committee, which includes the heads of each region and the members of the General Executive Committee.

In 2020, the rapid change in economic conditions due to the pandemic delayed some initiatives such as the launch of a product in a Coface region and some non-essential investments. At the date of this report, these changes do not cast any doubt on the roadmap set out in the plan.

Risks related to the Group's solvency coverage

In 2019, the French regulator, the Prudential Supervision and Resolution Authority (ACPR), authorised the Group to use the partial internal model to calculate its capital requirements, as the standard formula does not adequately measure Coface Group's underwriting risk.

The partial internal model applies to credit insurance activities, and Coface continues to use the standard formula to calculate its capital requirements for its other activities, which are more marginal or for which the risks appear to be correctly measured by the standard formula.

In addition to the regulatory assessment of the solvency capital requirement, the Group has analysed the sensitivity of its Solvency II ratio to significant risks and events. For example, this analysis quantified the potential impact on the Group's solvency ratio of a wide range of shocks reflecting historical stress events (such as the 2008-2009 financial crisis or the financial crisis of 2011) or the impact of a cyberattack. In 2020, the partial internal model was also used several times to quantify the impact of the Covid crisis in various macroeconomic scenarios prepared by Coface's teams at different stages in the crisis. These analyses and their results helped management and the Board of Directors decide on the strategies to be adopted to manage the crisis and also made it possible to verify the robustness of the internal model.

As at December 31, 2020, the estimation of the Group's solvency ratio stood at 205% vs. 203% in 2019, confirming the Group's resilience in the crisis. The solvency ratio achieved in 2020 is above the Group's comfort scale (155%-175%).

Other risk factors

Risks related to changes in regulations governing our activities

A significant portion of the Group's business is subject to obtaining approvals and licences issued by the public authorities in charge of supervising and controlling credit insurance and factoring activities. As part of its strategy of sustained and profitable growth, the Group plans to continue establishing operations in new countries and will be required to obtain all the necessary approvals, licences and authorisations to conduct such business activities. Any major difficulty encountered in obtaining such authorisations could delay or jeopardise its establishment in these new countries. Similarly, the non-renewal, suspension or loss of these authorisations could have a material adverse effect on its business, operating results, financial position and outlook.

To manage these risks, the Group has implemented a comprehensive regulatory and prudential watch, managed by the Legal Department, which aims to identify changes in regulations in the countries in which Coface operates. This is supplemented by monitoring of more specific aspects (accounting standards, Solvency II prudential regulations, etc.) carried out by the departments concerned. Participation in industry working groups and membership of various professional associations in France and around the world also helps Coface better manage this type of risk.

Risks related to acquisitions

All acquisition projects carried out by the Group involve the operational and functional departments concerned (finance, legal, underwriting, etc.) as well as the Group General Executive Committee, which formally approves each stage of the process. Coface's teams have acquired solid expertise in this area, as demonstrated by the two acquisitions made in recent years (PKZ in Slovenia and Giek Kredit in Norway). In addition, for each acquisition, the internal teams also use leading external legal and financial advisory firms that are reputed for their expertise.

Before any acquisition is completed, the main functional departments and the region concerned draw up an integration plan for the acquired company, which is then implemented by a dedicated team. The integration plan is monitored by the Group's project management bodies.

Image or reputational risk related to our risk underwriting activity

Coface's underwriting policy governs the type of risk and the sectors that may be insured and the risks that are excluded from any coverage (for example, exclusion of coal or anti-personnel mines). In accordance with regulations, Coface has KYC, anti-money laundering and counter-terrorist financing procedures to prevent any coverage or compensation being granted to a policyholder subject to sanctions. Compliance with these obligations is ensured by the internal control system, which includes level one, two and three controls.

1.2.4 REINSURANCE RISK

Reinsurance risk is defined as the loss incurred by any gap between the Group's risk appetite with respect to extreme credit events and the coverage obtained on the reinsurance market.

This risk may increase due to changes in the economic cycle, the concentration of the panel of reinsurers or a decline in the attractiveness of the credit insurance and surety bond segments in relation to other risk segments considered to be more profitable by the reinsurance market.

Definitions of reinsurance risk factors

Main reinsurance risk factor

Residual insurance risk

The company may be required to take more risks than initially intended if the entire reinsurance programme cannot be obtained on the market. This partial coverage may result from a poor financial performance by the company, expectations of a sudden downturn in the economic cycle, a decline in the attractiveness of the credit insurance and surety bond segments leading reinsurers to reallocate their capital in other P&C segments, or a strategic decision by a reinsurer with a significant weighting on the panel to cease activity in the credit insurance and surety bond segments.

Other reinsurance risk factors

Counterparty risk

The company may face a sudden default by one or more of its reinsurers, resulting from an accumulation of claims in other segments, for example. These counterparties would therefore no longer be able to cover their share of ceded claims, obliging the company to retain more claims than expected.

Liquidity risk

The company may be faced with late payments by one or more of its reinsurers, resulting from an accumulation of claims in other segments or low liquidity on the financial markets, for example. These counterparties would therefore no longer be able to compensate the company on time, particularly in the event of a cash call, which could oblige it to disinvest some of its assets on unfavourable terms in order to be able to compensate its policyholders in time.

Operational risk related to the execution of the treaty

In the event of non-compliance with the contractual terms of reinsurance treaties such as, for example, the absence of a special approval justifying an exceptional transaction, failure to notify claims exceeding a certain size or incomplete reporting on the Group's outstandings, the company may be refused compensation for a claim and would be obliged to retain it entirely on its books.

Reinsurance risk assessment and management

Risks related to relations with reinsurers (market capacity and reinsurance costs)

The theoretical level of exposure assessed by the Group is incompatible with the Group's available capital alone. This theoretical level of exposure is based primarily on the fact that a certain proportion of claims derived from this exposure will be passed on to reinsurers, bearing in mind that this transfer of risk to reinsurance companies does not exempt the Group from its commitments to pay its policyholders.

In terms of its relations with reinsurance companies, the Group is subject to the risk of insolvency of one of its reinsurers and the risk that it might be unable to obtain the required reinsurance treaties or that it might only obtain them on unacceptable pricing terms. Reinsurers may also face liquidity issues, obliging the Group to sell some of its assets urgently in order to meet its contractual commitments to its policyholders.

In order to protect against these risks, the Group has included mitigation rules in its reinsurance policy intended to:

- diversify the reinsurance panel as much as possible while ensuring that no reinsurer exceeds a certain size;
- require each reinsurer to have a rating of at least A- as well as requiring a pledge of all provisions, including IBNR, that are ceded to it. As the securities pledged contractually must have the highest degree of liquidity on the financial markets, the Group would be able to quickly enforce its rights with the custodian bank in order to recover the amounts due either because of default or to compensate for any liquidity problems;
- structure the reinsurance programme with a mix of treaties of 12, 24, or two times 12 months. This enables the Group to mitigate the price impact of any turnaround in the economic cycle and provides visibility over 12 months to find a potential replacement if one or more reinsurers were not to renew their share, in particular on the excess loss treaty, which is an important component of the Group's solvency.

Coface's reinsurance treaty structure is as follows:

Due to the ongoing SARS-CoV-2 pandemic, nine European countries (*Germany, Belgium, Denmark, France, Italy, Luxembourg, Norway, the Netherlands and the United Kingdom)* have established proportional or similar reinsurance schemes which have priority over the treaties signed by the Group presented above. These schemes, also known as backstops, absorb 50%-90% of the risks underwritten in 2020 and 20%-90% of those to be underwritten in the first half of 2021 for policyholders located in these countries. The signing of these backstops, particularly on the Group's main markets, significantly reduced the exposure of traditional reinsurance treaties to the frequency and severity risks they are meant to cover. Their extension for part of 2021 also helped to maintain reinsurers' appetite for Coface's reinsurance programme at an acceptable level, though it did involve some tightening of pricing conditions.

Operational risk related to the execution of the treaty

The Group may face a refusal to indemnify a claim if it is found to be in breach of certain contractual provisions. To protect itself, the Group has incorporated all the risk limits applied in its reinsurance programmes into its underwriting process and ensures that each exemption is documented and approved in advance. Likewise, the underwriting, indemnification and reporting processes upstream of reinsurance are documented and are subject to regular level one and two controls in order to minimise residual risk. In 2020, these controls did not show any particular anomalies.

1.2.5 OPERATIONAL AND COMPLIANCE RISK

Coface Group defines operational risk as a risk of direct or indirect losses resulting from inadequacy or failure attributable to processes, persons, internal systems or external events. This risk includes model risk and dilution risk (factoring).

Operational risk also includes the notion of legal risk, including the risk of dependency. The Group does not consider that its business or profitability is dependent on any trademarks, patents or licences. Indeed, as part of its business selling credit insurance solutions and additional services, the Group does not hold any patent. The name Coface is protected by trademark registration, including in France. Lastly, the Group has registered a number of trademarks, logos and domain names used in its businesses worldwide.

Compliance risk is defined as the risk of non-compliance with the laws, regulations or internal policies and rules that may lead to sanctions, financial losses and damage the Group's reputation (image risk). This risk constitutes the risk of judicial, administrative or disciplinary sanctions, significant financial loss or damage to reputation arising from failure to comply with provisions specific to banking and financial activities, including legislative and regulatory provisions, national or directly applicable European requirements, professional and ethical standards, or instructions from executive managers made in accordance with guidelines issued by the company's supervisory body.

Definitions of operational risk factors

Main operational risk factors

Risks related to information systems and cybersecurity (non-financial performance disclosures)

Against a backdrop of technological and digital transformation, the risks associated with information systems and cybersecurity are now significant for an insurer. Information system risks may occur in project, design or production phases, any may be caused by technical or human errors, negligence or a lack of control or skills. Cyber security risks are mainly caused by internal or external malicious acts (e.g. cyberattack). These actions and the risks associated with the information system could lead to a breach of the confidentiality, integrity or availability of the insurer's in-house or outsourced information systems. A major IT system failure could therefore have financial consequences on the Group's results, or lead to client complaints, non-compliance or civil liability for our senior managers.

Diversity and equal opportunities (non-financial performance disclosures)

Diversity and equal opportunities are becoming key concerns at Coface and in its environment. For several years, Coface has been conducting a series of initiatives to improve gender equality. This year we also launched initiatives on disabilities and for LGBT+ inclusion.

There are several reasons why we are stepping up our commitment in these areas, beyond their intrinsic importance for a community of employees applying ethical values in the workplace, and with strong expectations regarding our company's social impact:

Concerns about diversity are increasingly present in the media and society, and ignoring this would put us at a disadvantage in attracting and retaining the talented employees we need. The talented individuals we are looking for are the same as for most large multinational companies: graduates with expertise and the ability to work in an international environment with an agile mindset and strong relational skills, who speak English, etc. There is a shortage of people with all these skills, and we must stand apart in a positive way to attract and retain them.

The global environment in which we do business is increasingly aware of these themes, and we must be exemplary in order not to attract criticism from our observers, be they investors, candidates, rating agencies, or regulators.

Equal opportunities and non-discrimination are often included in the law of the countries in which we operate. We cannot risk being exposed to serious litigation for discrimination against an employee or community of people.

Other operational risk factors

Risks related to the coronavirus epidemic

2020 was marked by the coronavirus epidemic, which affected all the countries in which Coface operates. At the time of writing, the epidemic was not over and it could still affect Coface's activity in the vast majority of its countries of operation.

The main risks that could be impacted include, but are not limited to, the following:

- ***Credit risk***

Although, in 2020, there was no sign of any appreciable increase in unpaid receivables, Coface anticipates that the economic slowdown due to the coronavirus could lead to a significant rise in business failures at various levels, depending on the countries and business sectors, and that it is not possible to quantify this at the moment.

- ***Risk on premiums collected***

The global economic slowdown will necessarily have an impact on the business of Coface's clients, which is used to calculate premiums, and it is still difficult to estimate this impact at this stage. It is possible that the level of premiums received for the financial year may very often be reduced to the amount of the minimum lump-sum premium invoiced at the beginning of the financial year, calculated on the basis of the estimated volume of sales made during the year.

This reduction in premiums will only be partially offset by the rate increases due to the risk situation. An increase in terminations is also likely, owing to the failure of a number of clients and/or their inability to pay premiums.

Finally, the confinement measures imposed in many countries where Coface is present have a very negative impact on its commercial activity.

▪ ***Risk related to the investment portfolio***

In 2020, Coface managed its investments prudently, but trends on the financial markets could lead to a higher than expected level of volatility in its investment portfolio due to the ongoing pandemic and the financial imbalances it is causing.

▪ ***Modelling risk***

To carry out its activities, Coface Group uses a number of models such as macroeconomic or stochastic models, default prediction models for debtors, financial risk projection models, and a partial internal model to calculate its regulatory capital requirement. These models are based on estimates and assumptions that may prove to be incorrect, data that may be incomplete or imperfect, and execution systems and procedures that may present limits or weaknesses, which could lead to errors in pricing, in our assessment of the quality of our credit risk or our financial risk (country, sector, debtors) or our level of solvency, for example.

Operational risk assessment and management

Risks related to information systems and cybersecurity

The generalisation of remote working due to the health crisis in 2020 has increased the threat to information systems. A very sharp increase in the threat was observed, though the Group did not suffer a major cybersecurity or IT incident. The situation gave the Group the opportunity to test the reliability of its remote IT access and collaborative working infrastructure and its ability to manage the crisis at an international level.

In the Group Risk Division, the Chief Investment Security Officer (CISO) defines the Group's cybersecurity risk management policy and the Group Head of IT Security translates the policy into operational security procedures.

The CISO manages the Group Information Systems Security and Business Continuity Committee and attends the Group Risk and Compliance Committee chaired by the Chief Executive Officer. To manage risks, each year, he organises intrusion tests, code reviews, red teams and phishing campaigns, as well as conducting on-site missions. The results are presented to the Group Risk Committees each year. The Group Audit Department is involved in the follow-up of recommendations, which must be implemented by the first and/or second line of defence, as appropriate.

The cyber and IT risk map presented to the Group Risk and Compliance Committee is used to update general management on the level of residual risks. In keeping with the Fit to Win strategic plan, information systems oversight lies at the heart of the Build to Lead strategic plan. In 2020, an operational cybersecurity plan was included in the Group's strategic projects and regular monitoring is carried out by the Risk Division through the Information Systems Security and Business Continuity Committee, the Internal Audit Department and the General Executive Committee.

Raising employee awareness is also a core part of the risk mitigation strategy and specific initiatives are organised across the Group and in the local entities.

In addition, the limits and coverage of the cyber insurance policy have been increased and cover all Group entities. Lastly, a new permanent control system is being rolled out for the IT function in order to cover all the Group's regions and countries with local correspondents. It is supplemented by central risk indicators provided by the IT function.

Diversity and equal opportunities

In 2020, Coface introduced an index to measure progress in gender equality. This index was built using the methodology used to calculate the gender equality index that all French companies must now publish annually.

The index is composed of 5 indicators. Each indicator is rated, and the sum of the ratings gives an overall score out of 100. Given our structure, one of the five indicators could not be exactly replicated (indicator 4 below). We therefore replaced it with a measure of the presence of women in senior management roles, which is particularly representative of the actual effectiveness of our diversity policy.

Gender index based on the French legislation	Coface regional gender index adjustments	Nb points	Total score
1. Pay gaps between men and women *Based on the the average total compensation by classification and by age*	Annual Base salary 2020 Country > 50 employees Ponderation on the weight of each country	**40 points**	
2. Proportion of women and men getting a salary increase *Penetration rate by gender and classification (excl. mandatory increases)*	Unchanged	**20 points**	
3. Proportion of women and men getting a promotion *Rate by gender and classification*	Unchanged	**15 points**	
~~**4. Proportion of women getting an increase the year following their maternity leave**~~ ~~*Rate by gender and classification*~~	~~New scale~~	~~**0 points**~~	
4 BIS. Proportion of women in the Senior Management (Exec members included)	New Kpi	**15 points**	
5. Proportion of women in the Top 10 compensations	Annual Base salary 2020	**10 points**	

In this first year of measurement, we achieved an overall score of 81/100, and we will now measure our progress using each indicator and on an overall basis. The results for the first year were as follows (these results have been audited with a positive conclusion).

The Gender index indicator and the 4bis indicator are now used as part of the senior management variable compensation.

Operational risk management and control

The Coface Group's operational risk management system enables permanent monitoring and assessment of these risks and is based on the following:

- ***The risk mapping***

To improve its understanding of its operational risk, the Group produces a mapping using a "qualitative" methodology with a bottom-up approach in which each entity assesses its risks using a common methodology to produce a consolidated view that is presented to the Group Risk and Compliance Committee and then to the Board of Directors' Risk Committee. The mapping covers all the key operational risks to which the entity in question is exposed and takes into account the results of the controls used to mitigate the biggest risks. This mapping is under the responsibility of the risk owners and the owners of the controls in the first line of defence.

For each business or support process, a list is drawn up of the significant risk situations which may affect this business or support function.

The risk assessment is based on a measurement of the frequency and intensity of its impact, as well as on the effectiveness of controls overall (level two control, governance, existing procedures, system resources and people). A four-level assessment scale is applied (low, medium, significant, high).

Each risk situation is the subject of a detailed description incorporating an assessment of the inherent risk (i.e. before level one controls), a description and evaluation of the controls, an assessment of the residual risk and potential action plans.

Risk maps are prepared and updated on an ongoing basis according to the results of level one or two controls, the conclusions of periodic control reports or reports by third parties (including regulators), or internal incidents.

In 2020, the mapping included around 300 applicable risk situations covering the main operational risks and 450 types of level one and two controls which are adapted by the entities for their different processes. In 2020, around 200 level one and two control campaigns were launched.

- ***Permanent control plans***

Permanent control plans are applied within the entities based on identified risk situations. Each year, the heads of each business line and the Group's risk and compliance functions determine the level one controls they intend to carry out within their scope, and the risk and compliance functions then develop level two control plans.

With regard to operational risks, approximately 450 types of level one and level two controls are adapted by the entities for their different processes, based on the mapping, which includes approximately 300 risk situations. In 2020, around 200 level one and level two control programmes were launched by the head office teams. The results of these controls are presented to the regional risk and compliance committees and then to the Group Risk and Compliance Committee.

- ***Reporting of incidents and losses***

An incident is the occurrence of an operational risk that could result in, or could have resulted in, a financial loss, an unjustified profit, or in other non-financial consequences.

Operational incidents and losses are identified and a summary is prepared each month and distributed during the Group Risk and Compliance Committee.

The incidents reported are corrected and are taken into account when updating the operational risk map.

- **Action plans and reporting**

The purpose of implementing the measures described above is to fully identify operational risks. When necessary, preventive or corrective action plans to reduce or control operational risks are defined and rolled out by the entities.

The Group Risk Department is responsible for reporting to the Group Risk and Compliance Committee and the Group's management bodies.

- ***Contingency and business continuity plans***

As part of the management of unexpected risks (terrorism, natural disaster, pandemic, etc.), each Group entity has a business continuity plan (BCP) to deal with an extended or permanent unavailability of its premises, information systems or personnel.

The BCP is drawn up and updated on the basis of Group rules, supplemented by rules on mutual assistance between entities and on remote working. In 2020, these preventive plans enabled Coface to switch nearly all its teams around the world to remote working from March, using its infrastructure and internal systems, without any deterioration in its operations.

In addition, drills are performed at least once a year to test the IT recovery plan (DRP[11]) in established scenarios, allowing information system users to verify that it functions correctly in fail-safe mode. The drill performed in 2020 involved all functions in all regions and its satisfactory results were shared with the Information Systems Security and Business Continuity Committee.

- ***Risk transfers***

Some operational risks are covered in whole or in part by insurance policies taken out by the Group for all entities ("master policies"). These global policies are supplemented by local insurance policies when required by local regulations or requirements. The entire system is managed by the Group Risk Department.

Seven global policies were signed over the 2020-2021 period, with some of these policies signed for a period of 2 years. The risks covered are Coface's main properties and assets, civil liability risks associated with the company's operations in respect of employees and buildings, professional liability and fraud protection, corporate officers' civil liability and cyber risks.

Other risk factors

Data management risks

Given its activity and its environment, data management, protection, quality and availability are key parts of Coface's strategy. To address these risks, Coface Group has set up a dedicated data management and control department, led by the Chief Data Officer. A programme has been put in place to ensure continuous improvement in data quality through new indicators, improvements to the existing data dictionary and controls, and the automation of reconciliations on certain processes. We also launched work to modernise the architecture and infrastructure of our data with the introduction of big data and artificial intelligence.

The Group has set up a comprehensive data confidentiality system that defines practices and the principles applied to ensure Coface's compliance with legislation in this area and in the jurisdictions in which it operates.

Modelling risk

Coface's modelling risk is assessed by specific bodies depending on the size of the models and how they are used. Accordingly, special governance applies to the rating models used to assess the quality of our debtors and to Coface's partial internal model, which is used to calculate regulatory capital and manage debtor risk and the Group's comfort scale. In accordance with the principles of good governance, these models are independently validated by the Group Risk Management division, which monitors the implementation of recommendations addressed to the development teams in dedicated committees that report to the Group Risk and Compliance Committee.

1.3 RISK GOVERNANCE

Within the framework of the Group's activity, risk-taking reflects the search for business opportunities and the strategy of developing the Company in an environment intrinsically subject to numerous hazards. The essential goal of the risk management function is to identify the risks to which the Group is exposed and to set up an efficient internal control system to create value.

To address these risks, the Group has established a risk management structure which aims to ensure i) the proper functioning of all of its internal processes, ii) compliance with the laws and regulations in all of the countries where it operates, and iii) control of compliance by all operating entities with the Group rules enacted with a view to managing the risks associated with operations and optimising the effectiveness of this control.

The Group defines the internal control system as a set of mechanisms intended to ensure control of its development, profitability, risks and business operations. These mechanisms seek to ensure that i) risks of any kind are identified, assessed and managed; ii) operations and behaviours are in accordance with the decisions made by the management bodies, and comply with the laws, regulations, values and internal rules of the Group; as concerns financial information and management more specifically, they aim to ensure that they accurately reflect the Group's position and business; and that iii) these operations are carried out to ensure effectiveness and efficient use of resources.

11 Disaster Recovery Plan.

Lastly, this system provides managers with access to the information and tools required for the proper analysis and management of these risks. It also ensures the accuracy and relevance of the Group's financial statements as well as the information disclosed to financial markets.

1.3.1. INTERNAL CONTROL SYSTEM

Risk governance uses an internal control system compliant with the provisions of the Solvency II Directive and the French decree of November 3, 2014, on the internal control of companies active in banking, payment services and investment services and subject to ACPR supervision.

It is divided into three risk management lines as presented below:

First line: risk assessment and incident management

The operational functions are in charge of the proper assessment of the risks generated by their activities as well as for level one controls that enable them to ensure the correct execution of their operations. To do this, they have their own governance, most often based on risk-taking delegation systems and operational committees where risks are assessed and decisions made in accordance with the Group's operating rules. Their risk assessment and management work is laid out by the control functions on an annual basis, in particular through level one control plans.

Second line: independent control by the risk management function and the compliance function

The risk management and compliance functions establish a strong risk management culture within the company and are responsible for ensuring that the risks identified by the operational functions are effectively managed, in particular through the preparation of a risk map and level two control plans.

These two functions work closely together with the support of a dense network of more than one hundred risk and/or compliance officers in the Group's various countries. To do this, they have a centralised tool used in all entities, which manages and launches level one and two control plans, records operational or compliance incidents, updates the risk mapping and business continuity plans and monitors action plans intended to address identified weaknesses.

Third line: the audit function

The internal audit function provides independent assessment of the efficiency of the risk management mechanism and more broadly, of all the Group's activities and processes, following a multi-year audit plan.

The role of the key functions

The Solvency II Regulation grants the Chief Executive Officer and, as applicable, the Deputy Chief Executive Officer, the status of executive directors of a group. It authorises the appointment by the Board of Directors of one or more other executive directors.

Each key function is controlled by the Chief Executive Officer or the executive director and operates under the ultimate responsibility of the Board of Directors. It has direct access to the Board for reporting any major problem in its area of responsibility. This right is enshrined in the Board of Directors' Charter.

The professional qualifications, knowledge and experience of the heads of key functions should be adequate to enable sound and prudent management, and they must be of good repute and integrity.

Key functions are free of influences that may compromise their capacity to carry out the tasks assigned to them in an objective, loyal and independent manner.

Since 2017, regional audit, risk and compliance functions report to managers in charge of these functions at Group level. Similarly, subject to compliance with local regulations, the same reporting line by function has been established between country and regional managers.

Risk management function

Under the responsibility of the Chief Risk Officer, the risk management function, including the internal control function, covers all the Group's risks and reports to the Group Risk and Compliance Committee.

It is tasked with assessing the relevance and effectiveness of the internal control system. Regarding Solvency II, it works closely with the actuarial function and is responsible for drafting reports and for prudential oversight. To perform its duties, the risk management function has direct access to Board meetings.

It ensures that risk policies are defined in accordance with regulatory requirements and monitors their application; these are reviewed annually by general management, then approved by the Board of Directors. These policies are then communicated to all the Group's entities, thereby helping to forge a common risk culture.

The risk management function, including the internal control function:

- implements and monitors the risk management system;
- monitors the Group's overall risk profile and identifies and assesses emerging risks;
- reports on risk exposure and advises the Board of Directors on risk management matters;
- defines and monitors the Group's appetite[12] for such risks: risk appetite takes five dimensions into account through 14 indicators;
- validates the partial internal model and other operational models;
- updates the mapping of risks to which Coface is exposed, working closely with the operational functions;
- contributes to improving and formalising level one control activities implemented by operational staff;
- performs level two checks on operational risks, with the exception of compliance risks;
- ensures that continuity plans are regularly tested in all entities;
- collects data on incidents and losses from the various entities.

The Group's Risk Management Department leads a network of seven regional risk managers for each region. The regional risk managers also lead a network of correspondents in the countries within their geographic scope. Specifically, these correspondents are responsible for performing the centrally established level two controls at local level, verifying compliance with Group rules and monitoring the progress of action plans.

Compliance function

The Compliance function is in charge of developing best practices and preventing compliance risk within all Coface Group companies.

The Compliance function's scope includes:

- Financial crime prevention:
- prevention of money laundering and terrorist financing;
- compliance with embargoes, asset freezes and other international financial sanctions .
- fraud prevention Prevention of active/passive corruption and influence peddling (Sapin 2 law).
- Protection of clients and third parties:
- business ethics;
- relations with suppliers.
- Data protection and confidentiality
- Professional ethics (management of conflicts of interest)
- Prevention of agreements or arrangements between competitors
- Compliance with laws and regulations applicable to insurance activities

Internal audit function

The Group's Internal Audit Department is placed under the responsibility of the Group Audit Director, who is also in charge of the internal audit key function. He attends the Group General Executive Committee meetings in an advisory capacity. He has a hierarchical reporting line to the Group Chief Executive Officer and he had until December 31st, 2020 a functional reporting line to the Natixis General Inspection Department. Indeed, the internal audit function was grouped with the periodic control mechanism of the main shareholder, Natixis, and that of BPCE group until the end of the year 2020.

The structure of the internal audit function is based on a reporting line to the Group Audit Director.

An internal audit policy defines the framework of the function. The key objectives of this function include evaluating all or a selection of the points below, according to the scope of each assignment and based on a risk approach strategy, reporting on the:

- the quality of the financial position;
- the level of risks effectively incurred;
- the quality of organisation and management;
- the consistency, adequacy and proper functioning of risk assessment and control systems, and their compliance with regulatory requirements;
- the reliability and integrity of accounting information and management information, including information linked to Solvency II issues;
- compliance with laws, regulations and the Group's rules (compliance). Auditing checks the quality and relevance of the procedures implemented to ensure compliance with laws, regulations and professional standards applicable to the audited activities in France and abroad, and the Group's policies, decisions by its corporate bodies, and its internal rules;
- the quality, effectiveness and smooth operation of the permanent control mechanism in place and other components of the governance system;
- the quality and level of security offered by the information systems; and

12 The risk appetite represents the risk levels which the Group wants to and can accept, with the purpose of reaching its strategic objectives and achieving its business plan.

- the effective implementation of the recommendations of prior audit missions, whether they derive from the proceedings of the Group's audit function, BPCE and Natixis General Inspections, or external controls by the supervisory authorities.

Assignments are set out in an audit plan approved by the Board of Directors and cover the entire Group scope over a limited number of financial years. An audit assignment ends with a written report and recommendations that are implemented under the supervision of the audit function.

The independence of the audit function is inherent in its mission. There should be no interference in the definition of its field of action, in the fulfilment of its proceedings or in the disclosure of the results of those proceedings.

The Group Audit Director has full authority to refer matters to the Chairman of the Audit Committee and has free access to the Audit Committee. If necessary, and after consulting the Chief Executive Officer and/or the Chairman of the Audit Committee, the Group Audit Director may inform the ACPR (French Prudential Supervision and Resolution Authority) of any breach he observes.

The Group Audit Department has no operational activity. It neither defines nor manages the mechanisms that it controls. The internal auditors have no other responsibility under any other function. Lastly, the Group Audit Department has access to all the information required to carry out its duties.

The actuarial function

The actuarial function is performed by the Director of the Actuarial Department, who has reported to the Chief Financial Officer since 1 July 2016. It is tasked with advising general management and supporting its efforts to ensure the Group's long term solvency and profitability and with overseeing compliance with Solvency II requirements, such as the recording of reserves. To perform its duties, the actuarial function has direct access to Board meetings.

The actuarial function is the contact for numerous Group departments (Finance, Information, Commercial and Debt Collection), for all Group entities on actuarial subjects, and informs, in particular, the Board of Directors on the appropriateness of the calculation of technical provisions.

In accordance with the requirements of the European Solvency II Directive, the actuarial function is in charge of the following:

- coordinating the calculation of technical provisions;
- guaranteeing the appropriateness of methodologies, underlying models and assumptions used for the calculation of technical provisions;
- assessing the adequacy and quality of data used in the calculation of technical provisions;
- comparing best estimates with empirical observations;
- informing the administrative, management or control bodies of the reliability and suitability of the calculation of technical provisions;
- supervising the calculation of technical provisions in the cases specified in Article 82 (approximations related to data quality issues in the estimation of technical provisions);
- issuing an opinion on the global commercial underwriting policy;
- issuing an opinion on the appropriateness of measures taken in terms of reinsurance;
- contributing to the effective implementation of the risk management system under Article 44. In particular, it ensures compliance with reserving and commercial underwriting policies and the correct implementation of reinsurance.

1.3.2. ACCOUNTING CONTROL SYSTEM

The accounting control system assigns some the responsibility for controls to the Chief Financial Officer (CFO) of each region.

Local CFOs are responsible, for their scope: i) for the local accounting system (compliance with local regulations and with the Group's rules); ii) for the IFRS accounts as reported in the Group's consolidation tool (compliance with IFRS and Group rules); iii) for financial risk, specifically compliance with the principle of matching between assets and liabilities in order to limit the financial risks on their balance sheet.

The Group CFO is responsible, at Group level, for i) the quality of financial reporting; ii) the definition and monitoring of the investment policy; iii) the management of financial risk and the implementation of control rules for other risks, with the support of the Risk Department; and iv) the management of solvency, with regard to Solvency II in particular.

The Group's Accounting and Tax Department provides regions with a control and reporting tool that enables proper oversight of reconciliations between management applications and the accounting tool.

Since the closing of Q1 2018, quarterly level 1 controls have been formalised within the ENABLON tool:

- list of controls to be carried out each quarter as well as instructions on the details and supporting documents requested;
- results of controls carried out by the entities;
- proof of control.

This tool helps to improve the tracking and formalisation of level one controls carried out in each country on accounting processes. An assessment of the controls is carried out every quarter.

This process allows a complete audit trail to be obtained, and produces standardised, reliable data across the Group and the Company.

Processing of accounting and financial information

The Group's Accounting and Tax Department, reporting to the Finance Department, guarantees the quality of the financial information and is responsible for the control of the Group's accounting and tax information. It is also responsible for the production of the consolidated financial statements and production of the company financial statements and tax declarations of French entities (COFACE SA, parent company, Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Fimipar and Cogéri).

Its detailed tasks are broken down into:

- maintaining the general and ancillary accounts of entities located in France;
- recognition of operations, control and justification of operations;
- closing the quarterly accounts;
- producing consolidated financial statements;
- producing reports and presentation of accounts: producing financial statements, internal reports and tax declarations;
- relations with the Statutory Auditors;
- preparing Group standards, regulatory oversight and strategic projects;
- definition of rules and writing of Group accounting rules;
- drafting and monitoring accounting procedures in conjunction with Natixis' Finance Department in for IFRS;
- overseeing the development of the accounting and tax regulations;
- assisting, training and providing technical support to subsidiaries and branches;
- analyses and impact studies on modifications in scope for the consolidated financial statements;
- the accounting control system: monitoring the proper application of the standards and procedures in the Group;
- Group taxation.

Coordination with the Group's entities is based on the Group's functional matrix principles, under which the entities are delegated certain responsibilities pertaining to their scope. Accordingly, the consolidated entities are responsible for producing, according to their local standards and IFRS: i) accounting information; ii) tax information; iii) regulatory information; and iv) corporate information.

They also monitor the production of consolidation packages according to the Group's standards and procedures.

Common tool for general accounting, consolidation and management control

The monthly reporting of management control and quarterly packages under French standards and IFRS are entered in the same tool. The quality of the information received is improved through automatic reconciliation statements.

Furthermore, since June 2018, the procedure for preparing company financial statements under French standards has been simplified with elimination of the double entry of packages under French standards and IFRS for all branches. The company financial statements are now prepared from IFRS packages.

Additional controls are carried out at quarterly closing dates, especially using summary accounts and comparisons with management data. Consistency checks are carried out with the data received from management control reporting.

Overall controls are performed on consolidation operations: analytical review of the balance sheet and income statement, closure of the Company's equity, consistency check on the most significant items and entities, closure of equity for all branches, checking of intra-group transactions and their reconciliation, specific verification of earnings from reinsurance and specific checks on the breakdown of expenses by destination, with the analytical review allowing for an overall consistency check.

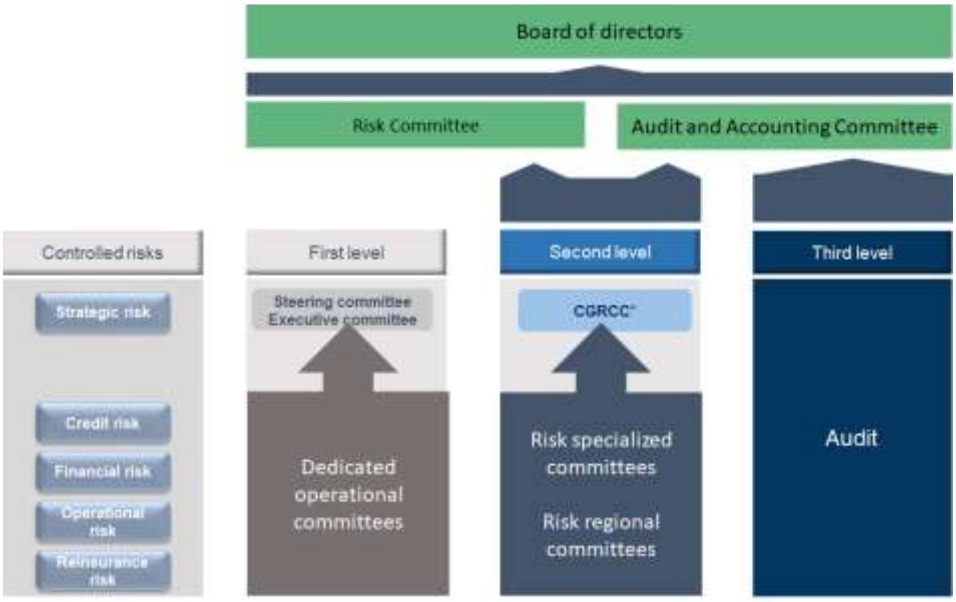
Disclosure requirements for financial and accounting information

The Financial Communications Department, which reports to the Group Finance Department, produces, with the support of other departments, the financial information released to the financial markets, analysts and investors. The departments concerned provide the Financial Communications Department with contributions and reviews that help it mitigate the risk of material error or release of erroneous information.

1.3.3. GOVERNANCE OF THE INTERNAL CONTROL SYSTEM

Governance structure

The Group has implemented a risk management and control system that revolves around clear governance supported by a dedicated organisation based on the key functions described above. This is illustrated in the diagram below, which shows the link between the three lines of risk management as described above and the committees that report to Coface's Board of Directors and general management.



Section 2.1.3 details of the duties and activities of the Board of Directors and its specialised committees.

Governance under the authority of general management relies on the Coface Group Risk and Compliance Committee, which itself draws on specialised risk committees at the head office to address the Catastrophe risk categories (credit, financial, strategic, operational and reinsurance risk). In addition, there is a regional risk committee for each of the seven regions where Coface operates, where the Group is represented by the Chief Risk Officer and the Chief Compliance Officer.

The Group Risk and Compliance Committee is chaired by the Chief Executive Officer and meets at least every quarter with the members of the Group Management Committee, the Group's strategic and operational management body, the Group Chief Risk Officer, the Group Chief Compliance Officer, the Group Audit Director and the Head of the Actuarial Department and, as appropriate, representatives of the operational or functional departments concerned, depending on the matters at hand.

Below is a summary of the Committee's main missions and actions during 2020:

MAIN DUTIES OF THE GROUP RISK AND COMPLIANCE COMMITTEE		MAIN TOPICS REVIEWED IN 2020
▪ Review of the main risk management policies and procedures. ▪ Review of ORSA assumptions and results for the purpose of their approval by the Board of Directors. ▪ Proposal and monitoring of risk appetite limits. ▪ Monitoring of the Group's risk exposure in all its dimensions. ▪ Review of the main conclusions of from sub-committee meetings. ▪ Acknowledgement of the work performed by the compliance function ▪ Regular approval of the performance and results of the partial internal model. The Group Risk and Compliance Committee reports on its work to the Audit and Accounts Committee or to the Risk Committee as appropriate.		▪ Validation of Solvency II risk policies and regulatory reports (SFCR, RSR, ORSA) ▪ Review and adaptation of ORSA scenarios to the new situation and consideration of emerging risks ▪ Review of risk appetite indicators and their relevance ▪ Validation of the risk mapping ▪ Monitoring the impact of the health crisis on our main risks and in particular their impact on solvency levels through stress tests. More specifically, the committee conducted an in-depth risk review of the investment portfolio and insurance exposures from the beginning of the crisis ▪ Monitoring of the Group's insurance coverage ▪ Presentation of the results of permanent controls relating to operational and compliance risk ▪ Presentation of information on data quality within the company ▪ Each committee provided an update on the use-tests relating to Coface's partial internal model, notably through the review of risk appetite indicators

In 2020, given the Covid crisis, Coface's management and the Board of Directors paid particular attention to the adequacy and relevance of risk appetite indicators. The Group Risk and Compliance Committee and the Board's Risk Committee were therefore responsible for reviewing all indicators and discussions took place throughout the year. As a result, the tolerance level for exposures to poorly rated countries was reduced in early 2020 and a better risk/return management indicator was introduced for the investment portfolio. Coface's partial internal model was also fully used to review our concentration risk on debtors or groups of debtors, which led the Board of Directors to make changes in this area. Lastly, our operational resilience indicators were strengthened.

Specific governance related to the Covid crisis

As mentioned above, this is a "Level 2" crisis for Coface, which is impacted directly in its operational management methods (working from home, travel restrictions) and indirectly in terms of its business model due to difficulties that its policyholders, debtors or other third parties dealing with Coface may encounter.

Given its global presence, Coface had to manage the consequences of the pandemic situation early on, with the creation of a crisis unit in Asia and head office in January 2020.

This unit was made up of the Director of Human Resources and the Chief Risk Officer and reported to the General Executive Committee several times a week. In the regions, this unit involved the CEO of the region concerned, the Director of Human Resources and the Chief Risk Officer. At the height of the crisis, daily meetings with each of the regions helped to harmonise the measures taken and from March 16, 2020, all Coface entities were able to adopt remote working without any major problems. At the same time, operational crisis units were set up in all Coface departments, reporting to the General Executive Committee, which increased its meeting frequency.

Given the company's successful transition to remote working and as no significant problems were encountered, the crisis units were dissolved during the summer of 2020.

1.4 Outlook

The Group does not expect the situation to return to normal rapidly in 2021 and its teams will continue to monitor both the economic and geopolitical situation, which could disrupt its business activity.

In this context, it will continue to manage its debtor risk carefully and prudently and, if necessary, will implement action plans to contain these risks, as it did in 2020. The structure of the reinsurance program over several years offers good visibility for the management of debtor risk. With regard to financial and investment portfolio risks, the Group does not intend to significantly change its refinancing structure, which has proven its resilience, or its investment allocation, on which it will continue to act prudently. It will continue to invest in strengthening its risk management programmes, including cyber and compliance risks, to address the changes that are under way in these areas.