3.1 ECONOMIC ENVIRONMENT (1)

In 2021, the global economy rebounded by 5.6% in volume terms, after posting its worst performance since 1946 in 2020, with a decline of 3.4%. This strong recovery was largely due to the continuation of the fiscal and monetary support for consumers and businesses that was rapidly implemented around the world last year, and to the rapid rollout of Covid-19 vaccinations, which enabled the easing of restrictions on movement, particularly in advanced economies. In addition, there was a positive base effect with the continuation of the sharp growth recorded in the second half of 2020 when economies reopened as strict lockdown measures were brought to an end. However, growth was not consistent throughout the year. While the first half of the year maintained the momentum from the previous period with a remarkable performance, growth slowed in the second half, first due to the rise in Covid-19 cases in south-east Asia, then with a new wave of infections in Europe and North America. The bottlenecks in industrial production chains that emerged in the second half of 2020 also intensified throughout the year. These bottlenecks are rooted in the pandemic. Consumers transferred a large part of their usual spending on services, which were inaccessible or unavailable due to physical distancing or travel restrictions, to personal products (clothing, cosmetics), household goods (construction, furniture, appliances, DIY), communications (smartphones, computers), and individual transport (cars, bicycles), thereby overloading supply chains, which had already been disrupted by the pandemic. Meanwhile, the production and transport of raw materials and intermediate products, whether intended for energy production (gas, coal, oil), food (cereals, oilseeds, milk, fruit and vegetables), packaging (pulp), clothing (textiles), or multiple uses (electrical and electronic components, wood, cement, metals, plastics) were disrupted by the epidemic because of staff absences due to sickness or contact with the disease, the closure or reduction in activity in mines, factories, ports and air transport, climate events (floods, droughts) and industrial accidents (fire). This made the production of certain items physically impossible (vehicles), while input price rises made the production of some products unprofitable or insufficiently profitable in terms of constraints on sales prices (aluminium, tin, industrial gases, fertilisers, etc.). There were also disparities between regions. Advanced economies took advantage of faster vaccine coverage to ease the measures taken to counter the virus, which boosted their momentum. Some emerging and developing economies that are heavily involved in the trade of high demand goods and commodities performed well.

Despite the slowdown in the global recovery in the second half of the year and the impact of supply disruptions and the semiconductor shortage on supply chains, UNCTAD estimates that global trade may have increased by 23% in value terms in 2021 from 2020 and by 11% compared to 2019 (estimate as at November 30, 2021). Considering goods alone, the increases are expected to be 23% and 14% respectively, with the sharper increase in relation to 2019 reflecting the slower recovery in services, which account for around 20% of world trade. In volume, according to the WTO and the World Bank, the increase in trade in goods is expected to be close to 10% compared to 2020, with strong growth in the first half of the year giving way to a dip in the third quarter, according to the Netherlands Bureau for Economic Policy Analysis (January 2022).

Advanced economies overall followed this pattern, with growth of 5.1% in 2021. The sharp rebound triggered by the reopening of economies in late 2020 continued in the first half of 2021, bolstered by vaccinations, still favourable lending conditions and the fall in the savings rate, which had reached a very high level before losing momentum in the second half. Bottlenecks in industry caused by supply shortages, higher energy and food prices, and the new wave of Covid infections weighed on both supply and demand.

Western Europe recorded growth of 5.6% in 2021. **Greece** (8.8%), **France, Italy, the United Kingdom** (respectively 7.0%, 6.5% and 6.7) and **Belgium** (6.1%) posted stronger rebounds as their economies were hit hard in 2020 with declines of close to 10%. Over and above the very favourable base effect, in Belgium, France, Greece and Italy activity was driven by the surge in consumer spending, particularly for services, following the lifting of the most drastic restrictions on mobility as vaccination coverage increased. Investment by both businesses and consumers (housing), rebounded on the back of fiscal and monetary support measures. This was also the case, though to a lesser extent, for exports, and especially for tourism in the three countries where it is very important. The United Kingdom owes its good fortune mostly to the renewed momentum in consumer spending, particularly on services. Conversely, its exports and investment remained weak, probably due to the consequences of Brexit. The Netherlands (4.7%) and Sweden (4.9%) posted slightly weaker performances, but this is to be seen in perspective since they recorded declines of just 3.8% and 2.8% respectively in 2020. For the Netherlands, this was also due to the fact that manufacturing production and exports were hit by supply-side difficulties, while investment lagged due to low confidence levels. Sweden did not close its economy in 2020, so its rebound could only be limited, despite strong trends in consumption and investment. Spain (5%) and Portugal (4.93%) recorded relatively moderate rebounds even though their economies shrank by 10.8% and 8.4% respectively in 2020. While consumer spending picked up, their exports were hit by bottlenecks, particularly in the automotive sector, while the return of foreign tourists remained slow. In contrast, Ireland continued to lead the way with growth of 15.1% after 5.8% in 2020, driven by exports in the pharmaceutical and IT sectors and by domestic demand. Finally, Germany, which declined by only 4.6% in 2020, posted a modest increase of 2.8%. Both exports, particularly automotive exports (nearly a fifth of the total), and investments were affected by severe bottlenecks, while consumers were faced with 3.2% inflation.

Among other advanced economies, the **United States** showed strong momentum with growth of 5.6%, despite a slowdown in the third quarter, even though it had contracted by only 3.4% in 2020. Consumption was boosted by the Treasury stimulus cheques sent to households in the spring, the increase and extension of unemployment benefits, wage increases in recovering sectors experiencing labour shortages (leisure, hospitality, hotels, transport), and the wealth effect created by forced savings in 2020 and rising home and equity prices. Despite rising inflation, with higher energy and transport prices in particular, monetary policy remained very accommodative. With growth of 2%, after a decline of 4.6% in 2020, the Japanese economy experienced a moderate recovery that did not take it back to 2019 production levels. As in Germany, Japan's automotive industry suffered from the shortage of microchips and supply chain disruption. In addition, economic activity was affected by a fourth wave of the epidemic in the third quarter. Australia's economy grew by 4.1% in 2021 after

(1) Group estimates.

declining by 2.4% in 2020. However, it fell back in the third quarter as strict measures were taken to combat a Covid outbreak in the south east of the country, which accounts for most economic activity. Continued accommodative monetary policy and fiscal support for consumers and businesses helped mitigate the shock. Higher prices for mineral exports played a positive role, while the partial and delayed reopening of international borders weighed on tourism revenues and immigration. South Korea (+4%) and Taiwan (+5.6%), which suffered relatively little in 2020, once again benefited from their excellent handling of the epidemic, the strong performance of their exports of electronic components and high-tech products, very loose economic policies, and, for Taiwan, the trade war between China and the United States, which led to the repatriation of manufacturing activities from mainland China.

Emerging and developing economies expanded by 6.3% in 2021 after contracting by 1.7% in 2020. However, there were wide disparities between regions and countries.

Latin America saw its economy rebound with growth of 6.3% in 2021, after an equivalent contraction of 6.4% in 2020. **Argentina** recorded a strong recovery (+9%), in line with its 2020 decline (-9.9%). Consumption benefited from more accommodative fiscal policies, as did investment, though to a lesser extent due to continued capital controls and import restrictions. Meanwhile, exports gained from improved terms of trade with higher prices for mineral and agricultural commodities. The recovery was also strong in Peru in 2021 (+12.5%) after an equally sharp slump (-11.1%). Domestic demand was underpinned by loose economic policy, while mineral exports largely benefited from high prices. The Chilean economy rebounded by 11.2% in 2021 after a -5.8% decline. Its mineral exports were also buoyed by high prices. Accommodative fiscal policy drove domestic demand, with consumption also benefiting from a relaxation of rules on pension fund withdrawals as well as the lifting of restrictions following the rapid vaccination rollout. The Colombian economy grew by 9.5% after falling by 6.8%. This growth was due to the rebound in consumer spending, which was little affected by the social unrest in April and May, strong public investment and the high prices of exported minerals and agricultural products. The recovery was less pronounced in Mexico (+5%), even though the economy had declined by 8.3% in 2020. While exports benefited from the ever-stronger recovery in the United States, domestic demand was held back by fiscal prudence and scepticism regarding President Obrador's policy. Brazil experienced smaller swings in its economy, with growth of 4.7% in 2021 after a 3.9% decline. While exports benefited from a favourable exchange rate and high commodity prices, consumer spending was dragged down by a slow vaccine campaign, tighter fiscal policy, a rapid rise in interest rates and the erosion of purchasing power due to inflation.

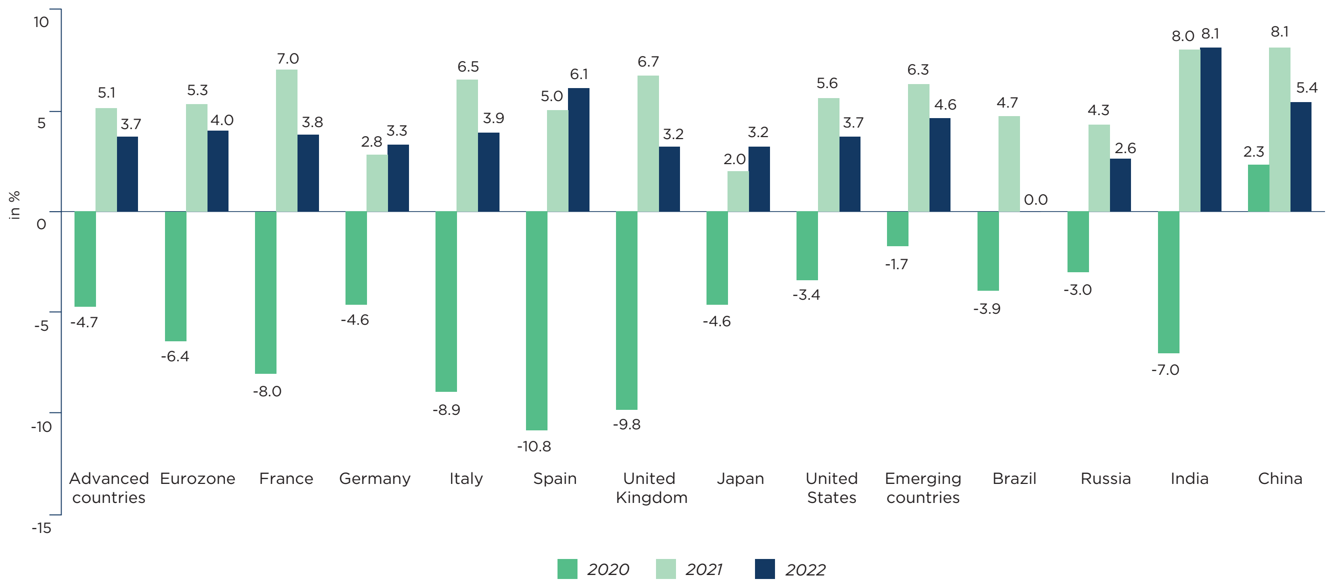
The **Middle East** and **North Africa** saw their economies grow by 4% in 2021 after a 4.2% decline in 2020. Unsurprisingly, oil-producing countries benefited from higher oil prices and a gradual increase in production under the OPEC+ agreement: Algeria (+3.5% after -5.1%), Saudi Arabia (+3% after -4.1%), United Arab Emirates (+3.7% after -6.1%), Iraq (+3.6% after -15.7%), Oman (+2.5% after -2.8%). Iran recorded modest growth for the second year in a row (2.5%), despite international sanctions. Israel's economy expanded by 7% in 2021 (following a 2.2% decline), driven by a rapid vaccination campaign, high-tech exports, and support for households and businesses. In 2021, Egypt posted similar growth to 2020 (3.3%, compared with 3.6%), but the main impact of Covid was spread over both years. The second half of the 2021 fiscal year, corresponding to the first half of the calendar year, saw a rebound in tourism with the resumption of flights from Russia, a surge in activity on the Suez Canal, continued public investment and an increase in mining (gas, gold) and manufacturing. Finally, Morocco (+5.7% in 2021, after -6.3% in 2020) rebounded much stronger than Tunisia (+3% after -9.2%). In Morocco, the substantial fiscal and monetary support for households and businesses, good management of the health crisis, an exceptional harvest, and the recovery of exports to Europe in most sectors played a role. In Tunisia, although expatriate remittances were solid and tourism resumed with some difficulty, political and social difficulties and a very weak fiscal situation prevented a strong recovery.

Central European economies overall rebounded by 5.5% in 2021 after contracting by 4% in 2020. However, there were also considerable disparities. Hungary (6.8% after -4.7%), the Czech Republic (3.4% after -5.8%), Romania (7% after -3.9%) and Slovakia (3.9% after -4.4%) owe to their rebound to consumer spending as real disposable incomes rose on the back of wage increases in a tight labour market and accommodative fiscal policies. However, their exports, particularly of vehicles, which initially benefited from strong European demand, soon faced problems with the supply of parts (especially semiconductors), which impacted their industrial output. In Poland and Serbia, the recovery was also strong (5.5% and 6.8% respectively), even though they were little affected in 2020 (-2.5% and -0.9%). In Poland, consumption was boosted by accommodative fiscal policy and positive trends in employment and wages. Its exports were less affected than those of neighbouring countries owing to its broad sector diversification. The same was true in Serbia, which also benefited from strong public and foreign investment (Chinese investments in mining and the steel industry). Croatia's economy surged by 8% after recording a similar plunge in 2020, in line with trends in its dominant tourism sector and the influence this has on consumption. Inflation accelerated in all these countries. Inflation was also observed in Turkey, but at much higher levels (19.6%) due to the drastic cut in key interest rates, which led to a sharp depreciation in the lira through capital outflows and the dollarisation of savings. This inflation has slashed household purchasing power, particularly for poorer families who spend a larger part of their income on imported energy and food. In contrast, manufacturing exports benefited from an increase in European demand thanks to supply problems with distant countries and favourable exchange rates, at least for products with limited imported components. Along with the partial recovery in tourism, this enabled growth of 9.8% in 2021 after the sharp slowdown in 2020 (1.8%). Eastern Europe and Central Asia saw growth of 4.2% in 2021 after a decline of 2.9% in 2020. This overall performance matched that seen in the regions' main economies: Russia (4.3% after -3%), Ukraine (3.7% after -4%) and Kazakhstan (3.3% after -2.6%). In Russia, additional revenues from energy exports and the transfer of tourism spending to the domestic economy spread to the economy as a whole, and particularly consumption, which also benefited from favourable employment and wage trends. In Ukraine, strong exports of grains, oilseeds, iron and steel benefited the budget, which was able to support the economy, while expatriate remittances bolstered household finances. In Kazakhstan, high oil and gas and metal ore prices allowed the government to boost investment.

Of all the world's regions, **Sub-Saharan Africa** recorded the weakest economic recovery: +3.8% after -2.1% in 2020. High oil prices enabled Nigeria to return to its modest pre-pandemic level of growth (+2.5% in 2020 after -1.8% in 2020) and Angola to end the recession it has been in for several years (0.2% after -5.4%). Côte d'Ivoire, Ghana and Kenya, whose economies held up relatively better in 2020 (with 2%, 0.4% and -0.3% respectively) thanks to the dominance of their agricultural sector, plus gold and oil for Ghana, rebounded sharply in 2021, with 6.2%, 4.8% and 7.7% respectively. Kenya's performance was relatively weaker due to the very partial recovery of tourism. This also affected South Africa, although this country did gain significantly from the strength of its exports of precious metals and other products (+4.9% after -6.4%). In contrast, domestic demand was sluggish as incomes were hit by very high unemployment and poor investor confidence due to power cuts, riots in July, and doubts about the President's ability to carry out reforms.

Finally, **emerging Asia**, which was the least affected region in 2020, with soft growth, posted the strongest recovery in 2021, with +6.5%. This performance was driven by India (+8% after -7%) and China (+8.1% after +2.3%). Despite the severe Covid-19 outbreak in the spring, India's rebound wiped out the previous decline across all supply and demand segments. Its IT services and medical products remained in high demand. In China, while the recovery that began at the end of spring 2020 continued in the first half of 2021 thanks to the boom in exports and investment, it faded sharply in the second half of the year due to the slowdown in real estate activity, power cuts and production stoppages in industry caused by the diligent implementation of climate and security objectives by regional and local authorities. Vietnam, which was largely spared by Covid-19 in 2020, with growth of 2.9%, finally succumbed to the Delta variant and its corresponding restrictions, which were particularly harsh due to low vaccine coverage, in the third quarter of 2021. The manufacturing industry and its exports (smartphones, computers, clothing, furniture) suffered from labour shortages as workers returned to their regions of origin and the disruption of production chains caused by input shortages and higher prices. In the end, the Vietnamese economy grew by 2.5% in 2021. In 2021, the Philippines and Thailand ebbed and flowed in line with the epidemic and the resulting restrictions, which weighed on domestic demand and prevented the return of tourists. Their economies grew by 5.3% (-9.6% in 2020) and 1% (-6.1% in 2020) respectively. Thailand's weaker performance was due to its greater dependence on tourism and exports (smartphones, computers, automotive), which were affected by supply and transport problems, and from its poor vaccine coverage. Finally, despite a mid-year peak in infections, Indonesia still recorded growth of 3.5% (after a decline of 2.1%). Loose economic policy supported domestic demand, while exports of coal, palm oil and iron benefited from strong global demand.

/ **CHANGE IN GDP GROWTH BY COUNTRY[1]:**



3.2 SIGNIFICANT EVENTS OF 2021

3.2.1 Governance evolution

In the Board of Directors

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

On July 28, 2021, the Board of Directors of COFACE SA co-opted David Gansberg, Chief Executive Officer, Global Mortgage Group at Arch, as a non-independent director at the Board of Directors taking the place of Benoît Lapointe de Vaudreuil who leaves the Board to focus on his other professional responsibilities.

In the Executive Committee

In 2021, several appointments were made to strengthen Coface's leadership team:

- on March 24, 2021, Declan Daly has been appointed Chief Operating Officer of the Coface Group, effective as of April 1, 2021;
- on September 1, 2021, several appointments were made:
  - Antonio Marchitelli, CEO of Coface Western Europe region, was appointed as CEO, Global Specialties, and effective January 2022,
  - Carine Pichon, chief financial and risks officer, will replace Antonio as CEO of Coface Western Europe region,
  - Phalla Gervais will replace Carine Pichon in her role of CFO, in charge of finance and risks as of September 6,
  - Jaroslaw Jaworski has been confirmed in the role of CEO of Coface Central and Eastern Europe region, effective on September 1;
- on September 10, 2021, Marcele Lemos was appointed as the new CEO, Latin America region, effective on Monday, September 13.

(1) *Group estimates and forecasts for 2021 and 2022, OECD and World Bank 2020.*

3.2.2 Rating agencies recognise Coface's good performance

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

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

On April 20, 2021, the rating agency Fitch affirmed Coface AA- Insurer Financial Strength (IFS) rating. The agency also removed the Rating Watch Negative. The outlook is now stable. On December 9, Fitch affirmed Insurer Financial Strength (IFS) rating and the outlook remains stable.

3.2.3 Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of March 4, 2021, decided to cancel the 1,852,157 shares bought under the share buyback programme, as announced on October 27, 2020; and correlatively, to reduce the share capital of the Company.

Therefore, the share capital of COFACE SA now stands at €300,359,584 divided into 150,179,792 shares with a nominal value of €2 each.

3.2.4 Expiry of the main government schemes

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

As initially planned, the vast majority of these government schemes (excluding top-up) have expired on June 30, 2021 leading to run-off on these policies. Indeed, governments and credit insurance players, including Coface, agree with the analysis that an extension is not necessary based on the current market situation. However, the various players will continue to work closely together after June 30, 2021 in order to be able to act quickly, within the context of EU legislation, in the event that the economic situation deteriorates significantly. Government schemes had a negative impact of -€103 million on income before tax in Q4-2021, taking the total impact to -€160 million for FY-2021.

3.2.5 Renewal of its syndicated loan agreement

As part of the refinancing of its factoring activities, COFACE SA signed on August 4, 2021 with a group of banking partner the early renewal of its €700 million syndicated euro loan. It is part of the Build to Lead plan, which aims to leverage Coface assets in specialty businesses and therefore continues to support the development of factoring.

This transaction was initially concluded in 2017 to replace existing bilateral credit lines. Coface is supported by a panel of seven banking partners: BNP Paribas, Crédit Agricole CIB, Natixis, Société Générale, acting as Mandated Lead Arrangers and Bookrunners, BRED, HSBC and La Banque Postale acting as Mandated Lead Arrangers. Société Générale is acting as Documentation and Facility Agent.

The loan is renewed for a period of three years with two one-year extension options at the lenders' discretion. This transaction enables the Group to improve its financial flexibility and extend the maturity of its refinancing, while taking advantage of favourable market conditions and strengthening relations with its senior banks, which thus confirm their medium-term commitment to Coface.

3.3 COMMENTS ON THE RESULTS AS AT DECEMBER 31, 2021

3.3.1 Group performance

Consolidated turnover amounted to €1,567.9 million, up 8.3% on 2020 at constant FX and perimeter. The net combined ratio stood at 64.6%, or 15.2 points below the level recorded in 2020 (79.8%). This breaks down into a 14.4 point decrease in the loss ratio to 33.3% and a 0.8 point decline in the cost ratio to 31.3% in relation to 2020. The Group ended the year with net income (Group share) up 170% at €223.8 million (*vs.* €82.9 million in 2020) and return on equity of 12.2%.

The Group's target solvency ratio ranges between 155% and 175%. The solvency ratio is estimated at 195.6% at December 31, 2021 [(1)]. Coface will propose the payment of a dividend [(2)] of €1.50 per share to shareholders, representing a payout ratio of 100%.

The changes at constant FX and scope, presented for comparison purposes in the tables below, take into account the following changes in scope:

- the consolidation of Coface GK as of July 1, 2020;
- in the second quarter of 2021, three entities that had been wholly owned for several years were included in the consolidation scope: Coface Poland Insurance Service, Coface Romania Insurance Service and Coface Finance Israel;
- Coface Servicios Mexico entered the consolidation scope in the fourth quarter of 2021.

3.3.2 Turnover

The Group's consolidated turnover increased by 8.3% at constant FX and perimeter (+8.1% at current FX and perimeter), to €1,567.9 million at December 31, 2021, mainly due to a rebound in client activity in the insurance and factoring businesses.

The table below shows changes in the Group's consolidated turnover by business line as of December 31, 2020 and 2021:

	AS AT DEC. 31		CHANGE		
Change in consolidated turnover by business line *(in millions of euros)*	**2021**	**2020**	*(in €m)*	*as a%*	*as a%: at constant Fx and perimeter*
Insurance	1,503.5	1,392.4	111.0	8.0%	8.2%
*o/w Gross earned premiums**	*1,312.6*	*1,204.3*	*108.3*	*9.0%*	*9.7%*
*o/w Services***	*190.8*	*188.1*	*2.7*	*1.5%*	*(1.0%)*
Factoring	64.4	58.5	6.0	10.2%	10.1%
CONSOLIDATED TURNOVER	**1,567.9**	**1,450.9**	**117.0**	**8.1%**	**8.3%**

* *Gross earned premiums-credit, Single Risk and surety bond insurance.*
** *Sum of turnover from services related to credit insurance ("Fee and commission income" and "Other insurance-related services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information – "Information and other services", and debt collection services – "Receivables management").*

(1) *This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II Regulations, using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.*
(2) *The proposed dividend is subject to the approval of the Annual General Shareholders' Meeting of May 17, 2022.*

Insurance

Turnover from the insurance business (including surety bond and Single Risk insurance) was up 8.2% at constant FX and perimeter (+8.0% at current FX and perimeter), at €1,503.5 million in 2021, compared with €1,392.4 million in 2020.

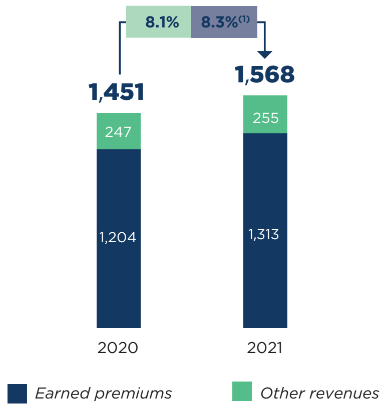
Gross earned premiums increased by 9.7% at constant FX and perimeter (+9.0% at current FX and perimeter), at €1,204.3 million in 2021, compared with €1,312.6 million in 2020.

This growth was mainly due to the sharp increase in activity for Coface's clients over 2021 (+8.4%), compared with a decline of -1.1% in 2020, reflecting the rebound in the global economy.

The production of new contracts totalled €129 million, down by €5 million from 2020.

The policy retention rate (ratio between the annual value of renewed policies and the value of policies to be renewed during the year) was high in most regions and stable for the Group as a whole at 91.7% over the year (compared with 91.5% at December 31, 2020). The price effect was positive, at 0.7%, in line with the selective repricing policy applied in 2020 (+1.5%). However, prices have been falling since the second quarter of 2021 as the market returned to pre-Covid trends.

Turnover from the services business declined by -1.0% at constant FX and perimeter (up +1.5% at current FX and perimeter), rising from €188.1 million in 2020 to €190.8 million in 2021. The debt collection business was impacted by the low loss experience. The Information Services business recorded strong growth (+18.1%).



(1) At constant exchange rate

Factoring

Factoring turnover (only in Germany and Poland) increased by 10.7% at constant FX (+10.2% at current FX), from €58.5 million in 2020 to €64.4 million in 2021.

In Germany, revenue was up 8.1% due to a rebound in volumes financed.

Poland was also impacted by this rebound and it recorded an increase in factoring revenue of 24.1% at constant FX (+20.9% at current FX).

Change in turnover by region

The table below shows trends in Coface Group's consolidated turnover in its seven geographic regions for the financial years ended December 31, 2020 and 2021:

	AS AT DEC. 31		CHANGE			
Change in consolidated turnover by invoicing region *(in millions of euros)*	**2021**	**2020**	*(in €m)*	*as a%*	*as a%: at constant Fx*	*as a%: at constant Fx and perimeter*
Western Europe	316.7	291.9	24.8	8.5%	8.0%	8.2%
Northern Europe	331.5	297.6	33.9	11.4%	11.2%	9.4%
Mediterranean and Africa	429.4	394.9	34.5	8.7%	9.4%	9.4%
North America	137.5	136.5	1.0	0.7%	3.2%	3.2%
Central Europe	156.3	143.1	13.2	9.2%	10.8%	8.1%
Asia-Pacific	123.2	119.5	3.7	3.1%	5.1%	5.1%
Latin America	73.3	67.3	6.0	8.9%	17.3%	14.6%
CONSOLIDATED TURNOVER	**1,567.9**	**1,450.9**	**117.0**	**8.1%**	**9.0%**	**8.3%**

All regions achieved growth in turnover at constant FX and perimeter, ranging from +3.2% for Northern Europe to +14.6% for Latin America.

In Western Europe, turnover was up 8.2% at constant FX, buoyed by the growth in short term credit insurance. This positive change was strongly linked to the economic rebound, which generated an increase in policyholder activity. The positive price effect arising from repricing efforts at the beginning of the year also contributed to growth. Conversely, new contract production declined in 2021 compared to 2020.

In Northern Europe, turnover rose by 9.4% at constant FX and perimeter (11.2% at current FX and perimeter, mainly due to the acquisition of Coface GK). Credit insurance and factoring revenues were the main contributors to this growth thanks to the rebound in policyholders' activity and in volumes financed.

Turnover in the Mediterranean & Africa region grew by 9.4% at constant FX and perimeter, confirming the strong sales momentum in this region (high retention rate and new contract production) and the development of the Information Services activity. This good commercial performance was boosted by strong activity levels for Coface's policyholders.

In North America, turnover increased by 3.2% at constant FX. The credit insurance portfolio expanded thanks to new business and the positive impact of policyholders' activity levels, despite a decline in the client retention rate.

Central Europe posted an increase in turnover of 8.1% at constant FX and perimeter (+9.2% at current FX and perimeter, mainly due to the merger of service entities). The growth in factoring was the main reason for the rise in turnover in 2021. The level of insurance premiums (+8.2% at constant FX and perimeter) was impacted by the rebound in policyholder activity.

Asia-Pacific recorded a 5.1% increase in turnover at constant FX (+3.1% at current FX). This growth was driven by credit insurance, while the development of the portfolio was linked to the sharp increase in net production and an increase in client activity. Single Risk insurance declined sharply.

Latin America posted an increase in turnover of 14.6% at constant FX (+8.9% at current FX due to the sharp devaluation of the region's currencies). This growth was due to an increase in new contract production and especially the rebound in client activity on the back of rising commodity prices.

3.3.3 Underwriting income

Underwriting income before reinsurance

Underwriting income before reinsurance came to €586.8 million, up 242% compared to end-December 2020 (€171.4 million) due to the decline in the loss ratio.

The 31-point improvement in the combined ratio before reinsurance to 54.5% in 2021 (from 85.5% in 2020) was attributable to a -30.4 point fall in the loss ratio and a slight decline in the cost ratio of -0.6 points.

Loss experience

The Group's loss ratio before reinsurance, including claims handling expenses, decreased by 30.4 points, from 51.8% in 2020 to 21.4% in 2021. This decrease in claims was due to the strict management of past claims and a high level of recoveries. Government support schemes in various economies also contributed to the low loss experience.

	AS AT DEC. 31		CHANGE	
(in millions of euros and as a%)	**2021**	**2020**	*(in €m)*	*as a%*
Claims expenses incl. claims handling costs	280.5	623.7	(343.2)	(55.0)%
Loss ratio before reinsurance	21.4%	51.8%	-	(30.4) pts
Earned premiums	1,312.6	1,204.3	108.3	9.0%

In Western Europe, the loss ratio was down 23.5 points to 24.3%. This fall was linked to significant recoveries from previous years, particularly 2020, which saw a very high level at the start of the year followed by a decline in line with the actual loss experience, the effects of government support schemes, and the prospect of the end of the crisis.

Thanks to an improvement in losses on previous years, Northern Europe saw its ratio decrease by 18.8 percentage points to 18.2%.

The loss ratio in the Mediterranean & Africa region decreased by 28.1 ppts compared to 2020 and stood at 27.4%, reflecting the decline observed at the Group level. This decrease in the loss ratio was impacted by past recoveries, which were low in 2020 but much higher in 2021, reflecting trends in the loss experience.

In North America, the loss ratio improved by 49.3 points to 14.4%, *vs.* 63.7% in 2020. The crisis had a bigger impact in this region in early 2020. This region is more responsive and it recorded a sharp decline in the loss experience in relation to 2020.

The loss ratio in Central Europe improved by 27.3 points to 18.8%, *vs.* 46.1% in 2020. Positive trends in losses in Poland, Russia and Austria had a significant impact on the loss experience in this region.

The Asia-Pacific loss ratio declined by 39.4 points to 9.4%. This region has a fairly volatile historical loss experience and recorded substantial reserves in 2020 to anticipate the impact of the crisis. The favourable development of the loss experience led to significant recoveries. The low loss rate was observed especially in countries such as Japan and Taiwan.

In Latin America, the loss ratio improved sharply and was at a low level of 6.9%. This region also has a volatile historical loss experience and severity. The loss experience improved in Mexico and Brazil, leading to a decline in recoveries.

Change in loss experience by invoicing region *(as a%)*	AS AT DEC. 31 2021	2020	CHANGE IN POINTS
Western Europe	24.3%	47.8%	(23.5 pts)
Northern Europe	18.2%	37.0%	(18.8 pts)
Mediterranean and Africa	27.4%	55.5%	(28.1 pts)
North America	14.4%	63.7%	(49.3 pts)
Central Europe	18.8%	46.1%	(27.3 pts)
Asia-Pacific	8.8%	48.8%	(40.0 pts)
Latin America	6.9%	72.3%	(65.4 pts)
LOSS RATIO BEFORE REINSURANCE	**21.4%**	**51.8%**	**(30.4 PTS)**

/ OVERHEADS

Overheads *(in millions of euros)*	AS AT DEC. 31		CHANGE		
	2021	2020	*(in €m)*	*as a%*	*as a%: at constant FX and perimeter*
Internal overheads	572.7	536.1	36.7	6.8%	6.6%
o/w claims handling expenses	*36.2*	*31.8*	*4.4*	*14.0%*	*14.0%*
o/w internal investment management expenses	*4.0*	*3.4*	*0.6*	*17.3%*	*16.6%*
Commissions	166.8	154.8	11.9	7.7%	8.8%
TOTAL OVERHEADS	**739.5**	**690.9**	**48.6**	**7.0%**	**7.1%**

Total overheads increased by 6.5% at constant FX and perimeter (+7.1% at current FX and perimeter), from €690.9 millions at December 31, 2020 to €740.2 millions at December 31, 2021.

Policy acquisition commissions were up 7.7% at constant FX and perimeter and at current FX, from €154.8 million in 2020 to €166.8 million in 2021. This increase in overheads was less than the rise in earned premiums (9% at current FX and perimeter).

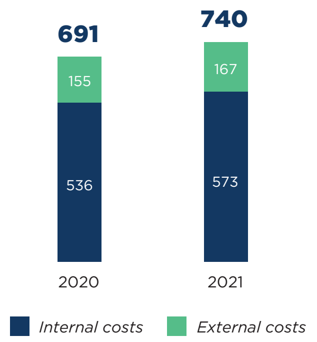
Internal overheads, which include claims handling expenses and internal investment management expenses, increased by 6.2% at constant FX and perimeter (7% at current FX and perimeter), from €536.1 million in 2020 to €573.4 million in 2021.

Payroll costs increased by 10.5% at constant FX and perimeter (+12.2% at current FX and perimeter), from €302.7 million in 2020 to €339.6 million in 2021. Annual pay rises and changes in headcount explain this increase.

IT costs were up 10.4% at constant FX and perimeter (+13.2% at current FX and perimeter), from €47.9 million in 2020 to €54.2 million in 2021. These costs include transformation projects and investments.

Other expenses (taxes, rents, debt collection) were down 0.7% at constant FX and perimeter (-3.6% at current FX and perimeter), from €185.6 million in 2020 to €178.9 million in 2021.

The cost ratio before reinsurance improved by 0.6 points, from 33.7% for the year ended December 31, 2020 to 33.1% for the year ended December 31, 2021.



Underwriting income after reinsurance

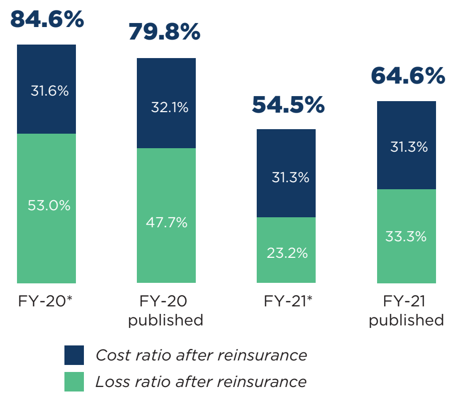
Underwriting income after reinsurance totalled €273.9 million, up by 115% compared with 2020 (€127.3 million).

The sharp increase in the cost of reinsurance to -€314.3 million at December 31, 2021 (-€44,1 million at December 31, 2020) can be explained by the contribution of government reinsurance schemes (an estimated negative impact of €160 million) as well as the decrease in the loss experience.

	AS AT DEC. 31		CHANGE	
(in thousands of euros and%)	**2021**	**2020**	*(in €k)*	*(as a%)*
Turnover	1,567,858	1,450,864	116,994	8.1%
Claims expenses	(280,456)	(623,653)	343,196	(55.0%)
Contract acquisition costs	(259,317)	(238,453)	(20,864)	8.7%
Administration costs	(270,990)	(261,807)	(9,184)	3.5%
Other expenses from insurance activities	(66,243)	(60,971)	(5,272)	8.6%
Expenses from banking activities, excluding cost of risk	(13,103)	(12,833)	(270)	2.1%
Cost of risk	76	(100)	176	(175.4%)
Expenses from other activities	(89,674)	(81,608)	(8,065)	9.9%
Underwriting income before reinsurance	**588,150**	**171,439**	**416,711**	**243.1%**
Income and expenses after ceded reinsurance	(314,288)	(44,116)	(270,172)	612.4%
UNDERWRITING INCOME AFTER REINSURANCE	**273,862**	**127,322**	**146,539**	**115.1%**
Net combined ratio	64.6%	79.8%	-	-

The amount of ceded premiums under government reinsurance schemes renewed until June 30, 2021 came to €227.6 million in 2021, representing 44.4% of the total amount of ceded premiums.

The impact of government schemes on the Group's ratios is detailed in the following chart:



** excl. government schemes*

3.3.4 Investment income, net of management expenses (excluding financing costs)

Trends in the financial markets

In 2021, the rollout of vaccines led to a gradual return to normal in activity, but the pace of normalisation varied between countries, and there were still some further temporary restrictions with successive waves of Covid-19 infections. At the end of the year, the main central banks in advanced economies announced the gradual easing of support measures, while emerging economy central banks had already begun to tighten their monetary policies. On the equity markets, developed market indices rallied strongly, while emerging market indices were much more varied.

The US economy experienced a very strong recovery in 2021, but with an uneven trajectory. After maintaining a very accommodative policy for most of the year, the Federal Reserve announced the gradual tapering of its asset purchases. The US 10-year yield rose by 60 bps to 1.5%. In addition, base effects such as soaring energy prices and very strong demand helped push inflation to a very high level in the second half of the year. FOMC members are now considering three key rate hikes in 2022, three in 2023 and two in 2024. Equities rallied very sharply, gaining 25.2% over the year, while fiscal and monetary policies provided support in an uncertain health environment. The rise in inflation and its persistence, mainly due to bottlenecks in the production chain, ultimately led the Fed to tighten its stance at the end of the year.

In the eurozone as a whole, disruptions to global industrial chains, the sharp rise in energy prices, base effects and strong demand with the reopening of economies also led to a sharp rise in inflation. On the debt markets, sovereign yields rose in 2021. The German 10-year yield ended the year at -0.18%, up 40 bps over the year. Meanwhile, after announcing a massive reduction in its asset purchases, the ECB announced that it will reinvest maturing principal payments from securities purchased under the pandemic emergency purchase programme (PEPP). Investors, followed by central bankers, have considerably raised their expectations of a rate hike in response to inflationary pressures and the strong recovery in economic activity. For equities, this year of economic recovery benefited cyclical stocks (+22.3%) more than defensive stocks (+15.9%) while the fall in real rates benefited growth stocks (+24.4%) more than value stocks (+15.3%).

2021 was a very turbulent year for emerging economies. Growth rebounded sharply as vaccination campaigns progressed, while restrictions on travel eased after the Delta variant emerged earlier in the year. Inflation accelerated sharply in the second half of the year due to robust domestic demand and disruption to global supply chains. This has generated significant supply-demand imbalances, forcing central banks to rapidly raise their key rates, unlike their counterparts in advanced countries. On the equity markets, there was a marked divergence between developed markets (+22.5%) and emerging markets (-2.3%), particularly China (-22.7%) and Brazil (-18%).

Financial income

Against this economic backdrop of recovery and low interest rates, in 2021, Coface Group decided to raise its portfolio's risk level, which it had lowered significantly in 2020. It did this mainly by reducing its exposure to money market products and investing in developed and emerging market government bonds and equities. It sold some of its real estate to gradually reallocate its investments to equity infrastructure funds in 2022.

The overall value of the portfolio increased by €236 million over the year, mainly *via* the bond and equity markets through the addition of new cash in the portfolio and the rise in the equity markets.

The following table shows the financial portfolio by main asset class:

/ MARKET VALUE

	AS AT DEC. 31	
(in millions of euros)	**22021**	**2020**
Listed shares	224	141
Unlisted shares	9	8
Bonds	2,115	1,914
Loans, deposits and money market mutual funds	507	540
Real estate	213	231
Total investment portfolio	**3,068**	**2,834**
Non-consolidated companies	152	150
TOTAL	**3,220**	**2,984**

Income from the investment portfolio amounted to €36.7 million, of which €3.6 million in gains on disposals, impairment/reversals and equity/interest rate derivatives (representing 1.2% of 2021 average annual assets under management and 1.1% excluding realised gains, impairment/reversals and equity/interest rate derivatives), compared with €31.1 million in 2020, of which -€1.7 million in gains on disposals, impairment/reversals and equity/interest rate derivatives (1.1% of 2020 average annual assets under management and 1.2% excluding realised losses, impairment/reversals and equity/interest rate derivatives). In this environment of economic recovery, the decline in money market investments in favour of bonds and equities and the reallocation of certain assets helped improve the return on the investment portfolio.

/ INVESTMENT PORTFOLIO INCOME

	AS AT DEC. 31	
(in millions of euros)	**2021**	**2020**
Equities*	(0.9)	(0.8)
Fixed income**	23.6	22.2
Investment property	14.0	9.7
Investment income	**36.7**	**31.1**
o/w realised gains, impairment and reversals, derivatives *(equity and interest rate)*	3.6	(1.7)
- o/w disposals	*9.3*	*(3.3)*
- o/w impairment and reversals	*(1.2)*	*(4.4)*
- o/w derivatives (equity and interest rate)	*(4.5)*	*6.0*
Investment income excluding realised gains	**33.1**	**32.9**
Foreign exchange income	7.0	(3.5)
- o/w foreign exchange	*15.5*	*(5.5)*
- o/w currency derivatives	*(8.5)*	*2.0*
Other	(1.6)	(0.8)
- o/w non-consolidated subsidiaries	*6.2*	*5.2*
- o/w financial and investment charges	*(7.8)*	*(6.0)*
NET INCOME FROM INVESTMENTS	**42.2**	**26.9**

* *Including equity derivatives.*
** *Including interest rate derivatives.*

After income from equity securities, foreign exchange income, income from derivatives, and financial and investment charges, the Group's financial income for 2021 totalled €42.2 million.

The portfolio's economic return was +1.6% in 2021 thanks to the increase in revaluation reserves, notably due to the equity market rally, which more than offset the decline in bonds caused by the rise in interest rates.

3.3.5 Operating income

	AS AT DEC. 31		CHANGE		
(in millions of euros)	2021	2020	*(in €m)*	*(as a%)*	*(as a%: at constant Fx and perimeter)*
Consolidated operating income	**312.9**	**140.4**	**172.4**	**122.8%**	**124.8%**
Operating income including finance costs	**291.4**	**118.7**	**172.7**	**145.5%**	**147.6%**
Other operating income and expenses	(3.2)	(13.8)	10.6	(77%)	(77%)
OPERATING INCOME INCLUDING FINANCE COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES	**294.6**	**132.5**	**162.1**	**122.3%**	**124.4%**

Consolidated operating income increased by 124.8% at constant FX and perimeter, from €140.4 million for the year ended December 31, 2020 to €312.8 million for the year ended December 31, 2021.

Current operating income, including financing costs and excluding non-recurring items (other operating income and expenses), rose by 124.5% at constant FX and perimeter, from €132.5 million in 2020 to €294.5 million in 2021.

The net combined ratio declined by 15.2 percentage points, from 79.8% in 2020 to 64.6% in 2021, including a 14.4 percentage point improvement in the net loss ratio and a -0.8 percentage point decline in the cost ratio.

Other operating income and expenses amounted to -€3.2 million and consist mainly of investment expenses and provisions for restructuring in line with the Build to Lead strategic plan.

Change in operating income by invoicing region *(in millions of euros)*	AS AT DEC. 31 2021	2020	CHANGE	SHARE OF ANNUAL TOTAL AT DEC. 31, 2021
Western Europe	46.2	(13.4)	(169.3)	(54%)
Northern Europe	49.0	73.7	(3.0)	21%
Mediterranean and Africa	75.1	70.8	82.2	45%
North America	44.2	(13.1)	85.8	21%
Central Europe	58.0	27.9	55.3	25%
Asia-Pacific	41.5	(8.9)	103.9	28%
Latin America	25.6	5.9	41.6	14%
TOTAL (EXCLUDING INTERREGIONAL FLOWS)	**339.6**	**143.0**	**196.6**	**100%**

3.3.6 Net income (Group share)

Coface Group's effective tax rate decreased from 37.4% in 2020 to 23,2% in 2021, a decline of 14.2 points.

Net income (Group share) amounted to €223.8 million, up 170% in relation to the year ended December 31, 2020 (€82.9 million).

This record level can be explained in part by the very atypical nature of the last two years, which have seen significant government involvement in the management of the economy.

3.4 GROUP CASH AND CAPITAL RESOURCES

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 9 "Cash and cash equivalents" in the Company's consolidated financial statements.

	AS AT DEC. 31	
(in millions of euros)	2021	2020
Net cash flows generated from operating activities	327.0	194.4
Net cash flows generated from investment activities	(205.2)	(54.3)
Net cash flows generated from financing activities	(137.1)	(39.5)

	AS AT DEC. 31	
(in millions of euros)	2021	2020
Cash and cash equivalents at beginning of period	401.0	320.8
Cash and cash equivalents at end of period	362.4	401.0
Net change in cash and cash equivalents	(38.5)	80.2

3.4.1 Coface Group debt and sources of financing

The Group's debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of "Amounts due to banking sector companies" and "Debt securities").

	AS AT DEC. 31	
(in millions of euros)	2021	2020
Subordinated borrowings	390.6	389.8
Sub-total financial debt	**390.6**	**389.8**
Amounts due to banking sector companies	822.9	535.4
Debt securities	1,498.8	1,425.6
Sub-total operating debt	**2,321.7**	**1,961.0**

Financial debt

For the year ended December 31, 2021, the Group's financing liabilities, totalling €390.6 million, are comprised solely of the subordinated loan.

This fixed rate subordinated note (4.125% maturing on March 27, 2024) was issued on March 27, 2014 by COFACE SA for a nominal amount of €380 million.

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

Operating debt linked to the factoring business

The Group's operating debt is mainly linked to financing for its factoring activities.

This debt, which includes the "Amounts due to banking sector companies" and "Debt securities" items, provides refinancing for the Group's factoring companies (Coface Finanz in Germany and Coface Poland Factoring in Poland).

Amounts due to banking sector companies, which correspond to drawdowns on the bilateral credit lines (see "Bilateral credit lines" below) set up with various banking partners of Coface Finanz and Coface Poland Factoring and the Group's local banks, amounted to €822.9 million for the financial year ended on December 31, 2021.

Debt securities amounted to €1,498.8 million for the financial year ended on December 31, 2021, including:

- senior units issued by the VEGA securitisation fund under the Coface Finanz factoring receivables securitisation programme (see "Securitisation programme" below), in the amount of €933.9 million; and
- commercial paper issued by COFACE SA (see "Commercial paper programme" below) to finance the activity of Coface Finanz in the amount of €564.8 million.

Coface Group's main sources of operational financing

To date, the Coface Group's main sources of operational financing are:

- a securitisation programme to refinance its factoring receivables for a maximum amount of €1,100 million;
- a commercial paper programme for a maximum amount of €700 million; and
- bilateral credit lines for a maximum total amount of €1,064.2 million.

In February 2012, the Group took a first step towards achieving financial autonomy by implementing a factoring receivables securitisation programme to finance the business of Coface Finanz (Germany) and implemented a commercial paper programme to fund its factoring business.

In 2014, a structural addition was introduced into the securitisation programme which allowed the maximum amount of the programme to be increased to €1,195 million (the initial amount was €1,100 million). At the end of 2015, the securitisation programme was renewed ahead of schedule, for an unchanged maximum amount.

In 2017, the Group continued to set up new bilateral lines in Germany and Poland. At the end of 2017, the securitisation programme was entirely renewed ahead of schedule, for a period of five years and for an unchanged amount. Concerning the commercial paper issuance programme, the Group restructured the credit lines likely to be drawn should the commercial paper market shut down. Since July 28, 2017, the Group has had a syndicated loan maturing in three years with two one-year extension options for a maximum amount of €700 million. This loan replaced the bilateral credit lines covering the maximum amount of the €600 million commercial paper programme, and includes an additional liquidity line of €100 million available to factoring entities if needed.

On June 8, 2018, Coface Poland Factoring and a pool of partner banks set up a €300 million multi-currency syndicated loan. This syndicated loan partly replaced existing bilateral credit lines. The loan has a two-year maturity with the option of a one-year extension, at the lenders' discretion. The maximum amount of the commercial paper programme was increased to €650 million with the option to issue commercial paper in euros, dollars and pound sterling. The additional Group-level liquidity line available to factoring entities, if needed, was thus increased to €50 million.

In 2019, the securitisation programme was reduced to €1,100 million in July and then renewed early in December. The following extension options were exercised during the year:

- third year of the €300 million multi-currency syndicated loan for Coface Poland Factoring;
- fifth year of the €700 million syndicated loan for COFACE SA.

In 2020, Coface Poland Factoring's syndicated multi-currency loan was renewed early in the amount of €281 million. The loan has a two-year maturity with the option of a one-year extension, at the lenders' discretion.

In 2021, the syndicated loan used as a back-up for the commercial paper programme was renewed for three years with two possibilities for an extension of one year each. For the Polish syndicated loan, an initial request for an extension was made and accepted in August 2021, extending the maturity until November 2023. The amount of the commercial paper issuance programme was increased to €700 million and the additional liquidity line at Group level available to the factoring entities in case of need was cancelled.

At December 31, 2021, the amount of the Coface Group's debt linked to its factoring activities amounted to €2,322 million.

a) Securitisation programme

In connection with the refinancing of its factoring activities, in February 2012 the Group implemented a securitisation programme for its factoring trade receivables for a maximum total amount of €1,100 million, guaranteed by Compagnie française d'assurance pour le commerce extérieur. The maximum amount of the programme was increased by €95 million, thanks to a structural addition set up in July 2014. The ceding entity was Coface Finanz, the German wholly-owned subsidiary of Compagnie française d'assurance pour le commerce extérieur. The purchaser of the receivables is a French securitisation mutual fund, VEGA, governed by the stipulations of the French Monetary and Financial Code. The Group gained initial funding from this programme, with 35% of the programme due in one year and the remaining 65% in three years. On February 3, 2014, the Group reached an agreement with the banks in charge of the funding to renew the portion due in one year and extend the three-year portion of the funding, which was accordingly raised to 75% of the programme size. Thanks to the additional financing that was introduced in July 2014, the portion of financing over three years is 77%. The securitisation programme was completely renewed early in December 2017, for a maximum amount of €1,195 million, with 23% maturing in one year and 77% in three years.

In July 2019, the securitisation programme was reduced to a maximum amount of €1,100 million and was subsequently renewed early in December 2019. The programme was adjusted with 25% due in one year and 75% in three years. The main monitoring indicators for the programme include the default ratio, the delinquency ratio and the dilution ratio. The priority units issued by the VEGA securitisation mutual fund were subscribed and refinanced by four vehicles issued in consideration for the short term securities. The subordinated units were underwritten by Coface Poland Factoring.

At December 31, 2021, €933.9 million had been used under this programme.

This securitisation programme includes a number of standard accelerated repayment clauses associated with such a programme, concerning the financial position of Coface Finanz (the ceding company) and other Group entities (including certain indicators regarding the quality of the ceded receivables), and linked to the occurrence of various events, such as:

- payment default of Coface Finanz or of Compagnie française d'assurance pour le commerce extérieur for any sum due under the securitisation fund;

- the cross default of any Group entity pertaining to debt above €100 million;
- closure of the asset-backed commercial paper market for a consecutive period of 180 days;
- winding-up proceedings against Coface Finanz, Coface Poland Factoring, the Company or Compagnie française d'assurance pour le commerce extérieur;
- the discontinuance of or substantial change to the activities practised by Coface Finanz or by Compagnie française d'assurance pour le commerce extérieur;
- a downgrading of the financial rating of Compagnie française d'assurance pour le commerce extérieur below BBB- for the main funding (maximum amount of €1,100 million) and to below A for additional funding (maximum amount of €70 million);
- non-compliance with one of the covenants linked to the quality of the portfolio of ceded factoring receivables.

The securitisation programme does not contain a change of control clause for the Company, but contains restrictions regarding a change of control in Compagnie française d'assurance pour le commerce extérieur and the factoring companies resulting in their exit from the Group.

The three covenants set by the securitisation programme include:

COVENANT	DEFINITION	TRIGGER THRESHOLD
Default ratio	Three-month moving average of the rate of unpaid receivables beyond 60 days after their due date	> 2.24%
Delinquency ratio	Three-month moving average of the rate of unpaid receivables beyond 30 days after their due date	> 5.21%
Dilution ratio	Three-month moving average of the dilution ratio	> 9.71%

At December 31, 2021, the Group complied with all of these covenants.

b) Bilateral credit lines

In connection with the refinancing of its factoring business, the Group also introduced, mainly through its subsidiaries, a number of bilateral credit lines and overdraft facilities for a total maximum amount of €1,064.2 million:

- bilateral credit lines and overdraft facilities with local banks for a maximum of €358 million, of which €188 million had been drawn in Germany and €52 million in Poland at December 31, 2021;
- bilateral credit lines concluded with banks:
  - three lines for a maximum total amount of €200 million for Coface Finanz (with maturities ranging between one and three years), of which €174 million had been drawn down as of December 31, 2021,

three lines (including a syndicated loan) for a maximum total amount of €506 million for Coface Poland Factoring (with maturities ranging between one and three years), of which €408 million had been drawn down as of December 31, 2021.

c) Commercial paper programme

The Group has a commercial paper issuance programme that was extended in October 2015 and increased in June 2018 to reach a maximum amount of €650 million. In June 2021, the programme was increased by €50 million to a maximum of €700 million. Under this programme, the Company frequently issues securities with due dates ranging generally between one and six months. At December 31, 2021, securities issued under the commercial paper programme totalled €564.8 million. The programme was rated P-2 by Moody's and F1 by Fitch.

Should the commercial paper market shut down, since July 28, 2017 the Group has had a currently unused syndicated loan covering the maximum amount of the commercial paper issue programme (€700 million since August 2021). The agreement regulating this syndicated loan contains the usual restrictive clauses (such as a negative pledge clause, prohibition from assigning the assets outside the Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Group's business activities) and early repayment clauses (payment default, cross default, non-compliance with representations, warranties and commitments, significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and winding-up proceedings), in line with market practices. This syndicated loan was renewed in August 2021 for three years with two possibilities for an extension of one year each.

3.4.2 Group solvency [(1)]

The Group measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) according to the Solvency II Regulation for its insurance business and according to banking regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet.

(1) Solvency information is not audited.

For insurance activities, pursuant to the Solvency II Regulation which became effective on January 1, 2016, the Group proceeded with the calculation of the solvency capital requirement (SCR) on December 31, 2021, using the partial internal model introduced by European directive No. 2009/138/EC. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operational risks. It takes account of frequency risks and major risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon. At December 31, 2021, the estimated capital required for the two Group businesses amounted to €1,263 million, compared with €1,077 million at the end of 2019.

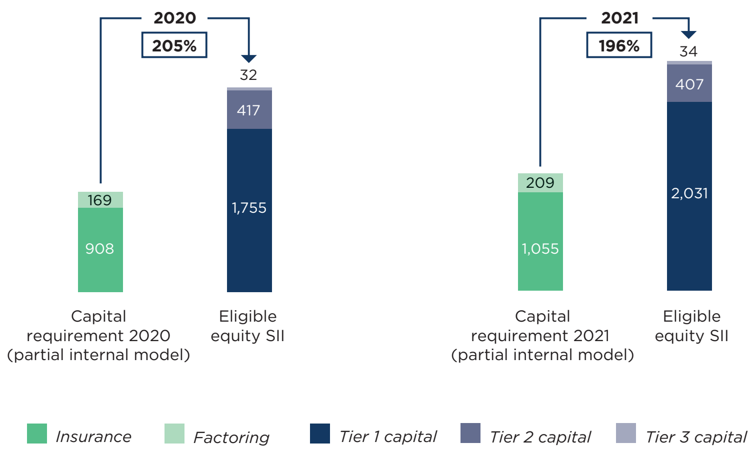
At December 31, 2021, the required capital for the factoring business was estimated at €208.7 million by applying a rate of 10.5% to the risk-weighted assets, or RWA. The Group has reported its capital requirements using the standard approach since December 31, 2019. It should be noted that the local regulators for Germany and Poland (the two countries in which the Group operates its factoring business) have not defined specific mandatory capital requirements for factoring companies.

The sum of the capital requirement for the insurance business and the capital requirement for the factoring business is compared with the estimated available capital, which totalled €2,471 million as of December 31, 2021.

At this date, the solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring) was estimated at 196% [(1)], compared to 205% at the end of 2020.

The table below presents the items for calculating the Group's solvency ratio:

(in millions of euros)	AS AT DECEMBER 31, 2021	AS AT DECEMBER 31, 2020
Total equity	2,141	1,999
- Goodwill and other intangible assets (net of deferred taxes)	(209)	(207)
+ Revaluation of provisions using the best estimate method (net of deferred taxes)	554	243
+/- Other adjustments	(198)	(159)
- Dividend payments	(224)	(89)
+ Subordinated debt (valued at market value)	407	417
= Solvency II available own funds (A)	**2,471**	**2,204**
Capital requirement – Insurance (B)	1,055	908
Capital requirement – Factoring (C)	209	169
Capital requirement (D) = (B) + (C)	1,263	1,077
SOLVENCY RATIO (E) = (A)/(D)	**196%**	**205%**



3.4.3 Return on equity

The return on equity ratio is used to measure the return on the Group's invested capital. Return on average tangible equity (or RoATE) is the ratio between net income (Group share) and average accounting equity (Group share) restated for intangible items (intangible asset values).

(1) *This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II Regulations, using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.*

The table below presents the elements used to calculate the Group's RoATE over the 2020-2021 period:

	AS AT DEC. 31	
(in millions of euros)	2021	2020
Accounting equity (Group share) – A	2,141	1,998
Intangible assets – B	230	231
Equity, net of intangible assets – C (A - B)	1,911	1,767
Average equity, net of intangible assets – D ($[C_n + C_{n-1}]/2$)	1,839	1,736
Net income (Group share) – E	223.8	82.9
ROATE – E/D	**12.2%**	**4.8%**

3.4.4 Off-balance sheet commitments

Most of the Group's off-balance sheet commitments concern certain credit lines, guarantees received (pledged securities received from reinsurers corresponding to deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets.

The table below presents the details of the Group's off-balance sheet commitments for the 2020-2021 period:

(in thousands of euros)	DEC. 31, 2021	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**1,144,652**	**1,133,000**	**11,651**
Endorsements and letters of credit	1,133,000	1,133,000	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	4,151		4,151
Commitments received	**1,397,644**	**853,084**	**544,561**
Endorsements and letters of credit	141,291		141,291
Guarantees	403,270		403,270
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	153,084	153,084	
Financial commitments in respect of equity interests	0		0
Guarantees received	**323,314**		**323,314**
Securities lodged as collateral by reinsurers	323,314		323,314
Financial market transactions	211,543		211,543

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

Endorsements and letters of credit totalling €1,126 million for the financial year ended December 31, 2021 correspond mainly to:

- a joint surety bond of €380 million in favour of investors in COFACE SA subordinated notes (10-year maturity);
- various joint surety bonds totalling €746 million given by the Group, in particular to banks financing the factoring business.

Collateral concerns Coface Re for €287.713 million and Compagnie française pour le commerce extérieur for €35.6 million.

The syndicated loan for a maximum amount of €700 million for the financial year ended December 31, 2021 includes coverage of the Group's commercial paper issuance programme for €700 million (see Section 1.4.1 "Group debt and sources of financing").

3.5 POST CLOSING EVENTS AT DECEMBER 31, 2021

3.5.1 Natixis announces the sale of its residual stake in Coface SA

On January 6, 2022, Natixis announced the sale of its remaining interest in COFACE SA. This sale represented approximately 10.04% of COFACE SA's share capital, or 15,078,095 shares. It was carried out by way of an ABB (accelerated book-building) at an average price of €11.55. Following this transaction, Natixis no longer held any shares in COFACE SA.

3.5.2 Anticipated impacts of the war in Ukraine

The invasion of Ukraine by Russia on February 24, 2022 has triggered a war in Europe for the first time since the Second World War. This armed conflict and the numerous economic sanctions taken against Russia will certainly have serious economic and financial consequences for the whole world, while the previous crisis linked to the Covid was not yet over.

The inflationary consequences are significant: the hope of seeing the prices of energy, minerals and agricultural products fall in the second half of 2022 is gone, or at least remote. The decline in freight costs has also been postponed (due to air travel bans and soaring fuel costs). As a result, the standardization of production lines has also been postponed.

In addition, the Central European countries have to bear the burden of hundreds of thousands of Ukrainian refugees. These same countries, as Russia's trade corridors and outlets, are suffering from the reduction in trade between the two belligerents and Europe.

Finally, energy and food price inflation is a potential source of social unrest, which could lead to political upheaval, especially in developing countries, where government intervention to mitigate its impact on households is made difficult by weak budgetary capacity and high debt levels increased by the pandemic. Faced with high inflation in property prices, real estate and financial assets, as well as a sharp economic slowdown, central banks find themselves in an uncomfortable situation.

The extent and duration of the damage caused to the world economy by the conflict are still difficult to determine, as we do not know the duration and evolution of the intensity of the war.

In this context, Coface has adjusted its assessments of Russian, Belarusian and Ukrainian risks and reduced its exposure to these countries. The Group continues to monitor closely the situation on a daily basis and is constantly adjusting its underwriting policy to ensure compliance with international sanctions.

To date, and subject to any changes in the situation, this serious crisis has greatly increased uncertainty and volatility due to its multi-sector and multi-geographical impact. Coface is not directly exposed to the countries in conflict through its investment portfolio and the impact of this conflict on its business remains very limited.

Coface Russia Insurance's earned premiums will amount to €12.46 million in 2021 (1% of the Group total) and the value of this subsidiary's shares is less than €7 million based on the net book value in the Group's financial statements at 31 December 2021. The Group's exposure to risk in this region, which was insignificant in its factoring business and overall less than 1% of its global exposure before the start of the conflict, has since been adjusted downwards and monitored regularly.

While the loss experience reported to date in this region has not shown any significant deterioration, the impact of this crisis, whether direct or indirect, could result in a deterioration of its loss ratio.

3.6 OUTLOOK

3.6.1 Economic environment(1)

In 2022, global activity is expected to continue its recovery, but at a much slower pace, with growth of 4.1% (after 5.6% in 2021). This deceleration is largely explained by the slowdown in the second half of 2021, which is expected to continue into the early months of 2022. Its causes at the end of last year will remain in place, at least in the first quarter of 2022. First, the Omicron variant of Covid will continue to spread. Even though it is less virulent than previous variants, its high transmissibility will severely test vaccine efficiency and healthcare systems, leading to continued restrictions on economic activity and travel. This will delay the shift in consumer spending towards services, which will sustain demand for durable goods and consumer goods. As a result, production and supply chain logistics will remain disrupted, which will add to inflationary pressure, pushing central banks to tighten monetary policies. Energy and food prices are likely to continue to rise, affecting low-to-medium-income households and countries in particular. At the same time, the exceptional fiscal support provided by governments in advanced economies and, to a lesser extent, emerging economies, is expected to fade. These less accommodative economic policies will further dampen the rebound in domestic demand. However, these negative factors are expected to gradually diminish starting in the northern hemisphere spring or summer, before disappearing at the end of the year. In this context, the disparities between regions and countries around the world will remain marked. Against this backdrop, global trade is expected to slow in 2022, with growth of 5.8% in volume, after an increase of nearly 10% in 2021, according to the World Bank's forecast in January 2022.

Despite this slowdown, with growth of 3.7%, after 5.1% in 2021, advanced economies will have returned to pre-Covid production levels and will remain above their historical trend. Conversely, with growth of 4.6% (after 6.3% in 2021), emerging and developing economies are not expected to return to pre-Covid levels by the end of 2022. This will be particularly true in terms of GDP *per capita*, given the larger increase in their population. In addition, there will be considerable divergence between emerging regions and countries, with Asia, the Middle East, and even Africa outperforming Latin America and Eastern Europe.

In 2022, the United States is expected to grow by 3.7%, after 5.6% in 2021. Admittedly, supply constraints and inflationary pressure will persist, at least in the first few months of the year, due to the disruption of external and domestic production and supply chains, high commodity and energy prices, as well as sector labour shortages and, more generally, lower labour participation rates. Despite this, consumer spending is likely to be driven by a reduction in savings, the likely disappearance of the last remaining restrictions, and the rise in employment and wages, which should extend to other sectors besides services. As supply problems subside, companies will rebuild their much-depleted inventories. In addition, the start of monetary policy tightening should encourage investments in production capacity and housing to take advantage of what remain very favourable borrowing conditions. However, the Biden administration's infrastructure plan is still expected to have little impact. In the United Kingdom, the economy is expected to grow by 3.2%, after 6.7% in 2021. It is in a similar situation to the United States, but with a greater shortage of truck drivers and specialised workers and the introduction of customs checks on imports from the continent starting in January, due to Brexit. In addition, consumer spending, particularly among less well-off families, could slow as government support is withdrawn and due to high inflation, while investment is expected to be driven by a temporary "super-deduction" tax scheme and public infrastructure spending. The government could fund a mechanism to limit the rise in energy prices. In Japan, unlike most advanced economies, growth is expected to be stronger in 2022, at 3.2%, compared with 2% in 2021. This is largely explained by the fall in the savings rate, the lifting of restrictions and the fiscal support plan. Moreover, the easing of supply chain disruption should boost exports and production, encouraging companies to invest.

In the eurozone, growth will also slow from 5.3% in 2021 to 4.0% in 2022, especially as 2021 ended with a sluggish quarter. Despite persistent inflationary pressures, lending conditions are likely to remain extremely supportive given the ECB's still ultra-accommodative policy, while fiscal policy will generally become less expansive. In Germany, as in Japan, growth is expected to increase, by 3.3%, compared with 2.8% in 2021. Consumption should benefit from the lifting of restrictions, as well as from increased pressure on employment and wages, driven by inflation (3.9%). Exports and manufacturing output are expected to benefit from the normalisation of supply chains in the second half of the year, encouraging companies to invest. Finally, governments will use NextGenerationEU funds to invest in the fight against climate change and digitalisation. In France, after growth surged by 7.0% in 2021, matching the decline recorded in 2020, it is expected at 3.8% in 2022. The main driver will remain domestic demand, while the fiscal environment is marked by presidential and parliamentary elections. Even though the catch-up effect will fade, consumption should benefit from improvements in the

(1) *Group estimates as of December 31, 2021*

health situation and employment, while inflation should remain under control and will be partially offset for those with the lowest incomes. Investment will continue to benefit from stimulus plans and dynamic housing construction. Finally, while exports should benefit from the boom in tourism, the automotive and aeronautics sectors will continue to struggle, at least in the first half of the year. In Spain, growth is expected to increase (6.1% after 5.0% in 2021), while in Italy, the exceptional rebound in 2021 (6.5%) will give way to slower growth (3.9%), but it will remain well above its long-term trend. As the economies continue to reopen and Covid-19 becomes less virulent, and with high vaccine coverage, confidence and activity levels will rise, boosting domestic demand. The spending of NextGenerationEU funds under national recovery and resilience plans will support investment. The still accommodative fiscal policy, with its protective measures against inflation, will support consumption, while continued reform and subsidies in Italy will encourage investment. Finally, foreign tourism is expected to return to nearly normal levels from the middle of the year, as are car exports, which have lagged behind the textile and food sectors.

As already stated, the performance of emerging and developing economies will vary between regions, with Asia still faring significantly better than the others. In addition, the negative factors seen in the second half of 2021 and extending into 2022, mentioned at the beginning of this chapter, will have a greater impact than progress in these regions. Firstly, on the health front, vaccine coverage is generally much lower in these countries. This is likely to slow their reopening after the Omicron wave. Secondly, inflation is particularly high on energy and food, which account for the bulk of their populations' spending. Faced with these inflationary pressures, while their economies are often far from having returned to pre-Covid levels, many emerging countries raised their key interest rates in 2021, as inflation expectations are more unstable and their monetary policy institutions are afforded less credibility. In addition, with the prospect of tighter US monetary policy and already greatly reduced capital inflows, their currencies are exposed to depreciation (or have already depreciated). This is particularly undesirable given their public debt levels and external and domestic financing requirements, as well as the rapid transfer to domestic prices. To this extent, the pace of tightening of US monetary policy will be decisive. Furthermore, the disruption of supply chains is having a significant impact on some emerging markets that depend on manufacturing exports and rely on long-distance transport both to source inputs and to access their markets. It is also particularly affecting countries that are dependent on imports for their basic needs. Moreover, in addition to their financial reliance on US monetary policy, mineral commodity producers are heavily dependent on Chinese demand, which is likely to falter, as explained below. Finally, on the whole, the crisis has had a greater impact on their populations than in advanced economies in terms of widening inequalities, loss of income and employment, and food security, given the size of their informal economy and their governments' limited budget capacities. Yet as the crisis ends, a resurgence of discontent, sometimes exacerbated by the restriction of freedoms for health reasons, is often being seen. This was the case in Kazakhstan in early January.

Emerging Asia is expected to post growth of 5.4% in 2022, after 6.9% in 2021. Unusually, it will owe much of this strong performance not to China, but to India (8.1% after 8%), where the general improvement in the economy that began at the end of spring 2021 is expected to continue. It is aided in this respect by its low dependence on foreign trade in goods and its strong presence in IT services. In contrast, growth is only expected at 5.4% in China, down from 8.1% in 2021. The slowdown seen in the second half of 2021 is likely to continue, at least in the early months of 2022, as the zero-Covid strategy persists and amid doubts over the effectiveness of the vaccine. This has led to repeated lockdowns in various cities and the suspension of activity in certain factories or ports, with consequences on consumption (two-thirds of the economy) and production. Climate objectives, efforts to cool down the real estate sector and the crackdown on technology companies driven by the "common prosperity" strategy, will also exacerbate the slowdown. However, the authorities seem to want to limit the downturn by adjusting their restrictive policies. To this end, they eased monetary policy in December 2021. An increase in steel production and coal-fired electricity generation was allowed. In addition, regional and local government authorities have been given greater flexibility to finance infrastructure. Exports (one-fifth of the economy) should continue to benefit from strong demand for goods in advanced economies, despite production and transport hitches. After 2021 was marked by successive waves of Covid infections, the region's other major emerging economies (Indonesia, Malaysia, Philippines and Thailand) should see economic activity accelerate with the gradual recovery in tourism and reduced constraints on their manufacturing production and exports. Despite the slowdown in China, their revenues from oil and gas, coal and agricultural exports are expected to remain high.

Among other emerging regions, Central Europe is expected to grow by 4.5% (after 5.5%), with its main economies recording similar levels of growth. Investment will be supported by European structural funds and the NextGenerationEU package and by capacity saturation. Consumption will benefit from the savings built up during the crisis and from rising incomes in a tight labour market. While monetary policy is likely to be further tightened, fiscal policy should remain accommodative, except in Romania, due to local imbalances. These countries' exports, particularly in the automotive sector, should gain from the easing of constraints caused by the semiconductor shortage. Russia is expected to grow by 2.6% (after 4.3%), a modest performance in line with the rise in consumption and investment, due to high inflation and rising interest rates, as well as a stabilisation in oil and gas revenues. Ukraine should do better (3.5% after 3.7%), provided that the confrontation with Russia does not worsen, as should Kazakhstan (4.3% after 3.3%), with the bloody riots of January having only a minor impact on its economy. However, Turkey is expected to post growth of 3.5%, down from 9.8% in 2021. While exports and tourism will be more competitive due to the sharp depreciation of the lira, consumer spending is likely to suffer from high inflation, even if it is partially offset by fiscal measures. Low-income households and companies that import and sell goods locally will fare the worst. Uncertainty about monetary policy is high, with elections due to be held in 2023. Will interest rates remain low while inflation rises? The Middle East and North Africa are expected to maintain the same pace of growth (3.8% after 4%), for example in Saudi Arabia (4.5% *vs.* 3%), the United Arab Emirates (4% *vs.* 3.7%) and Egypt (5% *vs.* 3.3%), driven by the development of oil and gas exports and/or the return of tourists. Latin America's performance (2.1% after 6.3%) will reflect that of its heavyweights, Argentina (2.5% after 9%), Brazil (0% *vs.* 4.7%), Chile (2% *vs.* 11.2%), Colombia (3.7% *vs.* 9.5%), Mexico (2.8% *vs.* 5%) and Peru (3% *vs.* 12.5%). Their exports should continue to perform well, with agricultural products and energy sources having an advantage over minerals, which could see prices fall as a result of the slowdown in China. However, domestic demand will be more contrasted, reflecting diverse economic policies and a widespread trend towards monetary tightening to combat currency depreciation. In Argentina, domestic demand should continue to be underpinned by an ongoing expansive policy despite the country's imbalances, as in Colombia, where, unlike monetary tightening, fiscal policy will remain accommodative with elections scheduled for mid-year. Conversely, in Chile, the slump in savings following successive withdrawals from pension funds, tighter economic policy and the uncertain constitutional process will weigh on growth. In Brazil, the continued rise in interest rates will wipe out the fiscal *status quo* caused by elections at the end of the year. Mexico will continue to profit from the strength of the North American economy, while consumption should benefit from some easing of fiscal policy, which will offset rising interest rates. Finally, the economy in Sub-Saharan Africa is expected to stabilise at the same pace: 3.4% after 3.8%. The decline in South Africa (2% after 4.9%) due to its structural disadvantages, most notably budget constraints and the stabilisation, or even fall, in mineral prices, will be offset by the resilience of Nigeria (3% after 2.5%), continued rebounds in Cameroon (4% after 3.4%) and Mozambique (4.2% after 1.8%), and the recovery in Angola (2.5% after -0.7%), Congo (2.5% after 0.2%) and Gabon (3.7% after 1.5%), all six of which will be boosted by the strong performance of oil and gas, coal and wood prices. The other major economies – Côte d'Ivoire (6.5% after 6.2%), Kenya (5.1% after 7.7%), Ghana (6% after 4.8%) and Senegal (5.9% after 5.1%) – will continue to benefit from the importance of agriculture (exports and/or subsistence farming), sometimes alongside gold and oil. Some of these countries and others (Mauritius, Tanzania, Namibia) will gain from the recovery in tourism. The Democratic Republic of the Congo (4.8% after 4%) will benefit from the boom in revenues from the extraction of minerals in high demand (cobalt, tin). Ethiopia will continue to be affected by the conflict between the federal government and Tigray province.

Furthermore, and crucially, this scenario is based on the gradual disappearance in the first half of the year of the causes of the global slowdown in the second half of last year. Firstly, this implies an improvement in the health crisis, which will allow the continued lifting of the restrictions that are hampering economic activity. This supposes there will be no new variants that are either more virulent or that escape the immunity acquired through vaccination or infection, and the extension of vaccine coverage in emerging and developing regions. Failing this, production and supply chains, particularly those involving Asia, will remain disrupted for longer due to the closure of factories and ports and the absence of staff due to sickness or because they are unable to cross borders. In addition, production and supply chains would be overloaded by demand as consumers are prevented from spending on services. Finally, this disruption could be exacerbated by the persistence of the electronic components shortage. As a result, inflationary pressure, also fuelled by high energy and food prices, as well as labour market tensions in some advanced economies, would intensify, forcing central banks to accelerate their monetary policy tightening. The scale of this tightening would be bigger in emerging economies where inflation expectations are less stable, currencies are more volatile and public accounts are often weak. This monetary tightening would have an impact on lending, which, when added to the end of generous fiscal policies, would be likely to weaken companies, after a sharp drop in the number of bankruptcies over the last two years. The shape of the Chinese slowdown will also play a role, and will depend highly on whether the zero-Covid strategy is maintained and on the future of its construction sector. If the slowdown were to continue, it would impact commodity prices, particularly minerals, and their producing countries, as well as other major trading partners in the Asia-Pacific region, Germany and the United States. Furthermore, delays in the return to normal following the health crisis would keep certain sectors such as leisure, accommodation, hospitality, aeronautics and, to a lesser extent, the automotive sector, struggling. Finally, the geopolitical situation, particularly the Russia-Ukraine military confrontation and trade disagreements between China and the US, will bring a further dose of uncertainty.

3.6.2 Outlook for the Coface Group

From a public health standpoint, the end of 2021 was characterised by the emergence of the highly contagious Omicron variant. High vaccination rates in most countries as well as the authorities' and corporates' ability to adapt limited the economic impact.

In geopolitical terms, a new cycle of tension appears to be dawning in several regions (Taiwan, Ukraine, Africa). Coface is closely monitoring any developments in these potential crises.

Rising commodity prices, pressure on numerous supply chains and unemployment back at all-time lows in several countries have reignited the debate over inflation, leading central banks to start normalising their monetary policy, especially in the United States. The sharp rise in energy prices, especially in Europe, has caused difficulties for a number of electricity distributors and for certain end clients.

Against this backdrop, the number of bankruptcies has continued to rise, and has even reached 2019 levels in some countries (Spain, United Kingdom). In contrast, other countries (France, Germany) are continuing to see very low bankruptcy levels.

Coface believes that it has recognised the majority of the accounting expense associated with the government schemes. As a result, the negative impact of these schemes on earnings should reduce significantly in 2022.

Coface is confirming the relevance of its Build to Lead strategy and is continuing to invest, both in the core trade credit insurance business and in its adjacencies, especially in information services where the strong growth generated (+18% in 2021) is a testament to the appropriateness of the Group's multi-year investment strategy.

3.7 KEY FINANCIAL PERFORMANCE INDICATORS

3.7.1 Financial indicators

Consolidated turnover

The composition of the Group's consolidated turnover (premiums, other revenue) is described under "Accounting principles and methods" in the notes to the consolidated financial statements.

Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, Single Risk policies and surety bonds, less changes in recoveries following recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the financial year, and to the change in claims provisions during the financial year, and the handling expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring recovery procedures (charges and provisions for internal and external debt collection fees).

Claims paid correspond to compensation paid under the policies during the financial year, net of collections received, plus costs incurred to ensure their management, regardless of the financial year during which the claim was declared or during which the event producing the claim took place, less amounts recovered during the financial year for claims previously indemnified, regardless of the year the indemnification was paid.

Claims provisions are established for claims declared but not yet settled at financial year end, as well as for claims that have not yet been declared, but which have been deemed probable by the Group, given the events that have arisen during the financial year (incurred but not reported (IBNR) provisions). The amounts thus provisioned also take into consideration a forecast of the amount to be collected for these claims. These provisions are decreased each year by recoveries made following the payment of compensation or the estimate of potential losses for declared or potential claims. The difference between the amount of provisions in a given financial year (established during the first year of underwriting a policy) and the amounts revalued the following years is either a liquidation profit (revaluation downward) or loss (upwards revaluation) (see Note 23 to the consolidated financial statements).

Operating expenses

"Operating expenses" correspond to the sum of the following items:

- "Contract acquisition costs", consisting of:
  - external acquisition costs, namely commissions paid to business contributors (brokers or other intermediaries) and which are based on the turnover contributed by such intermediaries,
  - and internal acquisition costs, which are essentially fixed costs related to payroll expenses for contract acquisition and the costs of the Group's sales network;
- "Administration costs" (including Group operating costs, payroll costs, IT costs, etc., excluding employee profit sharing and incentive schemes). Contract acquisition costs as well as administration costs primarily include costs linked to the credit insurance business. However, due to pooling, costs related to the Group's other businesses are also included in these items;
- "Other current operating expenses" (expenses that cannot be allocated to any of the functions defined by the chart of accounts, including in particular general management expenses);
- "Expenses from banking activities" (general operating expenses, such as payroll costs, IT costs, etc.) relating to factoring activities; and
- "Expenses from other activities" (overheads related exclusively to information and debt collection for customers without credit insurance).

As such, "Operating expenses" consist of all overheads, with the exception of internal investment management expenses for insurance – which are recognised in the "Investment income, net of management expenses (excluding financing costs)" aggregate – and claims handling expenses, with the latter included in the "Claims expenses" aggregate.

Total internal overheads (*i.e.* overheads excluding external acquisition costs (commissions)), are analysed by function, regardless of the accounting method applied to them, in all of the Group's countries. This presentation enables a better understanding of the Group's savings and differs on certain points from the presentation of the income statement, which meets the presentation requirements of the accounting standards.

Cost of risk

"Cost of risk" corresponds to expenses and provisions linked to covering the ceding company risk (inherent to the factoring business) and credit risk, net of credit insurance coverage.

Underwriting income

Underwriting income is an intermediate balance of the income statement which reflects the operational performance of the Group's activities, excluding the management of business investments. It is calculated before and after recognition of the income or loss from ceded reinsurance:

- "Underwriting income before reinsurance" (or underwriting income gross of reinsurance) corresponds to the balance between consolidated turnover and the total sum of claims expenses, operating expenses and cost of risk;

- "Underwriting income after reinsurance" (or underwriting income net of reinsurance) includes, in addition to the underwriting income before reinsurance, the income or loss from ceded reinsurance, as defined below.

Income (loss) from ceded reinsurance (expenses or income net of ceded reinsurance)

"Reinsurance income" (or income and expenses net of ceded reinsurance) corresponds to the sum of income from ceded reinsurance (claims ceded to reinsurers during the financial year under the Group's reinsurance treaties, net of the change in the provision for claims net of recoveries that was also ceded, plus the reinsurance commissions paid by reinsurers to the Group for proportional reinsurance), and charges from ceded reinsurance (premiums ceded to reinsurers during the financial year for the Group's reinsurance treaties, net of the change in provisions for premiums also ceded to reinsurers).

Investment income, net of management expenses (excluding financing costs)

"Investment income, net of management expenses (excluding financing costs)" combines the result of the Group's investment portfolio (investment income, net gains on disposals and addition to/reversals of provisions for impairment), exchange rate differences and investment management expenses.

Operating income

"Current operating income (loss)" corresponds to the sum of "Underwriting income after reinsurance", "Net investment income excluding financing costs" and non-current items, namely "Other operating income and expenses".

In the presentation of operating income by region, the amounts are represented before turnover from interregional flows and holding costs not charged back to the regions have been eliminated.

Income tax

Tax expenses include tax payable and deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described under "Accounting principles and methods" and in Note 29 to the consolidated financial statements).

Net income (Group share)

Net income (Group share) corresponds to the amount of "Net income from continuing operations" (corresponding to "Operating income", net of "Financing costs", "Share in net income of associates" and "Income tax"), "Net income from discontinued operations" and "Non-controlling interests".

3.7.2 Operating indicators

As part of its business operations, in addition to the financial aggregates published in accordance with the International Financial Reporting Standards (IFRS), the Group uses four operational indicators to track its commercial performance. They are described below:

Production of new contracts

The production of new contracts corresponds to the annual value of credit insurance policies taken out by new customers during the period. The Group generally records a higher production of new contracts during the first quarter of a given financial year.

Retention rate

The rate corresponds to the ratio between the annual value of the policies actually renewed and that of the policies that were due to be renewed at the end of the preceding period. The annual value of the policies corresponds to the value of the credit insurance policies over a 12-month period according to an estimate of the volume of related sales and the level of the rate conditions in effect at the time the policy is taken out.

Price effect of credit insurance policies

The price effect of the credit insurance policies corresponds to the difference between the annual value of the policies, calculated based on the tariffs in effect at the time the policy is taken out, and the annual value of the policies for the preceding period (calculated based on the rate conditions of the preceding period and excluding any volume effect related to policyholders' actual revenue).

Volume effect

The method for calculating premiums on the Group's turnover produces its effects throughout the life of the policies, and not for a single financial year. When the volume of a policyholder's actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy, this difference produces a positive effect on the earned premiums recorded by the Group with a one-year lag. Conversely, when the volume of the policyholder's sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Group's turnover for the following financial year.

3.7.3 Breakdown of the calculation of ratios as of December 31, 2021

EARNED PREMIUMS *In €k*	FY-2020	FY-2021
Gross earned premiums [A]	**1,204,334**	**1,312,637**
Ceded premiums	(559,203)	(512,098)
NET EARNED PREMIUMS [D]	**645,131**	**800,539**

CLAIMS EXPENSES *In €k*	FY-2020	FY-2021
Claims expenses [B]	**(623,653)**	**(280,456)**
Ceded claims	180,639	119,395
Change in claims provisions	135,321	(105,272)
NET CLAIMS EXPENSES [E]	**(307,692)**	**(266,333)**

* *Of which claims handling expenses*

TECHNICAL EXPENSES *In €k*	FY-2021	FY-2021
Operating expenses	**(655,672)**	**(699,327)**
Employee profit sharing and incentive plans	2,854	9,898
Other revenue	246,530	255,221
Operating expenses, net of revenues from other services before reinsurance [C]	(406,288)	(434,208)
Commissions received from reinsurers	199,126	183,686
OPERATING EXPENSES, NET OF REVENUES FROM OTHER SERVICES AFTER REINSURANCE [F]	**(207,162)**	**(250,522)**

Gross comined ratio = gross loss ratio	$\frac{B}{A}$	**+ gross cost ratio**	$\frac{C}{A}$
Net combined ratio = net loss ratio	$\frac{E}{D}$	**+ net cost ratio**	$\frac{F}{D}$

RATIOS	FY-2020	FY-2021
Loss ratio before reinsurance	51.8%	21.4%
Loss ratio after reinsurance	47.7%	33.3%
Cost ratio before reinsurance	33.7%	33.1%
Cost ratio after reinsurance	32.1%	31.3%
Combined ratio before reinsurance	85.5%	54.4%
Combined ratio after reinsurance	79.8%	64.6%

3.7.4 Alternative performance measures (APM)

This section takes a look at KPIs not defined by accounting standards but used by the Company for its financial communications.

This section is a follow-up to the AMF's position – IAP DOC 2015-12.

The indicators below represent indicators listed as belonging to the category of Alternative Performance Measures.

a) Alternative performance measures related to turnover and its constituent items:

DEFINITION	JUSTIFICATION
Turnover with restated items	
[1] Two types of restatements on turnover: i. Calculation of turnover growth percentages, like-for-like: Year N recalculated at the exchange rate of year N-1; Year N-1 at the Group structure of year N. ii. Removal or addition of turnover in value (€) considered as extraordinary in the current year. The term "extraordinary" refers to impacts on turnover which do not occur every year.	i. Historic method used by Coface to calculate *pro forma*%. ii. Item considered as extraordinary, *i.e.* which will only occur in the current financial year (year N).
Fee and commission income/Gross earned premiums – (current – like-for-like)	
Weight of fee and commission income over earned premiums on like-for-like basis: Year N at the exchange rate of year N-1; Year N-1 at the Group structure of year N. Fee and commission income corresponds to the turnover invoiced on additional services.	Indicator used to monitor changes in fee and commission income compared with the main turnover item at constant scope.
Internal overheads excluding extraordinary items	
[2] Restatement or Addition of items considered as extraordinary with respect to internal overheads. The term "extraordinary" refers to impacts on expenses which do not occur every year.	Indicator used to compare changes in internal overheads by excluding extraordinary items.

b) Alternative performance measures related to operating income:

DEFINITION	JUSTIFICATION
Operating income excluding restated extraordinary items (including financing costs and excluding other operating income and expenses)	
Restatement or Addition of items considered as extraordinary to operating income: these include extraordinary income and expenses impacting either turnover (see definition above, **[1]**) or overheads (see definition above **[2]**).	Indicator used to compare changes in operating income by excluding extraordinary items.

c) Alternative performance measures related to net income:

DEFINITION	JUSTIFICATION
Net income excluding extraordinary items	
Restatement or Addition of items considered as extraordinary with respect to net income. This includes extraordinary income and expenses likely to impact either turnover (see definition above **[1]**) or overheads (see definition above **[2]**). This aggregate is also restated for "current operating income and expenses", which are recorded after operating income in the management income statement.	Indicator used to compare changes in net income by excluding extraordinary items.

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
i. (Current turnover N - FX Impact N-1)/(Current turnover N-1 + Perimeter impact N) -1 **ii.** Current turnover N +/- Restatements/ Additions of extraordinary items N	i. **+8.3%** = (1,567.9 + 14.0)/(1,450.9 + 9.5 scope impact) - 1 ii. 1,567.9 +/-0.0	i. N/A 1,460.4 = 1,450.9 + (9.5 scope impact) ii. 1,460.4 +/-0.0
Fee and commission income/Earned premiums – Like-for-like	**Current: 10.7%** = 140.8/1,312.6 **Like-for-like: 10.6%** = 141.2/1,326.3	**Current: 12.0%** = 144.0/1,204.3 **Like-for-like: 11.8%** = 145.3/1,233.3
Current internal overheads +/- Restatements +/- Additions of extraordinary items	€**572.7**m = 572.7 +/-0.0	€**536.1**m = 536.1 +/-0.0

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
Operating income +/- Financing expenses +/- Addition of extraordinary items	€**294.6**m = 312.9 + (-21.5) - (-3.2 Extraordinary items)	€**132.5**m = 140.4 + (-21.8) - (-13.8 Extraordinary items)

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
Current operating income +/- Restatements +/- Additions of extraordinary items net of tax	Not applicable for this reporting date	Not applicable for this reporting date

d) Alternative performance measures related to the combined ratio:

DEFINITION	JUSTIFICATION
Loss ratio gross of reinsurance (loss ratio before reinsurance) and gross loss ratio with claims handling expenses refer to the same indicator	
Ratio of claims expenses to gross earned premiums (the sum of gross earned premiums and unearned premium provisions), net of premium refunds.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
Loss ratio net of reinsurance (loss ratio after reinsurance)	
Ratio between claims expenses net of claims expenses ceded to reinsurers under reinsurance treaties entered into by the Group, and total earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
Cost ratio before reinsurance	
Ratio between operating expenses (net of employee profit sharing) less other income* and earned premiums.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums.
Cost ratio after reinsurance	
Ratio between operating expenses (net of employee profit sharing) less other income* net of commissions received from reinsurers under reinsurance treaties entered into by the Group, and the total of earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums after ceded reinsurance.
Combined ratio before/after reinsurance	
The combined ratio is the sum of the loss ratios (before/after reinsurance) and cost ratios (before/after reinsurance) as defined above.	Overall profitability indicator of the Group's activities and of its technical margin before and after ceded reinsurance.
Net combined ratio excluding restated and extraordinary items [A]	
Restatement or Addition of items considered as extraordinary with respect to combined ratio after reinsurance. This includes extraordinary income and expenses impacting either turnover (see definition above, **[1]**) or overheads (see definition above **[2]**).	Indicator used to compare changes in combined ratios after reinsurance by excluding extraordinary items.
Loss ratio excluding extraordinary items [B]	
Restatement or Addition of items considered as extraordinary with respect to loss ratio net of reinsurance.	Indicator used to compare changes in loss ratios after reinsurance by excluding extraordinary items.
Net cost ratio excluding restated and extraordinary items [C]	
Restatement or Addition of items considered as extraordinary to cost ratio after reinsurance: these include extraordinary income and expenses impacting either turnover (see definition above, **[1]**) or overheads (see definition above **[2]**).	Indicator used to compare changes in cost ratios after reinsurance by excluding extraordinary items.
Current year gross loss ratio – before reinsurance excluding claims handling expenses [D]	
Ultimate claims expense (after recoveries) over earned premiums (after premium refunds) for the current year. The insurance period is exclusively the current year N.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
Prior year gross loss ratio – before reinsurance excluding claims handling expenses [E]	
Corresponds to gains/losses for insurance periods prior to current year N excluded. A gain or loss corresponds to an excess or deficit of claims provisions compared with the loss ratio actually recorded.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
Comprehensive gross loss ratio – before reinsurance excluding claims handling expenses [F]	
Corresponds to the accounting loss ratio for all insurance periods (current year N and its prior years). This concerns the loss ratio before reinsurance excluding claims handling expenses.	Key indicator in loss monitoring.

* *Operating expenses include overheads linked to the execution of additional services (business information and debt collection) inherent to the credit insurance business. These also include overheads for service businesses carried out by the Group, such as factoring.*
In order for the cost ratio calculated by the Group to be comparable to the cost ratio calculated by other main market players, "Other revenue", namely the revenue generated by the additional businesses (non-insurance), is deducted from overheads.

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
Claims expenses/Gross earned premiums	See 3.7.3 Appendix – Breakdown of the calculation of ratios at December 31	
(Claims expenses + Ceded claims + Change in provisions on claims net of recourse)/(Gross earned premiums + Expenses from ceded reinsurance)	See 3.7.3 Appendix – Breakdown of the calculation of ratios at December 31	
(Operating expenses - Employee profit sharing - Other income)/Gross earned premiums	See 3.7.3 Appendix – Breakdown of the calculation of ratios at December 31	
(Operating expenses - Employee profit sharing - Other income - Commissions received from reinsurers)/(Gross earned premiums + Expenses from ceded reinsurance)	See 3.7.3 Appendix – Breakdown of the calculation of ratios at December 31	
Loss ratio (before/after reinsurance) + Cost ratio (before/after reinsurance)	See 3.7.3 Appendix – Breakdown of the calculation of ratios at December 31	
Combined ratio after reinsurance +/- Restatements +/- Additions of extraordinary items	**[A] = [B] + [C]** **54.5%** = 23.2% + 31.3%	**[A] = [B] + [C]** **84.5%** = 53.0% + 31.6%
Loss ratio after reinsurance +/- Restatements/Additions of extraordinary items	**23.2%** = 33.3% - 10.1 pts	**53.0%** = 47.7% + 5.3 pts
Cost ratio after reinsurance +/- Restatements/Additions of extraordinary items	**31.3%** = 31.3% - 0.0pts	**31.6%** = 32.1% - 0.5 pts
Claims for the current year/Earned premiums for the current year see ultimate loss ratios development triangle	**66.8%**	**78.4%**
[E] = [F-D]	**-47.7%** = 18.6% - 66.3%	**-29.3%** = 49.1% - 78.4%
(Claims paid net of recourse + Change in claims provisions)/Earned premiums	**18.6%** = - (- 244.3/1,312.6)	**49.1%** = - (- 591.8/1,204.3)

e) Alternative performance measures related to equity:

DEFINITION	JUSTIFICATION
RoATE – Return on average tangible equity	
Net income (Group share) over average tangible equity (average equity (Group share) for the period restated for intangible assets)	The RoATE is used to measure the return on the Coface Group's invested capital.
RoATE excluding non-recurring extraordinary items	
The calculation of RoATE (see definition of RoATE above) is based on net income excluding extraordinary items and average tangible equity (see RoATE definition above) excluding extraordinary items. For this calculation, interest or commissions linked to capital management instruments (such as hybrid debt, contingent capital) are not considered as extraordinary items.	RoATE excluding extraordinary items is used to monitor the Group's profitability between two reporting periods.

f) Alternative performance measures related to the investment portfolio:

DEFINITION	JUSTIFICATION
Accounting rate of return of financial assets	
Investment income after income from equity and interest rate derivatives and before income from equity securities, currencies and currency derivatives and financial expenses divided by the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the accounting performance of the financial assets portfolio.
Accounting rate of return of financial assets excluding income from disposals	
Investment income before gains or losses on disposals, impairment and reversals, income from equity and interest rate derivatives, equity securities, currencies, currency derivatives and financial expenses, divided by the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the recurring accounting performance of the financial assets portfolio.
Economic rate of return of financial assets	
Economic performance of the asset portfolio. Thus, the change in revaluation reserves for the year over the balance sheet total of financial assets is added to the accounting rate of return.	Indicator used to monitor the economic performance of the financial assets portfolio.
Investment portfolio income	
Investment portfolio income (shares/fixed income instruments and real estate).	Used to monitor income from the investment portfolio only.
Other	
Income from derivatives excluding currency derivatives, income from equity securities and investment fees	Used to monitor income from equity securities, derivatives excluding currency derivatives and fees relating to investments

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
Net income (Group share) for year N/[(Equity (Group share) N-1, restated for intangible assets N-1 + Equity (Group share) restated for intangible assets N)/2]	**12.2%** = 223.8/[(1,767 + 1,911)/2]	**4.8%** = 82.9/[(1,704 + 1,767)/2]
Net income (Group share) for year N excluding extraordinary items/[Equity (Group share) excluding extraordinary items N-1, restated for intangible assets N-1 + Equity (Group share) excluding extraordinary items N restated for intangible assets N)/2]	Not applicable for this reporting date	Not applicable for this reporting date

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
Investment portfolio income/((market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/2)	**1.2%** = 36.7/(((3,220 - 152) + (2,984 - 150))/2)	**1.1%** = 31.1/(((2,984 - 150) + (2,991 - 142))/2)
Investment portfolio income excluding capital gains or losses/((market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/2)	**1.1%** = (36.7 - 3.6)/(((3,220 - 152) + (2,984 - 150))/2)	**1.2%** = (31.1 +1.7)/(((2,984 - 150) + (2,991 - 142))/2)
Accounting rate of return on financial assets + (revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N - revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/((market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed income instruments) year N-1)/2)	**1.6%** = (36.7 + 106.0 - 96.2)/(((3,220 - 152) + (2,984 - 150))/2)	**1.5%** = (31.1 + 96.2 - 85.2)/(((2,988 - 150) + (2,991 - 142)
Income from shares excluding equity securities + income from fixed income instruments + real estate income + income from equity and interest rate derivatives	**€36.7m** = 4.0 + 23.2 + 14.0 - 4.5	**€31.1m** = (6.8) + 22.2 + 9.7 + 6.0
Income from derivatives excluding currencies + income from equity securities + investment fees	**€5.5m** = 7.0 + 6.2 - 7.8	**(€4.2m)** = -3.5 + 5.2 - 6.0

g) Alternative performance measures linked to reinsurance:

DEFINITION	JUSTIFICATION
Ceded premiums/Gross earned premiums (rate of ceded premiums)	
Weight of ceded premiums compared with earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cedes to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not yet written.	Indicator used to monitor changes in reinsurance income.
Ceded claims/Total claims (rate of ceded claims)	
Weight of ceded claims compared with total claims. Ceded claims correspond to the share of claims that Coface cedes to its reinsurers under reinsurance treaties signed with them.	Indicator used to monitor changes in reinsurance income.
Underwriting income before/after reinsurance (underwriting income gross/net of reinsurance)	
See definition above (Financial indicators) Underwriting income before and after reinsurance is now reported directly in the income statement following changes in its presentation.	

3.8 INVESTMENTS OUTSIDE THE INVESTMENT PORTFOLIO

Information can be found in Note 6 “Buildings used in the business and other property, plant and equipment” of the Group’sconsolidated financial statements.

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON – €M 2021	2020
(Ceded premiums (including change in premiums provisions)/Earned premiums)	39.0% = -(-512.1/1,312.6)	46.4% = -(-559.2/1,204.3)
Ceded claims (including change in claims provisions after recourse)/Total claims (including claims handling expenses)	5.0% = -14.1/[(-244.3) +(-36.2)]	50.7% = -316.0/[(-591.8) +(-31.8)]