Unaudited interim consolidated financial statements

(free translation)

Nine months ending September 30, 2020

CONTENTS

Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at September 30th, 2020 are established in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

The interim financial statements include:

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

They are presented with comparative financial information at December 31st, 2019 for balance sheet items, and for the 9 months ended September 30th, 2019 for income statement items.

The accounting principles and policies used for the interim financial statements as at September 30th, 2020 are the same as the ones used for the year ended December 31st, 2019. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and adopted by the European Union[1]. They are detailed in the note "Applicable Accounting Standards" of consolidated financial statements for the year ended December 31st, 2019.

The interim financial statements of Coface as at September 30, 2020 are prepared in accordance with the mandatory international accounting standards and interpretations which have been applied since January 1, 2020. The application of these standards has no significant impact on Coface's interim financial statements as at September 30, 2020.

The standards concerned are the following:

- Amendments to IAS 1 and IAS 8: these amendments clarify the definition of the term "significant".
- Amendments to IFRS 9, IAS 39 and IFRS 7: these amendments aim to define exceptions to the application criteria of hedge accounting provided by IFRS 9 and IAS 39 and to specify the information to disclose related to the effects of the Interest Rate Benchmark Reform.
- Amendment to IFRS 3: this amendment clarifies the definition of the term "business".

Assumptions and decisions used for the financial statements have been reassessed according to Covid-19 pandemic.

These assumptions are mainly related to the following items :

- Turnover : reassessment of premiums not written adjustment which is the difference between the minimum of premium and the final written premium[2], in order to take into consideration economical context in countries where the group is present
- Claims provisions : the calculation used to determine the ultimate claims on 2020 underwriting year has been adapted in order to take into account the health crisis including a cautious review of severity and frequency hypothesis and integration of stress scenarios

The Covid-19 crisis also led to the accounting of impairment on the following consolidated balance sheet items :

- Goodwill : impairment on the Latin America CGU
- Financial assets : decrease in the value of real estate funds considering the expected crisis in the retail and hotel businesses

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

[2] *Written premiums depend on the turnover realized by the Group's insured or on their outstanding client risk, itself depending on the turnover. Therefore, premiums depend directly on the sales volume realised in countries in which the group is present.*

Finally, mid-year financial statements take into account all the measures established by governements (mainly Europeans) to maintain the availability of credit insurance to a large number of firms. These measures are reinsurance contracts and are described in the Significant events section

These condensed consolidated financial statements were reviewed by Coface Group's Board of Directors on October 26th, 2020. They were also previously reviewed by the Audit Committee on October 23th, 2020.

Significant events

Coface launches its new 2023 strategic plan, Build to Lead

During its investor day organised on 25 February in Paris, Coface presented its new 2023 strategic plan Build to Lead. This plan seeks to take further the business and cultural transformation undertaken under Fit to Win.
In particular the new plan will: a) continue to strengthen risk management and underwriting discipline; b) improve service, commercial and operational efficiency; c) invest in select growth initiatives in trade credit insurance as well as in specialty lines and d) maintain balance sheet strength.
With the implementation of the plan Build to Lead, Coface raises all its financial targets.
The rapid occurrence of the health and economic crisis induced after the presentation of the plan does not call into question the fundamentals of the plan. Circumstances have led to a review of the Group's short-term priorities, but the strategic direction remains the same.
Build to Lead plan was presented before Covid-19. Nevertheless, no impact has been identified to date on the project.

Coface demonstrates its agility in crisis management

Faced with the occurrence of the health crisis and the economic freeze in a large number of countries, Coface quickly took measures to mitigate the effects on its economic model. First of all, Coface's teams were working from home with no disruption in quality of service delivered to clients, thus demonstrating operational agility.
On the financial side, Coface rapidly reduced the level of risk in its investment portfolio and significantly increased its liquidity level to 21%.
For reasons of prudence, in line with the recommendations of regulatory and governmental authorities, and to maintain its financial agility, the Board of Directors decided at its meeting on April 1 to propose to the Combined General Meeting of May 14, 2020 to pay no dividend for the financial year ending December 31, 2019. This measure resulted in a gain of approximately 13 points on the Group's solvency.
Lastly, in response to the general deterioration in credit risk, Coface took an exceptionally high number of preventive measures in its portfolio. Despite record volumes, most of the decisions were taken following a detailed analysis of the situation of each debtor, based on its country, sector and specific situation.

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

Many governments were quick to recognize the crucial role of credit insurance in maintaining business-to-business credit, the primary source of financing for many businesses. In order to guarantee the availability of credit insurance in a period when the risk is not necessarily insurable, many states have set up guarantee mechanisms of varying form and scope. Coface has already finalized 12 government agreements that represent 56% of its exposure.

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

The French government and Coface have finalised on 29 September an agreement to extend the “CAP Relais” public reinsurance scheme, implemented in June: it will now cover large French companies and exports.
CAP Relais already covered all outstanding amounts carried by small- and medium-sized companies on the domestic market alone. In France, export transactions account for more than a quarter of credit insurers' exposure, and large companies also account for a large share of insured amounts outstanding, whether they are acting as buyer or supplier. This means that three-quarters of Coface's French portfolio is covered via this scheme.

The impact of all these governemental schemes on September 2020 accounts, is an increase of the result before tax of 7m€.

It should be noted that the Italian government published in 19th may 2020 an economy recovery decree in which is included a 2 billion euros credit insurance support mechanism. This mechanism has been approved by the European commission the 13th August 2020 with some modifications and is submitted to the Italian government under a rectified decree.
Since the approval of the mechanism is uncertain on these terms, its impacts have not been included in the September 2020 accounts, waiting for the Italian law to be edited.

Rating agencies recognise Coface's good performances

The rating agencies quickly analysed the potential consequences of the crisis on the various sectors of economic activity. In the insurance sector, and particularly in credit insurance, the first reaction was to anticipate a deterioration in the rating profile.
Thus, the rating agency Moody's confirmed Coface's Insurance Financial Strength (IFS) A2 rating on 27 March 2020 but the outook is no more to negative.
Ratings agency Fitch has, on 31 March 2020 placed Coface on Rating Watch Negative. This includes Coface's Insurer Financial Strength (IFS) rating.
Furthermore, on 24 February, Rating agency AM Best has assigned a Financial Strength Rating (FSR) of A (Excellent) to Compagnie française d'assurance pour le commerce extérieur (la Compagnie) and to Coface Re. Both ratings have a stable outlook.
The agency has also affirmed the FSR of Coface North America Insurance Company (CNAIC) to A (Excellent). The outlook remains stable.

Shareholding evolution

On 25th of February, Natixis announced the sale of 29.5% of the share capital of Coface to Arch Capital Group Ltd and has stated its intention to resign from COFACE's Board of Directors after the closing of the transaction. Natixis also specified that its agreement with Arch states that, on this date, Coface's Board of Directors will be composed of ten members comprising four members proposed by Arch and six independent directors (including the current five independent directors).
Coface's Board of Directors, liaising with the Nominations and Compensation Committee, decided to immediately launch a search for the future Chairman of the Board whose term of office will take effect on the closing date of the transaction. The Chairman of the Board will be an independent director.
Arch affirmed support of COFACE's current management and of its new 2023 strategic plan Build to Lead.

Coface finalised the acquisition of GIEK Kredittforsikring AS

On July 1, Coface announced the closing of the acquisition of GIEK Kredittforsikring AS, a company created in 2001 that manages the short-term export credit insurance portfolio previously underwritten by the Norwegian ECA, GIEK. Coface has acquired all GIEK Kredittforsikring AS shares, and the business will thus operate under the brand name Coface GK.
GIEK is consolidated in the group account starting from 1st of July and its integration created a 8,9m€ of badwill in the September 2020 net result.

Nicolas Namias is appointed as Chairman of Directors of COFACE SA

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

Consolidated balance sheet

Asset

(in thousands of euros)	Sept 30, 2020	Dec. 31, 2019
Intangible assets	**226,195**	**220,844**
Goodwill	154,284	155,833
Other intangible assets	71,911	65,011
Insurance business investments	**2,943,969**	**2,990,686**
Investment property	288	288
Held-to-maturity securities	1,815	1,842
Available-for-sale securities	2,872,572	2,911,034
Trading securities	46	43
Derivatives	5,110	1,809
Loans and receivables	64,138	75,670
Receivables arising from banking activities	**2,156,197**	**2,346,710**
Reinsurers' share of insurance liabilities	**602,993**	**450,367**
Other assets	**1,006,748**	**1,053,538**
Buildings used for operations purposes and other property, plant and equipment	108,078	123,776
Deferred acquisition costs	38,941	40,384
Deferred tax assets	58,875	64,042
Receivables arising from insurance and reinsurance operations	503,708	532,362
Trade receivables arising from service activities	63,162	62,112
Current tax receivables	42,481	49,675
Other receivables	191,504	181,187
Cash and cash equivalents	**472,678**	**320,777**
TOTAL ASSETS	**7,408,781**	**7,382,922**

Liability

(in thousands of euros)	Sept 30, 2020	Dec. 31, 2019
Equity attributable to owners of the parent	**1,945,907**	**1,924,472**
Share capital	304,064	304,064
Additional paid-in capital	810,420	810,420
Retained earnings	655,802	512,438
Other comprehensive income	123,188	150,821
Consolidated net income of the year	52,434	146,729
Non-controlling interests	**252**	**269**
Total equity	**1,946,159**	**1,924,741**
Provisions for liabilities and charges	**91,169**	**100,932**
Financing liabilities	**385,708**	**389,261**
Lease liabilities	**82,820**	**92,990**
Liabilities relating to insurance contracts	**1,873,465**	**1,827,219**
Payables arising from banking activities	**2,154,153**	**2,362,805**
Amounts due to banking sector companies	518,326	523,020
Amounts due to customers of banking sector companies	255,888	301,058
Debt securities	1,379,939	1,538,727
Other liabilities	**875,309**	**684,974**
Deferred tax liabilities	101,107	107,357
Payables arising from insurance and reinsurance operations	371,684	219,863
Current taxes payables	71,670	66,295
Derivatives	29	889
Other payables	330,818	290,570
TOTAL EQUITY AND LIABILITIES	**7,408,781**	**7,382,922**

Consolidated income statement

(in thousands of euros)	Sept 30, 2020	Sept 30, 2019
Gross written premiums	*976,106*	*1,007,924*
Premium refunds	*(59,011)*	*(69,584)*
Net change in unearned premium provisions	*(19,915)*	*(20,445)*
Earned premiums	**897,180**	**917,895**
Fee and commission income	*110,438*	*107,133*
Net income from banking activities	*42,680*	*48,463*
Income from services activities	*32,143*	*29,956*
Other revenue	**185,260**	**185,552**
Revenue	**1,082,440**	**1,103,447**
Claims expenses	**(516,555)**	**(390,774)**
Policy acquisition costs	*(174,498)*	*(184,556)*
Administrative costs	*(195,962)*	*(198,630)*
Other insurance activity expenses	*(41,215)*	*(50,691)*
Expenses from banking activities, excluding cost of risk	*(9,779)*	*(10,193)*
Expenses from services activities	*(60,346)*	*(55,990)*
Operating expenses	**(481,800)**	**(500,060)**
Risk cost	**(70)**	**(2,078)**
UNDERWRITING INCOME BEFORE REINSURANCE	**84,015**	**210,535**
Income and expenses from ceded reinsurance	(9,437)	(64,803)
UNDERWRITING INCOME AFTER REINSURANCE	**74,578**	**145,732**
Investment income, net of management expenses (excluding finance costs)	23,477	28,387
CURRENT OPERATING INCOME	**98,054**	**174,120**
Other operating income and expenses	(2,393)	109
OPERATING INCOME	**95,661**	**174,229**
Finance costs	(17,270)	(15,808)
Share in net income of associates		
Badwill	8,869	2,968
Income tax expense	(34,828)	(44,054)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**52,433**	**117,335**
Non-controlling interests	1	14
NET INCOME FOR THE YEAR	**52,434**	**117,349**

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	September. 30, 2020	September. 30, 2019
Net income of the period		**52,433**	**117,349**
Non-controlling interests		(1)	(14)
Other comprehensive income			
Currency translation differences reclassifiable to income		**(23,788)**	**23,051**
Reclassified to income			
Recognised in equity		(23,788)	23,051
Fair value adjustments on available-for-sale financial assets	3	**(6,805)**	**67,083**
Recognised in equity – reclassifiable to income – gross		(17,079)	94,713
Recognised in equity – reclassifiable to income – tax effect		3,309	(21,948)
Reclassified to income – gross		7,432	(7,412)
Reclassified to income – tax effect		(467)	1,730
Fair value adjustments on employee benefit obligations		**2,936**	**(2,525)**
Recognised in equity – not reclassifiable to income – gross		4,027	(3,495)
Recognised in equity – not reclassifiable to income – tax effect		(1,091)	970
Other comprehensive income of the period, net of tax		**(27,657)**	**87,609**
Total comprehensive income of the period		**24,775**	**204,944**
- attributable to owners of the parent		24,799	204,941
- attributable to non-controlling interests		(24)	3

Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Reclassifiable revaluation reserves	Other comprehensive income: Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at December 31, 2018		307,799	810,420	530,377	(21,452)	(27,685)	106,641	(22,184)	122,333	1,806,249	148	1,806,397
Effect of the first application of the standard IFRS 16				**202**						**202**		**202**
2018 net income to be appropriated				122,333					(122,333)			
Payment of 2018 dividends in 2019				(119,424)						(119,424)	(6)	(119,430)
Total transactions with owners		**(0)**	**(0)**	**2,909**	**(0)**	**(0)**	**(0)**	**(0)**	**(122,333)**	**(119,424)**	**(6)**	**(119,430)**
December 31, 2019 net income									146,729	146,729	(10)	146,719
Fair value adjustments on available-for-sale financial assets recognized in equity							85,338			85,338	7	85,345
Fair value adjustments on available-for-sale financial assets reclassified to income statement							(7,320)			(7,320)	(1)	(7,321)
Change in actuarial gains and losses (IAS 19R)								(3,229)		(3,229)		(3,229)
Currency translation differences						19,161				19,161	2	19,163
Cancellation of COFACE SA shares		(3,735)		(11,265)	15,000							
Treasury shares elimination					(4,738)					(4,738)		(4,738)
Free share plans expenses				1,277						1,277		1,277
Transactions with shareholders				128		99				227	129	356
Equity at December 31, 2019		304,064	810,420	523,628	(11,190)	(8,425)	184,659	(25,413)	146,729	1,924,472	269	1,924,741
Effect of the first application of the standard IFRS 16				**(0)**						**(0)**		**(0)**
2019 net income to be appropriated				146,729					(146,729)			
Payment of 2019 dividends in 2020												
Total transactions with owners		**(0)**	**(0)**	**146,729**	**(0)**	**(0)**	**(0)**	**(0)**	**(146,729)**	**(0)**	**(0)**	**(0)**
June 30, 2020 net income									11,145	11,145	(17)	11,128
Fair value adjustments on available-for-sale financial assets recognized in equity							(13,769)			(13,769)	(2)	(13,771)
Fair value adjustments on available-for-sale financial assets reclassified to income statement							6,965			6,965	1	6,966
Change in actuarial gains and losses (IAS 19R)								2,936		2,936		2,936
Currency translation differences						(23,765)				(23,765)	(22)	(23,787)
Cancellation of COFACE SA shares												
Treasury shares elimination					(4,632)					(4,632)		(4,632)
Free share plans expenses				1,275						1,275		1,275
Transactions with shareholders				(8)						(8)	7	(1)
Equity at September 30, 2020		**304,064**	**810,420**	**671,624**	**(15,822)**	**(32,190)**	**177,855**	**(22,477)**	**52,433**	**1,945,907**	**252**	**1,946,159**

Consolidated statement of cash flows

(in thousands of euros)	September 30, 2020	September 30, 2019
Net income for the period	**52,434**	**117,349**
Non-controlling interests	(1)	(14)
Income tax expense	34,828	44,054
Finance costs	17,270	15,808
Operating income (A)	**104,531**	**177,197**
+/- Depreciation, amortization and impairment losses	20,980	28,384
+/- Net additions to / reversals from technical provisions	(5,855)	45,505
+/- Unrealized foreign exchange income / loss	9,324	(2,350)
+/- Non-cash items	20,516	(20,700)
Total non-cash items (B)	***44,965***	***50,839***
Gross cash flows from operations (C) = (A) + (B)	***149,496***	***228,036***
Change in operating receivables and payables	126,883	47,938
Net taxes paid	(26,939)	(28,144)
Net cash related to operating activities (D)	***99,944***	***19,794***
Increase (decrease) in receivables arising from factoring operations	167,243	101,882
Increase (decrease) in payables arising from factoring operations	(203,959)	(71,627)
Increase (decrease) in factoring liabilities	17,715	(36,130)
Net cash generated from banking and factoring operations (E)	***(19,000)***	***(5,875)***
Net cash generated from operating activities (F) = (C+D+E)	**230,440**	**241,955**
Acquisitions of investments	(482,906)	(726,932)
Disposals of investments	482,699	669,857
Net cash used in movements in investments (G)	***(207)***	***(57,075)***
Acquisitions of consolidated subsidiaries, net of cash acquired	(4,232)	(11,186)
Disposals of consolidated companies, net of cash transferred		(0)
Net cash used in changes in scope of consolidation (H)	***(4,232)***	***(11,186)***
Acquisitions of property, plant and equipment and intangible assets	(20,050)	(23,412)
Disposals of property, plant and equipment and intangible assets	2,308	13,524
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(17,742)***	***(9,888)***
Net cash used in investing activities (J) = (G+H+I)	**(22,181)**	**(78,149)**
Proceeds from the issue of equity instruments		(0)
Treasury share transactions	(4,632)	(4,738)
Dividends paid to owners of the parent	(0)	(119,424)
Dividends paid to non-controlling interests	(1)	(6)
Cash flows related to transactions with owners	***(4,633)***	***(130,433)***
Proceeds from the issue of debt instruments	0	(0)
Cash used in the redemption of debt instruments	(0)	(0)
Lease liabilities variations	(8,998)	6,054
Interests paid	(20,824)	(19,328)
Cash flows related to the financing of Group operations	(29,822)	(13,275)
Net cash generated from (used in) financing activities (K)	-34 455	(143,707)
Impact of changes in exchange rates on cash and cash equivalents (L)	-21 902	7,511
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**151 902**	**27,610**
Net cash generated from operating activities (F)	230,440	241,955
Net cash used in investing activities (J)	(22,181)	(78,149)
Net cash generated from (used in) financing activities (K)	(34,455)	(143,707)
Impact of changes in exchange rates on cash and cash equivalents (L)	(21,902)	7,511
Cash and cash equivalents at beginning of period	**320,777**	**302,419**
Cash and cash equivalents at end of period	**472,678**	**330,024**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**151,901**	**27,606**

Events after the reporting period

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