Interim Financial Report, First Half **2020**

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NOTE

COFACE SA (hereinafter, the "Company") is a public limited company (société anonyme) with a Board of Directors (conseil d'administration) incorporated under the laws of France, having its head office at 1 Place Costes et Bellonte, 92270 Bois Colombes, France and registered with the Nanterre Trade and Companies Register under number 432 413 599. Unless stated otherwise, references in this document to the "Group" or the "Coface Group" are references to the Company and its subsidiaries, branches and holdings.
At the date of June 30, 2020, the Company's share capital amounted to €304,063,898 divided into 15,031,949 shares with a nominal value of €2 (two) each, all of the same class, and all of which are fully subscribed and paid up.

Presentation of financial and other information

This report includes free English language translations of the audited consolidated financial statements of COFACE SA as of and for the year ended December 31, 2019 and for the six months ended June 30, 2019 and 2020. The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and the interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34. COFACE SA publishes its consolidated financial statements in euros. Sums of aggregates and totals in this report may not match exactly due to rounding.
This report presents certain figures on an actual historical value basis, on a "constant scope" basis or on a "constant exchange rate" basis. Where figures are presented at constant scope, the previous year's figures (N-1) are adjusted to reflect the entities that entered or left the scope of consolidation during the most recent year (N). The Coface Group believes that comparing periods at constant scope and exchange rate is helpful in enabling investors to understand the effect of exchange rate fluctuations and changes in scope of consolidation on its financial results. However, figures adjusted for the effects of changes in the scope of consolidation and in exchange rates should not be substituted for the IFRS data.

Forward-Looking Statements

This report includes information on the Coface Group's outlook and future areas of development. These forward-looking statements may be identified by the use of the future or conditional tenses, or forward-looking terminology such as "considers", "anticipates", "thinks", "aims", "expects", "intends", "should", "plans", "estimates", "believes", "hopes", "may" or, in each case, their negative, or other variations or other comparable terminology. These forward-looking statements do not constitute historical data and should not be interpreted as a guarantee that the stated facts and data will take place or be achieved. They appear in a number of places throughout this report and include statements regarding the Coface Group's intentions; estimates and objectives with regard, in particular, to the Coface Group's market, strategy, growth, results, financial position and cash flow.
These forward-looking statements are based on data, assumptions and estimates that the Coface Group deems reasonable. They may evolve or be modified due to uncertainty linked, in particular, to the economic, financial, competitive or regulatory environment. Furthermore, the forward-looking statements contained in this report also involve risks, both known and unknown, uncertainty and other factors that were they to occur, could affect the Coface Group's future results, performance and achievements. Such factors may include, in particular, changes in the economic and business climate as well as the risk factors presented in chapter 5 of the Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers) on April 16, 2020 under the number D.20-0302.
Risk Factors

You are strongly encourages to carefully consider the risk factors presented in the aforementioned sections of the Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers) on April 16, 2020 under the number D.20-0302.
The occurrence of all or any of these risks is liable to have an adverse effect on the Coface Group's business, financial position or financial results. Additional risks that are not known at the date of this report, or that the Coface Group currently considers immaterial, may have the same adverse on the Coface Group, its business, financial position, operating results or growth prospects, as well as on the market price of its shares listed on Euronext Paris (ISIN: FR0010667147).

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

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I. Half Year Activity Report

I. Half-year activity report

Like every quarter, in June, Coface Group's economic research team revised its global growth forecasts for the current year and its short-term business credit risk assessments by country, major geographical area and sector of activity. It also announced its initial growth forecasts for 2021. It forecasts a contraction in global growth of 4.4% in 2020 ahead of a recovery of 5.1% in 2021.

a) Economic environment in the first half

The outbreak of the new coronavirus, its spread across the world and the measures taken to stem its advance turned the global economy upside down in the first half of 2020. The distancing measures adopted in most countries as the epidemic took hold triggered a collapse in demand and supply and a parallel slump in global trade, causing massive disruption to global value chains.
The most disruptive measures were confinement at home, the closure of non-essential shops and schools, bans on travel within countries, and the closure of national borders for individuals.
The extent of the restrictions varied from country to country. Some countries did not need to apply the most draconian measures because they had sufficient resources to detect the virus, identify persons in contact with those infected, and isolate infected persons, as well as enough masks and intensive care beds to be able to cope with the influx of seriously ill patients. Some deliberately opted for minimal restrictions at the risk of having a higher number of victims, prioritising the economy over health considerations.
Besides each country's infection rate, their international exposure also made a difference. Countries that are highly dependent on exports – in particular of oil and gas, minerals and equipment goods (vehicles, etc.) – or tourism felt the full force of the collapse in global demand.
As well as not having the same impact in each country, the crisis also affected business sectors differently, with sectors that rely on physical presence being the hardest hit by distancing rules.
Governments have taken steps to alleviate the shock for consumers and businesses. This has generally involved income support, for example through extended unemployment benefits, the deferral of taxes and charges (income taxes, social security expenses, loan repayments) and loan guarantees. Many central banks have lowered their official interest rates, purchased more government and/or corporate bonds, and reduced minimum reserve requirements and eased prudential regulations for banks. Evidently, the extent of the support measures set up varied according to each country's financial capacity. In general, advanced economies provided more support than other countries that are more exposed to the mood among international investors.

Nearly all Western European countries saw a one-notch increase in their businesses' short-term credit risk assessment (over 6-12 months). Risk increased in 7 of the 13 sectors we monitor in this region. The worst affected were the textile-clothing, automotive and retail sectors, which were hard hit by lockdown measures and the closure of non-essential shops. Transport suffered from the ban on both domestic and international travel. Construction was hit by the closure of building sites and public works. The metals industry felt the knock-on effect of closures among its clients in the construction, automotive, aerospace and mechanics sectors. Meanwhile, energy companies recorded a slump in fuel and electricity consumption. In contrast, the agri-food, pharmaceuticals, ICT, chemicals and paper sectors were not impacted or only slightly affected, either because they provide essential products or because they benefited from the surge in remote communications and strong demand for packaging, detergents and healthcare products.

Risk levels were also raised in the United States and Canada. Like in Western Europe, and for the same reasons, the situation deteriorated in the automotive sector, which is also being rocked by technological progress and environmental constraints, as well as in retail, transport, construction and energy. In the energy sector, the setbacks encountered in oil and shale gas extraction due to the slide in prices were an additional problem. The sectors that fared the best were more or less the same as in Western Europe.

Risk levels also rose in nearly all Central and Eastern European countries, which also applied lockdown measures and which are extremely integrated with the European production chain, in particular with Germany and the automotive sector. Unsurprisingly, the automotive industry and sectors exposed to local or European consumption such as retail, textile-clothing and transport were badly affected. In Turkey, the construction sector suffered from the drop in domestic activity and even more from the contraction of its export markets.

Confinement measures were also applied in Africa and the Middle East. The risk level was raised for 18 of the 59 economies monitored. The countries concerned were mainly those that are highly dependent on tourism and European markets, remittances from expatriate workers, or oil and minerals exports – these were hit by a slump in demand – especially from China – and some also by a collapse in prices. South Africa, which was already facing serious structural problems, was hit by a strict lockdown and its exposure to minerals, the automotive sector and tourism. Other countries did relatively better due to their limited links with external markets or their large agricultural sectors. A significant number of countries were already rated Very high risk owing to structural weaknesses.

In Central America and the Caribbean, the risk level was raised for 8 of the 12 countries monitored due to their exposure to the North American economy through tourism, vehicle exports (Mexico) and textile exports, and due to the fall in remittances from expatriate workers, who are largely employed in hard hit sectors or the informal economy in the United States. The drop in revenues from minerals exports also had a significant impact on some countries. Further south, in Brazil, Argentina and Ecuador, the epidemic hit economies that were in recession or stagnant, and the latter two also have debt problems.

Although the epidemic originated in the Asia-Pacific region, very few countries there had their risk rating downgraded. Those affected were either countries that are highly exposed to the global economy and global trade (South Korea and Singapore) or those exposed to the Chinese economy (Australia, Malaysia and Taiwan) through commodities, tourism and their integration in production chains. The automotive and transport sectors were the hardest hit.

Overall, in June 2020, Coface downgraded the short-term credit risk levels of businesses in 71 countries, representing just over 40% of the economies covered, and in around 40% of the 13 sectors monitored in 28 countries.

b) Significant events in the period

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 recognise 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 11 government agreements that represent 50% of its exposure and is continuing further discussions with other countries (Italy, Poland).
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 so 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 CAP relais export scheme (France) was not taken into account in the financial statements ended June 30, 2020, as it had not yet come into force at the balance sheet date.

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, he rating agency Moody's confirmed Coface's Insurance Financial Strength (IFS) A2 rating on 27 March 2020. The outlook for this rating has been changed to negative.The confirmation of the rating reflects Moody's confidence in the resilience of credit-insurers thanks to their ability to revise short-term risks, and their financial stability. It also underlines the mechanisms implemented by many governments to support SMEs, which could reduce the cost for credit insurers.
Ratings agency Fitch has, on 31 March 2020 placed Coface on Rating Watch Negative. This includes Coface's Insurer Financial Strength (IFS) rating. Fitch, on 14 May, has maintained all the ratings of Coface SA and its operating subsidiaries on Rating Watch Negative, with the exception of the short-term ratings of Coface SA, which has been taken off Watch Negative and affirmed at 'F1'. The rating agency highlights "the strong liquidity of Coface, with cash representing 21% of the investment portfolio at end-March 2020, with no major near-term debt maturities due."»
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.

c) Events after June 30, 2020

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.
In 2019, GIEK Kredittforsikring AS recorded a total of around €9m (NOK99m) of gross written premiums with a portfolio that is widely focussed on export policies. The transaction will have a non-material impact on Coface's solvency ratio.

Coface commits to the english state for the implementation of a credit insurance support mechanism

The British government announced in early 2020 the implementation of a mechanism of 10 billion pounds to help supporting the credit insurance.
This mechanism consists in covering 90% of claims arising from premiums which have been written between 1st of April and the 31th of December 2020, in return of 100% of cession of written premiums net of almost all the firm's expenses to handle the credit insurance activity. This mechanism is currently awaiting European Commission's approval.

Further to Coface official commitment to the authorities to be part of this mechanism covering most of 2020 second semester operations, it has been decided to include the impact in the Group's accounts since the contract is considered substantially finalized.

Italian state support mechanism

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 decree has been converted to a law, after the end of the reporting period, on the 19th of July 2020 and is submitted to the European commission approval.
The mechanism consists in covering 90% of claims occurred starting from 1st of April 2020 and related to year 2020 written premiums, in return of a 90% cession of premiums collected between the 1st of April 2020 and the 31th march net of a 35% commission.
Since the approval of the mechanism is uncertain, on these terms, by the European commission, its impacts haven't been included in the June 2020 accounts.

d) Comments on the results as at 30/06/2020

The changes at constant FX and scope, presented for comparison purposes in the tables below, take into account the consolidation of Coface PKZ as of 1 April 2019.

i. Revenue

The Group's consolidated revenue decreased by 0.6% at constant FX and scope (-1.1% at current FX and scope), from €732.6 million for the half year ended 30 June 2019 to €724.6 million for the half year ended 30 June 2020.

The exchange rate effect was negative by 0.5 point. This limited impact conceals significant disparities between currencies. The strengthening of the US dollar (the portfolio's main foreign currency) and Asian currencies against the euro offset the sharp depreciation of Latin American currencies (particularly the Argentinian peso and Brazilian real) and, to a lesser extent, that of the Turkish lira.

The table below shows the changes in the Coface Group's consolidated revenue by business for the half years ended 30 June 2019 and 2020:

Change in consolidated revenue by activity (in millions of euros)	**As at 30 June**		**Change**		
	2020	**2019**	**in €m**	**as a %**	**as a %: at constant FX and perimeter**
Insurance	696.1	699.3	-3.2	-0.5%	0.0%
of which Earned premiums [(1)]	*599.1*	*605.3*	*-6.2*	*-1.0%*	*-0.4%*
of which Services [(2)]	*97.0*	*94.0*	*3.0*	*3.2%*	*0.0%*
Factoring	28.6	33.3	-4.7	-14.2%	-13.8%
Consolidated revenue	**724.6**	**732.6**	**-8.0**	**-1.1%**	**-0.6%**

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

Insurance

Revenue from the insurance business (including bond and Single Risk) was stable at constant FX and scope (-0.5% at current FX and scope), falling from €699.3 million for the half year ended 30 June 2019 to €696.1 million for the half year ended 30 June 2020.

Gross earned premiums decreased by 0.4% at constant FX and scope (-1% at current FX and scope) from €605.3 million for the half year ended 30 June 2019 to €599.1 million for the half year ended 30 June 2020. Mature markets were heavily impacted by the decline in their clients' business and saw their premiums fall. Only Latin America and the Mediterranean-Africa region saw premiums rise at constant FX.

Production of new contracts, representing €86 million (annualised value) in the first half of 2020, rose compared to the half year ended 30 June 2019 (€64.6 million) due to the acquisition of new global contracts and good performance of the Mediterranean-Africa region. The retention rate (annualised value of policies effectively renewed during the period over the value of the policies scheduled for renewal over the same period) remained at the record level of 93.4% in the half year ended 30 June 2020, without any detriment to prices. The price effect is slightly positive as at 30 June 2020, at +0.2%, although it was negative as at 30 June 2019 (-1.1%) owing to the initial effects of re-pricing. On the other hand, premium volume is gaining almost nothing from the growth in policyholders' business (volume effect of +0.5% as at 30 June 2020, compared to 2.1% in the first half of 2019).

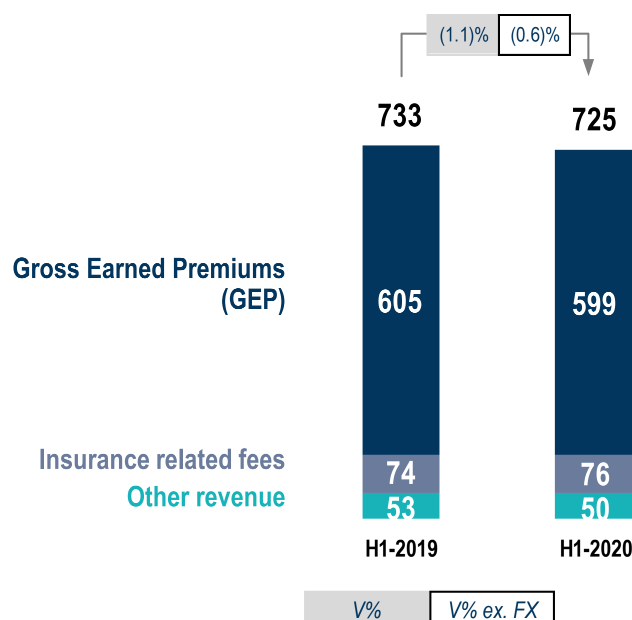
Revenue from the services business increased by 3.1% at constant FX and scope (+3.2% at current FX and scope), from €94.0 million for the half year ended 30 June 2019 to €97.0 million for the half year ended 30 June 2020. This increase is due to higher business information revenues (+13%) in line with the Built to Lead development plan.

Factoring

Revenue from the factoring business (exclusively in Germany and Poland) declined by -13.8% at constant FX and scope (-14.2% at current FX and scope), from €33.3 million for the half year ended 30 June 2019 to €28.6 million for the half year ended 30 June 2020.

Revenue in Germany was down -13.1% due to a major contraction in the volumes financed, partially offset by portfolio re-pricing.

In Poland, which was also impacted by this effect, revenue was down -11.2% at constant FX (-13.5% at current FX).



Change in revenue by region

The following table shows the changes in consolidated revenue (net of intra-group flows) within the Group's seven geographic regions between the periods ended 30 June 2019 and 2020:

Change in consolidated revenue by region of invoicing (in millions of euros)	**As at 30 June**		**Change**			
	2020	**2019**	**in €m**	**as a %**	**as a %: at constant FX**	**as a %: at constant FX and perimeter**
Western Europe	142.6	147.5	-4.9	-3.3%	-3.7%	-3.7%
Northern Europe	147.0	156.1	-9.1	-5.8%	-5.8%	-5.8%
Mediterranean & Africa	200.5	190.9	9.6	5.0%	5.6%	5.6%
North America	69.2	68.1	1.1	1.7%	-0.5%	-0.5%
Central Europe	73.5	71.5	2.0	2.8%	4.5%	0.1%
Asia-Pacific	57.1	58.7	-1.6	-2.7%	-4.9%	-4.9%
Latin America	34.7	39.8	-5.1	-13%	5.8%	5.8%
Consolidated revenue	**724.6**	**732.6**	**-8.0**	**-1.1%**	**-0.2%**	**-0.6%**

Most regions posted lower revenue at constant FX and scope. This decline is particularly visible in Europe and Asia-Pacific (-4.9%), and was partially offset by growth in the Latin America (+5.8%) and Mediterranean-Africa (+5.6%) regions.

In Western Europe, revenue was down -3.7% (-3.3% at current FX and scope), as the weakness in clients' business was only very slightly offset by continued good growth in the bond business.

Northern Europe saw a -5.8% revenue decline from the combined effect of weak client activity and lower factoring volumes.

Revenue in the Mediterranean & Africa region rose by 5.6% (+5% at current FX and scope), driven mainly by new business and an improving retention rate.

In North America, revenue fell -0.5% (+1.7% at current FX and scope). Greater new business in a more promising price environment was offset by the decline in client activity.

Central Europe saw stable revenue at +0.1% (+2.8% at current FX and scope due to the contribution of Coface PKZ starting in the second quarter of 2019). Factoring revenue was down in Poland, while credit insurance rose +1.8%.

Revenue in the Asia-Pacific region was down -4.9% (-2.7% at current FX and scope), driven by poor client activity partly offset by high retention.

In Latin America, revenue rose by 5.8% (-13% at current FX and scope). The region saw an improved retention rate, a favourable price effect, and smaller premium rebates. The region's portfolios comprise numerous foreign currency-denominated contracts (particularly in US dollars) creating an impact on the variation at constant FX rate.

ii. Underwriting income

Underwriting income before reinsurance

Underwriting income before reinsurance stands at €46.3 million for the half year ended 30 June 2020, down 69% compared to the first half of 2019 (€149.2 million) following the increase of the loss ratio

The 17.4-point deterioration in the combined ratio before reinsurance, standing at 92.1% in the first half of 2020 (74.8% for the half year ended 30 June 2019) was attributable to a +18.1-point deterioration in the loss ratio, combined with a small -0.7-point drop in the cost ratio. The cost ratio has benefited from savings achieved in the first half of 2020 thanks to measures taken quickly at the beginning of the crisis.

Loss experience

The Group's loss ratio before reinsurance, including claims-handling expenses, increased by 18.1 points, from 40.9% for the half year ended 30 June 2019 to 59.0% for the half year ended 30 June 2020. This reflects an increase in claims reported, as well as a rise in provisions in anticipation of the foreseeable increase in the frequency of claims. This loss level is therefore higher across all geographical regions.

Loss Experience	**As at 30 June**		**Change**	
(in millions of euros and %)	**2020**	**2019**	**in €m**	**as a %**
Claims expenses incl. claims handling costs	353.3	247.4	105.9	42.8%
Loss ratio before reinsurance	59.0%	40.9%		18.1 pts
Earned premiums	599.1	605.3	-6.2	-1.0%

In Western Europe, the loss ratio stands at 62.3% (+31.1 points) for the half year ended 30 June 2020, as the region was heavily impacted by a major loss in the first quarter.

Northern Europe saw its ratio rise 2.4% to 45.5%, due mainly to an increase in the frequency of claims.

The Mediterranean & Africa region posted a loss ratio 8.4 points higher, at 55%, due to increases in frequency and severity across the Gulf countries and South Africa.

In North America, the ratio was up 36.4 points, reaching 76.6% due to the major economic impacts of the health crisis in that region.

The loss ratio in the Central Europe region rose 3.9 points to 46.1% due to a major loss in the first quarter combined with a foreseeable increase in claim frequency.

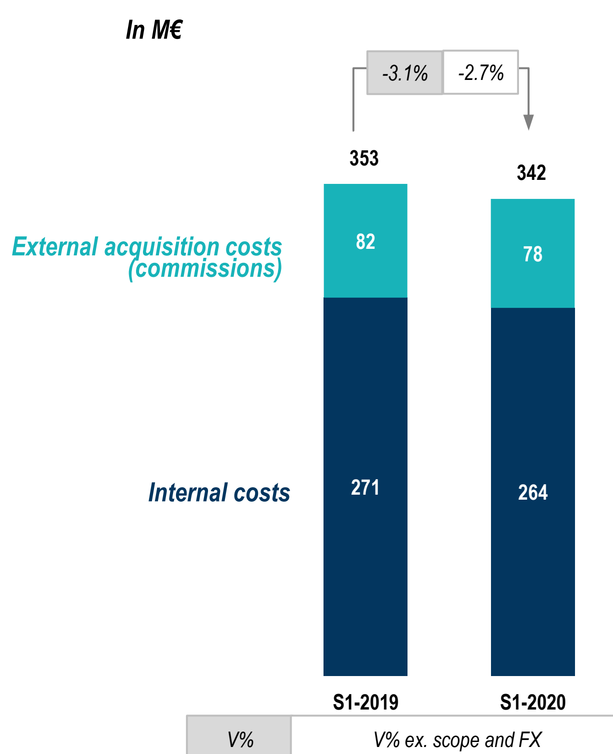
After having benefited from significant recoveries in 2019 in respect of claims recorded in previous years, the

loss ratio of the Asia-Pacific region deteriorated by 28.6 points and reached 52.7%. This increase is primarily due to the anticipation of claims expenses given the economic crisis and a major claim in Singapore.

In Latin America, the loss ratio stood at 91.9% as at 30 June 2020, up 41.5 points, and was affected by both increased frequency and severity.

Change in loss experience by region of invoicing (as a %)	**As at 30 June**		**Change (% points)**
	2020	**2019**	
Western Europe	62.3%	31.2%	31.1 pts
Northern Europe	45.5%	43.1%	2.4 pts
Mediterranean & Africa	55.0%	46.6%	8.4 pts
North America	76.6%	40.2%	36.4 pts
Central Europe	46.1%	42.2%	3.9 pts
Asia-Pacific	52.7%	24.1%	28.6 pts
Latin America	91.9%	50.4%	41.5 pts
Loss ratio before reinsurance	**59.0%**	**40.9%**	**18.1 pts**

Frais généraux



General expenses (in millions of euros)	As at 30 June		Change		
	2020	**2019**	**in €m**	**as a %**	**as a %: at constant FX and perimeter**
Internal general expenses	263.9	271.1	-7.2	-2.6%	-2.4%
of which claims handling costs	*15.2*	*15.9*	*-0.7*	*-4.5%*	*-4.2%*
of which investment management expenses	*1.6*	*2.0*	*-0.4*	*-19.9%*	*-20.0%*
Commissions	78.0	81.6	-3.6	-4.4%	-3.7%
Total general expenses	**341.9**	**352.7**	**-10.8**	**-3.1%**	**-2.7%**

Overheads, including claims-handling expenses and internal investment costs, are down 2.7% at constant FX and scope (-3.1% at current FX and scope) from €352.7 million for the half year ended 30 June 2019 to €341.9 million for the half year ended 30 June 2020.

Contract acquisition commissions are down 3.7% at constant FX and scope (-4.4% at current FX and scope), from €81.6 million for the half year ended 30 June 2019 to €78.0 million for the half year ended 30 June 2020. This decrease, which was driven by the brokerage-based Asia-Pacific and North American markets, was less significant than the decrease in earned premiums (-0.4% at constant FX and scope), as the in-sourcing of agents in North America helped generate savings.

Internal overheads, including claims-handling expenses and investment management expenses, fell 2.4% at constant FX and scope (-2.6% at current FX and scope) from €271.1 million for the half year ended 30 June 2019 to €263.9 million for the half year ended 30 June 2020.

Payroll costs were up slightly, 2.2% at constant FX and scope (+2.2% at current FX and scope), from €148.4 million for the half year ended 30 June 2019 to €151.7 million for the half year ended 30 June 2020. Annual revaluations and persistent high inflation in some of the Group's countries (led by Argentina) explain this growth.

IT costs fell slightly, by 0.9% at constant FX and scope (-0.1% at current FX and scope), to €24.1 million, while transformative projects and investments were re-prioritised to adapt to the ongoing crisis.

Other costs (taxes, information purchases, rent) dropped 9.7% at constant FX and scope (-11% at current FX and scope), from €98.5 million for the half year ended 30 June 2019 to €88.1 million for the half year ended 30 June 2020. Travel and other seminar costs naturally fell with the stoppage of business trips. Consulting fees also substantially declined, while some projects were postponed.

The gross cost ratio has improved by 0.7 points from 33.9% in the first half of 2019 to 33.2% in the first half of 2020, thanks to a decline in overheads which exceeded the decline in revenue. The growth in earned premiums has thus had an unfavourable impact of 0.3 points, partly offset by the decrease in internal overheads (0.5 points) and in contract acquisition commissions (0.6 points).

In Western Europe, overheads fell 7.4% at constant FX (-7.1% at current FX), while both external (contract acquisition commissions) and internal costs declined, with targeted decreases in variable compensation, rents, IT costs, and travel costs.

In Northern Europe, overheads posted a 5.3% decline at current and constant FX. The region saw savings in variable compensation and contract acquisition commissions.

Overheads in the Mediterranean & Africa region rose 5.6% at constant FX (+5.3% at current FX). Contract acquisition commissions increased, while premiums continued to grow. Internal overheads rose slightly.

In North America, overheads fell 7.0% at constant FX (-5.1% at current FX). Contract acquisition commissions were down substantially. Non-recurring costs borne in the first half of 2019 make for a favourable comparison and explain why payroll cost growth was limited despite the in-sourcing of agents.

In Central Europe, overheads decreased 1.2% at constant FX and scope (+1.3% at current FX and scope), owing to savings on rent, travel, and communication.

External commissions in Asia-Pacific were down, explaining why overheads in the region decreased 1.1% at constant FX (+1.1% at current FX).

In Latin America, overheads fell 1.0% at constant FX (-18% at current FX). Payroll costs rose, primarily due to inflation (particularly in Argentina), but re-invoiced overheads were down compared to a year ago.

Underwriting income after reinsurance

Underwriting income after reinsurance stands at €40.4 million for the half year ended 30 June 2020, representing a 59% decrease compared to the first half of 2019 (€99.5 million).

The 88% decline in the cost of reinsurance, to -€6.0 million as at 30 June 2020 (-€49.8 million as at 30 June 2019), due to higher loss experience and the contribution of government reinsurance schemes (positive impact of €8 million) that result in a higher cession rate for the current underwriting year, which is experiencing a higher loss ratio.

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(in thousands of euros and %)	As at 30 June 2020	2019	Change (in €m)	(en %)
Revenue	724,619	732,580	-7,961	-1.0%
Claims expenses	-353,275	-247,368	-105,907	42.8%
Policy acquisition costs	-116,618	-123,146	6,528	-5.3%
Administrative costs	-132,621	-135,009	2,389	-1.8%
Other insurance activity expenses	-30,072	-32,694	2,622	-8%
Expenses from banking activities, excluding cost of risk	-6,596	-6,770	174	-3%
Cost of risk	163	-1,158	1,321	-114%
Expenses from services activities	-39,256	-37,205	-2,051	6%
UNDERWRITING INCOME BEFORE REINSURANCE	**46,345**	**149,229**	**-102,885**	**-69%**
Income and expenses from ceded reinsurance	-5,969	-49,763	43,794	-88%
UNDERWRITING INCOME AFTER REINSURANCE	**40,375**	**99,466**	**-59,091**	**-59%**
Combined ratio after reinsurance	88.6%	76.0%	-	-

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

Financial markets

The first half of 2020 was marked by a major economic slump beginning in April due to the Covid-19 pandemic. The lockdowns that were imposed had negative effects on consumption, leading to a sharp decline in inflation and a sudden stoppage of commercial activity. Labour market pressure became more intense, and jobless claims reached historic highs in April. The economy began to recover in May and June as the lockdowns were eased. However, the recent increase in new cases of coronavirus has increased the risk of lockdowns being reimplemented, which could hinder the recovery.

After the markets fell sharply in late February when the first cases of infection in Europe were announced, the response from public institutions was unprecedented. The Federal Reserve lowered its prime rate by 150 basis points to 0-0.25% and launched a new asset purchase programme of unlimited size and duration. The ECB kept its prime rates unchanged but announced €1.35 trillion in new asset purchase programmes. Governments, meanwhile, announced unprecedented fiscal stimulus to support the recovery.

This pandemic initially led to a momentous fall in rates across all developed countries, before seeing them rise again due to the coordinated fiscal and monetary responses. As this occurred, peripheral country spreads tightened again, with the 10-year Italian bond yield hitting a new low at 1.2%. The US 10-year yield ended the half year below the 0.7% mark at 0.66%, i.e. a drop of 130 basis points compared to end-2019. The German 10-year yield is still in negative territory, reaching a record low in March at -0.86% before rising, ending the half year at -0.46%. Meanwhile, the French 10-year yield returned to positive territory before falling below the 0% mark, ending the half year at -0.11%.

Risk aversion led to a major equity market correction in late February and for most of March, with the MSCI World AC seeing a -30% decline on 23 March. Equities made a strong comeback beginning in April off the very rapid, massive reaction by central banks and government fiscal measures. As the outlook for an end to the lockdown became clearer in Europe and the pandemic's peak receded in the northern US states, the comeback continued despite discouraging economic indicators. The MSCI World AC made back most of its losses, ending up with a YTD loss of -6.2% at 30 June 2020.

Financial income

In this global economic environment of a pandemic and falling yields, the Coface Group decided to greatly reduce the risk of its portfolio, primarily by lowering its exposure to high-yield corporate bonds (-70%), investment-grade corporate bonds, emerging-country sovereign debt, and equities, in favour of money-market products.

The portfolio's total value declined €27 million over the first half of the year, mainly due to the COVID-19 crisis which led to a rise in credit spreads across all asset classes, which was not offset by the central bank rate cuts, as well as a drop in the stock markets, partially offset by equity hedging.

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

Market value (in € million)	**30/06/2020**	**31/12/2019**
Listed shares	112	160
Unlisted shares	15	15
Bonds	1,770	2,119
Loans, Deposits and UCITS money-market funds	639	319
Investment property	220	232
Total investment portfolio	**2,755**	**2,848**
Associated and non-consolidated companies	150	142
Total	**2,905**	**2,991**

In the first half of 2020, investment portfolio income amounted to €17.6 million, of which -€0.9 million was from realised gains and impairment/reversals net of hedging (stocks and fixed-income), compared to €23.9 million, of which €0.4 million was from realised gains and impairment/reversals net of hedging (stocks and fixed-income) for the first half of 2019. The decline in net income comes mainly from the drop in current returns owing to the reduction of the riskiest assets. Despite a difficult market backdrop that decreased the value of the financial portfolio through a rise in interest rates, the Group managed to limit the decline of its accounting rate of return excluding realised gains, which dropped from 0.9% in the first half of 2019 to 0.7% for the same period in 2020.

Investment portfolio income (in € million)	**As at 30 June**	
	2020	**2019**
Shares	4.7	2.3
Fixed income instruments	7.6	18.0
Investment property	5.3	3.5
Total investment portfolio	**17.6**	**23.9**
o/w realized gains/losses	-0.9	0.4
Associated and non-consolidated companies	1.0	-3.4
Net foreign exchange gains and derivatives	1.3	-0.3
Financial investments charges	-3.2	-3.5
Total	**16.7**	**16.6**

After income from investments in companies, foreign exchange and derivatives income, financial expenses and investment costs, financial income for the first half of 2020 stands at €16.7 million compared to €16.6 million for the same period in 2019.

The economic rate of return of financial assets before foreign exchange and derivatives income, investments in companies, and financial expenses was therefore -0.7% for the first half of the year, versus 3.2% for the same period in 2019. During the first half of the year, the economic return was negatively impacted by the decrease in revaluation reserves on all asset classes.

iv. Opertating income

(in millions of euros)	As at 30 June		Change		
	2020	**2019**	**in €m**	**as a %**	**as a %: at constant FX and perimeter**
Consolidated operating income	**55.4**	**117.2**	**-61.8**	**-53%**	**-50%**
Operating income including financial costs	**44.4**	**106.7**	**-62.3**	**-58%**	**-56%**
Other operating incomes and expenses	-1.8	1.1	-2.8	NS	NS
Operating income including financial costs and excluding other operating incomes and expenses	**46.1**	**105.6**	**-59.5**	**-56%**	**-53%**

Consolidated operating income stands at €55.4 million, down 53% compared to the half year ended 30 June 2019 (€117.2 million).

Current operating income, including finance costs and excluding non-recurring items (other operating income and expenses), decreased by 56%, from €105.6 million for the half year ended 30 June 2019 to €46.1 million for the half year ended 30 June 2020.

The combined ratio after reinsurance worsened by 12.6 points, from 76.0% for the half year ended 30 June 2019 to 88.6% for the half year ended 30 June 2019. The net loss ratio deteriorated by 13.4 points while the cost ratio improved by 0.8 points.

Other operating income and expenses amounted to -€1.1 million, breaking down as follows:

- expenses for in-sourcing sales representatives in the United States amounting to €1.3 million;
- Goodwill impairment in Latin America amounting to -€0.7 million.

Change in consolidated operating income by region (in millions of euros)	**As at 30 June**		**Change**	**Share of half-yearly total at June 30, 2020**
	2020	**2019**		
Western Europe	1.0	3.9	-3.0	2%
Northern Europe	36.9	37.6	-0.6	65%
Mediterranean & Africa	26.5	44.5	-18.0	46%
North America	-7.3	10.8	-18.1	-13%
Central Europe	9.7	18.4	-8.7	17%
Asia-Pacific	-1.0	16.0	-16.9	-2%
Latin America	-8.7	0.1	-8.8	-15%
Total (excluding inter-regional flows and holding costs not rebilled)	**57.1**	**131.4**	**-74.2**	**100%**

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

The Coface Group's effective tax rate increased from 29.2% for the half year ending 30 June 2019 to 46% for the half year ending 30 June 2020, mainly due to a large loss during the first quarter in a country for which it was decided not to activate a differed tax asset, in accordance to the group accounting principles. The second quarter tax rate is 39.9% versus 50.5% for the first quarter.

Net income (attributable to equity holders of the parent) amounted to €24.0 million at 30 June 2020, down 69% compared to the first half of 2019 (€78.5 million).

e) Group Cash and Capital

Shareholders' equity

Under IFRS, Coface SA shareholders' equity attributable to owners of the parent totalled €1.916 billion as at 30 June 2020, down slightly compared to the end of December 2019, when it stood at €1.924 billion.

Goodwill

Goodwill stood at €154.8 million as at 30 June 2020, compared to €155.8 million at the end of December 2019.

Debt

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

The financing of the factoring business accounted for €1.926 billion at 30 June 2020 compared with €2.062 billion at 31 December 2019.

Gross financial debt, excluding the financing of the factoring business, accounted for €381.6 million at the end of June 2020 compared with €389.3 million at 31 December 2019. The variation of -€7.7 million is essentially due to the adjustment in connection with the amount of the accrued coupon (payment made in March 2020) of the subordinated debt. The Group's gross debt-to-equity ratio stands at 20%, i.e. the same level as at 31 December 2019.

Solvency of the Group

In accordance with regulations, the Group measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) calculated based on a Partial Internal Model for its insurance business and according to bank regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet (see the 2019 Registration Document, Section 5.2.2 "Risks related to hedging the Group's solvency" – SCR ratio).

For insurance activities, pursuant to the Solvency II Regulation which became effective on 1 January 2016, the Group proceeded on 30 June 2020 with the calculation of the solvency capital requirement (SCR) using its Partial Internal Model approved by the ACPR, the French Prudential Supervision and Resolution Authority, on 4 December 2019. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of

provisions, as well as market risks and operational risks. It takes account of frequency risks and severity risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon.

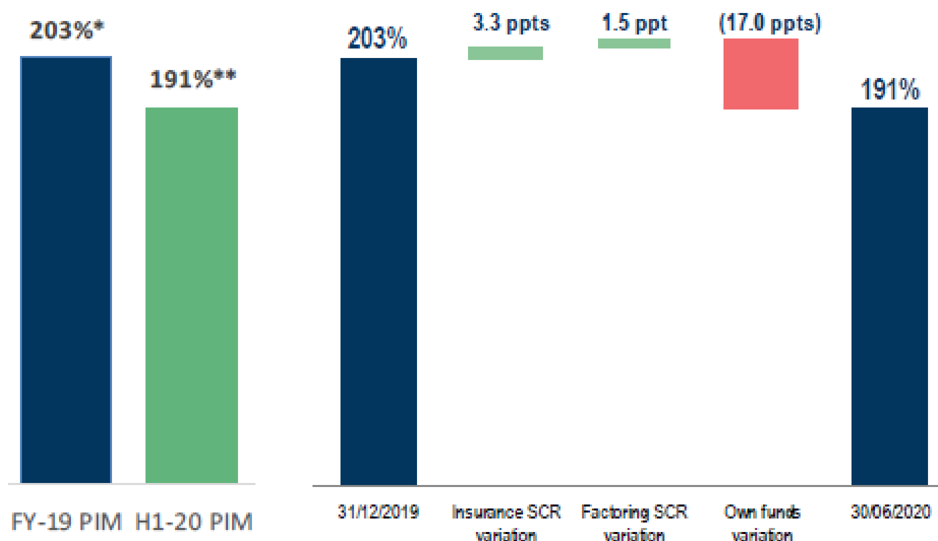
The Group also calculates the capital requirement for the factoring business. It is estimated by applying a 10.5% rate to the risk-weighted assets (or RWA). RWAs are calculated on the basis of the factoring exposure, by applying weighting as a function of the probability of default and the expected loss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

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

The Group has carried out an estimate[1] of its capital requirement and solvency ratio as at 30 June 2020. The estimated total capital requirement as at 30 June 2020 is €1,128.3 million (compared to €1.1575 billion as at 31 December 2019), including €923 million corresponding to the insurance SCR (estimated using the Partial Internal Model) and €205 million to the capital required by the financing companies.

Available capital as at 30 June 2020 is estimated at €2,100 million (compared to €2.347 billion as at 31 December 2019). Available capital should be compared with the sum of the insurance SCR and the capital requirement for factoring.

As of 30 June 2020, the capital requirement solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring), is estimated at 191%[2] (compared with 202.8% at the end of 2019).



* End-2019 solvency ratio includes the impact of the decision taken on April 1 on the dividend, resulting in a gain of around 13 points on the group's solvency
** This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited

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

[1] Capital requirements as at 30 June 2020 were estimated using the Partial Internal Model.

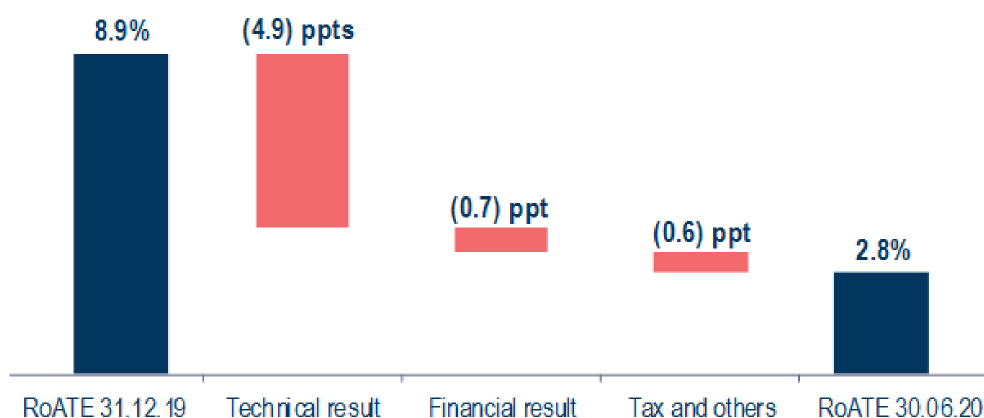
[2] This estimated solvency ratio constitutes a preliminary calculation based on Coface's interpretation of the Solvency II Regulation; the result of the final calculation may differ from the result of this preliminary calculation. The estimated solvency ratio is not audited.

Return on equity

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

The table below presents the factors used to calculate the Coface Group's RoATE over the December 2019 to June 2020 period:

(in million euros)	As at 30 june 2020	As 31 december 2019
Accounting equity (attributable to equity holders of the parent) including net income (attributable to equity holders of the parent) – A	1,916	1,924
Intangible assets – B	223	221
Tangible equity – C (A – B) As at 30 June 2020, tangible equity include the annualized net income – C (A-B+E)	1,693	1,704
Average tangible equity– D ([Cn+Cn-1]/2)	1,698	1,645
Net income (attributable to equity holders of the parent)– E	24	146.7
RoATE – E/D As at 30 June 2020, net income is annualized– E x 2/D	2.8%	8.9%



f) Risk factors

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

Because the Coface Group is a listed company, the main risk factors and uncertainties faced by the Group are described in detail in Chapter 5 "Main risk factors and their management inside the Group" of the Coface Group's Registration Document filed with the AMF on 16 April 2020 under number D.20-0302.

In the first half of 2020, the global economy had to contend with the consequences of the COVID-19 crisis. Coface quickly took measures to adjust its risks to the new environment. At the same time, many governments, particularly in Europe, enacted guarantee mechanisms with credit insurers in order to support business-to-business credit.

g) Future risks and uncertainties

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

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

h) Outlook

i. Economic environment

In general, governments began to ease restrictive measures six to eight weeks after their introduction, sometimes sooner, especially (but not only) in emerging countries, due to their economic cost and the difficulty in enforcing them for longer. In some cases, restrictions were eased even as the virus continued to spread. Economic activity has therefore resumed, as confirmed by high frequency indicators and suggested in confidence indices. However, China's experience, where the epidemic began two months earlier than in Europe (the second region to be affected), shows that the recovery is likely to be partial and gradual. In addition, localised clusters, not to mention the possibility of a second wave of the virus, could lead to renewed temporary restrictions that will have consequences for business activity.

Some sectors will take longer than others to return to pre-crisis levels, because clients will remain cautious until a treatment or vaccine is found, or because ongoing restrictions are preventing them from operating at full capacity. This is the case, in particular, for passenger transport (air transport in particular, but also, to a lesser extent, rail and road transport), hotels and catering (especially in long-haul tourist destinations), and some leisure and entertainment activities such as shows and sports events held in enclosed spaces. Consumers also seem to be slow in returning to physical sales outlets, which is impeding the recovery in sales of clothing, books, vehicles, etc.

Overall, consumer spending and investment are unlikely to make up lost ground despite government support measures. Although many consumers did not experience any loss of revenue or a decline in property values, they will not necessarily spend the money they saved during the lockdown. These savings could well be set aside as precautionary savings. Businesses will remain cautious in their investment decisions due to uncertainties about how the epidemic will evolve and the largely irrecoverable loss of revenue (and profits). Government support, which had the effect of isolating the economy and maintaining existing situations, will be reined in and eventually come to an end. This will eventually impact employment and businesses' cash position. As such, Coface expects company failures around the world to be around one third higher in 2021 than in 2019, which accounts for the downgrading of our credit risk assessments.

Furthermore, while oil prices have bounced back to around $40/barrel (Coface forecasts an average of €35 per barrel (Brent) in 2020), they remain well below the $60-65 seen before the crisis. These prices are too low to

allow most exporting countries to balance their public and external accounts. This price effect comes alongside a volume effect for countries that agreed to reduce their production to limit the slide in prices (in particular Saudi Arabia). The OPEC+ agreement is due to end at the end of July, but it could be extended. Persistently low prices will dissuade multinational companies from investing in a number of emerging or developing countries for some time at least, especially as these countries often have unconventional deposits that are more expensive to extract.

Once the health emergency has passed, the global economy will refocus on issues that were temporarily put on hold but which have been exacerbated by the crisis: the trade war between the United States and China, the consequences of Brexit, the unknown outcome of the US election. In addition, the conflict in Libya, the crisis in Venezuela and the standoff between Iran and the United States will continue to be decisive for the oil market.

Due to the weakness of the recovery expected in the second half of the year and the extent of the shock in the first half, the growth level anticipated by Coface for 2020 as a whole is considerably negative, at -4.4%. Advanced economies will see a far steeper decline (-6.8%) than emerging economies (-1.4%).

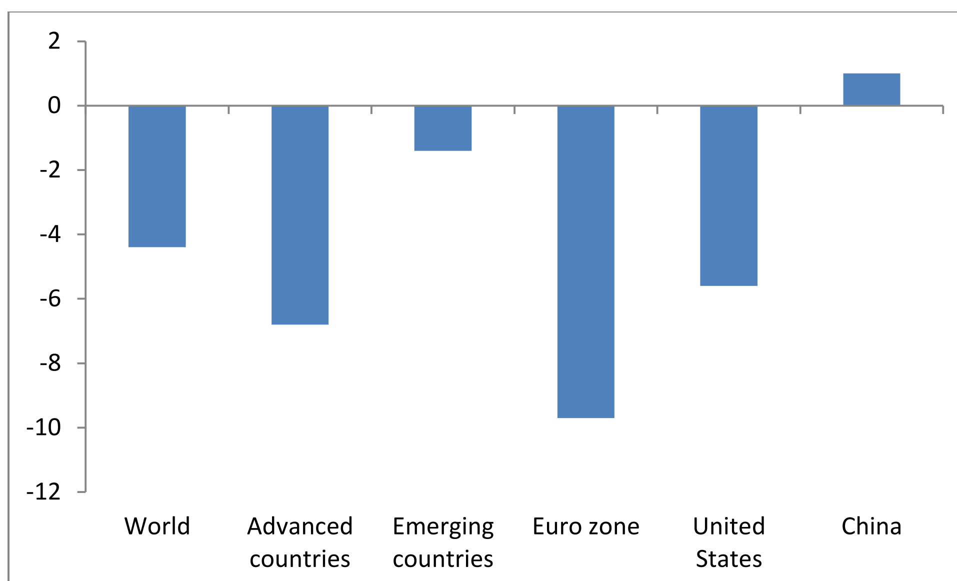
The former will be dragged down by the very poor performance expected in Southern Europe and the United Kingdom (recessions of more than 11%), while the slowdown will be much less severe in Germany (-7.2%), other Northern European countries, the United States (-5.6%), Canada (-6.1%) and Japan (-3%).

Emerging economies will benefit from the resilience of emerging Asia (0.5%), in particular China (1%), even with weak performances in Thailand (-5%) and Hong Kong (-4%). To a lesser extent, Sub-Saharan Africa (-1%) will also hold up, despite the sharp downturn in South Africa (-6.1%) and in economies that depend on oil, tourism and diamond exports. Central Europe (-5.8%) will be dragged down by the recession in Western Europe. The worst performing emerging region will be Latin America and the Caribbean (-6.5%), where all the major economies were already in bad shape and have been hit hard by the epidemic and the measures taken to contain it. Their growth in 2020 will also be impaired by the fact that they were struck last and will therefore be the last to come out of the crisis. In addition, Mexico (-8%) is suffering from its dependence on the United States through sub-contracting, tourism and expatriate remittances, while Peru (-5%), Colombia (-5%) and Ecuador (-8.5%) are being hit by their reliance on commodities, especially oil and gas. Similarly, Argentina (-7.5%) will be weakened by its difficult debt renegotiation, and Brazil (-6.5%) and Chile (-4.5%) by their unsettled political and social situation. Eastern Europe and Central Asia will lie somewhere in the middle, with a decline in activity of around 3% despite the poor performance of Russia (-5.8%) and the resilience of Turkey (-1.2%) due to major increases in lending by public sector banks. Lastly, the Middle East and North Africa are expected to record a drop in GDP of nearly 4% due to the slump in oil revenues, tourism and, for North Africa, exports to Europe.

Coface expects global growth to reach 5.1% in 2021. This expansion will, of course, be in relation to the contraction recorded in 2020. We will not return to the levels of activity seen at the end of 2019 until 2022 or 2023. As in 2020, Asia will fare the best with the strongest level of growth (+6.8%). It is likely to be accompanied by the EU-15 countries (+7.8%), but their strong rebound will follow a sharper decline. Emerging Europe (+4.8%) will be spurred along by Western Europe. The US recovery is set to be more moderate (3.3%), but its contraction will have been lesser too. Growth in Latin America and the Caribbean (3.1%) and Sub-Saharan Africa (3.5%) will be slowed by the weak recovery in these regions' main economies (Mexico, Brazil, Argentina, South Africa and Nigeria). The Middle East and North Africa (3.9%) will face persistently weak oil and gas prices, though Morocco and Tunisia should benefit from the recovery in Europe.

Our forecasts are based on the assumption that there will not be a second wave of the virus in the second half of 2020 and that a vaccine or treatment will be available in 2021.

GDP growth rate (in %) estimation for 2020 (source Coface)



ii. Outlook for the Group

Coface is forecasting that global GDP will show a contraction of 4.4% for the year 2020, followed by a recovery of 5.1% in 2021. The overall global level of economic activity is not expected to return to 2019 levels before 2022 or 2023. This is a rather modest recovery when compared to the levels of governmental support that have been provided for the economy. These forecasts are based on the hypothesis of the absence of a significant second wave and of the availability of a vaccine or a treatment in 2021. Finally, 2020 is a US election year, which always has an influence on financial markets.

Coface recorded a solid operational performance during H1-2020. Even during the strictest period of the confinement, risk management teams continued to operate at record levels of activity. Q2 figures have also confirmed the positive trend of recent quarters, enabling the client portfolio to once again experience positive net production.

The radical change in the risk environment requires significant but differentiated re-pricing, which takes into account the countries, sectors and histories of each client. The first effects of these actions, which are set to continue, are now visible in the accounts.

Many governments have recognized that credit insurance is essential for maintaining business-to-business credit – the primary source of financing for many industries. Coface has already signed over 11 agreements with different states, mainly in Europe, and is continuing discussions with a number of other countries. These agreements have also led to a temporary increase in solvency, estimated at 8 ppts. They protect Coface's profitability and solvency in case of significantly deteriorated economic environments.

Coface's operations continue to be supported by a solid balance sheet. The solvency ratio reached 186% (178%1 excluding government schemes). These levels are above the target range of 155% to 175%.

Within this environment of a soft recovery, where the risk of relapse exists, Coface, strengthened with its new corporate culture and a solid balance sheet, is maintaining its focus on operational performance. Coface is also confidently pursuing the implementation of its long-term Build to Lead strategic plan which strategic pillars are confirmed.

II. Consolidated financial statements

II. Consolidated financial statements

Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at June 30th, 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 January 1, 2020 and December 31st, 2019 for balance sheet items, and for the 6 months ended June 30th, 2019 for income statement items.

The balance sheet at January 1st, 2020 includes the effect of the first application of IFRS 16 "Leases".

The accounting principles and policies used for the interim financial statements as at June 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 IASB and adopted by the European Union[3]. 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 June 30, 2020 are prepared in accordance with the mandatory international accounting standards and interpretations which have benn applied since January 1, 2020. The application of these standards has no significant impact on Coface's interim financial statements as at June 30, 2020.

The standards concerned are the following:

- Amendments to IAS 1 and IAS 8: these amendments clarify the definition of the term "material".

[3] 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

- 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 premium4, 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 : value decrease in real estate funds considering the expected crisis in retail and hotel business

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 July 29th, 2020. They were also previously reviewed by the Audit Committee on July 24th, 2020

[4] *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.*

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 decision was approved.

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 recognise 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 finalised 11 government agreements that represent 50% of its exposure and is continuing further discussions with other countries (Italy, Poland).

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 so 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 CAP relais export scheme (France) was not taken into account in the financial statements ended June 30, 2020, as it had not yet come into force at the balance sheet date.

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. The outlook for this rating has been changed to negative.The confirmation of the rating reflects Moody's confidence in the resilience of credit-insurers thanks to their ability to revise short-term risks, and their financial stability. It also underlines the mechanisms implemented by many governments to support SMEs, which could reduce the cost for credit insurers.

Ratings agency Fitch has, on 31 March 2020 placed Coface on Rating Watch Negative. This includes Coface's Insurer Financial Strength (IFS) rating. Fitch, on 14 May, has maintained all the ratings of Coface SA and its operating subsidiaries on Rating Watch Negative, with the exception of the short-term ratings of Coface SA, which has been taken off Watch Negative and affirmed at 'F1'. The rating agency highlights "the strong liquidity of Coface, with cash representing 21% of the investment portfolio at end-March 2020, with no major near-term debt maturities due."»

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.

Consolidated balance Sheet

Assets

(in thousands of euros)	Notes	June 30, 2020	Dec. 31, 2019
Intangible assets		**223,092**	**220,844**
Goodwill	*1*	154,826	155,833
Other intangible assets	*2*	68,266	65,011
Insurance business investments	*3*	**2,904,561**	**2,990,686**
Investment property	*3*	288	288
Held-to-maturity securities	*3*	1,802	1,842
Available-for-sale securities	*3*	2,833,487	2,911,034
Trading securities	*3*	46	43
Derivatives	*3*	4,512	1,809
Loans and receivables	*3*	64,427	75,670
Receivables arising from banking activities	*4*	**2,110,581**	**2,346,710**
Reinsurers' share of insurance liabilities	*10*	**554,755**	**450,367**
Other assets		**1,035,474**	**1,053,538**
Buildings used for operations purposes and other property, plant and equipment		113,376	123,776
Deferred acquisition costs		39,222	40,384
Deferred tax assets		51,004	64,042
Receivables arising from insurance and reinsurance operations		539,771	532,362
Trade receivables arising from service activities		69,960	62,112
Current tax receivables		36,959	49,675
Other receivables		185,182	181,187
Cash and cash equivalents	*5*	**486,031**	**320,777**
TOTAL ASSETS		**7,314,494**	**7,382,922**

Liabilities

(in thousands of euros)	Notes	June 30, 2020	Dec. 31, 2019
Equity attributable to owners of the parent		**1,916,159**	**1,924,472**
Share capital	*6*	304,064	304,064
Additional paid-in capital		810,420	810,420
Retained earnings		655,381	512,438
Other comprehensive income		122,332	150,821
Consolidated net income of the year		23,963	146,729
Non-controlling interests		**234**	**269**
Total equity		**1,916,393**	**1,924,741**
Provisions for liabilities and charges	*7*	**90,739**	**100,932**
Financing liabilities	*8*	**381,564**	**389,261**
Lease liabilities	*9*	**87,385**	**92,990**
Liabilities relating to insurance contracts	*10*	**1,868,409**	**1,827,219**
Payables arising from banking activities	*11*	**2,174,879**	**2,362,805**
Amounts due to banking sector companies	*11*	534,372	523,020
Amounts due to customers of banking sector companies	*11*	248,824	301,058
Debt securities	*11*	1,391,683	1,538,727
Other liabilities		**795,124**	**684,974**
Deferred tax liabilities		85,111	107,357
Payables arising from insurance and reinsurance operations		341,426	219,863
Current taxes payables		67,557	66,295
Derivatives		97	889
Other payables		300,934	290,570
TOTAL EQUITY AND LIABILITIES		**7,314,494**	**7,382,922**

Consolidated income statement

(in thousands of euros)	Notes	June 30, 2020	June 30, 2019
Gross written premiums		*666,167*	*679,331*
Premium refunds		*(38,331)*	*(46,694)*
Net change in unearned premium provisions		*(28,749)*	*(27,342)*
Earned premiums	*12*	**599,087**	**605,297**
Fee and commission income		*75,518*	*74,138*
Net income from banking activities		*28,567*	*33,302*
Income from services activities		*21,448*	*19,843*
Other revenue	*12*	**125,533**	**127,283**
Revenue		**724,619**	**732,580**
Claims expenses	*13*	**(353,275)**	**(247,368)**
Policy acquisition costs	*14*	*(116,618)*	*(123,146)*
Administrative costs	*14*	*(132,621)*	*(135,009)*
Other insurance activity expenses	*14*	*(30,072)*	*(32,694)*
Expenses from banking activities, excluding cost of risk	*14*	*(6,596)*	*(6,770)*
Expenses from services activities	*14*	*(39,256)*	*(37,205)*
Operating expenses		**(325,163)**	**(334,825)**
Risk cost		**163**	**(1,158)**
UNDERWRITING INCOME BEFORE REINSURANCE		**46,345**	**149,229**
Income and expenses from ceded reinsurance	*15*	(5,969)	(49,763)
UNDERWRITING INCOME AFTER REINSURANCE		**40,375**	**99,466**
Investment income, net of management expenses (excluding finance costs)	*16*	16,732	16,624
CURRENT OPERATING INCOME		**57,108**	**116,091**
Other operating income and expenses	*17*	(1,756)	1,093
OPERATING INCOME		**55,351**	**117,184**
Finance costs		(10,993)	(10,492)
Share in net income of associates			
Badwill		0	2,968
Income tax expense		(20,408)	(31,140)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**23,951**	**78,520**
Non-controlling interests		12	15
NET INCOME FOR THE YEAR		**23,963**	**78,535**
Earnings per share (€)	*19*	0.16	0.52
Diluted earnings per share (€)	*19*	0.16	0.52

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	June. 30, 2020	June. 30, 2019
Net income of the period		**23,963**	**78,535**
Non-controlling interests		(12)	(15)
Other comprehensive income			
Currency translation differences reclassifiable to income		**(11,577)**	**4,037**
Reclassified to income			
Recognised in equity		(11,577)	4,037
Fair value adjustments on available-for-sale financial assets	3	**(19,873)**	**51,099**
Recognised in equity – reclassifiable to income – gross		(36,192)	70,552
Recognised in equity – reclassifiable to income – tax effect		7,875	(16,140)
Reclassified to income – gross		8,881	(4,166)
Reclassified to income – tax effect		(437)	853
Fair value adjustments on employee benefit obligations		**2,936**	**(2,222)**
Recognised in equity – not reclassifiable to income – gross		4,027	(3,052)
Recognised in equity – not reclassifiable to income – tax effect		(1,091)	830
Other comprehensive income of the period, net of tax		**(28,514)**	**52,914**
Total comprehensive income of the period		**(4,563)**	**131,434**
- attributable to owners of the parent		(4,527)	131,424
- attributable to non-controlling interests		(36)	10

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	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				**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				**(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							(28,314)			(28,314)	(3)	(28,317)
Fair value adjustments on available-for-sale financial assets reclassified to income statement							8,444			8,444	1	8,445
Change in actuarial gains and losses (IAS 19R)								2,936		2,936		2,936
Currency translation differences						(11,554)				(11,554)	(21)	(11,575)
Cancellation of COFACE SA shares												
Treasury shares elimination					(4,632)					(4,632)		(4,632)
Free share plans expenses				846						846		846
Transactions with shareholders										(2)	0	(2)
Equity at June 30, 2020		**304,064**	**810,420**	**671,203**	**(15,822)**	**(19,979)**	**164,789**	**(22,477)**	**23,963**	**1,916,159**	**234**	**1,916,393**

Consolidated statement of cash flows

(in thousands of euros)	March 31, 2020	March 31, 2019
Net income for the period	**23,963**	**78,535**
Non-controlling interests	(12)	(15)
Income tax expense	20,408	31,140
Finance costs	10,993	10,492
Operating income (A)	**55,352**	**120,152**
+/- Depreciation, amortization and impairment losses	12,428	17,904
+/- Net additions to / reversals from technical provisions	21,702	39,880
+/- Unrealized foreign exchange income / loss	1,913	9,113
+/- Non-cash items	21,394	(6,181)
Total non-cash items (B)	***57,437***	***60,716***
Gross cash flows from operations (C) = (A) + (B)	***112,789***	***180,868***
Change in operating receivables and payables	47,760	6,980
Net taxes paid	(10,525)	(17,944)
Net cash related to operating activities (D)	***37,235***	***(10,964)***
Increase (decrease) in receivables arising from factoring operations	219,048	84,640
Increase (decrease) in payables arising from factoring operations	(199,279)	10,881
Increase (decrease) in factoring liabilities	27,804	(78,332)
Net cash generated from banking and factoring operations (E)	***47,573***	***17,188***
Net cash generated from operating activities (F) = (C+D+E)	**197,596**	**187,092**
Acquisitions of investments	(395,737)	(412,931)
Disposals of investments	412,878	428,517
Net cash used in movements in investments (G)	***17,141***	***15,587***
Acquisitions of consolidated subsidiaries, net of cash acquired	655	(11,186)
Disposals of consolidated companies, net of cash transferred		(0)
Net cash used in changes in scope of consolidation (H)	***655***	***(11,186)***
Acquisitions of property, plant and equipment and intangible assets	(7,754)	(19,278)
Disposals of property, plant and equipment and intangible assets	(1,671)	14,022
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(9,425)***	***(5,255)***
Net cash used in investing activities (J) = (G+H+I)	**8,371**	**(855)**
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	(0)	(6)
Cash flows related to transactions with owners	***(4,632)***	***(124,167)***
Proceeds from the issue of debt instruments	(0)	11,741
Cash used in the redemption of debt instruments	(0)	(2,952)
Lease liabilities variations	(6,063)	(0)
Interests paid	(18,691)	(18,070)
Cash flows related to the financing of Group operations	(24,754)	(9,281)
Net cash generated from (used in) financing activities (K)	-29 385	(133,448)
Impact of changes in exchange rates on cash and cash equivalents (L)	-11 327	755
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**165 254**	**53,545**
Net cash generated from operating activities (F)	197,596	187,092
Net cash used in investing activities (J)	8,371	(855)
Net cash generated from (used in) financing activities (K)	(29,385)	(133,448)
Impact of changes in exchange rates on cash and cash equivalents (L)	(11,327)	755
Cash and cash equivalents at beginning of period	**320,777**	**302,419**
Cash and cash equivalents at end of period	**486,031**	**355,964**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**165,254**	**53,545**

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III. Notes to the condensed interim consolidated financial statements

III. Notes to the condensed interim consolidated financial statements

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

Note 1. Goodwill

The change in goodwill amounted to a negative €1,007 thousand at June 30, 2020, due to the fluctuation of the exchange rate of €352 thousand and the recognition of a loss in the goodwill recorded on the Latin America CGU of €655 thousand.

Goodwill and other non-financial assets were tested for impairment losses at June 30, 2020. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

The method of impairment testing is identical to that used in the consolidated accounts at December 31, 2019.

The assumptions used for goodwill impairment testing have been revised to incorporate the impacts of the Covid-19 epidemic :

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	10,8%	10,8%	10,8%	10,8%	10,8%	10,8%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

The assumptions used in 2019 were as follows:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	9,2%	9,2%	9,2%	9,2%	9,2%	9,2%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended June 30, 2020;
- cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended June 30, 2020;
- loss ration and the cost ratio sensitivity for the last year of the business plan (2024) : additional impairment tests were performed based on a 1 and 2 points increase in the loss ratio and in the cost ratio. It appears that an increase of 1 point and 2 points in the assumptions used would not have an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended June 30, 2020, except for the Western Europe region where, considering these assumptions, CGU goodwill posed a risk of depreciation.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table. It verifies that the value of the CGU remains greater than the contribution to the Group's net assets for each one of the CGU.

Outcome of impairment tests

(in millions of euros)	Northern Europe	Western europe	Central Europe	Mediterranean and Africa	North America	Latin America
Contribution to consolidated net assets (1)	554,2	466,7	214,5	284,6	60,5	44,6
Value in use of CGU	730,2	490,6	346,4	564,4	150,6	30,7
Sensitivity : Long-term growth rate -0,5 point (2)	720,5	485,8	342,8	557,4	148,2	30,0
Sensitivity : Loss Ratio 2024 +1 point (2)	745,7	383,7	348,7	560,3	148,7	28,2
Sensitivity : Loss Ratio 2024 +2 points (2)	733,0	320,0	340,3	539,8	140,0	23,4
Sensitivity : Cost Ratio 2024 +1 point (2)	745,7	383,7	347,8	560,3	148,7	28,2
Sensitivity : Cost Ratio 2024 +2 points (2)	733,0	320,0	338,5	539,8	140,0	23,4

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

Note 2. Other intangible assets

The change in other intangible assets amounted to a negative €3,255 thousand at June 30, 2020. This change is mainly explained by an increase of the book value of €7,989 thousand offset by an increase of the provision for depreciation and amortisation of €4,734 thousand.

Note 3. Insurance business investments

3.1 – Analysis by category

At June 30th, 2020, the carrying amount of available-for-sale (AFS) securities amounted to €2,833,487 thousand, securities held for trading (“trading securities”) came to €46 thousand and held-to-maturity (HTM) securities was €1,802 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments.

The distribution of the bonds portfolio by rating at June 30th, 2020 was as follows:

- Bonds rated “AAA”: 13.8%
- Bonds rated “AA” and “A”: 48.00%
- Bonds rated “BBB”: 34.4%
- Bonds rated “BB” and lower : 3.8%.

	June 30, 2020					Dec 31, 2019				
(in thousands of euros)	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
AFS securities	**2,658,461**	**175,026**	**2,833,487**	**2,833,487**		**2,706,300**	**204,734**	**2,911,034**	**2,911,034**	
Equities and other variable-income securities	135,618	140,164	275,782	275,782		171,089	145,867	316,956	316,956	
Bonds and government securities	2,308,795	29,039	2,337,834	2,337,834		2,314,927	43,680	2,358,607	2,358,607	
o/w direct investments in securities	*1,740,037*	*28,001*	*1,768,038*	*1,768,038*		*2,075,248*	*42,097*	*2,117,346*	*2,117,346*	
o/w investments in UCITS	*568,758*	*1,038*	*569,796*	*569,796*		*239,679*	*1,582*	*241,261*	*241,261*	
Shares in non-trading property companies	214,048	5,825	219,873	219,873		220,284	15,190	235,473	235,473	
HTM securities										
Bonds	1,802		**1,802**	1,802		1,842		**1,842**	1,842	
Fair value through income – trading securities										
Money market funds (UCITS)	46		**46**	46		43		**43**	43	
Derivatives (positive fair value)		**4,512**	**4,512**	**4,512**			**1,809**	**1,809**	**1,809**	
(derivatives negative fair value for information)		*(97)*	*(97)*	*(97)*			*(889)*	*(889)*	*(889)*	
Loans and receivables	**64,427**		**64,427**	**64,427**		**75,670**		**75,670**	**75,670**	
Investment property	**695**	**(407)**	**288**	**288**		**695**	**(407)**	**288**	**288**	
TOTAL	**2,725,432**	**179,131**	**2,904,562**	**2,904,562**	**(0)**	**2,784,550**	**206,137**	**2,990,687**	**2,990,687**	**(0)**

(in thousands of euros)	Gross June 30, 2020	Impairment	Net June 30, 2020	Net Dec. 31, 2019
AFS securities	**2,872,529**	**(39,040)**	**2,833,487**	**2,911,034**
Equities and other variable-income securities	314,814	(39,032)	275,782	316,956
Bonds and government securities	2,337,834		2,337,834	2,358,607
o/w direct investments in securities	*1,768,038*		*1,768,038*	*2,117,346*
o/w investments in UCITS	*569,796*		*569,796*	*241,261*
Shares in non-trading property companies	219,881	(8)	219,873	235,473
HTM securities				
Bond	**1,802**		**1,802**	**1,842**
Fair value through income – trading securities				
Money market funds (UCITS)	**46**		**46**	**43**
Derivatives (positive fair value)	**4,512**		**4,512**	**1,809**
(for information, derivatives with a negative fair value)	*(97)*		*(97)*	*(889)*
Loans and receivables	**64,522**	(95)	**64,427**	**75,670**
Investment property	**288**		**288**	**288**
TOTAL	**2,943,698**	**(39,135)**	**2,904,562**	**2,990,687**

Impairments

(in thousands of euros)	Dec. 31, 2019	Additions	Reversals	Exchange rate effects and other	June 30, 2020
AFS securities	**37,609**	**1,500**	**(14)**	**(55)**	**39,040**
Equities and other variable-income securities	37,601	1,500	(14)	(56)	39,032
Bonds and government securities	(0)	(0)	(0)		(0)
Shares in non-trading property companies	8				8
Loans and receivables	**95**	**(0)**			**95**
TOTAL	**37,704**	**1,500**	**(14)**	**(56)**	**39,135**

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	Dec. 31, 2019						June 30, 2020
	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,911,034**	**385,577**	**(418,186)**	**(26,014)**	**(1,485)**	**(17,438)**	**2,833,487**
Equities and other variable-income securities	316,956	2,598	(37,013)	(2,503)	(1,485)	(2,770)	275,782
Bonds and government securities	2,358,607	382,979	(374,937)	(14,146)	0	(14,668)	2,337,834
Shares in non-trading property companies	235,473		(6,236)	(9,364)			219,873
HTM securities							
Bonds	1,842	(5)	(35)				1,802
Fair value through income – trading securities	43		7			(4)	46
Loans, receivables and other financial investments	**77,767**	**13,807**	**(12,667)**	**(1,339)**	**1**	**(8,342)**	**69,228**
TOTAL	**2,990,687**	**399,378**	**(430,882)**	**(27,353)**	**(1,485)**	**(25,784)**	**2,904,562**

Derivatives

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

During the first 2020 semester, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio.

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

Regarding the bond portfolio, no rate hedging was implemented during the first half of 2020. However, Coface retain the opportunity to put it back in place.

Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

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

3.2 – Financial instruments recognised at fair value

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

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

Securities classified as level 1 represent 81% of the Group's portfolio. They correspond to:

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

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

Securities classified as level 2 represent 5% of the Group's portfolio. This level is used for the following instruments:

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

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

Securities classified as level 3 represent 14% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

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

Breakdown of financial instrument fair value measurements as at June 30th, 2020 by level in the fair value hierarchy

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,833,487**	**2,833,487**	**2,370,570**	**70,140**	**392,775**
Equities and other variable-income securities	275,782	275,782	113,005	590	162,186
Bonds and government securities	2,337,834	2,337,834	2,257,567	69,550	10,717
Shares in non-trading property companies	219,873	219,873			219,873
HTM securities					
Bonds	1,802	1,802	1,802		
Fair value through income – trading securities					
Money market funds (UCITS)	46	46	46		
Derivatives	**4,512**	**4,512**	**1,352**	**3,050**	**109**
Loans and receivables	**64,427**	**64,427**		**64,427**	
Investment property	**288**	**288**			**288**
TOTAL	**2,904,562**	**2,904,562**	**2,373,772**	**137,618**	**393,173**

The decline in the valuations of real estate funds in light of the expected shocks to the retail and hotel sectors appears on the AFS – Shares in non-trading property companies line item.

Movements in Level 3 securities as at June 30th, 2020

(in thousands of euros)	At Dec. 31, 2019	Gains and losses recognized in the period: In income	Gains and losses recognized in the period: Directly in equity	Transactions for the period: Purchases/ Issues	Transactions for the period: Sales/ Redemptions	Exchange rate effects	At June 30, 2020
AFS securities	**390,308**	**(1,500)**	**1,387**	**1,500**	**4,479**	**(3,400)**	**392,775**
Equities and other variable-income securities	154,835	(1,500)	10,750	1,500		(3,400)	162,186
Shares in non-trading property companies	235,473		(9,364)		(6,236)		219,873
Derivatives	**109**					**(0)**	**109**
Investment property	**288**						**288**
TOTAL	**390,705**	**(1,500)**	**1,387**	**1,500**	**4,479**	**(3,400)**	**393,173**

Breakdown of financial instrument fair value measurements as at December 31st, 2019 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,911,034**	**2,911,034**	**2,520,706**	**23**	**390,308**
Equities and other variable-income securities	316,956	316,956	162,097	23	154,835
Bonds and government securities	2,358,607	2,358,607	2,358,607		
Shares in non-trading property companies	235,473	235,473			235,473
HTM securities					
Bonds	1,842	1,842	1,842		
Fair value through income – trading securities					
Money market funds (UCITS)	43	43	43		
Derivatives	**1,809**	**1,809**	**682**	**1,018**	**109**
Loans and receivables	**75,670**	**75,670**		**75,670**	
Investment property	**288**	**288**			**288**
TOTAL	**2,990,687**	**2,990,687**	**2,523,272**	**76,711**	**390,705**

Movements in Level 3 securities as at December 31st, 2019

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

SPPI Financial assets at June 30, 2020 (IFRS 9)

(in thousands of euros)	Fair value	Fair value variation
Direct investments in securities - SPPI financial assets	1 752 750	-2 010
Direct investments in securities - No SPPI financial assets	15 288	13
Direct investments in securities	**1 768 038**	**-1 997**
Loans and receivables - SPPI financial assets	64 427	0
Loans and receivables	**64 427**	**0**
Cash and cash equivalents - SPPI financial assets	381 915	0
Cash and cash equivalents	**381 915**	**0**
SPPI financial assets	**2 199 091**	**-2 010**
No SPPI financial assets	**15 288**	**13**
TOTAL	**2 214 379**	**-1 997**

(in thousands of euros)	Gross value	Fair value
SPPI financial assets without a low credit risk	**64,884**	**63,419**

IFRS9 has been applicable to factoring companies since January 1, 2018.

Note 4. Receivables arising from banking sector

Breakdown by nature

(in thousands of euros)	June 30, 2020	Dec. 31, 2019
Receivables arising from banking sector	2,110,581	2,346,710
Non-performing receivables arising from banking sector	39,008	55,777
Allowances for receivables arising from banking sector	(39,008)	(55,777)
TOTAL	**2,110,581**	**2,346,710**

Receivables arising from banking sector represent receivables acquired within the scope of factoring agreements.

They are recognised at cost within assets in the balance sheet and they are classified as level 2. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

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

Note 5. Cash and cash equivalents

(in thousands of euros)	June 30, 2020	Dec. 31, 2019
Cash at bank and available	459,519	296,121
Cash equivalents	26,512	24,656
TOTAL	**486,031**	**320,777**

At June 30, 2020, operating cash was up €165.3 million in order to secure enough cash for the group in the context of a rise of claims linked to Covid19. Cash and cash equivalents are all available; no amount is placed in escrow type accounts.

Note 6. Share capital

Ordinary shares	Number of shares	Nominal value	Share capital (in €)
At December 31st, 2019	152,031,949	2	304,063,898
At June 30, 2020	**152,031,949**	**2**	**304,063,898**
Treasury shares deducted	(1,334,391)	2	(2,668,782)
At June 30, 2020 (excluding treasury shares)	**150,697,558**	**2**	**301,395,116**

Shareholders	June 30, 2020		Dec. 31, 2019	
	Number of shares	%	Number of shares	%
Natixis	64,153,881	42,57%	64,153,881	42,48%
Public	86,543,677	57,43%	86,877,316	57,52%
Total excluding treasury shares	**150,697,558**	**100%**	**151,031,197**	**100%**

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

Natixis holds, as of the end of June 2020, 42.57% of the COFACE Group's shares excluding treasury shares, and 42.20% including treasury shares.

Note 7. Provisions for liabilities and charges

(in thousands of euros)	June. 30, 2020	Dec. 31, 2019
Provisions for disputes	2,278	2,769
Provisions for pension and other post-employment benefit	61,589	66,447
Other provisions for liabilities and charges	26,872	31,716
Total	**90,739**	**100,932**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring displayed in "Other provisions for liabilities and charges".

The change in the first half of 2020 is mainly due to the decrease in provisions for restructuring, including a reversal of €4.2 million and to the decrease of actuarial gains and losses for €3.5 million due to the change in actuarial hypotheses.

The provisions related to the Build to Lead strategic plan amount to €4.9 million as of June 30, 2020

Note 8. Financing liabilities

(in thousands of euros)	June 30, 2020	Dec. 31, 2019
Due within one year		
- Interest	3,788	11,756
- Amortization of expenses	(559)	(547)
Total	**3,229**	**11,209**
Due between one and five years		
- Amortization of expenses	(1,666)	(1,948)
- Nominal	380,000	
Total	**378,334**	**378,052**
Due beyond five years		
- Amortization of expenses	(0)	(0)
- Nominal	(0)	(0)
Total	**(0)**	**(0)**
TOTAL	**381,564**	**389,261**

On March 27th, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27th, 2024 , with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly attributable transaction costs.

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

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

As at June 30th, 2020, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €381,564 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €2,224 thousand;
- increased by accrued interest of €3,788 thousand.

The impact on consolidated income statement income as at June 30th, 2020 mainly includes the interest related to the period for €7,977 thousand

Note 9. Lease liabilities

(in thousand of euros)	June 30, 2020	Dec. 31, 2019
Lease liabilities - Real estate leasing	79 465	82 425
Lease liabilities - Equipment leasing	7 920	10 565
Lease liabilities - Leasing	**87 385**	**92 990**

Note 10. Liabilities relating to insurance contracts

(in thousands of euros)	June 30, 2020	Dec. 31, 2019
Provisions for unearned premiums	299,937	281,465
Claims reserves	1,398,393	1,361,352
Provisions for premium refunds	170,079	184,402
Liabilities relating to insurance contracts	**1,868,409**	**1,827,219**
Provisions for unearned premiums	(85,814)	(59,130)
Claims reserves	(409,324)	(341,936)
Provisions for premium refunds	(59,617)	(49,301)
Reinsurers' share of technical insurance liabilities	**(554,755)**	**(450,367)**
Net technical provisions	**1,313,654**	**1,376,852**

The Group's provisioning policy remains unchanged. The opening year provisioning is at a particularly high level at 87.6%. It reflects an increase in claims notifications, especially large unit claims received by Coface but also an increase in provisions in anticipation of the predictable claims frequency increase

Note 11. Payables arising from banking sector activities

(in thousands of euros)	June 30, 2020	Dec. 31, 2019
Amounts due to banking sector companies	534,372	523,020
Amounts due to customers of banking sector companies	248,824	301,058
Debt securities	1,391,683	1,538,727
TOTAL	**2,174,879**	**2,362,805**

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

Note 12. Revenue

Breakdown of consolidated revenue

(in thousands of euros)	June 30, 2020	June 30, 2019
Premiums – direct business	615,544	627,532
Premiums – inward reinsurance	50,623	51,800
Gross written premiums	**666,167**	**679,332**
Premium refunds	**(38,331)**	**(46,694)**
Change of provisions for unearned premiums	**(28,749)**	**(27,342)**
Earned premiums	**599,087**	**605,296**
Fees and commission income	**75,518**	**74,138**
Net income from banking activities	**28,567**	**33,302**
Other insurance-related services	,44	,77
Business information and other services	17,145	14,888
Receivables management	4,259	4,878
Income from service activities	**21,448**	**19,843**
Revenue or income from other activities	**125,533**	**127,283**
CONSOLIDATED REVENUE	**724,619**	**732,579**

Consolidated revenue by country of invoicing

(in thousands of euros)	June 30, 2020	June 30, 2019
Northern Europe	147,009	156,068
Western Europe	142,566	147,498
Central Europe	73,510	71,543
Mediterranean & Africa	200,538	190,930
North America	69,219	68,070
Latin America	34,698	39,793
Asia-Pacific	57,079	58,677
CONSOLIDATED REVENUE	**724,619**	**732,579**

Consolidated revenue by activity

(in thousands of euros)	June 30, 2020	June 30, 2019
Earned premiums - Credit	*556,941*	*566,058*
Earned premiums - Single risk	*16,285*	*13,974*
Earned premiums - Credit insurance	**573,226**	**580,032**
Fees and commission income	**75,518**	**74,138**
Other insurance-related services	**,44**	**,77**
Revenue of credit insurance activity	**648,787**	**654,247**
Earned premiums - Guarantees	**25,860**	**25,264**
Financing fees	13,882	18,350
Factoring fees	15,577	15,446
Other	(892)	(494)
Net income from banking activities (factoring)	**28,567**	**33,302**
Business information and other services	17,145	14,888
Receivables management	4,259	4,878
Revenue of business information and other services activity	**21,404**	**19,766**
CONSOLIDATED REVENUE	**724,619**	**732,579**

Note 13. Claim expenses

(in thousands of euros)	June 30, 2020	June 30, 2019
Paid claims, net of recoveries	(272,431)	(210,180)
Claims handling expenses	(15,155)	(15,864)
Change in claims reserves	(65,690)	(21,324)
Total	**(353,275)**	**(247,368)**

Claims expenses by period of occurrence

	June 30, 2020			June 30, 2019		
(in thousands of euros)	Gross	Outward	Net	Gross	Outward	Net
Claims expenses – current year	(486,441)	174,028	(312,413)	(440,167)	114,300	(325,867)
Claims expenses – prior years	133,166	(34,958)	98,208	192,799	(56,158)	136,641
Total	**(353,275)**	**139,069**	**(214,205)**	**(247,368)**	**58,142**	**(189,226)**

Note 14. Overheads by function

(in thousands of euros)	June 30, 2020	June 30, 2019
Acquisition costs	(116,618)	(123,146)
Administrative costs	(132,621)	(135,009)
Other operating expenses	(30,072)	(32,694)
Expenses from banking activities, excluding cost of risk	(6,596)	(6,770)
Expenses from other activities	(39,256)	(37,205)
Operating expenses	**(325,163)**	**(334,825)**
Investment management expenses	**(1,608)**	**(2,008)**
Claims handling expenses	**(15,155)**	**(15,864)**
TOTAL	**(341,927)**	**(352,697)**
of which employee profit-sharing	*(894)*	*(2,420)*

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. This stood at €341,927 thousand as at June 30, 2020 versus €352,697 thousand as at June 30, 2019.

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

Note 15. Income and expenses from ceded reinsurance

(in thousands of euros)	June 30, 2020	June 30, 2019
Ceded claims	78,216	56,764
Change in claims provisions net of recoveries	67,714	1,378
Commissions paid by reinsurers	86,058	67,267
Income from ceded reinsurance	**231,988**	**125,409**
Ceded premiums	(265,117)	(192,599)
Change in unearned premiums provisions	27,160	17,427
Expenses from ceded reinsurance	**(237,957)**	**(175,172)**
Total	**(5,969)**	**(49,763)**

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

Investment income by class

(in thousands of euros)	June 30, 2020	June 30, 2019
Equities	(3,678)	6,219
Fixed income	7,612	19,112
Investment properties	5,308	3,547
Sub-total	**9,242**	**28,878**
Associated and non consolidated companies	1,030	(3,379)
Exchange rate - change profit / loss (*)	9,694	(5,358)
Financial and investment charges	(3,234)	(3,516)
TOTAL	**16,732**	**16,625**

(*) The derivative income (except FX rate) is € 8.4 million at June 30, 2020 versus € (5.0) millions at June 30, 2019.

Note 17. Other operating income and expenses

(in thousands of euros)	June 30, 2020	June 30, 2019
Fit to Win restructuring charges		(1,302)
Impairment charge of goodwill in Latin America CGU	(655)	
Other operating expenses	(2,143)	(573)
including internalisation costs of sales representatives in the US	*(1,312)*	
Total other operating expenses	**(2,798)**	**(1,875)**
Gain on sale of italian operational building		2,372
Build to Lead restructuring incomes	635	
Other operating income	407	597
Total other operating income	**1,042**	**2,969**
TOTAL	**(1,756)**	**1,094**

Other operating income and expenses amounted to -€1,756K as of June 30th, 2020.

The goodwill impairment charge has been recorded in the Latin America CGU for -€655K. Other operating expenses amounted to -€2,763K as of June 30th, 2020 and they include internalisation costs of sales representatives in the United States for -€1,312K and contributions for pension funds in Coface Europe for -€290K.

Other operating income mainly consist of reversals of asset provisions in Coface Europe for €357K.

Note 18. Breakdown of net income by segment

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

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

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

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

Analysis of June 30th, 2020 net income by segment

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

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

Analysis of June 30th, 2019 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa	North America	Latin America	Asia - Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**156,684**	**145,565**	**72,281**	**191,748**	**68,070**	**39,793**	**58,677**	**482,073**	**14,025**		**(496,336)**	**732,580**
o/w Earned Premium	*103,799*	*127,697*	*57,471*	*160,324*	*60,790*	*38,386*	*56,830*	*482,073*			*(482,073)*	*605,297*
o/w Factoring	*27,906*	*(112)*	*5,508*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*			*(0)*	*33,302*
o/w Other insurance-related services	*24,979*	*17,980*	*9,302*	*31,424*	*7,280*	*1,407*	*1,847*	*(0)*	*14,025*		*(14,263)*	*93,981*
Claims-related expenses (including claims handling costs)	(44,764)	(39,893)	(24,228)	(74,700)	(24,439)	(19,342)	(13,711)	(169,651)		(2,645)	166,005	(247,368)
Cost of risk	(1,131)		(27)									(1,158)
Commissions	(11,053)	(19,219)	(4,692)	(18,982)	(10,772)	(4,778)	(11,977)	(188,331)			188,217	(81,587)
Other internal general expenses	(57,820)	(50,798)	(26,467)	(56,702)	(21,791)	(14,783)	(18,051)	(0)	(14,324)	(11,148)	18,647	(253,237)
UNDERWRITING INCOME BEFORE REINSURANCE*	**41,916**	**35,655**	**16,867**	**41,364**	**11,068**	**890**	**14,938**	**124,091**	**(299)**	**(13,793)**	**(123,468)**	**149,229**
Income/(loss) on ceded reinsurance	(7,130)	(26,440)	(3,376)	(6,080)	(324)	(4,660)	67	(125,911)			124,091	(49,763)
Other operating income and expenses	(1)	(364)	19	2,116	(933)	256						1,093
Net financial income excluding finance costs	2,893	(3,682)	5,223	7,455	1,831	3,796	1,416		(1)	(510)	(1,796)	16,625
Finance costs	(123)	(1,235)	(288)	(330)	(823)	(165)	(452)		(65)	(8,097)	1,086	(10,492)
OPERATING INCOME including finance costs	**37,555**	**3,934**	**18,445**	**44,525**	**10,819**	**117**	**15,969**	**(1,820)**	**(365)**	**(22,400)**	**(87)**	**106,692**
Badwill			2,968									2,968
NET INCOME BEFORE TAX	**37,555**	**3,934**	**21,413**	**44,525**	**10,819**	**117**	**15,969**	**(1,820)**	**(365)**	**(22,400)**	**(87)**	**109,660**
Income tax expense	(10,665)	(1,117)	(6,081)	(12,644)	(3,072)	(33)	(4,535)	517	104	6,361	25	(31,140)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**26,890**	**2,817**	**15,332**	**31,881**	**7,747**	**84**	**11,434**	**(1,303)**	**(261)**	**(16,039)**	**(62)**	**78,520**
Non-controlling interests	(1)		(1)	17								15
NET INCOME FOR THE PERIOD	**26,889**	**2,817**	**15,331**	**31,898**	**7,747**	**84**	**11,434**	**(1,303)**	**(261)**	**(16,039)**	**(62)**	**78,535**

* Le résultat technique avant réassurance est un indicateur financier clé utilisé par le Groupe Coface afin d'analyser la performance de ses activités. Le résultat technique avant réassurance correspond à la somme du chiffre d'affaires, des charges de prestations des contrats, des charges d'exploitation bancaire, du coût du risque, des frais d'acquisition des contrats, des frais d'administration et des autres charges opérationnelles courantes et des charges des activités de services.

Note 19. Earnings per share

	June 30, 2020		
	Average number of shares	Net income for the period (in thousand of euros)	Earnings per share (in euros)
Basic earnings per share	150,864,378	23,963	0.16
Dilutive instruments	0		
Diluted earnings per share	**150,864,378**	**23,963**	**0.16**

	June 30, 2019		
	Average number of shares	Net income for the period (in thousand of euros)	Earnings per share (in euros)
Basic earnings per share	151,032,340	78,535	0.52
Dilutive instruments	0		
Diluted earnings per share	**151,032,340**	**78,535**	**0.52**

Note 20. Related parties

At the end of June 2020, Natixis holds 42.57% of the COFACE Group's shares excluding treasury shares, and 42.20% including treasury shares.

	Number of shares	%
Natixis	64,153,881	42,57%
Public	86,543,677	57,43%
Total	**150,697,558**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

The main related-party transactions are as follows:

- financing of a portion of the factoring activity by Natixis SA;
- financial investments with the BPCE and Natixis groups;
- Coface's credit insurance coverage made available to entities related to Coface;
- recovery of insurance receivables carried out by entities related to Coface on behalf of Coface;
- rebilling of general and administrative expenses, including overheads, personnel expenses, etc.

These transactions are broken down below:

Current operating income *(in thousands of euros)*	June 30, 2020 Natixis SA	 Natixis Factor	 Ellisphere
Revenue (net banking income, after cost of risk)	(860)		
Claims expenses			
Expenses from other activities			
Policy acquisition costs			
Administrative costs			
Other current operating income and expenses			
Operating income/(loss)	**(860)**		

Related-party receivables and payables *(in thousands of euros)*	June 30, 2020 BPCE group	 Natixis SA	 Natixis Factor	 Ellisphere
Financial investments	49,077			
Other assets				
Cash and cash equivalents		67,162		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		78,485		
Other liabilities				14

The €78,485 thousand in financing liabilities due to banking sector companies, at the end of June 2020, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income *(in thousands of euros)*	June 30, 2019 Natixis SA	 Natixis Factor	 Ellisphere
Revenue (net banking income, after cost of risk)	(1,172)		
Claims expenses			
Expenses from other activities			
Policy acquisition costs			
Administrative costs			
Other current operating income and expenses			
Operating income/(loss)	**(1,172)**		

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

Note 21. Off-balance sheet commitments

(in thousands of euros)	June 30, 2020		
	TOTAL	Related to financing	Related to activity
Commitments given	**1,049,499**	**1,037,194**	**12,305**
Endorsements and letters of credit	1,037,194	1,037,194	0
Property guarantees	7,500	0	7,500
Financial commitments in respect of equity interests	4,805	0	4,805
Commitments received	**1,610,827**	**1,034,840**	**575,987**
Endorsements and letters of credit	140,941	0	140,941
Guarantees	359,277	0	359,277
Credit lines linked to commercial paper	700,000	700,000	(0)
Credit lines linked to factoring	334,840	334,840	(0)
Financial commitments in respect of equity interests	73,269	(0)	73,269
Financial commitments in respect of equity interests	2,500	0	2,500
Guarantees received	**37,862**	**(0)**	**37,862**
Securities lodged as collateral by reinsurers	37,862	(0)	37,862
Financial market transactions	**140,611**	**(0)**	**140,611**

The endorsements and letters of credit correspond mainly to :

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes' investors (10-year maturity)
- a guarantee from Cofinpar of €7,000 thousand
- a joint guarantee of €650,194 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers are concerning Coface Ré for €2,262 thousand and Compagnie française pour le commerce extérieur for €35,600 thousand.

(in thousands of euros)	Dec. 31, 2019		
	TOTAL	Related to financing	Related to activity
Commitments given	**1,055,215**	**1,037,195**	**18,021**
Endorsements and letters of credit	1,037,195	1,037,195	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	10,521		10,521
Commitments received	**1,503,862**	**1,018,308**	**485,554**
Endorsements and letters of credit	140,575		140,575
Guarantees	342,478		342,478
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	318,308	318,308	
Financial commitments in respect of equity interests	2,500		2,500
Guarantees received	**382,200**		**382,200**
Securities lodged as collateral by reinsurers	382,200		382,200
Financial market transactions	**281,096**		**281,096**

Note 22. IFRS 17

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

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

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation.

So far, insurance contracts are recorded at historical costs and will be recorded at current value after the application of IFRS 17 standard. Therefore, the value of insurance contracts will be based on future cash flows generated, including a risk margin in order to consider the uncertainty regarding these flows. IFRS 17 introduces the concept of contractual service margin. This margin represents the benefit not earned by the insurer and will be released over time, depending on the service provided by the insurer to the policyholder.

The standard requires a higher level of granularity regarding details of calculations than before as it requires estimations by group of contracts.

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

Given the importance of the changes made and despite uncertainties of the standard, Coface has set up a project structure, which enables, within different themes, to analyse all dimensions of the standard: modelling, adaptation of systems and organisations, production of accounts and scales strategy, financial communication and change management.

Note 23. Brexit

The UK's exit from European Union will lead to a loss of the European passport (Free or LPS).

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

Note 24. Events after the reporting period

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.

In 2019, GIEK Kredittforsikring AS recorded a total of around €9m (NOK99m) of gross written premiums with a portfolio that is widely focussed on export policies. The transaction will have a non-material impact on Coface's solvency ratio.

Coface commits to the English state for the implementation of a credit insurance support mechanism

The British government announced in early 2020 the implementation of a mechanism of 10 billion pounds to help supporting the credit insurance.

This mechanism consists in covering 90% of claims arising from premiums which have been written between 1st of April and the 31th of December 2020, in return of 100% of cession of written premiums net of almost all the firm's expenses to handle the credit insurance activity. It is currently subject to the approval of the European Commission.

Following Coface's formal commitment to the authorities to participate in this scheme, which covers most of the transactions of the second quarter, the corresponding impact has been integrated into the group's accounts to the extent that the contract is considered substantially finalised.

Italian state support mechanism

The Italian government published in 19th may 2020 an economy recovery decree that includes a 2 billion euros credit insurance support mechanism. This decree was converted to a law, after the end of the reporting period, on the 19th of July 2020 and has been submitted to the European Commission for approval.

The mechanism consists in covering 90% of claims occurred starting from 1st of April 2020 and related to year 2020 written premiums, in return of a 90% cession of premiums collected between the 1st of April 2020 and the 31th march net of a 35% commission.

Since it is uncertain that the European Commission will approve the mechanism, on these terms, its impacts haven't been included in the June 2020 accounts.

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

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

Period from January 1 to June 30, 2020

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of COFACE SA, for the period from January 1 to June 30, 2020.
- the verification of the information presented in the half-yearly management report.

These half-year condensed consolidated financial statements were prepared under the responsibility of board of directors on July 29,2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report commenting the condensed half-year consolidated financial statements subject to our review prepared on July 29, 2020.

We precise that it is not our role to report the matters related to the sincerity and the concordance with the condensed half-yearly consolidated financial statements of Solvency II information extracted from the report.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly condensed consolidated financial statements.

Paris-La Défense, July 30,2020

The Statutory Auditors

French original signed by Jérôme Lemierre and Jean-Claude Pauly.

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V. Statement of the person responsible for the financial statements

V. Statement of the person responsible for the financial statements

I hereby declare, after having taken every reasonable measure for such purpose, that the information contained in this interim financial report for the first half 2020, to my knowledge, is true to fact and that no material aspects of such information have been omitted.

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

The limited review report for the interim consolidated financial statements for the six-month period ended June 30, 2020 is reproduced above, in paragraph IV.

Bois Colombes, on July 29 2020

Xavier DURAND

Directeur Général de COFACE SA

VI. Key indicators

VI. Key indicators

A. KEY PERFORMANCE INDICATORS

1. Financial indicators

For details on the definitions of these indicators, please refer to chapter 3, section 3.7.1 of the 2019 Registration Document filed with the AMF on April 16 2020 under number D. 20-0302.

2. Operating indicators

For details on the definitions of these indicators, please refer to chapter 3, section 3.7.2 of the 2019 Registration Document filed with the AMF on April 16 2020 under number D. 20-0302.

B. ALTERNATIVE PERFORMANCE MEASURES (APM)

This section deals with indicators that are not defined by accounting standards and are used by the company in its financial communication, also available on section 3.7.4 of the 2019 Registration Document filed with the AMF on April 16 2020 under number D. 20-0302.

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

The indicators below represent the company's APM

a) APM linked to revenue and its items:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Turnover with restated items				
(1) 2 types of revenue restatements: i- Calculation of the percentage of revenue growth in like-for-like (i.e. constant scope and FX): - Year Y recalculated at the exchange rate for year Y-1 - Year Y-1 at the scope of year Y ii- Removal or addition of revenue in value (€) considered as non-recurring. The term "non-recurring" refers to impacts on revenue which do not occur every year.	i- Historic method for calculating like-for-like percentages for Coface ii- Item considered as non-recurring, which means that it will not occur again in the current year (Year Y).	i- (Revenue Y – FX Impact Y-1) / (Revenue Y-1 + Impact scope N) - 1 ii- Revenue Y +/- Restatements / Additions of non-recurring items Y	i. **-0.6%** = (724.6 - (-6.6) / (732.6 + 3.2) - 1 ii. 724.6 +/- 0.0	i. **N/A** 735.8 = 732.6 + 3.2 ii. 735.8 +/- 0.0
Fee and commission income/Earned premiums (current – like-for like)				
Weight of fee and commission income compared to earned premiums in like-for like (i.e. constant scope and FX): - Year Y at the exchange rate for year Y-1 - Year Y-1 at the scope of year Y Fee and commission income corresponds to revenue billed for ancillary services.	Indicator used to monitor changes in fees and commission income compared to the main Revenue item on a like-for-like basis (ie. constant scope and FX).	Fee and commission income/Earned premiums Like-for-Like (no scope impact ; ex. FX)	**Current : 12.6%** = 75.6 / 599.1 **Constant : 12.5%** = 75.8 / 605.6	**Current : 12.3%** = 74.2 / 605.3 **Constant : 12.2%** = 74.0 / 606.6

Internal general expenses excluding non-recurring items				
(2) Restatement or Addition of items considered as non-recurring to internal overheads. The term “non-recurring” refers to the impacts on expenses which do not occur every year.	Indicator used to compare the change in internal overheads, excluding non-recurring items.	Current internal overheads +/- Restatements / Addition of non-recurring items	**263.9** M€ = 263.9 +/- 0.0	**271.1** M€ = 271.1 +/- 0.0

b) APM linked to operating income:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Restated operating income excluding non-recurring items (including financial costs and excluding other operating income and expenses)				
Restatement or Addition of items considered as non-recurring, to the operating income: these include non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or general expenses (see definition above) (2))	Indicator used to compare the change in operating income, excluding non-recurring items.	Current operating income +/- Restatements / Addition of non-recurring items	**46.1** M€ = 55.4 + (-11.00) – (-1.8)	**105.6** M€ = 117.2 + (-10.5) - 1.1

c) APM linked to net income:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Net income excluding non-recurring items				
Restatement or Addition of items considered as non-recurring, to net income: These include non-recurring income and expenses likely to impact either revenue (see definition above, (1)) or expenses (see definition above) (2)) This aggregate is also restated to account for "current operating income and expenses" classified after operating income in the management income statement (3).	Indicator used to compare the change in net income, excluding non-recurring items.	Net income +/- Restatements / Additions of non-recurring items	**24.0** M€ +/- 0,0	**78.5** M€ +/- 0,0

d) APM in connection with combined ratio:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Gross loss ratio (or loss ratio before reinsurance) and gross loss ratio including claims management fees refer to the very same indicator				
Please, refer to part VII of the present document				
Net loss ratio (or loss ratio after reinsurance)				
Please, refer to part VII of the present document				
Gross/Net cost ratio (or cost ratio before/after reinsurance)				
Please, refer to part VII of the present document				
Gross/Net combined ratio (or combined ratio before/after reinsurance)				
Please, refer to part VII of the present document				
Net combined ratio excluding restated and non-recurring items ***[A]***				
Restatement or Addition of items considered as non-recurring to the combined ratio after reinsurance. This includes non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or overheads (see definition above) (2))	Indicator used to compare the change in combined ratios after reinsurance, excluding non-recurring items.	Combined ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**[A]=[B]+[C]** **88.6%** = 57.4% + 31.2%	**[A]=[B]+[C]** **76.0%** = 44.0% + 32.0%
Net loss ratio excluding non-recurring items ***[B]***				
Restatement or Addition of items considered as non-recurring to loss ratio after reinsurance.	Indicator used to compare the change in loss ratios after reinsurance, excluding non-recurring items.	Loss ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**57.4%** = 57.4% +/- 0.0pts	**44.0%** = 44.0% +/- 0.0pts

Net cost ratio excluding restated and non-recurring items ***[C]***				
Restatement or Addition of items considered as non-recurring, to cost ratio after reinsurance. These include non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or overheads (see definition above) (2))	Indicator used to compare the change in cost ratios after reinsurance, excluding non-recurring items.	Cost ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**31.2%** = 31.2% +/- 0.0pts	**32.0%** = 32.0% +/- 0.0pts
Current underwriting year gross loss ratio - loss ratio before reinsurance and excluding claims handling expenses for the current underwriting year ***[D]***				
Ultimate claims expense (after recourse) over earned premiums (after premium rebates) for the current underwriting year. The insurance attachment year (insurance period) is exclusively the current year Y.	Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	= Claims attached to the current year/ Gross earned premiums for the current year See ultimate loss ratios development triangles	**87.6%** = see ultimate loss ratios development triangles	**76.0%** = see ultimate loss ratios development triangles
Prior underwriting years gross loss ratio - loss ratio before reinsurance and excluding claims handling expenses for the prior underwriting years ***[E]***				
Corresponds to the Gains/Losses for underwriting years (insurance periods) prior to the current year Y, which is not included. A Gain or Loss corresponds respectively to an excess or deficit in claims provisions compared to the loss ratio actually recognised.	Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	[E] = [F-D]	**-31.1%** = 56.4% - 87.6%	**-37.8%** = 38.2% - 76.0%
All underwriting years gross loss ratio – loss ratio before reinsurance and excluding claims handling expenses for all underwriting years ***[F]***				
Corresponds to the accounting loss ratio relating to all underwriting years (Current year Y and its prior years). Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	Key indicator in loss monitoring	-(Claims / Earned premiums) (see P&L)	**56.4%** = - (-338.1 / 599.1)	**38.2%** = - (-231.5 / 605.3)

e) APM in connection with equity:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
RoATE – Return on average tangible equity				
Net income (attributable to the equity owner of the parent – group share) for the year over average tangible equity (average equity restated for intangible assets).	The return on equity ratio is used to measure the return on the Group's invested capital.	Net income group share Y /[(Equity attributable to equity holders of the parent Y-1, restated for intangible assets + Equity attributable to equity holders of the parent Y, restated for intangible assets)/2] For intermediary periods (Q1, H1 and 9M results), the net income is annualized ie. For Q1: Net income x 4 For H1: Net income x 2 For 9M : Net income / 3 x 4	**2.8%** = (24.0x2) / [(1 704 + 1,693) /2] The annualized net income (x2) is taken into account for both the ratio's numerator and denominator	**9.6%** = (78.5x2) / [(1 674 + 1,586) /2] The annualized net income (x2) is taken into account for both the ratio's numerator and denominator
RoATE excluding exceptional and non-recurring items				
RoATE (refer to the definition above) recalculated based on the net income excluding non-recurring items and the average tangible equity excluding non-recurring items.	The return on equity ratio excluding non-recurring items is used to track changes on the Group's invested capital between two reporting periods	Net income group share Y excluding non-recurring items /[(Equity attributable to equity holders of the parent Y-1 excluding non-recurring items, restated for intangible assets + /[(Equity attributable to equity holders of the parent Y excluding non-recurring items, restated for intangible assets)/2] For intermediary periods (Q1, H1 and 9M results), the net income is annualized ie. For Q1: Net income x 4; For H1: Net income x 2 For 9M : Net income / 3 x 4	Not applicable	Not applicable

f) *APM linked to the investment portfolio*:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Accounting rate of return of financial assets				
Investment income before income from investments in companies, foreign exchange gains or losses and financial expenses compared to the balance sheet total of financial assets excluding investments in companies	Indicator used to monitor the accounting performance of the financial assets portfolio	Investment portfolio income / ((market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1)/2)	**0.6%** = 17.6 / (((2,905 - 150) + (2,991 - 142)) / 2)	**0.9%** 0.9% = 23.9 / (((2,910 - 130) + (2,834 - 129)) / 2)
Accounting rate of return of financial assets excluding income from disposals				
Investment income before income from investments in companies, foreign exchange gains or losses and financial expenses excluding capital gains or losses on disposals compared to the balance sheet total of financial assets excluding investments in companies	Indicator used to monitor the recurring accounting performance of the financial assets portfolio	Investment portfolio income excluding capital gains or losses / ((market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1)/2)	**0.7%** = (17.6 + 0.9) / (((2,905 - 150) + (2,991 - 142)) / 2)	**0.9%** = (23.9 - 0.4) / (((2,910 - 130) + (2,834 - 129)) / 2)
Economic rate of return of financial assets				
Economic performance of the asset portfolio. Thus the change in revaluation reserves for the period over the balance sheet total of financial assets is added to the	Indicator used to monitor the economic performance of the financial assets portfolio	((Accounting rate of return of financial assets + (revaluation reserves of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y – revaluation reserves of financial assets	**-0.7%** = (17.6 + 48.0 - 85.2) / (((2,905 - 150) + (2,991 - 142)) / 2)	**3.2%** = (23.9 + 65.2 - 2.4) / (((2,910 - 130) + (2,834 - 129)) / 2)

accounting return.		(stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1) / ((market value of financial assets ((stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1) / 2		
Investment portfolio income				
Income from the investment portfolio (stocks excluding share in companies, fixed-income instruments and real estate)	Used to monitor income from the investment portfolio only	Income from stocks excluding investments in companies + fixed-income instruments + real estate income	**17.6 M€** = -3.7 + 7.6 + 5.3 + 8.4	**23.9 M€** = 6.2 + 19.1 + 3.5 - 5.0
Others				
Income from derivatives excluding exchange rate, investments in companies and financial expenses.	Used to monitor income from investments in companies, derivatives excluding exchange rate and fees relating to investments.	Income from derivatives excluding exchange rate + investments in companies + financial expenses.	**-0.9 M€** = 1.3 + 1.0 -3.2	**-7.3 M€** = -0.3 - 3.4 - 3.5

g) APM linked to reinsurance:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			2020	**2019**
Ceded premiums / Gross earned premiums (or premium cession rate)				
Weight of ceded premiums compared to earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cede to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not written.	Indicator used to monitor the drivers of the change in reinsurance result	(Ceded premiums (o/w change in premium reserves) / Earned premiums)	**39.7%** = -(-238.0 / 599.1)	**28.9%** = -(-175.2 / 605.3)
Ceded claims / total claims (or claims cession rate)				
Weight of ceded claims compared to total claims. Ceded claims correspond to the share of claims that Coface transfers to reinsurers under reinsurance treaties signed with them.	Indicator used to monitor the drivers of the change in reinsurance result	- Ceded claims (o/w change in claims reserves after recourse) / total claims incl. claims handling costs	**41.3%** = -145.9 / -(338.1 + 15.2)	**23.5%** = -58.1 / -(231.5 + 15.9)
Underwriting income before reinsurance				
Please, refer to Chapter 3 of the 2019 registration document.				

VII. Appendix: Calculation of financial ratios

VII. Appendix: Calculation of financial ratios

Loss Ratio

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

Loss Ratio before Reinsurance

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

Loss Ratio after Reinsurance

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

Cost Ratio

Cost Ratio before Reinsurance

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

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

Cost Ratio after Reinsurance

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

Overheads

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

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

Combined Ratio

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

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

Calculation of ratios

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

In €k	H1-19	H1-20
Earned Premiums		
Gross earned premiums [A]	**605,297**	**599,087**
Ceded premiums	(175,172)	(237,957)
Net earned premiums [D]	**430,125**	**361,129**
Claims expenses		
Claims expenses [B]	**(247,368)**	**(353,275)**
Ceded claims	**56,763**	**78,216**
Change in claims provisions	1,378	67,714
Net claims expenses [E]	**(189,226)**	**(207,344)**
Technical expenses		
Operating expenses	**(334,825)**	**(325,165)**
Employee profit sharing and incentive plans	2,420	894
Other revenue	127,283	125,533
Operating expenses, net of revenues from other services before reinsurance [C]	**(205,122)**	**(198,739)**
Commissions received from reinsurers	67,267	86,058
Operating expenses, net of revenues from other services after reinsurance [F]	**(137,855)**	**(112,681)**

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

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

Ratios	H1-19	H1-20
Loss ratio before reinsurance	40.9%	59.0%
Loss ratio after reinsurance	**44.0%**	**57.4%**
Cost ratio before reinsurance	33.9%	33.2%
Cost ratio after reinsurance	**32.0%**	**31.2%**
Combined ratio before reinsurance	74.8%	92.1%
Combined ratio after reinsurance	**76.0%**	**88.6%**

End of the document