

PRESS RELEASE

FY-2021 results: record net income at €223.8m and 100% pay-out ratio

Paris, 15 February 2022 – 17.35

- **Turnover: €1,568m, up +8.3% at constant FX and perimeter**
 - Trade credit insurance increased +9.7% driven by activity recovery and past repricing
 - Pricing impact is still positive on the year (+0.7%) but evolution has been negative for three quarters (-2.2% cumulated)
 - Information services growing +18.1% for FY-21 and +30.5% in Q4-21
- **Net loss ratio at 33.3% – an improvement of 14.4 ppts; Annual net combined ratio at 64.6%**
 - Q4-2021 net loss ratio at 50.4% (and 10.9% excluding government schemes) with continued reserve releases
 - FY-21 net cost ratio improved by 0.8 ppt to 31.3% (32.1% in 2020)
 - Net combined ratio at 83.0% for Q4-21
 - Excluding government schemes, FY-21 net combined ratio at 54.5% and 42.7% in Q4-21. Government schemes had a negative impact of -€160m on income before tax in 2021, of which -€103m in Q4
- **Net income (group share) of €223.8m, of which €32.9m in Q4-21. Annualised RoATE¹ of 12.2%**
 - Earnings per share reached €1.50
- **Coface continues to be backed by a solid balance sheet:**
 - Estimated solvency ratio at ~196%², (and 194%² excluding government schemes) above the upper end of target range (155% to 175%)
 - Proposal to distribute a dividend³ per share of €1.50 representing a 100% pay-out ratio
- **Coface is continuing to execute its Build to Lead strategic plan and is confirming its through the cycle objectives**

Unless otherwise indicated, change comparisons refer to the results as at 31 December 2020.

Xavier Durand, Coface's Chief Executive Officer, commented: "Coface continued to deliver solid operating performance in an environment of strong economic recovery, despite the lingering pandemic. The risk environment is continuing to normalize, with very different situations according to country, or sector of activity.

Coface's results reflect substantial reserve releases tied to low loss experience, a large part of which is paid back to the governments that implemented public reinsurance schemes. These schemes reduced Coface's pre-tax profit by €160m in 2021. Coface anticipates that these schemes will have much less of an impact in 2022.

Coface is continuing to implement its Build to Lead strategic plan, whose relevance has been proven by the group's recent performance in a very atypical environment and the strong growth in its adjacencies. Growth in information services alone reached 18%, and 30% in the fourth quarter. As such, Coface is continuing to develop its global information infrastructure by drawing on its expertise and the depth of its database.

Finally, given the strength of the balance sheet, and in accordance with our capital management policy, we will propose, during the Shareholders' Meeting, the distribution of a dividend of €1.50 per share, which corresponds to a 100% pay-out ratio."

¹ Return on average tangible equity.

² This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.

³ The distribution proposal will be submitted to the Annual General Shareholders' Meeting to be held on 17 May 2022.

PRESS RELEASE

Key figures at 31 December 2021

The Board of Directors of COFACE SA approved the consolidated financial statements at 31 December 2021 at its meeting of 15 February 2021. The Audit Committee at its meeting on 10 February 2022 also previously reviewed them. Accounts are non-audited, certification is in progress.

Income statement items in €m	2020	2021	%	% ex. FX*
Gross earned premiums	1,204.3	1,312.6	+9.0%	+9.7%
Services revenue	246.5	255.2	+3.5%	+1.7%
REVENUE	1,450.9	1,567.9	+8.1%	+8.3%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	127.3	273.9	+115.1%	+114.3%
Investment income, net of management expenses	26.9	42.2	+56.8%	+63.5%
CURRENT OPERATING INCOME	154.2	316.0	+104.9%	+106.8%
Other operating income / expenses	(13.8)	(3.2)	-77.0%	-77.2%
OPERATING INCOME	140.4	312.9	+122.8%	+124.7%
NET INCOME	82.9	223.8	+170.0%	+171.9%
Key ratios	2020	2021	%	% ex. FX*
Loss ratio net of reinsurance	47.7%	33.3%	(14.4)	ppts.
Cost ratio net of reinsurance	32.1%	31.3%	(0.8)	ppt.
COMBINED RATIO NET OF REINSURANCE	79.8%	64.6%	(15.2)	ppts.
Balance sheet items in €m	2020	2021	%	% ex. FX*
Total Equity (group share)	1,998.3	2,141.0	+7.1%	
SOLVENCY RATIO	205%¹	196%¹	(9)	ppts.

*Also excludes scope impact

¹This 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.

PRESS RELEASE

1. Turnover

In 2021, Coface recorded a consolidated turnover of €1,567.9m, up +8.3% compared to 2020, at constant FX and perimeter. On a reported basis (at current FX and perimeter), turnover was up +8.1%, due to slightly negative currency effects.

Revenues from insurance activities (including bonding and Single Risk) increased by +9.7% at constant FX and perimeter (and by +9.0% at current FX). Growth benefited from a catch-up effect after a year characterised by lockdowns in 2020. Over the 2019-2021 period, average annual growth came out to +3.1% on a reported basis.

The retention rate declined slightly to 91.7% from last year's record level (91.9%). New business stood at €129m, down compared to the previous year (€138m in 2020).

The growth in Coface's client activities had a positive impact of +8.4% during 2021. This sharp growth reflects the scale of the economic recovery and the rise in the cost of commodities. The price effect remained positive for the year as a whole (+0.7%) but has been negative for the past three quarters in a more competitive market (-2.2% cumulative).

Revenues from other activities were up +1.7% compared to 2020, with contrasting trends. Turnover from factoring rose +10.7% with an increase in volumes refinanced. Revenues from information services increased by +18.1% (and by +30.5% in Q4-2021). Fee and commission income (collection fees) was impacted by the decline in claims to be recovered and dropped -24.1%, while commissions were down slightly by -4.1%.

Total revenue - in €m (by country of invoicing)	2020	2021	%	% ex. FX ¹
Northern Europe	297.7	331.5	+11.4%	+9.4%
Western Europe	291.8	316.7	+8.5%	+8.2%
Central & Eastern Europe	143.1	156.3	+9.2%	+8.1%
Mediterranean & Africa	394.9	429.4	+8.7%	+9.4%
North America	136.5	137.5	+0.7%	+3.2%
Latin America	67.3	73.3	+8.9%	+14.6%
Asia Pacific	119.5	123.2	+3.1%	+5.1%
Total Group	1,450.9	1,567.9	+8.1%	+8.3%

In Northern Europe, turnover increased by +9.4% at constant FX and perimeter (+11.4% at current FX). Trade credit insurance benefited from the recovery in customer activity and a good level of new business, while factoring turnover increased by +8.1% on the back of the recovery in demand for corporate financing.

In Western Europe, turnover was up by +8.2% at constant FX (+8.5% at current FX) thanks to the impact of improved pricing and a high retention rate, which were partially offset by premium refunds.

In Central and Eastern Europe, turnover was up by +8.1% and by +9.2% at constant FX, mainly due to growth in trade credit insurance driven by customer activity and high retention. Like in Germany, factoring rose (+24%).

In Mediterranean and Africa, a region driven by Italy and Spain, turnover grew by +9.4% and by +8.7% at current FX. This was due to the recovery of activity, high levels of new business and expansion in services.

¹ Also excludes scope impact



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In North America, turnover increased +3.2% at constant FX and +0.7% as reported, driven by new business gains and increased client activity.

In Latin America, turnover increased +14.6% at constant FX and +8.9% at current FX, driven by new business with more attractive pricing and by the sharp rise in commodity prices.

In Asia-Pacific, turnover increased +5.1% at constant FX and +3.1% at current FX. This growth was driven by solid levels of new business and increased client activity.

2. Result

- Combined ratio

The combined ratio, net of reinsurance, stood at 64.6% for 2021 (an improvement of 15.2 ppts compared to 2020). Excluding the effect of government schemes, the net combined ratio was 54.5%. The combined ratio, net of reinsurance, for Q4-2021 was 83.0%, up 24.7 ppts compared to Q4-2020. Excluding the effect of government schemes, the combined ratio for Q4-2021 was 69.4%, an improvement of 26.7 ppts vs. Q4-2020.

(i) Loss ratio

The gross loss ratio for 2021 was 21.4%, an improvement of 30.4 ppts. compared to the previous year. The gross loss ratio for Q4-2021 was 10.5%, reflecting a further improvement on the previous quarter (16.9% in Q3-2021).

The Group's reserving policy remains unchanged. The provisioning level for the underwriting year stood at 66.5%, lower than the historical average, which reflects the expectation that loss experience will remain moderate. Recoveries came out at 47.7%, a very high level by historical standards, reflecting the prior very low loss experience.

The loss ratio net of reinsurance improved by 14.4 points to 33.3%. This improvement was much lower than the gross ratio, due to the impact of government risk-sharing schemes, which are now in the latter stages of being run off. These schemes have received no premiums since 1 July 2021, but are seeing a positive trend in terms of loss experience. Excluding government schemes, the net loss ratio would have been 23.2%.

(ii) Cost ratio

Coface is following its strict policy of cost management while continuing to invest. Over 2021, Coface maintained its discipline, with costs growing by +7.1% at constant FX and perimeter, and +7.0% at current FX. This increase in costs is lower than the growth in turnover. The gross reinsurance cost ratio was 33.1%, an improvement of 0.6 ppt over one year.

The cost ratio, net of reinsurance, was 31.3% in 2021, representing an improvement of 0.8 ppt year-on-year, thanks to strict cost controls.



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- Financial result

Net financial income for 2021 was €42.2m, up by €15.3m compared to the previous year. This figure includes €3.6m in capital gains, mostly from real estate funds, and a positive FX impact of €7m.

Financial income excluding capital gains increased very slightly to €33.1m (from €32.9m) despite the ongoing low-rate environment, as Coface continues to redeploy its liquidity surplus, which has been strengthened by solid cash flows from operating activities.

- Operating income and net income

Operating income for 2021 was €316.0m, more than double compared to the previous year, mainly due to the improvement in the loss ratio.

The effective tax rate was 23%, compared to 37% in 2020.

In total, net income (group share) stood at €223.8m, up +170% compared to 2020, €32.9m of which was generated in Q4-2021. This record level can be explained in part by the very atypical nature of the last two years, which have seen a very significant involvement of the States in the management of the economy.

3. Shareholders' equity

At 31 December 2021, Group shareholders' equity stood at €2,141.0m, up €142.7m or +7.1% (compared to €1,998.3m at 31 December 2020).

These changes are mainly due to the positive net income of €223.8m, offset by the dividend payment of €82m.

The annualised return on average tangible equity (RoATE) was 12.2% in 2021.

The solvency ratio reached 196%¹, representing a decrease of 9 ppts compared to FY-20 but remains well above the upper end of the target range (155%-175%). Excluding government schemes, solvency ratio is 194%¹.

Coface will propose the payment of a dividend² of €1.50 per share to its Annual Shareholders' Meeting, which corresponds to a pay-out ratio of 100%, in line with its capital management policy.

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²The distribution proposal will be submitted to the Annual General Shareholders' Meeting to be held on 17 May 2022.



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4. Outlook

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

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

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

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

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

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

Conference call for financial analysts

Coface's results for FY-2021 will be discussed with financial analysts during the conference call on 15 February at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface FY-21 results - Webcast](#)
- By telephone (for the sell-side analyst): [Coface FY-21 - conference call](#)

The presentation will be available (in English only) at the following address:
<http://www.coface.com/Investors/financial-results-and-reports>

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Appendix

Quarterly results

Income statement items in €m Quarterly figures	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	%	% ex. FX*
Gross earned premiums	301.2	297.9	298.1	307.2	312.1	326.7	330.7	343.2	+11.7%	+10.8%
Services revenue	69.3	56.3	59.7	61.3	65.9	63.4	59.6	66.3	+8.2%	+3.0%
REVENUE	370.5	354.2	357.8	368.4	377.9	390.1	390.4	409.5	+11.1%	+9.5%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	28.2	12.1	34.2	52.7	74.3	81.5	79.4	38.7	(26.7)%	(29.8)%
Investment income, net of management expenses	2.7	14.0	6.7	3.4	5.7	10.1	15.0	11.3	+229.1%	+198.4%
CURRENT OPERATING INCOME	30.9	26.2	40.9	56.2	80.0	91.6	94.5	49.9	(11.1)%	(12.3)%
Other operating income / expenses	(0.2)	(1.6)	(0.6)	(11.4)	(0.4)	0.8	(1.3)	(2.3)	(79.4)%	(79.3)%
OPERATING INCOME	30.7	24.6	40.3	44.8	79.6	92.4	93.2	47.6	+6.3%	+4.1%
NET INCOME	12.7	11.3	28.5	30.5	56.4	66.9	67.7	32.9	+7.9%	+4.3%
Income tax rate	50.5%	39.9%	42.4%	24.5%	24.6%	23.0%	23.3%	20.6%	(3.9) ppts.	

Cumulated results

Income statement items in €m Cumulated figures	Q1-20	H1-20	9M-20	FY-20	Q1-21	H1-21	9M-21	FY-21	%	% ex. FX*
Gross earned premiums	301.2	599.1	897.2	1,204.3	312.1	638.7	969.5	1,312.6	+9.0%	+9.7%
Services revenue	69.3	125.5	185.3	246.5	65.9	129.3	188.9	255.2	+3.5%	+1.7%
REVENUE	370.5	724.6	1,082.4	1,450.9	377.9	768.0	1,158.4	1,567.9	+8.1%	+8.3%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	28.2	40.4	74.6	127.3	74.3	155.8	235.2	273.9	+115.1%	+114.3%
Investment income, net of management expenses	2.7	16.7	23.5	26.9	5.7	15.9	30.9	42.2	+56.8%	+63.5%
CURRENT OPERATING INCOME	30.9	57.1	98.1	154.2	80.0	171.6	266.1	316.0	+104.9%	+106.8%
Other operating income / expenses	(0.2)	(1.8)	(2.4)	(13.8)	(0.4)	0.4	(0.8)	(3.2)	(77.0)%	(77.2)%
OPERATING INCOME	30.7	55.4	95.7	140.4	79.6	172.1	265.3	312.9	+122.8%	+124.7%
NET INCOME	12.7	24.0	52.4	82.9	56.4	123.2	190.9	223.8	+170.0%	+171.9%
Income tax rate	50.5%	46.0%	44.4%	37.4%	24.6%	23.8%	23.6%	23.2%	(14.2) ppts.	

* Also excludes scope impact



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FINANCIAL CALENDAR 2021/2022

(subject to change)

Q1-2022 results: 28 April 2022 (after market close)

Annual General Shareholders' Meeting 2021: 17 May 2022

H1-2022 results: 28 July 2022 (after market close)

9M-2022 results: 27 October 2022 (after market close)

FINANCIAL INFORMATION

This press release, as well as COFACE SA's integral regulatory information, can be found on the Group's website:

<http://www.coface.com/Investors>

For regulated information on Alternative Performance Measures (APM), please refer to our Interim Financial Report for S1-2021 and our [2020 Universal Registration Document](#) (see part 3.7 "Key financial performance indicators")

COFACE: FOR TRADE

With 75 years of experience and the most extensive international network, Coface is a leader in trade credit insurance and adjacent specialty services, including Factoring, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2021, Coface employed ~4,538 people and registered a turnover of €1.57 billion.

www.coface.com

www.coface-usa.com

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COFACE SA is quoted in Compartment A of Euronext Paris

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