



COMPAGNIE  
EUROPÉENNE  
DE GARANTIES  
ET CAUTIONS

# BUSINESS REPORT 2019







## I EDITORIAL

At the time of writing these words, most of us are confined at home and fighting one of the biggest challenges our societies have had to face in recent years. In this context, it might seem odd to mention the (albeit excellent) commercial and financial performances of Compagnie Européenne de Garanties et Cautions (CEGC) in 2019. And yet...

The continued growth in our portfolio and the number of guarantees we issued in favour of all participants in the French economy, bear advance witness to key trends in our society, namely the constant interest of our co-citizens in real estate, the continued desire to undertake projects in an increasingly volatile environment and the increased need for protection that this entails.

With 382,500 guarantee issued in 2019, CEGC fully played its role in supporting its client base of Companies and SMEs<sup>1</sup>, and in facilitating real estate purchases by individuals, while also continuing to guarantee thorough risk assessment and control for all parties.

To continue to cater closely to our clients' needs, we enhanced our solutions, particularly in terms of construction property & casualty insurance, and now also offer cybercrime coverage.

We are intent on simplifying and digitalising our exchanges and are proud today to be able to offer you de-materialised services on several of our products, thus ensuring we remain at your sides in all circumstances.

Lastly, the €250m subordinated loan issued in the second half of 2019 reinforced our solvency and consolidated our financial solidity for the benefit of Groupe BPCE's customers and networks.

At a time when our wish is for the return of a dynamic and responsible economy, we would like to thank all our clients and partners and to reiterate our commitment to serving them closely in the months ahead.

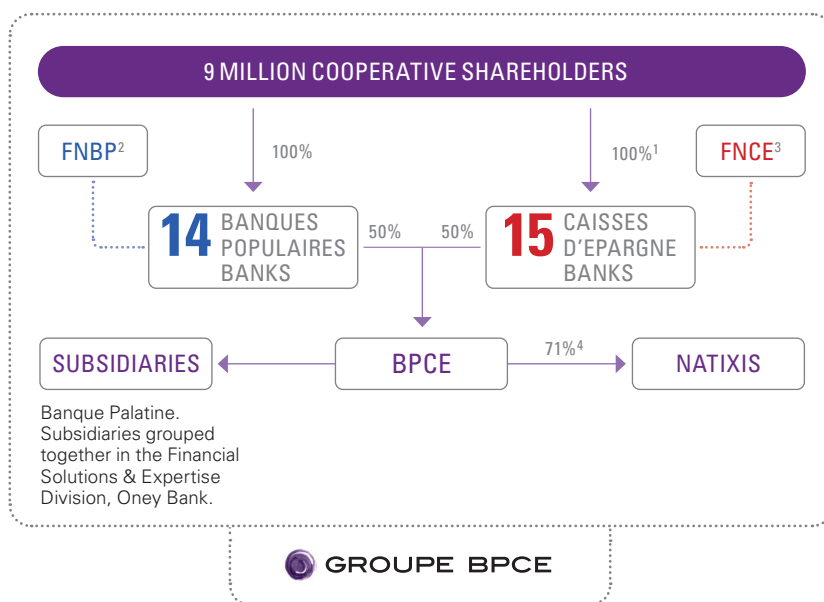
**Anne Sallé-Mongauze**  
**Chief Executive Officer, CEGC**

1. SMEs = Small & Medium-sized Enterprises

# CEGC IN BRIEF

CEGC is a subsidiary of Groupe BPCE, the second-largest banking group in France which serves 36 million customers around the world.  
The Company joined the Group's Financial Solutions & Expertise Division on April 1, 2019.

## Groupe BPCE organizational chart at December 31, 2019



1. Indirectly through local savings companies - 2. Fédération Nationale des Banques Populaires - 3. Fédération Nationale des Caisses d'Epargne - 4. Free float 29%

## EXECUTIVE COMMITTEE



From left to right :

**Mohamed Aoulad-Hadj** - Deputy Chief Executive Officer / **Karine Audoux** - Head of Transformation and Customer Experience / **Pascale Leblanc** - Head of Legal, Litigation and Compliance  
**Aurélie Nicot** - Head of Finance and Risk / **Jeanne Brethenoux** - Head of Human Resources and Internal Communication / **Anne Sallé-Mongauze** - Chief Executive Officer / **Emmanuelle Renon** - Head of Customer Relations & Subscription / **Valérie Dumont** - Head of Development  
**Alain Viret** - Head of IT and Digital.

## Governance

### BOARD OF DIRECTORS

**Dominique Garnier**  
Chairman of the Board of Directors  
Deputy CEO Financial Solutions & Expertise  
BPCE

**Natixis**  
Represented by Nathalie Bricker

**Banque Populaire Grand Ouest**  
Represented by Andréa Joss

**Bruno Deletré**  
Chairman of the Management Board  
Caisse d'Epargne Grand Est Europe

**Yves Gevin**  
CEO  
Banque Populaire Rives de Paris

**Paul Kerangueven**  
Chairman of the Management Board  
Caisse d'Epargne d'Auvergne et du Limousin

**Luc Carpentier**  
CEO  
Banque Populaire Val de France

**Daniel de Beaurepaire**  
Chairman of the Steering and Supervisory Board  
Caisse d'Epargne Île-de-France

**Jean-Louis Bancel**  
Crédit Coopératif

**Jean-Philippe Van Poperinghe**  
BPCE

### PRINCIPAL STATUTORY AUDITORS

**Régis Tribut**  
KPMG S.A

**Marie-Christine Jetil**  
PricewaterhouseCoopers Audit

## The multi-market guarantee company in France

CEGC is a multi-market specialist insurer offering a comprehensive range of sureties and financial guarantees. The Company secures commercial transactions between companies and facilitates the projects and financing of multiple economic actors: individuals, companies, SMEs<sup>1</sup>, actors operating in the real estate and social economy sectors.

CEGC's guarantees cover a variety of fields:

- **bank loan guarantees** for individuals, SMEs<sup>1</sup> and the social economy and public housing sectors;
- **contractual, regulatory and tax guarantees**, for companies;
- **financial guarantees** for real estate professionals: property managers and real estate agents, real estate developers, house builders.



**“60% of GEGC’s employees are women”**



CEGC employs 350 staff and is committed to all its employees in terms of equality, professional diversity and quality of life at work. A total of 60% of CEGC’s employees are women, of which 53% are leaders.

Find out more on: [www.c-garanties.com/cegc](http://www.c-garanties.com/cegc)



## Combining steady growth and cautious risk management

CEGC is subject to Solvency II regulation and is supervised by France’s banking and insurance regulator ACPR<sup>2</sup>.

The guarantees delivered by CEGC to credit institutions comply with the eligibility requirements of the CRR<sup>3</sup> and France’s Housing Finance Companies (SFH).

CEGC is financially solid and independent, commanding ratings of A (high)<sup>4</sup> from DBRS and A+ from Standard & Poor’s.

**€0.9bn of Tier 1 capital**

**SCR coverage ratio of 137%<sup>5</sup>**

**IFRS net income of €88.7m**

	In €bn
Loss coverage	4.12
Surplus capital	0.31
SCR capital	0.82
Reinsurance capacity subscribed for by CEGC (attenuating reserves and the SCR)	1.67
Technical reserves	1.32

The Company’s level of solvency is based on the ability to absorb over €4bn of losses, comprising €1.3bn of underwriting reserves, €1.1bn of eligible capital and €1.7bn of reinsurance capacity placed with a pool of high-quality international reinsurers with minimum signatures of A- (Standard & Poor’s).

1. SMEs = Small & Medium-sized Enterprises - 2. ACPR (Autorité de Contrôle Prudentiel et de Résolution), the French banking and Insurance regulator - 3. CRR = the EU Capital Requirements Regulation - 4. “A (high)” is equivalent to “A+” - 5. SCR = The figure of 137% represents the ratio between economic capital (EC) and the Solvency Capital Requirement (SCR) (€1.13bn / €0.82bn = 137%).

**As an insurer, CEGC combines a desire to expand with careful risk control**

# 2019 RESULTS

Gross exposure  
in billions of euros

2016	€149bn
2017	€173bn
2018	€188bn
<b>2019</b>	<b>€204bn</b>

Loss ratio [claims  
relative to gross  
earned premiums]

2016	23%
2017	26%
2018	21%
<b>2019</b>	<b>23%</b>

## INDIVIDUALS

**€174bn**  
of gross exposures guaranteed  
**259,284**  
loans guaranteed in 2019  
**2,028,423**  
guaranteed loans in portfolio



**Bank loan  
guarantees**

## SMES (SMALL & MEDIUM-SIZED ENTERPRISES)

**€3.4bn**  
of gross exposures guaranteed  
**3,974**  
loans guaranteed in 2019  
**34,454**  
guaranteed loans in portfolio



## SOCIAL ECONOMY AND PUBLIC HOUSING

**€2bn**  
of gross exposures guaranteed  
**406**  
loans guaranteed in 2019  
**4,063**  
guaranteed loans in portfolio



- 100% network customers
- 90% direct customers
- (50/50) Mixed network and direct customers

# KEY FIGURES

## Financial guarantees for real estate professionals

- Contract bonds
- Customs
- Excise
- Food industry
- Temporary recruitment agencies
- Umbrella companies
- Auction houses

## COMPANIES

**€4.3bn**  
of gross exposures guaranteed

**97,295**  
guarantees issued in 2019

**134,757**  
guarantees in portfolio

## PROPERTY MANAGERS AND REAL ESTATE AGENTS

**€7bn**  
of gross exposures guaranteed

**7,013**  
guarantees issued in 2019 /  
and in portfolio

## Financial guarantees for companies

## HOUSE BUILDERS

**€3.2bn**  
of gross exposures guaranteed

**13,846**  
guarantees issued in 2019

**25,659**  
guarantees in portfolio

## REAL ESTATE DEVELOPERS

**€8.1bn**  
of gross exposures guaranteed

**752**  
guarantees issued in 2019

**1,473**  
guarantees in portfolio



# PERFORMANCE AND NEW SOLUTIONS

## The housing market remained buoyant

The housing market was spurred by an exceptional level of sales of existing property - a category that accounts for 90% of the market (more than a million sales during the year) - together with stable sales of new property.

**1,063,000**

transactions on existing housing (+11.4%)<sup>1</sup>

**129,547**

reservations on new housing<sup>2</sup>

Access to property ownership was facilitated by exceptional borrowing conditions<sup>3</sup> which supported demand for housing loans:

- Average interest rates on new mortgage loans to individuals worked out to 1.17%<sup>1</sup>, one fifth their level in 2000;
- Loan terms are increasingly long: 49% of housing loans exceeded 20 years in length<sup>3</sup>;
- Percentage deposits were down from an average of 26% in 2012 to 14% in 2019<sup>3</sup>.

In this context, production of housing loans rose 21% to €246bn and over 20% of loans were renegotiated. This strong demand fuelled real estate loan guarantees for retail clients<sup>4</sup>.

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strong demand fuelled real estate loan guarantees for retail clients<sup>4</sup>.

The contraction in governmental aid over the last two years suggests the downward trend in residential building activity is likely to last: the 4.3% decline in new housing starts since 2017 (410,300 housing units started in 2019) has been outweighed by the decline in construction permits for new housing (-8.6% since 2017 to 449,400).

This decline has been driven by the decrease in collective housing excluding residences (-12.4% to 227,500 since 2017)<sup>5</sup>, whereas the market for individual housing regained some colour during the last year: construction permits up 4.6% to 137,500 since 2018<sup>5</sup> and sales up 4.9% to 125,600<sup>5</sup>.



## Tertiary sector property and civil engineering continued to grow

The sector benefited from rising corporate investment against a backdrop of low interest rates<sup>7</sup> and the ramp-up of major infrastructure projects (Grand Paris Express metro project, motorway revamp, major rail modernisation plan).<sup>8</sup>

Growth in the non-housing premises sector was primarily driven by the construction of warehouses<sup>9</sup> and business property, the latter segment being primarily represented by offices (69% of total volume) and mostly by the market comprising Paris and its region (75% of total investment)<sup>10</sup>.



## Property management remained resilient

The enactment of the ALUR<sup>11</sup> law in 2014 fostered concentration among property managers, reinforcing the major historic players.

At the end of 2018, the ELAN law<sup>12</sup> introduced new digital-related procedures (documents to be supplied on the extranet, digital leases, dematerialisation of deeds of guarantee). The emergence of new pure digital players is forcing historic players in the real estate industry to innovate and digitalise<sup>13</sup>.



## CEGC expanded its offering and posted some fine performances

Regarding real estate loan guarantees for retail clients, CEGC expanded its business faster than the market, with premiums rising 24% to reach €421m in 2019. This strong performance was driven by sharp growth in the number of guarantees granted to customers of the Groupe BPCE networks:

**BANQUE POPULAIRE +X**  
**+25%**

for the Banque Populaire network

**CAISSE D'ÉPARGNE**

**+22%**  
for the Caisses d'Épargne network

### CEGC accompanies real estate developers in their diverse activities

CEGC increased the number of real estate development transactions it guaranteed by 14%, representing a total of 752 transactions for a gross amount of €2.9bn in 2019 (+16% relative to 2018).

CEGC also posted strong growth on the housebuilder market (revenues up 9%), thanks notably to the **Pack'Co guarantee**, a new construction insurance solution offering coverage both for the builder and the project owner. A prospective study conducted on our

clients enabled us to align guarantees with best market practices, notably in terms of additional coverage (implantation errors and unforeseeable ground conditions).

This new solution proved a big draw with our housebuilder clients, with 95% of our eligible clients subscribing for it in 2019.



Concerning its client base of property managers and real estate agents, CEGC delivered over 7,000 guarantees

representing the sum of €7.3bn in 2019. The Company also operates a partnership with UNIS<sup>14</sup>, both at national level and through its regional antenna. CEGC officially launched its *Cyber-risques* solution<sup>15</sup> on the occasion of UNIS's 10-year congress<sup>14</sup>. CEGC's *Cyber-risques* solution<sup>15</sup> is a real plus for real estate professionals handling numerous items of data.

It gives beneficiary companies access to assistance and compensation in the event of a cyber-attack, while also reinforcing the confidence of their own customers and partners.

**“CEGC’s Cyber-risques solution<sup>15</sup> gives beneficiary companies access to assistance and compensation in the event of a cyber-attack”**

### WHAT ARE CYBER-RISKS<sup>15</sup> ?

Loss or theft of data, IT system outages, ransom demands, etc. Situations that can have big consequences, including discontinuation of activity, financial losses, damage to your company's reputation, non-compliance with the General Data Protection Regulation (GDPR), investigations and financial penalties from administrative bodies.

**92%** of companies suffered a cyber-attack in 2018<sup>16</sup>

**€105,000** was the average cost of a hack for SMEs<sup>17</sup> in 2018<sup>18</sup>

#### Sources :

1. French Chamber of Notaries December 2019 - 2. ECLN, Statinfo – New housing sales T4 2019 - 3. CSA Mortgage Loan Observatory\_T4-2019 - 4. Xerfi\_Guarantees\_January 2020 - 5. Markemétron\_January 2020 - 6. SDES, Sit@del2, statinfo construction of premises, December 2019 - 7. Xerfi\_construction-previsis\_November 2019 - 8. L'UsineNouvelle, article "L'entrepot-ne-connaît-pas-la-crise"\_March 2019 - 9. Cushman & Wakefield\_flash invest\_January 2020 - 10. ALUR law or Duflo II law enacted on 24 March 2014, notably aimed at fighting sub-standard housing rentals and fostering access to decent and affordable housing for all - 11. ELAN law of 23 November 2018, whose primary objectives are to build more, better and for less, to restructure and reinforce the public housing sector, to respond to the needs of all and foster social diversity, and to improve living conditions - 12. Xerfi – "Les armes des administrateurs de biens face aux bouleversements réglementaires" – December 2019 - 13. UNIS: French union of property co-ownership syndicates - 14. Cyber-risques solution, distributed by CEGC Conseil, insurance broker, and insured by AIG Europe SA - 15. Survey conducted by PwC in March 2018 - 16. SMEs = Small & Medium-sized Enterprises - 17. Kaspersky Lab, survey, OBE press release – January 2019

# CEGC IS STEPPING UP ITS DIGITAL TRANSFORMATION

## 3 AMBITIONS



● Improve the experience for our clients



● Assist our partners in developing their business



● Simplify the experience for our staff

## SO AS TO FOSTER CONTINUOUS IMPROVEMENT

We strengthened our client attention procedures. Iterative tests enable us to target actions that add value for our clients.



### Improve the experience for our clients

**Contract bonds**  
We have initiated the digital transformation of our offering for our client base of Companies.

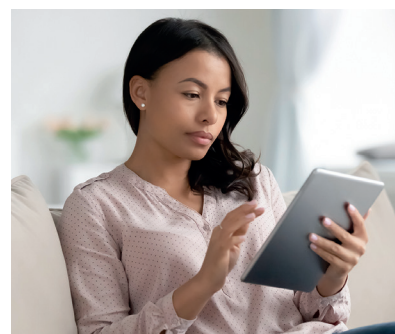
We fully revamped our [www.cautiondemarche.com](http://www.cautiondemarche.com) contract bond site in order to make it easier to enter guarantee details and facilitate autonomous management of guarantee lines.



The site can now be accessed via mobile and tablet and enables clients to:

- enter guarantees faster (less than 90 seconds on average); our target is for under a minute in 2020;
- consolidate input for groups, in association with a delegation procedure.

We are making our database of **160,000 building-sector beneficiaries available on a pre-input basis to our clients, thus saving time and limiting the risk of input errors.**





## Assist our partners in developing their business

### Real estate loan guarantees Simplified management of applications for real estate loan guarantees for the benefit of Groupe BPCE customers.

The banks' customer advisors now examine real estate loan guarantee applications using a more ergonomic tool capable of accommodating new functionalities and which simplifies the process of subscribing for and managing guarantees. The continuous improvement process for the interface will extend into 2020.



The monthly feedback exercises set up with our partners in charge of retail customers revealed a high degree of satisfaction with guarantee applications:



**92%**

for the Banques Populaires network



**96%**

for the Caisses d'Epargne network



This customer feedback highlighted CEGC's strengths in the following areas in particular:

- **the quality of telephone reception** and the responses provided
- **the simplicity of the procedure** for assembling guarantees<sup>1</sup>.

The tool is due to be rolled out to all our partners during the course of 2020.

## COMPANY DIGITALISATION FOR THE BENEFIT OF CUSTOMER RELATIONS

A total of 77% of business leaders recognise the contribution of digital to their company's growth.

And of those 77%, 87% measure the benefits in tangible terms:

- firstly, in terms of improved customer satisfaction (54%);
- secondly, in terms of better customer retention and improved profitability (41% for each).

Baromètre Croissance & Digital™ conducted by Ipsos for AcselDigital<sup>2</sup> in 2019.



## Simplify the experience for our staff

### Our staff have a new work interface:

- **a single channel** for collecting and centralising information that facilitates collaboration between teams;
- technology geared to **reducing lower value-added tasks**;
- new functionalities and automated facilities that **improve efficiency and cut the time taken to respond to customers**.



#### Sources

1. Monthly quantitative survey into satisfaction of partners' retail customers – December 2019. Customer onboarding - 2. 31 January to 28 February 2019 – Ipsos quantitative survey of 600 directors or decision-makers in companies engaged in digital transformation.

# BALANCE SHEET AT 12/31/2019

Individual (non-consolidated) accounts in thousands of euros — Rounded figures (French GAAP)

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Intangible assets</b>	<b>33,886</b>	<b>23,428</b>
<b>Investments</b>	<b>2,523,230</b>	<b>2,020,743</b>
Land & buildings	197,698	178,837
Investments in affiliated companies	2,765	2,755
Other investments	2,322,767	1,839,151
<b>Ceded share of technical provisions</b>	<b>4,641</b>	<b>3,724</b>
<b>Receivables</b>	<b>282,044</b>	<b>294,088</b>
Non-issued earned premiums	4,031	3,534
Other receivables arising from insurance activities	14,318	15,326
Reinsurance transfer receivables	3,112	4,374
Government, social security organisations	5	141
Staff costs	10	24
Miscellaneous debtors	260,568	270,688
<b>Other assets</b>	<b>48,116</b>	<b>28,725</b>
Property, plant and equipment assets	3,246	3,474
Net balances of cash and amounts	44,870	25,251
<b>Accrual accounts - assets</b>	<b>211,376</b>	<b>198,699</b>
Accrued interest not yet due	20,329	19,091
Deferred acquisition costs	175,586	166,371
Prepaid expenses	805	845
Others	14,656	12,391
<b>TOTAL ASSETS</b>	<b>3,103,294</b>	<b>2,569,407</b>

<b>LIABILITIES</b>	<b>2019</b>	<b>2018</b>
<b>Equity</b>	<b>481,829</b>	<b>411,974</b>
Capital	160,996	160,996
Merger premiums	66,563	66,563
Issue premiums	9,464	9,464
Current provisions	99,787	99,787
Net income	69,856	75,163
<b>Technical provisions</b>	<b>2,210,547</b>	<b>2,009,112</b>
<b>Liquidity risk provisions</b>	<b>3,344</b>	<b>3,353</b>
<b>Liabilities for reinsurance deposits</b>	<b>55</b>	<b>57</b>
<b>Other liabilities</b>	<b>144,107</b>	<b>132,579</b>
Insurance liabilities	84,627	73,217
Reinsurance liabilities	3,497	2,297
Deposits and guarantees received	5,415	5,786
Staff	9,783	9,306
Government, social security organisations	7,709	6,512
Miscellaneous creditors	33,076	35,459
<b>Accrual accounts - liabilities</b>	<b>12,509</b>	<b>12,332</b>
<b>TOTAL LIABILITIES</b>	<b>3,103,294</b>	<b>2,569,407</b>



# INCOME STATEMENT

## AT 12/31/2019

Individual (non-consolidated) accounts in thousands of euros  
Rounded figures (French GAAP)

			2019	2018
TECHNICAL ACCOUNT	Gross transactions	Cessions and retrocessions	Net transactions	Net transactions
<b>Earned premiums</b>	<b>322,235</b>	<b>46,518</b>	<b>275,717</b>	<b>242,902</b>
Premiums	515,276	46,545	468,731	379,183
Change in unearned premium income	(193,042)	(28)	(193,014)	(136,281)
<b>Investment income</b>			<b>43,015</b>	<b>47,657</b>
<b>Other technical accounts</b>			<b>4,285</b>	<b>5,573</b>
<b>Claims expenses</b>	<b>(81,953)</b>	<b>(3,240)</b>	<b>(78,713)</b>	<b>(65,432)</b>
Benefit expenses	(93,342)	(2,351)	(90,991)	(60,309)
Provisions for claims expenses	11,388	(890)	12,278	(5,123)
<b>Share of Company profits</b>			<b>(199)</b>	<b>(80)</b>
<b>Acquisition and administrative costs</b>			<b>(113,403)</b>	<b>(99,164)</b>
Acquisition costs			(104,749)	(90,574)
Administrative costs			(9,042)	(8,958)
Gains from reinsurers' commissions			388	367
<b>Other technical expenses</b>			<b>(33,595)</b>	<b>(33,671)</b>
<b>TECHNICAL RESULT</b>			<b>97,108</b>	<b>97,786</b>

	<b>2019</b>	<b>2018</b>
<b>NON-TECHNICAL ACCOUNT</b>	Net transactions	Net transactions
<b>Total investment income</b>	<b>78,643</b>	<b>78,643</b>
Investment income	54,760	49,963
Other investment income	2,891	2,782
Capital gains on disposal of investments	20,992	22,143
<b>Investment expenses</b>	<b>(26,232)</b>	<b>(17,440)</b>
Management fees and financial fees	(5,740)	(6,345)
Other investment expenses	(12,852)	(3,352)
Capital losses on disposal of investments	(7,640)	(7,744)
<b>Income related to assets pledged as transferred</b>	<b>(43,015)</b>	<b>(47,657)</b>
<b>Other non-technical income</b>	<b>1,066</b>	<b>723</b>
<b>Non-recurring income</b>	<b>0</b>	<b>0</b>
Non-recurring gains	0	0
Non-recurring losses	0	0
<b>Employee profit-sharing</b>	<b>(2,097)</b>	<b>(1,041)</b>
<b>Income taxes</b>	<b>(35,617)</b>	<b>(32,096)</b>
<b>INCOME/(LOSS) FOR THE YEAR</b>	<b>69,856</b>	<b>75,163</b>



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Limited liability company with a Board of Directors (Société Anonyme)  
with share capital of 160 995 996 euros  
Company governed by the French Insurance Code  
Nanterre Trade and Companies Register: 382 506 079, APE 6512 Z  
Registered office: 16, rue Hoche - Tour Kupka B - 92919 Paris La Défense Cedex

 **GROUPE BPCE**