

CEGC BUSINESS REPORT

2021



COMPAGNIE
EUROPÉENNE
DE GARANTIES
ET CAUTIONS





I EDITORIAL

A great year in 2021

In spite of the multiple subjects of concern at the start of this year, 2021 was clearly a vintage year for the construction industry and real-estate professionals.

With households showing a renewed appetite to improve their living conditions and buoyed by a stronger-than-expected economic recovery, indicators of real-estate transactions, new housing construction and real-estate loan issuance all testified to a year of intense activity.

By continuing to pay close attention to the needs of our clients and partners, CEGC reaped the benefit of this dynamism and recorded further sustained growth in business across all business lines.

This positive configuration also enabled us to take full stock of the societal and environmental transformations disrupting our working and production methods. We have a pressing obligation today to question and adapt our business models and thus to deal with a number of challenges, e.g. adaptation of our products and services, greater integration of innovative technologies, increased fluidity of communication and dematerialization of our documents, energy sobriety, societal and environmental impacts of our actions and incorporation of remote working.

One example of how we rose to the challenge in 2021 was by launching a resolutely innovative new rent-guarantee product. Based on a module incorporating refined tenant eligibility criteria and customized service, it allows clients to choose between full dematerialization or not.

We also improved our processes – automated decision-making modules, extended use of electronic signatures, dematerialization of mail, upgrade of client/partner interfaces – without in any way compromising the quality of our service or personalized attention.

Lastly, we worked to enhance control over our social and environmental footprint, by measuring our energy performance and the quality of the real estate construction projects we support. We also structured the social responsibility approach we initiated several years ago and which embraces aspects such as diversity, handicap support and incorporation of remote working on an enduring basis...

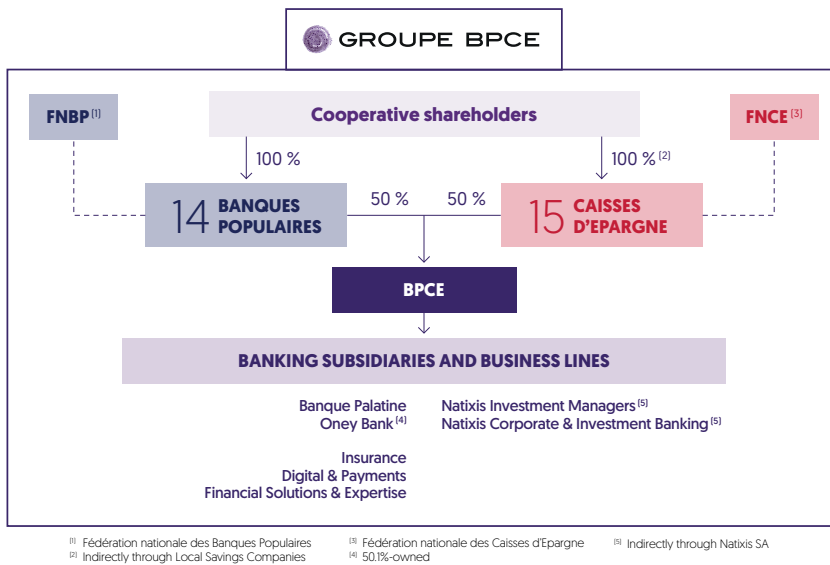
As we look ahead to 2022 with due care and determination, I would once again like to thank all our clients and partners for their trust and loyalty.

Anne Sallé-Mongauze
Chief Executive Officer, CEGC

CEGC IN BRIEF

CEGC belongs to the Financial Solutions & Expertise Division of Groupe BPCE, the second-largest banking group in France.

Groupe BPCE organizational chart at december 31, 2021



Gouvernance

BOARD OF DIRECTORS

Catherine Halberstadt

Chairwoman of the Board of Directors
Head of Financial Solutions & Expertise,
BPCE

**Banque Populaire
Aquitaine Centre Atlantique**
Represented by Valérie Gillio

**Banque Populaire
Alsace Lorraine Champagne**
Represented by Isabelle Laurent

Anne-Claude Pont
Chairwoman, Wilov

**Caisse d'Épargne
Grand Est Europe**
Represented by Olivier Vimard

Caisse d'Épargne Normandie
Represented by Christophe Descos

PRINCIPAL STATUTORY AUDITORS

Régis Tribout
KPMG S.A

Sébastien Arnault
PricewaterhouseCoopers Audit

CEGC Executive Committee



From left to right : **Aurélie Nicot** - Head of Finance & Actuarial, Head of Data Management / **Dorra Kallel** - Head of Risk / **Alain Viret** - Chief Information Officer / **Emmanuelle Renon** - Head of Business Development, Customer Relations and Underwriting / **Anne Sallé-Mongauze** - Chief Executive Officer / **Mohamed Aoulad-Hadj** - Deputy Chief Executive Officer / **Agnès Gervois** - Head of Claims Management & Recovery / **Pascale Leblanc** - Head of General Secretariat / **Valérie Dumont** - Head of Marketing & Partnerships / **Yolaine Fadda** - Head of Human Resources & Internal Communication / **Karine Audoux** - Head of Customer Experience & Solutions.

CEGC : a trustworthy guarantor enhancing business prospects for our customers

As a sureties and financial guarantee specialist, our mission is to guarantee your projects and business.

Our expert teams support you on three types of products:

- Real estate loan guarantees for individuals, SMEs, 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 and individual-house builders.

Recognized for our proficiency in assessing risk and underpinned by the financial solidity of Groupe BPCE, we are a pivotal guarantor in the market.

Committed to supporting you, we strive on a day-to-day basis to provide a high-quality service that combines efficient digital solutions with personalized human relationships.

Beyond our profession of insurer, we focus on listening to your needs and understanding your issues, so as to anticipate developments in your businesses and markets.

We engage with the constant desire to deliver satisfaction and respond to the issues of responsible growth.

Providing you a high-quality service that combines efficient digital solutions with personalized human relationships

Solid business model and careful risk management

CEGC is subject to the Solvency II Directive and supervised by the ACPR¹.

Our guarantees for credit institutions comply with the eligibility requirements of the CRR² and France's Housing Finance Companies (SFH).



	In €bn
Loss coverage	5.2
Surplus capital	0.55
SCR capital	0.98
Reinsurance capacity subscribed for by CEGC (attenuating reserves and the SCR)	2.2
Technical reserves	1.5

CEGC is solid and financially independent and rated A (high)³ by DBRS and A1⁴ by Moody's. We have €1.2bn of tier 1 capital.

Our solvency capital requirement (SCR) ratio amounts to 156%⁵.

IFRS net income of €105m.

Our solvency level is based on the ability to absorb over €5.2bn of losses, comprising €1.5bn of technical reserves, €1.5bn of eligible capital and €2.2bn of reinsurance capacity placed with a pool of high-quality international reinsurers with minimum signatures of A- (Standard & Poor's).

See the detail of our engagements in our "Environment, Social & Governance Report" at www.c-garanties.com

1 . ACPR = Autorité de Contrôle Prudentiel et de Résolution, the French supervisory body for banking and insurance - 2 . CRR = the EU Capital Requirements Regulation - 3 . A high = Equivalent A+ Standard & Poor's - 4 . A1 = Equivalent A+ Standard & Poor's - 5 . The figure of 156% represents the ratio between economic capital (EC) and the Solvency Capital Requirement (SCR) (€1.523bn / €0.975bn = 156%)

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

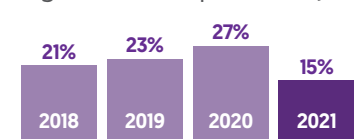
2021 BUSINESS

Gross exposure

in billions of euros



Loss ratio (claims relative to gross earned premiums)



INDIVIDUALS

€216bn

Gross exposures guaranteed

303,000

Loans guaranteed in 2021

2,266,568

Guaranteed loans in portfolio



Bank loan guarantees



SMES

(SMALL & MEDIUM-SIZED ENTERPRISES)

€3.8bn

Gross exposures guaranteed

3,944

Loans guaranteed in 2021

34,597

Loans guaranteed in portfolio



SOCIAL ECONOMY AND PUBLIC HOUSING

€2.2bn

Gross exposures guaranteed

465

Loans guaranteed in 2021

4,565

Loans guaranteed in portfolio

KEY FIGURES

Financial guarantees for real estate professionals

Contract bonds
Customs
Alcohol taxes
Food industry
Temporary recruitment agencies
Umbrella companies
Auction houses

Financial guarantees for companies

COMPANIES

€5.1bn

Gross exposures guaranteed

100,828

Loans guaranteed in 2021

153,171

Loans guaranteed in portfolio

STRUCTURED GUARANTEES

€8.9bn

Gross exposures guaranteed

71

Loans guaranteed in 2021

127

Loans guaranteed in portfolio

PROPERTY MANAGERS AND REAL ESTATE AGENTS

€8.1bn

Gross exposures guaranteed

6,256

Guarantees issued in 2021 / and in portfolio

INDIVIDUAL-HOUSE BUILDERS

€3.5bn

Gross exposures guaranteed

18,625

Loans guaranteed in 2021

28,445

Loans guaranteed in portfolio

REAL ESTATE DEVELOPMENT

€9.5bn

Gross exposures guaranteed

964

Loans guaranteed in 2021

2,243

Loans guaranteed in portfolio

A RECORD YEAR IN 2021: CEGC RIDES THE MOMENTUM



2021 breaks all records for housing

2021 brought a strong recovery in activity: real-estate loan requests rose spectacularly, with transactions on existing housing stock (which represent 9/10 of the market) reaching record levels, while housing construction permits and, to a lesser extent, new housing starts, continued to rally.

1,201,000 transactions on existing housing (+17.5% over the year¹ and +14.5% versus 2019²)

471,000 housing units authorized for construction (+18.9% over the year and +5% versus 2019)³

€274bn of housing loans, above the €252bn in 2020 and €258bn in 2019⁴



Home ownership still of prime importance for the French

A survey conducted by Harris Interactive for France's Higher Council of Notaries in October 2021 reported that 90% of French people still consider that becoming the owner of one's main residence is a good investment (+3 points since 2019)⁵

The health crisis and the various lockdowns reinforced this trend, helped by attractive financing conditions:

- Growth in remote working and desire for more space and greenery⁵. According to the Notaries of France¹ and the Notaries of Greater Paris⁶, population movements benefited **less densely populated** areas (Paris outer ring, medium-sized towns) and **houses** rather than apartments (Ile-de-France region and French provinces);
- **Average interest rates** on new mortgage loans to individuals **remained at historic lows** and stabilized at around 1.12% over second-half 2021 versus 1.24% at end-2020⁴;
- **Banks responded dynamically**⁷ to support client demands.

Against this backdrop, the **new housing market continued the rally initiated** after the end of lockdown in May 2020, fueled notably by individual houses (139,600 sales in 2021, i.e. +21.5% versus 2020 and +11% versus 2019)⁹.

Among the issues of concern for 2022 is the replenishment of the stock of new housing units (individual and collective), with multiple ongoing production difficulties³ having led to a slowdown in new housing starts relative to permits (+10.7% versus +18.9%, respectively).



Tertiary real estate picked up in 2021 after the shock of 2020

The rebound in construction permits in 2021 (+12%, with the total surface area of tertiary premises authorized amounting to 38,068m² in 2021)¹⁰ continued in January and February 2022¹¹. The rally is primarily being driven by warehouses, industry and SMEs which account for 39% of permits and have risen by over 16%¹⁰.

Commercialization of offices resumed in early 2021, with demand reflecting the growth in remote working: demand placed for larger surface areas (exceeding 20,000m²) rose only 6% in 2021 versus 22% in 2020¹².

The overall sentiment of building firms mirrored the improving trend in the sector, regaining its pre-Covid level in second-quarter 2021 and exceeding it in December (115.4 versus an average of 107.4 between January 2017 and March 2020)¹³.

This momentum could nevertheless be undermined by the ability to find qualified labor and by supply-chain difficulties.

CEGC responded to demand from clients and partners and turned in fine performances

Our real-estate **loan guarantee business for individuals**, run in partnership with the Groupe BPCE retail banking networks, **outstripped the market growth rate**. All in all, guarantee commitments rose 11% in 2021 compared to a year earlier and reached €47bn.

This performance reflected the growth in the number of guarantees granted to customers of the Groupe BPCE networks:



+12%

for the Banque Populaire network



+11%

for the Caisses d'Épargne network



We also **grew our business in the new housing market**:

- We guaranteed **964 real estate development operations** in 2021 (+10% versus 2020) for a gross amount of €3.6bn (+26% versus 2020);
- In the **individual-house building sector** we delivered 18,625 completion bonds in 2021 (+16%) representing a total of €3bn (+21%).

For our **property manager and real estate agent clients**, we delivered over 6,000 guarantees for an amount of €8bn (+4% versus 2020).

We also renewed our partnership with UNIS¹⁴ at **national level and with its regional antennae**. Regarding contract bonds granted to our company clients, we lifted the gross amount guaranteed to €3.9bn, i.e. annual increases of 15% in terms of amount and 13% in terms of number.

1 . French Chamber of Notaries – Real estate update – N° 54 – January 2022 - 2 . Notaires de France, press release for the “real estate week” of December 13-17, 2021 - 3 . ECLN, a survey focusing on commercialization of new housing units conducted by the statistical and data research unit (SDES) of France’s Ministry for Ecological Transition in its national version since 1995, Statinfo n°428 – housing construction at end-December 2021 - 4 . Banque de France Statinfo loans to individuals: N° 2244 of December 2021 and N° 2236 of April 2021 - 5 . Harris Interactive survey “The French and real estate: multiple facets of real estate purchase” for the Higher council of notaries, October 5-15, 2021. Self-administered questionnaire (CAWI, Computer-Assisted Web Interviewing) of 1,637 people representative of the French population aged 18 and over. Comparison of results from the previous survey from June 28 to July 8, 2019, identical methodology, sample of 1,505 people - 6 . Source ADSN-BIEN – Notaries of greater Paris, monthly press release of February 24, 2022 “Real estate market for Paris and its region in fourth-quarter 2021 and outlook” - 7 . L’ObservatoireCreditLogement / CSA: conference of January 20, 2022 “fourth-quarter 2019” - 8 . HCSF, France’s High Council for Financial Stability, is the prudential authority responsible for supervising France’s overall financial system. On December 20, 2019, the HCSF issued a recommendation to credit institutions regarding the conditions for granting housing loans. This recommendation was adjusted on January 27, 2021 - 9 . Markemètron n° 72 - December 2021 - 10 . ECLN, Statinfo n° 427 – construction of tertiary premises at end-December 2021 - 11 ECLN, Statinfo n° 445 – construction of tertiary premises at end-February 2022 - 12 . Knight Frank, report published in 2022: “The office market, Paris, Ile-de-France, fourth-quarter 2021” - 13 . Insee – IR (Rapid Information) n° 324. Long-term average = average since April 1978 - 14 . UNIS: French union of property co-ownership syndicates

RESPONDING TO FUTURE CHALLENGES: CEGC'S STRENGTH IN UNISON



Using data to provide faster and more appropriate responses

We continuously improve our analytical methods through the use of artificial intelligence techniques. This makes our decision-making more fluid and enables the customers of our Groupe BPCE banking partners to obtain rapid responses to their loan applications for their planned real-estate purchases.

Thanks to these techniques, combined with our credit-risk expertise based on solvency analyses of 300,000 real-estate loan applications a year, we are increasing the percentage of immediate replies to applications (currently close to 50%).

This know-how, initially applied to requests for guarantees on real-estate loans to individuals, is being gradually rolled out to the benefit of other client segments.



Supporting societal transformations

Improving access to housing for the greatest number is a public-interest mission, while providing security for owner landlords is a big issue for our property manager clients.

- We **reconciled these requirements** in 2021 **by launching a rent-guarantee product** for our property manager clients, which was directly inspired by Mickaël Nogal's "Rent in confidence" report [in French];
- Our guarantee harnessed the experience accumulated through our credit risk approach, thus enabling us to insure a broad spectrum of tenant profiles.

Consistent with our professional activity, we signed an upskilling and financial support agreement with the Ligue Nationale Contre le Taudis. We are keen to use our expertise to assist this not-for-profit association in its mission of improving and maintaining access to decent housing for very low-income people, with a view to helping them regain their place in society and find employment¹.

Alongside our client service departments, our claims management teams support beneficiaries of our guarantees. In the individual-house building sector, for example, we processed 2,818 claims under structural warranties and decennial guarantees in 2021 and enabled 44 families to obtain delivery of their homes by replacing insolvent builders.

Our "click & loc" certification module provides rapid analysis of tenants' eligibility on criteria that incorporate societal changes. It also performs real-time checks on the most important documents in their applications.



Fostering growth that respects the planet and mankind

We uphold Groupe BPCE's objective of **reducing its carbon footprint** so as to gradually move onto a temperature trajectory in line with the Paris Agreement..

- Of the 209 projects guaranteed in the second half, projects assigned "green" ratings were the most numerous;
- In relation to France's Climate and Resilience law of August 22, 2021, we have begun analyzing how to incorporate energy performance audit (DPE)³ criteria into the analysis of real-estate loan applications.



We are continuing our efforts to dematerialize our mail and deploy electronic signatures: in 2021, over 53,000 items of mail were sent via Hubmail⁴, i.e. 80% of our outgoing mail.



Sharing our values and promoting our teams' skills

For **the third consecutive year** we obtained a rating of **98 points out of 100** in the professional gender quality index. This fine result mirrors the efforts we have been making to promote **gender equality** for several years.

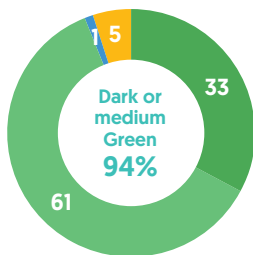
Our expertise and our staff's know-how are regularly commended by our clients⁵. Since September 2021 we have been showcasing them on our CEGC LinkedIn page⁶.

Lastly, we are proud to be **supporting two young climbing hopefuls, Nailé Meignan and Paul Jenft**, in their preparations for selection for the Paris 2024 Olympic and Paralympic Games. To this end, we signed a funding agreement with the French Sports Foundation within the framework of a **Performance Pact**⁷.



Green Weighting Factor® (GWF)² Real estate development and social housing projects

Total projects (209)
%



■ Dark green ■ Neutral
■ Medium green ■ Light brown

Since mid-2021 we have been incorporating the Green Weighting Factor® (GWF)² into our analyses of real-estate development and public-housing guarantee applications. This tool, developed by Natixis, measures the climate impact of each financing project by assigning it a color code;

1 . Agreement signed on April 7, 2022 - 2 . The Green Weighting Factor® (GWF) is a tool developed by Natixis since 2018. Based on a methodology that helps accelerate the transition toward sustainable finance, it systematically incorporates climate transition risk into financing activities, manages climate alignment and prepares for the introduction of future climate regulations - 3 . Article 158 of France's law n° 2021-1104 of August 22, 2021 geared to fighting climate change and increasing resilience to its effects, now makes it mandatory to perform an energy audit before selling certain housing units belonging to the D, E, F or G energy categories. This measure is due to enter force on September 1, 2022. The energy performance audit (DPE) assesses the energy consumption of a housing unit or a building and its impact in terms of greenhouse gas emissions. Since July 1, 2021, this audit has ceased to be purely informative and is now fully binding. The calculation method was reviewed to render it more reliable and also more easily readable. For more information: <https://www.ecologie.gouv.fr/diagnostic-performance-energetique-dpe> [in French] - 4 . Hubmail: software solution allowing mail to be sent in dematerialized form then received in rematerialized form. Standard or registered mail options - 5 . CEGC 3C all-round satisfaction survey (staff, customers, in-branch advisors) embracing 50 criteria in 2021. Over 3,000 respondents - 6 . <https://www.linkedin.com/company/companie-europeenne-de-garanties-et-cautions/> - 7 . On September 10, 2021 CEGC and the French Sports Foundation signed the Performance Pact, an agreement designed to part-finance young sports hopefuls in their preparations with a view to their selection for the Paris 2024 Olympic and Paralympic Games

I BALANCE SHEET AT 12/31/2021

Individual (non-consolidated) accounts in thousand euros – rounded figures (French GAAP)

ASSETS	2021	2020
Intangible assets	33,994	34,210
Investments	3,318,305	2,990,922
Land & buildings	200,168	194,715
Investments in affiliated companies	2,765	2,765
Other investments	3,115,372	2,793,441
Ceded share of technical provisions	15,532	10,299
Receivables	270,573	259,849
Non-issued earned premiums	7,827	4,899
Other receivables arising from insurance activities	20,631	23,861
Reinsurance transfer receivables	2,253	926
Government, social security organisations	54	74
Staff costs	3	0
Miscellaneous debtors	239,805	230,088
Other assets	114,264	52,868
Property, plant and equipment assets	1,322	2,684
Net balances of cash and amounts	112,942	50,185
Accrual accounts – assets	270,930	236,904
Accrued interest not yet due	19,405	20,761
Deferred acquisition costs	219,929	198,566
Prepaid expenses	832	754
Others	30,764	16,823
TOTAL ASSETS	4,023,598	3,585,052

LIABILITIES	2021	2020
Equity	558,615	486,038
Capital	235,996	160,996
Merger premiums	66,563	66,563
Issue premiums	9,464	9,464
Current provisions	174,952	99,787
Retained earnings	4,788	75,165
Net income	71,635	76,063
Technical provisions	2,849,539	2,523,549
Provisions for unearned premiums	2,625,165	2,286,768
Provisions for outstanding claims	224,374	236,782
Liquidity risk provisions	4,718	4,293
Liabilities for reinsurance deposits	55	55
Other liabilities	188,645	154,605
Insurance liabilities	118,411	99,051
Reinsurance liabilities	5,251	1,335
Deposits and guarantees received	5,954	5,531
Staff	12,004	10,660
Government, social security organizations	11,034	7,476
Miscellaneous creditors	35,991	30,551
Accrual accounts – liabilities	20,595	15,081
TOTAL LIABILITIES	4,023,598	3,585,052

INCOME STATEMENT

AT 12/31/2021

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

			2021	2020
TECHNICAL ACCOUNT	Gross transactions	Cessions and retrocessions	Net transactions	Net transactions
Earned premiums	330,103	77,690	252,413	297,548
Premiums	668,500	77,671	590,829	551,953
Change in unearned premium income	(338,397)	19	(338,416)	(254,406)
Investment income			42,766	45,687
Other technical accounts			1,350	1,216
Claims expenses	(55,553)	(7,411)	(48,142)	(93,400)
Benefit expenses	(74,429)	(2,158)	(72,271)	(55,559)
Provisions for claims expenses	18,876	(5,252)	24,128	(37,841)
Share of Company profits			(424)	(182)
Acquisition and administrative costs			(124,645)	(120,401)
Acquisition costs			(124,782)	(109,065)
Administrative costs			(14,657)	(14,108)
Gains from reinsurers' commissions			14,794	2,771
Other technical expenses			(38,160)	(36,253)
TECHNICAL RESULT			85,156	94,215

	2021	2020
NON-TECHNICAL ACCOUNT	Net transactions	Net transactions
Total investment income	84,465	87,440
Investment income	55,749	57,050
Other investment income	3,306	3,387
Capital gains on disposal of investments	25,409	27,003
Investment expenses	(33,269)	(32,918)
Management fees and financial fees	(13,755)	(12,591)
Other investment expenses	(9,105)	(4,904)
Capital losses on disposal of investments	(10,409)	(15,423)
Income relative to assets pledged as transferred	(42,766)	(45,687)
Other non-technical income	273	946
Non-recurring income	0	0
Non-recurring gains	(2)	0
Non-recurring losses	(2)	0
Employee profit-sharing	(1,292)	(2,210)
Income taxes	(18,442)	(27,723)
Bonus/malus taxes	(2,489)	0
INCOME/[LOSS] FOR THE YEAR	71,635	74,063



Compagnie Européenne de Garanties et Cautions

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Limited liability company with a Board of Directors
(Société Anonyme) with share capital of 235 996 002 euros
Nanterre Trade and Companies Register: 382 506 079 RCS Nanterre
Company governed by the French Insurance Code