



COMPAGNIE
EUROPÉENNE
DE GARANTIES
ET CAUTIONS

Business Report

2018





Editorial

Strong growth in guarantees within Groupe BPCE in 2018

La Compagnie Européenne de Garanties et Cautions (CEGC) is Groupe BPCE's sureties and financial guarantees platform and the only multi-market player in the business in France. It offers a broad array of solutions: real estate loan guarantees for retail clients, investment loan guarantees for SMEs, and social economy and public housing clients, contractual, tax or regulated guarantees for companies, and financial guarantees for real estate professionals (house builders, property managers, real estate agents, etc.).

CEGC's strong performance is underpinned by a robust business model and the expertise and engagement of its 304 staff*.

2018 was marked by various news events, both international (protectionist announcements by the US administration, Brexit uncertainties) and domestic in nature (downward revision in growth forecasts, extensive social unrest, governmental measures including the Pacte Law geared to facilitating business innovation).

Against this backdrop, CEGC enjoyed good levels of business, with revenues amounting to €433m following an exceptional year in 2017 that witnessed record levels of mortgage loan refinancings for retail clients. Tight control of risk across all activities showed up in a loss ratio of no more than 21%.

Regarding mortgage loan guarantees, non-refinancing business remained robust with over 240,000 guarantee applications handled in 2018. Penetration increased significantly with the Banques Populaires and remained high with the Caisses d'Épargne.

Construction activity – in terms of both house building and real estate development – resisted well as the sector returned to normal after a record year in 2017, with demand supported by an attractive offering of loans and a dynamic tertiary sector.

In this buoyant context, we decided to bring all of our construction insurance offering for house builders back in-house. This offering stems from a proactive approach that involves paying close attention to both clients and non-clients and responding to their desire for better protection on key guarantees.

During 2018, we also cemented our pivotal position within the real estate management and transaction professions, where our clients managed to expand their business despite a stricter regulatory environment.

We also made progress with companies and SMEs, by supporting our clients in the use of their guarantees and stepping up the distribution of our solutions by the Groupe BPCE networks.

Lastly, 2018 was also marked by CEGC's purchase by BPCE, which was completed in April 2019. This strategic transaction is a major opportunity for CEGC to deepen its ties with its historic partners and assert its pivotal position as a provider of guarantees to all client categories in France.

Anne Sallé-Mongauze
Chief Executive Officer, CEGC



* Permanent contract, fixed-term contract and seconded staff, on a full-time equivalent basis, excluding staff on long-term leave and weighted for part-time contracts.

GOVERNANCE

BOARD OF DIRECTORS



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

EXECUTIVE COMMITTEE



FROM LEFT TO RIGHT:

Pascale Leblanc, Head of legal, litigation and compliance • **Jeanne Brethenoux**, Head of human resources and internal communication • **Emmanuelle Renon**, Head of customer relations & subscription
Mohamed Aoulad-Hadj, Deputy Chief executive officer • **Anne Sallé-Mongauze**, Chief executive officer
Valérie Dumont, Head of development • **Aurélié Nicot**, Head of finance and risk
Alain Viret, Head of IT • **Karine Audoux**, Head of transformation and customer experience

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Banque Populaire Grand Ouest

Represented by Andréa Joss

Bruno Deletré

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Caisse d'Épargne Grand Est Europe

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CEO
Banque Populaire Alsace Lorraine
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Yves Gevin

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Caisse d'Épargne Île de France

Jean-Louis Bancel

Crédit Coopératif

Jean-Philippe Van Poperinghe

BPCE

PRINCIPAL STATUTORY AUDITORS

Marie-Christine Jetil

PricewaterhouseCoopers Audit

Régis Tribout

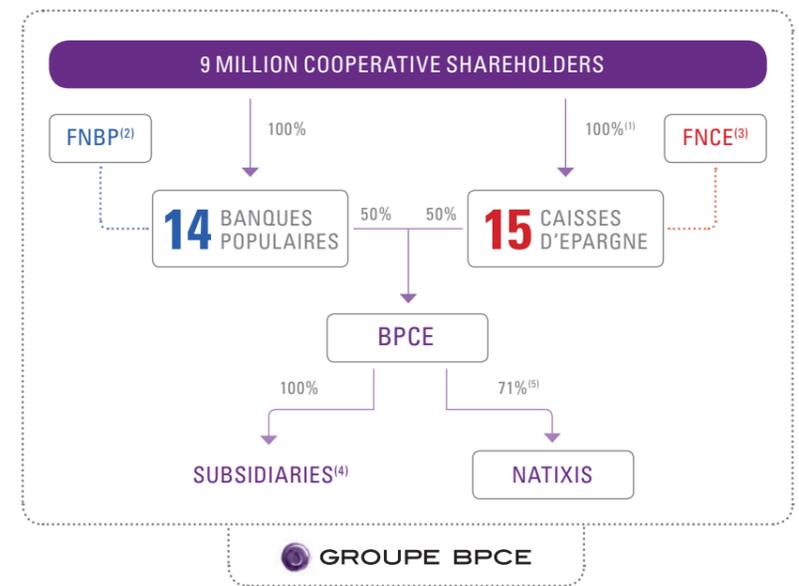
KPMG S.A.

The multi-market specialist in sureties and guarantees

Subsidiary of the second-largest banking group in France

Groupe BPCE is the second-largest banking group in France and serves 30 million customers - individuals, professionals, companies, investors and local government bodies - around the world. It operates in the retail banking and insurance fields in France via its two large networks, Banque Populaire and Caisse d'Épargne, along with Banque Palatine. With Natixis, it also runs global asset management, corporate & investment banking and payments business lines. The group leverages these extensive capabilities to offer a comprehensive and diversified array of deposits & savings, cash management, financing, insurance and investment solutions.

Groupe BPCE organizational chart at 1 april 2019



(1) Indirectly through local savings companies - (2) Fédération Nationale des Banques Populaires - (3) Fédération Nationale des Caisses d'Épargne - (4) Banque Palatine, BPCE International, etc. - (5) Float 29%

CEGC is the only multi-disciplinary sureties and financial guarantees specialist in France

CEGC supports various economic actors with the financing of their projects, secures commercial transactions between companies and protects consumers.

It caters to individuals, companies, SMEs, actors operating in the social economy and public housing sectors as well as banks that use financial guarantees to secure credit transactions and contracts.

CEGC's guarantees cover four broad fields of activity

- **Bank loan guarantees** that help various economic actors to consolidate the financing of their projects: real estate loans for retail clients, professional investment loans, and medium- and long-term loans for the social economy and the public housing sector;
- **Financial guarantees for companies** that help them to grow: contractual, tax and regulatory guarantees, particularly in the contract bonds field;
- **Financial guarantees for real estate professionals** that protect consumers or secure transactions generally in relation to the specific regulations governing these professions: house builders, property managers, real estate agents and real estate developers;
- **Construction insurance** for house builders and their customers, since 2018.

CEGC is underpinned by Groupe BPCE's longstanding engagement with sustainable development and its responsible investment approach.

See the detail on our engagements in our Environmental, Social and Governance Report on www.c-garanties.com

2018 results

Key figures

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



PROFITABILITY

€104.5M
Net income

SOLIDITY

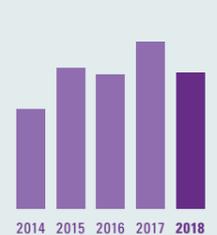
€412M
Equity

€2.009BN
Technical provisions

RATING

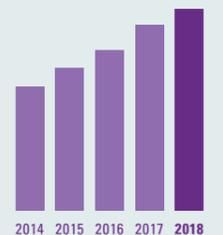
A+
Standard & Poor's

NUMBER OF GUARANTEES ISSUED



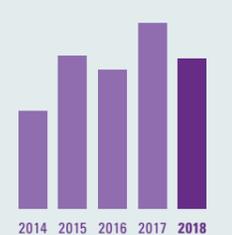
2014	274,614
2015	393,535
2016	374,528
2017	464,296
2018	378,724

GROSS EXPOSURE in billions of euros



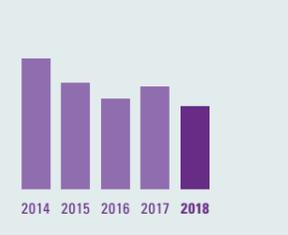
2014	€116BN
2015	€133BN
2016	€149BN
2017	€173BN
2018	€188BN

GROSS PREMIUMS in millions of euros



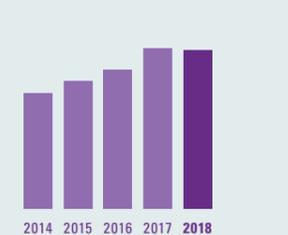
2014	€280M
2015	€439M
2016	€400M
2017	€534M
2018	€433M

LOSS RATIO (claims relative to gross earned premiums)



2014	33%
2015	27%
2016	23%
2017	26%
2018	21%

NUMBER OF EMPLOYEES*



2014	223
2015	247
2016	267
2017	308
2018	304

* Permanent + fixed-term + seconded staff, on an FTE basis, excluding staff on long-term leave and after weighting of part-time contracts.

Retail clients and SMEs

CEGC works closely with Groupe BPCE entities, and is also striving to renew management tools and step up digitalization of the customer experience.



Retail clients: continuing momentum

After a record volume of real estate transactions and loan renegotiations in 2017, the French property market remained brisk in 2018 – 970,000⁽¹⁾ transactions on existing properties – and sustained the momentum in real estate loan guarantees for retail clients. CEGC continues to expand by serving the Groupe BPCE networks. The company guaranteed nine out of 10 real estate loans granted by the Caisses d'Épargne and over half of those issued by the Banques Populaires, i.e. over 240,000 guarantees processed in 2018 for an overall amount of €34bn. In second-quarter 2018, an automated application file transmission facility was successfully deployed for the Banques Populaires, thereby opening up the possibility of immediate approvals. This advance allows in-branch advisors to respond faster to their customers.

To provide more effective support for the networks, CEGC prioritises regional actions. During 2018, the company met over 3,000 Groupe BPCE staff during targeted initiatives (training for new recruits, interventions during management meetings, etc.) and other specific events.

SMEs: pick-up in 2018, particularly for certain sectors of activity

Extending the trend observed in 2017, the SME market continued to create increasing numbers of micro-enterprises. This trend was particularly marked in the transport and real estate segments. The construction sector, where CEGC is well entrenched, witnessed a period of stability. Certain other sectors, like hotels and catering, are currently experiencing tougher conditions, thereby making personalised support more important.

In these conditions, CEGC is supporting the Groupe BPCE networks on the SME market, in accordance with the strategic growth priority assigned to it. CEGC's dedicated resources provide a personalised approach for each project, particularly regarding assessment of applications and the terms of implementing guarantees. During 2018, CEGC made further progress in terms of commitments on guarantees for SMEs, with over 4,350 loans guaranteed for a total amount of €600m.

Launch of Pro'IZI

This fluid and ergonomic tool was devised in collaboration with Groupe BPCE establishments so as to assess the eligibility of CEGC guarantees on SME loans⁽²⁾. Pro'IZI can provide immediate approval on a large number of applications or an in-depth assessment taking into account strengths and points for attention.

Real-time transmission,

One of the tools under development for simplifying processes for SMEs was rolled out in the Caisse d'Épargne network.

Key figures

at 31/12/2018

RETAIL CLIENTS



N°2 for loan guarantees for retail clients in France



€338.4M of gross written premiums



€30BN of issued commitments



1 application in 3 accepted in real time

SMEs



€14.6M of gross written premiums



€594M of issued commitments

Companies, social economy and public housing

CEGC operates in France's regions in concert with the Group BPCE networks, so as to understand the specific of each area.



Companies: a fine performance on the back of contract bonds

In a mixed year for the different sectors, CEGC recorded strong growth in business.

Construction, a market where CEGC is well-entrenched, was one of the sectors that fared well in 2018, buoyed by a proactive policy in favour of large civil engineering projects - including the Grand Paris project - and a 7% increase in investments in constant currency terms in 2017⁽¹⁾.

Contract bonds, CEGC's flagship product, turned in a fine performance, advancing 15% during the year, spurred by growth in business with all the Groupe BPCE networks (+12% with the Caisses d'Épargne and +27% with the Banques Populaires).

The many commercial initiatives directed at both partners and customers contributed to these fine results. CEGC issued over 104,300 guarantees in favour of companies during the year (all products combined, including contract bonds and other guarantees), thereby lifting gross exposure 27% to €4.2bn.

Social economy: a fine year in 2018 - Public housing: mergers under the impetus of the Élan Law

In the social economy and public housing sectors, CEGC retained its position as a major player in tandem with Groupe BPCE's establishments in conditions marked by the Élan Law. The social economy sector enjoyed fine momentum in 2018, spurred by large projects in the contract-based private education field and in the medico-social sector for medicalised care facilities.

After robust growth in the public housing sector in 2017, partly reflecting anticipation of the Élan Law, the effective implementation of the Law in 2018 monopolised the activity of public housing landlords as they prepared for mergers. Some investments were also postponed by certain public housing organisations due to the adverse impact of the reduction in the solidarity rent threshold (RLS) instigated by France's 2018 budget act.

After the record of 2017, CEGC collected €8.2m of premiums for all social economy and public housing clients in 2018.



CEGC's close collaboration with Groupe BPCE establishments was mirrored in very high satisfaction levels among client relationship managers (98%) and high recommendation rates.

Key figures

at 31/12/2018

COMPANIES



Over **104,300** issues guarantees⁽²⁾



€3.5BN of issued guarantees⁽²⁾



€11.7M of issued premiums

SOCIAL ECONOMY – PUBLIC HOUSING



513 issued guarantees



€0.3BN of issued guarantees⁽²⁾



€8.2M of issued premiums

(1) www.statistiques.developpement-durable.gouv.fr/ECLN_nb-vente-maison-appartement-ancien_fev2019 — This tool is not suited to the following loan types: agriculture, bare land with simple guarantee, dual purpose premises and goodwill, acquisition of property with third-party tenants, acquisition of minority shares and acquisition via limited liability sole proprietorships (EIRL)

(1) FNTP – civil engineering review – February 2019 — (2) CEGC overall

Large corporates

CEGC offers large domestic and international corporations a range of services tailored to three main profiles: property administrators and managers, real estate developers and very large corporations from all sectors. The company develops competitive, customised solutions providing a swift response to each client's needs and challenges.



Large corporates: sector buoyed by a still-performing property sector

Property markets continued to progress in 2018 on the back of four factors: maintenance and renovation work inherent to sales of existing housing, for which the number of transactions ⁽¹⁾ rose 1.1% to 970,000; a 7% increase in civil engineering activity ⁽²⁾, notably fuelled by Grand Paris Express projects and the motorway relaunch plan; France's Very-Fast Broadband Plan; momentum from the residential and professional property segments. All in all, CEGC guaranteed 658 real estate development transactions for a gross amount of €2.5bn in 2018.

A specialist large corporates team even-more focused on client needs

The success in 2018 was achieved as a result of a strong client culture and a

tweak in our model, geared to responding faster to customised demand, particularly for guarantees emanating from large corporates.

A survey of real estate sector clients at the end of 2018 ⁽³⁾ highlighted a high level of satisfaction. 92% of real estate developers said they were satisfied or highly satisfied with CEGC's commercial and administrative support, while 90% of property administrators and managers were satisfied or highly satisfied with the audits performed by CEGC. Clients particularly appreciated having a prime contact person within CEGC as a means to simplify exchanges. True to tradition, CEGC took part in the main real estate industry events during the year: MIPIM, the annual international event for 200,000 real estate professionals in Cannes in March; MAPIC which assembles over 8,600 participants in Cannes; and SIMI, the showcase for the French business real estate market held in Paris in December.

CEGC is stepping up its activity in the high-tech sector in synergy with France's Very-Fast Broadband Plan and Groupe BPCE

In one notable example, CEGC guarantees the investment funds of Mirova, the specialist sustainable investment management firm and affiliate of Natixis Investment Managers. Thanks to the new transactions signed in 2018, Groupe BPCE's socially responsible investment activity accounts for an increasing share of France's Very-Fast Broadband Plan launched in 2013.

Key figures

at 31/12/2018



€29.3M
of issued premiums



Portfolio of over
500 clients



Regulated clients

CEGC offers property managers and real estate agents, house builders and temporary recruitment agencies the guarantee and insurance solutions demanded by the Hoguet laws ⁽¹⁾ of 1990 ⁽²⁾ and 1979 ⁽³⁾, while also developing regional expertise and support.

Property managers and real estate agents: trusted by over 4,000 clients

The residential property market presented a mixed picture in 2018, but with transactions on existing properties hitting a record of 970,000 sales ⁽⁴⁾. In accordance with the Hoguet Law ⁽⁵⁾, CEGC provides property managers and real estate developers with a financial guarantee covering their own clients' funds.

Exposure on the guarantees carried by CEGC rose 11% to €7.9bn, following the issue of over 7,000 guarantees. These professionals appreciate the quality of CEGC's support: over 90% of property-manager clients said they were satisfied with the audits organised by CEGC ⁽⁶⁾.

For their part, real estate agencies appreciate their high-quality points of contact within CEGC and the speed at which they react ⁽⁷⁾.

Housebuilders: CEGC guarantees over one house in four built under Law of 1990 contracts

The reduction of government aid in 2018 impacted sales of individual houses, with transactions falling 11% to 119,700 units ⁽⁸⁾ during the year. The agreed delivery price and date guarantee offered under Law of 1990 construction contracts covers individuals (project owners) having their own houses built against the risks of house builder default, non-execution and poor execution of the contracted work. In a competitive market, the issue for the house builder is to leverage

the appreciable security this financial guarantee provides for the project owner. CEGC is reinforcing its position with house builders by bringing its Insurance-Construction offering back in-house under the Pack'Co label. This new offering provides a range of broad guarantees with increased caps and lower excesses, while continuing to offer an efficient solution covering building work losses. Subscription and management of the set of guarantees are simplified by digital tools.

Testifying to the quality of its service and solutions, CEGC currently supports over 400 house builders.

Temporary recruitment agencies: CEGC the joint-leading provider of guarantees

The Temporary Recruitment Agencies guarantee ⁽⁹⁾, which is obligatory under article L1251-49 of France's Labour Code, offers protection in the event of the agency's default and notably covers payment of wages, compensation linked to employment contracts and the social contributions of employees and temporary staff.

As a major player in this sector, CEGC delivers its recognised expertise to over 600 clients, along with high-quality audits and local relations.

To work ever-more closely with its property-manager and real-estate agent clients, CEGC renewed its partnership with UNIS ⁽¹⁰⁾ both nationally and regionally.

CEGC partners Alphyr, an expanding franchiser of temporary recruitment and human resources agencies which works with 4,438 clients and reached €160m in revenues in 2018.

Key figures

at 31/12/2018

HOUSE BUILDERS



19,501
issued guarantees for
a total of €2.9BN

PROPERTY MANAGERS AND REAL ESTATE AGENTS



7,022
issued guarantees for
a total of €7.9BN

TEMPORARY RECRUITMENT AGENCIES



portfolio of over
600 clients
for gross exposure of
of €313M

(1) www.statistiques.developpement-durable.gouv.fr/ECLN_nb-vente-maison-appartement-ancien_fevrier 2019 — (2) FNTP – civil engineering review – February 2019 — (3) CEGC quantitative survey of clients conducted with Qualitest in December 2018: telephone surveys of a representative sample of 47 real estate developers and 140 property managers. Application of the quota method.

(1) Law n° 70-9 of 2 January 1970 and its decree of application n°72-678 of 20 July 1972, the so-called Hoguet Law, governing activities relating to certain operations on buildings and business goodwill. — (2) Law n° 90-1129 of 19 December 1990 concerning house building contracts. — (3) Law n° 79-8 of 2 January 1979 concerning temporary recruitment firms. — (4) www.statistiques.developpement-durable.gouv.fr/ECLN_nb-vente-maison-appartement-ancien_fevrier 2019 — (5) The Hoguet Law requires a financial guarantee to be taken out in order to conduct property management, administration and transaction activities that involve handling funds. — (6) Quantitative survey of CEGC clients conducted with Qualitest in December 2018: telephone surveys of a representative sample of 140 property managers. Application of the quota method. — (7) Qualitative survey of 10 of CEGC's real-estate agent clients in the form of semi-directive interviews conducted by Qualitest in December 2018. — (8) Caron-Markemétron December 2018 — (9) Indexed on ex-tax revenues for the previous year. — (10) French union of property co-ownership syndicates.

Balance sheet at 31 December, 2018

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

ASSETS	2018	2017
Intangible assets	23,428	18,540
Investments	2,020,743	1,913,674
Land & buildings	178,837	166,319
Investments in affiliated companies	2,755	2,695
Other investments	1,839,151	1,744,660
Receivables due from banks	0	0
Ceded share of technical provisions	3,724	3,885
Provisions for unearned premiums	0	0
Provisions for outstanding claims	3,724	3,885
Receivables	294,088	294,924
Non-issued earned premiums	3,534	3,085
Other receivables arising from insurance activities	15,326	17,167
Reinsurance transfer receivables	4,374	2,836
Government, social security organisations	141	5
Staff costs	24	4
Miscellaneous debtors	270,688	271,827
Other assets	28,725	49,492
Property, plant and equipment assets	3,474	3,573
Net balances of cash and amounts	25,251	45,919
Accrual accounts - assets	198,699	190,107
Accrued interest not yet due	19,091	19,691
Deferred acquisition costs	166,371	159,927
Prepaid expenses	845	671
Others	12,391	9,818
TOTAL ASSETS	2,569,407	2,470,622

LIABILITIES	2018	2017
Equity	411,974	454,515
Capital	160,996	160,996
Merger premiums	66,563	66,563
Issue premiums	9,464	9,464
Capitalisation provisions	0	0
Legal provisions	0	0
Current provisions	99,787	99,787
Retained earnings	0	0
Income awaiting final allocation	0	0
Net income	75,163	117,705
Technical provisions	2,009,112	1,848,016
Provisions for unearned premiums	1,839,320	1,703,024
Provisions for outstanding claims	169,791	144,992
Liquidity risk provisions	3,353	2,973
Liabilities for reinsurance deposits	57	59
Other liabilities	132,579	154,500
Insurance liabilities	73,217	94,530
Reinsurance liabilities	2,297	6,326
Due to banks	0	0
Miscellaneous borrowings and financial debts	0	0
Deposits and guarantees received	5,786	13,964
Staff	9,306	8,262
Government, social security organisations	6,512	6,765
Miscellaneous creditors	35,459	24,653
Accrual accounts - liabilities	12,332	10,559
TOTAL LIABILITIES	2,569,407	2,470,622

Income statement

at 31 December, 2018

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

TECHNICAL ACCOUNT	Gross transactions	Cessions and retrocessions	2018	2017
			Net transactions	Net transactions
Earned premiums	291,852	48,949	242,902	266,602
Premiums	428,148	48,965	379,183	496,808
Change in unearned premium income	(136,296)	(15)	(136,281)	(230,206)
Investment income			47,657	68,404
Other technical accounts			5,573	5,576
Claims expenses	(68,559)	(3,127)	(65,432)	(82,849)
Benefit expenses	(63,612)	(3,303)	(60,309)	(80,975)
Provisions for claims expenses	(4,947)	176	(5,123)	(1,874)
Share of Company profits			(80)	(200)
Acquisition and administrative costs			(99,164)	(87,629)
Acquisition costs			(90,574)	(81,438)
Administrative costs			(8,958)	(6,730)
Commissions received from reinsurers			367	539
Other technical expenses			(33,671)	(38,376)
TECHNICAL RESULT			97,786	131,528

NON-TECHNICAL ACCOUNT	2018	2017
	Net transactions	Net transactions
Total investment income	74,888	93,763
Investment income	49,963	76,213
Other investment income	2,782	2,675
Capital gains on disposal of investments	22,143	14,874
Investment expenses	(17,440)	(8,499)
Management fees and financial fees	(6,345)	(4,555)
Other investment expenses	(3,352)	(2,739)
Capital losses on disposal of investments	(7,744)	(1,205)
Income relating to assets pledged as transferred	(47,657)	(68,404)
Other non-technical income	723	820
Non-recurring income	0	0
Non-recurring gains	0	0
Non-recurring losses	0	0
Employee profit-sharing	(1,041)	(900)
Income taxes	(32,096)	(30,603)
INCOME/(LOSS) FOR THE YEAR	75,163	117,705

The 2018 business activity report is published by CEGC
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