REGISTRATION DOCUMENT 2016

Including the annual financial report

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REGISTRATION DOCUMENT

Including the annual financial report

2016

In application of its General Regulations, notably Article 212-23, the French Financial Markets Authority (Autorité des marchés financiers) filed this registration document on April 12, 2017 under number R.17-016. This document may only be used in support of a financial transaction if it is supplemented by a prospectus approved by the French Financial Markets Authority. It was prepared by the issuer and its signatories assume responsibility for it.

It was registered in compliance with the provisions of Article L.621-8-1-I of the French Monetary and Financial Code *(Code monétaire et financier)* after the French Financial Markets Authority verified that the document was complete and comprehensible, and that the information it contained was consistent. This did not entail the French Financial Markets Authority authenticating the accounting and financial items presented therein.

Copies of the present registration document are available free of charge at COFACE SA, 1, place Costes et Bellonte, 92270 Bois-Colombes, France, as well as on the websites of COFACE SA (www.coface.com).

IMPORTANT INFORMATION – The information contained in this document is a free translation of the French Registration Document registered with the French Market Regulator (AMF) under the visa R.17-016 and while efforts are made to provide an accurate translation, there may be material errors, omissions or inaccuracies in the reporting. In no way does Coface assume any responsibility for any investment or other decisions made based upon the information provided on this translation.

OVERVIEW OF COFACE /

The Coface Group is a global leader in credit insurance and a recognised expert in commercial risk management.

It provides businesses worldwide with solutions to protect them against the risk of client insolvency on their domestic and export markets.

4,282

employees [(1)]

40,000

companies using Coface's services and cover

100

countries in which we operate either directly or indirectly

€1,411 million

in revenue

€114 million

operating income

€42 million

net income

Ratings AA-, outlook stable by Fitch Ratings and A2, outlook stable by Moody's

(1) The workforce figures provided relate to employees on open-ended or fixed term contracts, excluding permanently inactive persons.

(in thousands of euros)	AS OF DECEMBER 31		
	2016	2015	2014*
Consolidated revenue	**1,411,297**	**1,489,530**	**1,440,536**
Gross written premiums	1,202,440	1,269,082	1,242,676
Premium refunds	-92,876	-81,497	-98,309
Net change in unearned premium provisions	5,576	-1,650	-11,640
Earned premiums	**1,115,140**	**1,185,935**	**1,132,727**
Fees and commission income	128,795	125,550	124,756
Net banking income, net of cost of risk	66,397	65,903	68,577
Revenue or income from other activities	96,743	107,446	112,431
Investment income, net of management expenses excluding finance costs	48,032	53,091	42,769
TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVITIES	**1,455,107**	**1,537,925**	**1,481,259**
Claims expenses	-705,655	-605,344	-538,721
Expenses from banking activities, excluding cost of risk	-13,193	-14,094	-11,066
Expenses from other activities	-44,379	-44,892	-47,338
Income and expenses from ceded reinsurance	-17,599	-51,410	-68,660
Policy acquisition costs	-255,289	-274,048	-262,880
Administrative costs	-275,095	-269,956	-269,119
Other current operating expenses	-83,004	-81,652	-74,509
TOTAL CURRENT INCOME AND EXPENSES	**-1,394,214**	**-1,341,396**	**-1,272,299**
Other operating income and expenses	53,496	-4,232	-9,937
OPERATING INCOME	**114,389**	**192,297**	**199,023**
Finance costs	-18,373	-18,491	-14,975
Share of net income of associates	-5,838	2,157	2,136
Income tax expenses	-48,124	-48,836	-60,335
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**42,054**	**127,127**	**125,849**
Non-controlling interests	-523	-888	-825
NET INCOME FOR THE PERIOD (GROUP SHARE)	**41,531**	**126,239**	**125,025**

* *The published 2014 results were restated to reflect the impacts linked to the application of IFRIC 21. 2014 annual results including IFRIC 21 are equivalent to those published in 2014.*

SIMPLIFIED CONSOLIDATED BALANCE SHEET

	AS OF DECEMBER 31		
(in thousands of euros)	2016	2015	2014*
ASSETS			
Intangible assets	215,708	224,307	231,968
Investments from insurance activities	2,751,091	2,648,119	2,677,731
Receivables arising from banking and other activities	2,481,525	2,370,902	2,244,262
Investments in associates	13,411	20,258	19,001
Reinsurers' share insurance liabilities	341,347	327,986	329,163
Other assets	926,344	894,121	806,282
Cash and cash equivalents	332,071	396,837	278,624
TOTAL ASSETS	**7,061,497**	**6,882,530**	**6,587,031**

	AS OF DECEMBER 31		
(in thousands of euros)	2016	2015	2014*
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	1,755,177	1,760,954	1,717,797
Non-controlling interests	5,490	6,073	6,737
Total equity	1,760,667	1,767,027	1,724,534
Provisions for risks and charges	151,074	114,234	117,792
Financing liabilities	390,044	392,594	395,123
Liabilities arising from insurance contracts	1,678,249	1,514,862	1,472,180
Payables arising from banking sector activities	2,409,691	2,369,662	2,217,782
Other liabilities	671,772	724,151	659,620
TOTAL EQUITY AND LIABILITIES	**7,061,497**	**6,882,530**	**6,587,031**

* *The published 2014 results were restated to reflect the impacts linked to the application of IFRIC 21. 2014 annual results including IFRIC 21 are equivalent to those published in 2014.*

KEY FIGURES

REVENUE BY BUSINESS LINE AS OF DECEMBER 31, 2016

(in millions of euros)	2016	2015	2014
Credit insurance and related services	**1,252**	**1,331**	**1,275**
Credit insurance – Gross earned premiums net of cancellations	1,064	1,135	1,078
Related services	135	136	134
Public procedures management[(1)]	53	60	63
Additional services	**159**	**159**	**166**
Net income from banking activities	71	71	71
Surety bonds – Gross earned premiums net of cancellation	51	51	54
Services	38	37	41
TOTAL	**1,411**	**1,490**	**1,441**

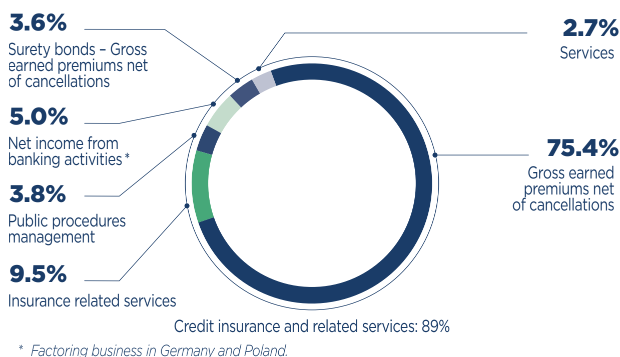
(1) Coface sold its public procedures management business line to Bpifrance on December 31, 2016 (see Section 1.5.1 and 7.5).

REVENUE BY REGION AS OF DECEMBER 31, 2016 (1) (2)

(in millions of euros)	2016	2015	2014
Northern Europe	307	325	340
Western Europe	327	363	361
Central Europe	121	125	125
Mediterranean and Africa	332	340	328
North America	136	131	114
Latin America	78	84	76
Asia-Pacific	110	121	97
TOTAL	**1,411**	**1,489**	**1,441**

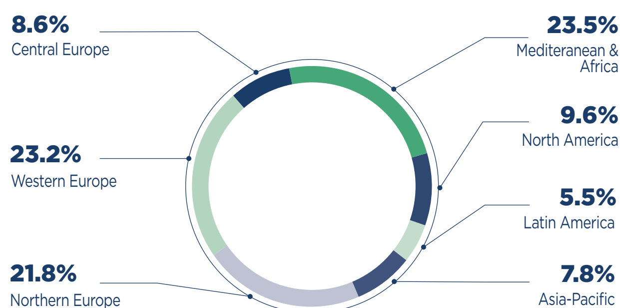
(1) See details in Note 24.
(2) The composition of the regions was modified on April 11, 2016 and led to certain adjustments. Portugal and Spain, which were initially included in Western Europe, were transferred to the Mediterranean and Africa region. Russia, initially included in Northern Europe, was transferred to Central Europe.

BREAKDOWN OF REVENUE BY BUSINESS LINE 2016



* *Factoring business in Germany and Poland.*

BREAKDOWN OF REVENUE BY REGION 2016



MAIN RATINGS OF THE COFACE GROUP AT MARCH 31, 2017

The Company and some of its subsidiaries are assessed by well-known ratings agencies. The Company rating can vary from agency to agency.

At March 31, 2017, the main ratings for the Company and its principal operational subsidiary are as follows:

INSURER FINANCIAL STRENGTH RATING	AGENCY	RATING	OUTLOOK
Compagnie française d'assurance pour le commerce extérieur and its branches	Fitch Moody's	AA- A2	Stable
RATING FOR THE COFACE SA DEBT			
Long-term counterparty risk rating	Fitch Moody's	A+ Baa2	Stable
Subordinated hybrid debt	Fitch Moody's	A- Baa1	Stable
Short-term counterparty risk rating (commercial paper)	Fitch Moody's	F1 P-2	Stable

The ratings shown above can be subject to revision or be withdrawn at any moment by the ratings agencies awarding them. None of these ratings represent an indication of past or future performance of Coface shares or debt issued by the Company and should not be used as part of an investment decision. The Company is not responsible for the accuracy and reliability of these ratings. The information is available and updated on the Company's website: http://www.coface.com/en/Investors/Ratings.

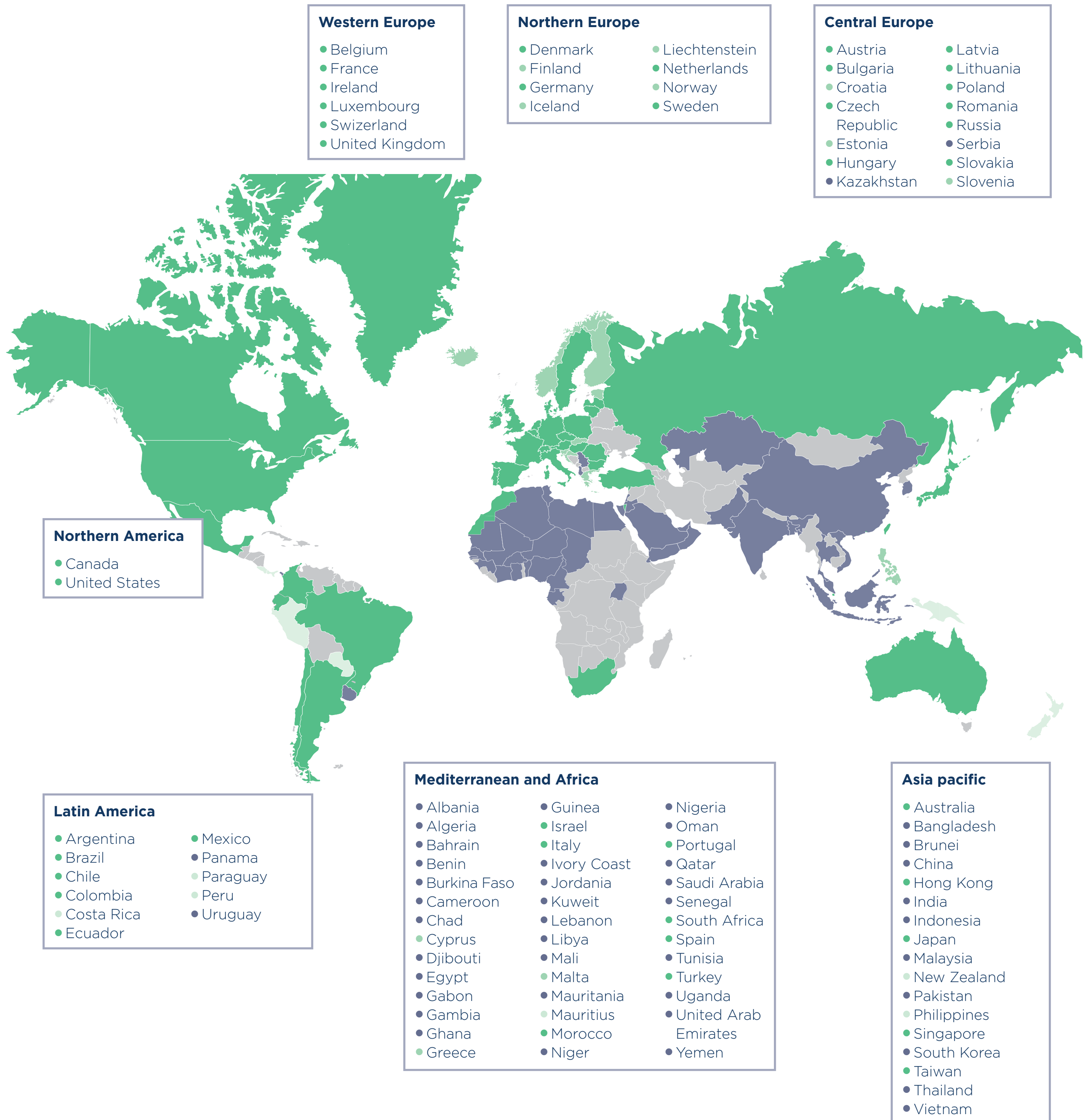
MARKET PROFILE

	2016
Trading	Euronext Paris (compartment B), eligible for deferred settlement service (SRD)
ISIN code	FR0010667147
Reuters code	COFA.PA
Bloomberg code	COFA FP
Stock Market Indexes	CAC Mid and Small, CAC All-tradable, CAC Small, CAC AllShares, Euronext 150, Euronext CAC Financials
Capital [(1)]	€314,496,464
Number of shares	157,248,232
Market capitalisation (retained price as of December 31, 2016: €6.20)	€974,939,038.40
Earnings per share	€0.26
Dividend per share [(2)]	€0.13
Highest price (2016)	€9.11 (May 7, 2016)
Lowest price (2016)	€4.21 (April 1, 2016)

(1) Reduction of the par value of each share from €5 to €2. The sum of €471,744,696, corresponding to the amount of the capital reduction, was allocated to a non-distributable “share premium” sub-account (see Section 7.2.1.7).

(2) The proposal to distribute €0.13 per share is subject to the approval of the Annual Shareholders’ Meeting of May 17, 2017 (see Section 7.7).

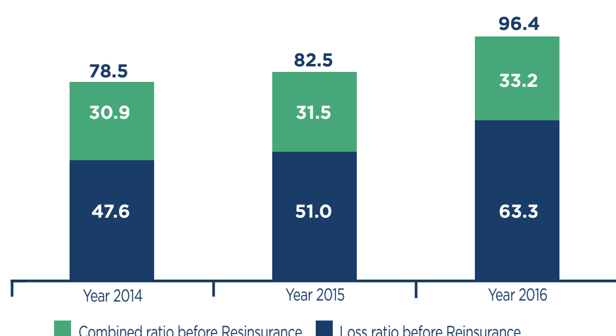
AVAILABILITY OF THE COFACE GROUP CREDIT INSURANCE OFFER WORLDWIDE



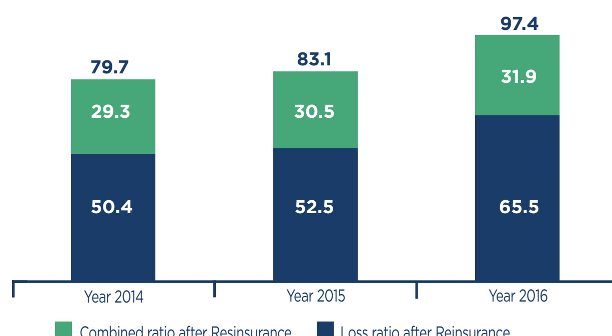
- **Direct:** Coface has a portfolio of licenses which allows it to directly issue credit insurance contracts.
- **Freedom of services:** Coface issues contracts from another European country where it has a licence, thanks to the EU principle of free movement of services.
- **Offshore:** Coface occasionally issues contracts from abroad, according to the conditions of the country concerned.
- **Coface Partner:** Coface may use an insurer that has a licence in the country concerned, which issues the contract and retrocedes all or part of the Coface Group's risks, according to the principle of fronting.

PERFORMANCE INDICATORS

COMBINED RATIO BEFORE REINSURANCE *(as a %)*

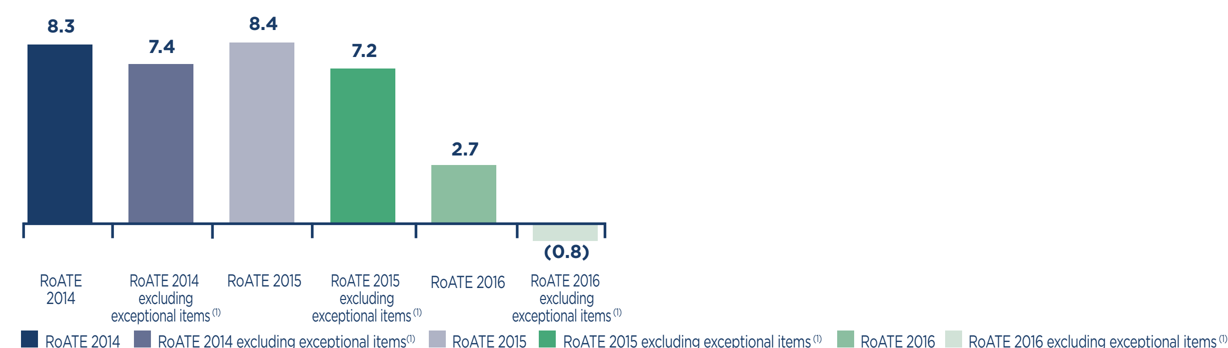


COMBINED RATIO AFTER REINSURANCE *(as a %)*



These operating ratios and the methodology for calculating them are defined in Section 3.3.2 "General presentation – Operating indicators".

ROATE *(as a %)*



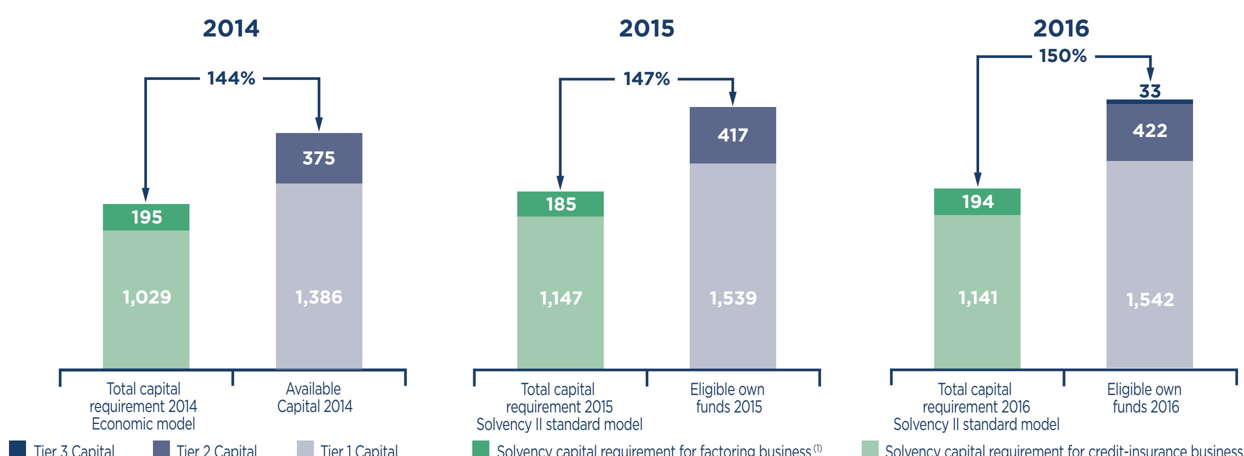
(1) *Net income (Group share) restated for exceptional items and the contribution of the public guarantees business line to net income: 2014 (€110 million), 2015 (€107 million) and 2016 (-€12 million).*

The return on Average Tangible Equity (RoATE) computed as Net income (Group share) (N)/Average Tangible IFRS Equity net of goodwill and intangible assets (N-1) – see Section 3.5.3. "Return on equity".

SOLVENCY RATIO

from economic capital

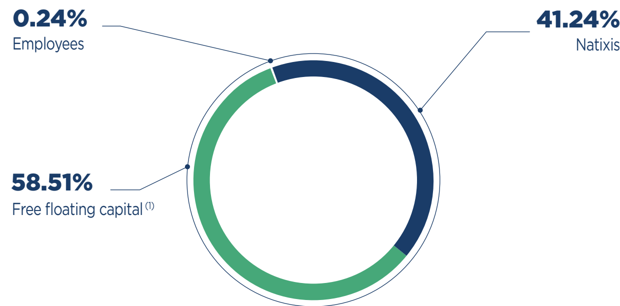
to the ratio of solvency II (standard model) (2)



(1) *Calculated according to the RWA methodology used by Natixis.*

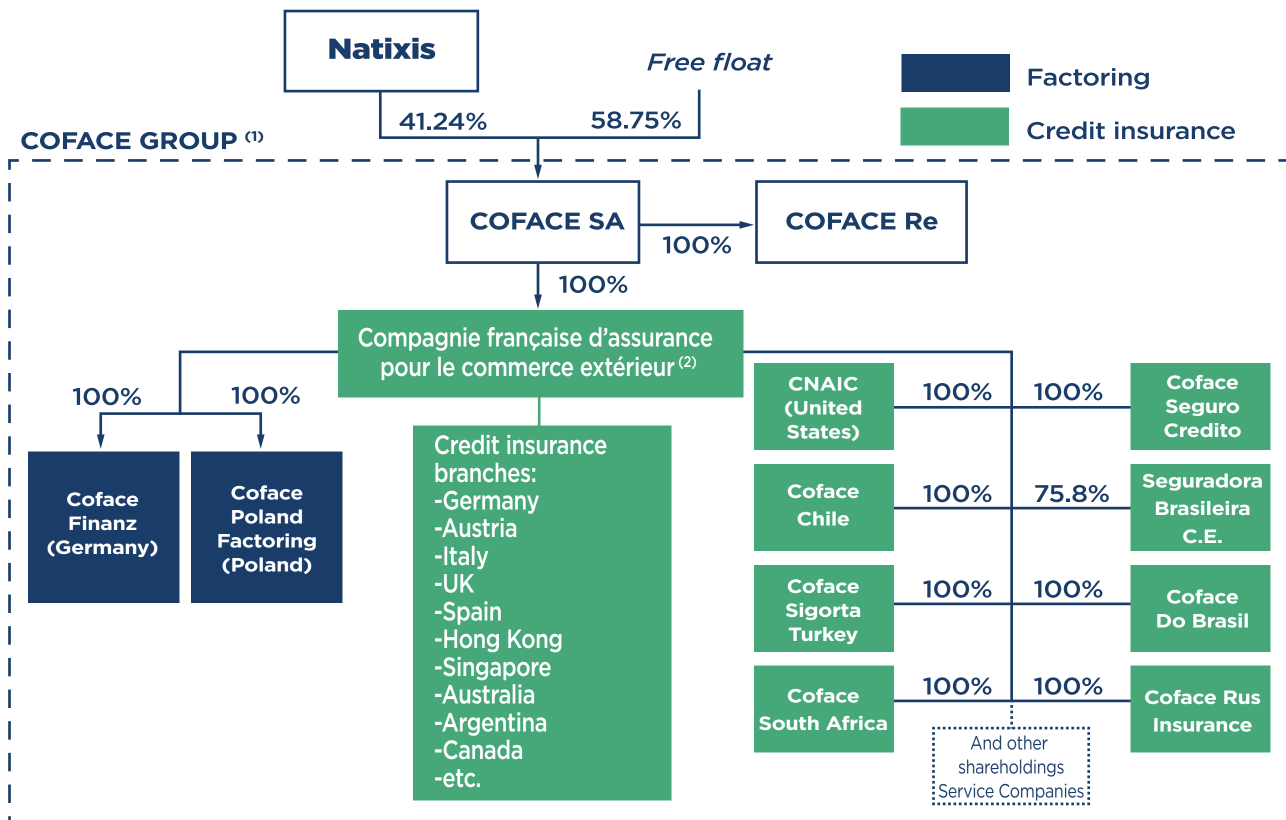
(2) *Preliminary calculation. Coface's interpretation of Solvency II. Non audited.*

SHAREHOLDING STRUCTURE AS OF DECEMBER 31, 2016



(1) Including 344,010 shares held in treasury under the Share Buyback Programme, i.e. 0.22% of the capital (of which 152,059 shares of the Liquidity Agreement (0.10%) and 191,951 shares of transactions involving treasury shares (0.12%)).

SIMPLIFIED ORGANISATIONAL CHART



(1) The company COFACE SA, is also called the "Company" in this registration document. Unless otherwise stated, references in this document to the "Group" or the "Coface Group" are references to the Company and its subsidiaries, branches and holdings. COFACE SA is the holding company of the Coface Group. As a decision-making and management body, the Company is a non-operational holding company and plays a vital financial role in the Coface Group, performing management, financing and advisory activities for its subsidiaries; it also manages operating activities.

The chief operating subsidiary of the Coface Group is Compagnie française d'assurance pour le commerce extérieur, with a net income of €52 million for the year ended December 31, 2016. This subsidiary, which is 100% owned by the Company, is a French société anonyme, with a share capital of €137,052,417.05, and registered with the Nanterre Trade and Companies Registry under company number 552 069 791.

La Compagnie française d'assurance pour le commerce extérieur is therefore the principal operating company and the principal insurance company of the Coface Group. It also managed public procedures on behalf of and with the guarantee of the French State (see Sections 1.3.1.2 and 1.5.1) and also owns the two Group companies authorised to engage in factoring activities: Coface Finanz in Germany and Coface Factoring Poland in Poland (see the list of entities in the scope of consolidation – Note 2 of the Group's consolidated financial statements – Chapter 4).

(2) The relationship between the parent company and subsidiaries is presented in detail in Note 41.

FINANCIAL PRESS RELEASES PUBLISHED IN 2016

PUBLICATION DATE	SUBJECT
January 15, 2016	The Board of Directors of Coface announces the appointment of Xavier Durand as Chief Executive Officer
February 9, 2016	Coface 2015 results: net income €126M and proposed dividend stable at €0.48 per share
February 9, 2016	COFACE SA implements contingent equity line of up to €100M
April 11, 2016	COFACE SA: Combined Shareholder's Meeting May 19th 2016 at 2.00pm
April 11, 2016	COFACE SA: Disclosure of total number of voting rights and number of shares in the capital as at April 11th, 2016
April 14, 2016	Coface announces the publication of its 2015 Registration Document
April 18, 2016	Coface to cede French state export guarantees to Bpifrance before end 2016
May 4, 2016	Coface Q1-2016 results: A tough quarter in a polarised environment
May 19, 2016	COFACE SA: Combined Shareholders' Meeting of May 19th 2016 adopted all the proposed resolutions
May 20, 2016	Coface AA- rating affirmed by Fitch
June 2, 2016	Coface strengthens organisation in Asia, with the appointment of Bhupesh Gupta as Asia Pacific CEO
June 13, 2016	Thibault Surer appointed Group Strategy and Business Development Director
July 1, 2016	Coface strengthens its risk function with the appointment of Thierry Croiset as Group Risk Director
July 4, 2016	Noting a higher than expected increase in claims in emerging countries, Coface continues to adapt its risk management policy and foresees a net loss ratio of 63% to 66% for full year 2016
July 5, 2016	Coface appoints Valérie Brami as Group Chief Operating Officer
July 12, 2016	Thomas Jacquet appointed Coface Group Investor Relations & Rating Agencies Director
July 17, 2016	H1-2016 results in line with July 4th announcement. Strategic plan *Fit to Win* designed to transform Coface into the most agile global trade credit partner in the industry
July 27, 2016	Communication setting out the arrangements for the supplying of the Interim Financial Report for the first half of 2016
September 20, 2016	Coface appoints Fredrik Murer to lead its North America region
September 21, 2016	*Fit to Win* plan to transform Coface into the most agile global trade credit partner in the industry, while evolving to a more efficient capital model
September 30, 2016	Coface welcomes Fitch's decision to affirm its AA- rating
November 3, 2016	Coface results at 30 September 2016: Operating trends in line with *Fit to Win*
November 7, 2016	Isabelle Rodney and Anne Sallé Mongauze join COFACE SA's Board of Directors

The full regulated financial information can be found on the Group website at http://www.coface.com/en/Investors/Financial reporting.

2017 FINANCIAL CALENDAR (SUBJECT TO MODIFICATION)

- 2016 Results: February 8, 2017, after market close
- Q1-2017 results: April 26, 2017, after market close
- Annual Shareholders' Meeting: May 17, 2017, at 9 A.M.
- Ex-dividend date: May 22, 2017
- Dividend payment date: May 24, 2017
- H1-2017 results: July 28, 2017, before market opening
- 9M-2017 results: October 25, 2017, after market close

PRESENTATION OF THE COFACE GROUP

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1.1 Message from Xavier Durand, Chief Executive Officer (CEO)

2016 will be remembered as a complicated year for Coface. The Group had to cope with a rapid increase in risks in emerging countries and a context where its historic France-based public guarantees management business was transferred to the State. It was, therefore, compelled to thoroughly review its strategy and organisation and abandon the objectives that the Group had settled two years ago, during its iPO, for the period ending 2016.

In spite of these difficulties, when I arrived in the Group as CEO in February, I was impressed by the considerable assets at the disposal of Coface: a great brand, solid reputation, robust international presence, hands-on clients and partners and worldwide teams with in-depth expertise. I became rapidly convinced that Coface had to and could harness these assets to adapt to an increasingly complex, volatile and risky economic and political world.

To prepare an accurate diagnostic of the company and its challenges for coming years, I launched in the months following my appointment, a vast series of in-depth consultations, which involved meeting a large number of clients and partners in over 15 countries and more than half of the Group's employees.

Based on this diagnostic, we decided to launch in September 2016, *Fit to Win*, an ambitious but realistic three-year strategic plan, which is therefore the result of a far-ranging external and internal consultation. The goal is for Coface to become the most agile global credit insurer in the sector while evolving towards a more efficient capital model.

Its success relies on galvanising our 4,300 employees and partners worldwide around four key values: client focus, expertise, collaboration, courage and accountability.

It is based on a proactive investment policy strenghtening of our information and risk management infrastructures and tools, digitalisation and process efficiency enhancement combined with an evolution of our growth strategy towards more market specific differentiation.

At the same time, we thoroughly strengthened our management team this year to allow us to resolutely implement this change.

The implementation of *Fit to Win* is well under way, and we have already achieved significant progress in 2016 regarding the plan's main priorities: strengthening our risk management and information quality in emerging countries, improving our operational efficiency and client service, setting up selective and differentiated growth strategies tailored to the characteristics of the markets where we operate, and reducing our capital intensity. The full effect of these actions will gradually become visible as the projects move forward.

For the Group, 2016 therefore marked the start of its in-depth transformation to prepare its future. In the fourth quarter of 2016, we achieved performance levels in line with our objectives, both in terms of the advancement of our strategic plan, as in operational income, and we completed the transfer to Bpifrance of the France-based public guarantees business.

In 2017, we will continue to strictly and confidently unfold our strategic plan, while monitoring and adapting to changes in the economic and risk environment. For the Group, 2017 will be a year of transition, as we move towards the value creation objectives which the Group has set itself for the next three years.

Xavier Durand

1.2 History of the Group

COFACE SA ("the Company") is the holding company of the Coface Group ("the Group"). It performs its activities through its primary operating subsidiary, Compagnie française d'assurance pour le commerce extérieur ("*la Compagnie*"), and its subsidiaries.

The key dates of its history are described below.

1.2.1 CREATION

1946

Compagnie française d'assurance pour le commerce extérieur was created by decree in 1946 and established in 1948 to support French foreign trade. It is the source of the Group as it exists today. Its first shareholders – insurance companies, banks and other financial establishments – were primarily controlled by the French State. Following the privatisation of a large number of these companies in the 1980s, the indirect interests of the French State gradually decreased.

1.2.2 INTERNATIONALISATION

1992

- The Group adopted an international growth policy through various acquisitions of credit insurance companies, by creating new subsidiaries or branches. It started with the acquisition of an equity interest in La Viscontea, an Italian surety insurance and credit insurance company.
- This international growth policy was also based on the creation of the CreditAlliance network, in order to enter into various strategic partnerships, especially in emerging countries (located in Latin America, Asia and Africa).

1993

The Group acquired an interest in London Bridge Finance, a British finance company offering credit insurance services, whose activity has since been taken over by the Company's local branch, Coface LBF.

1994

With the privatisation of SCOR (a result of the privatisation of UAP), its primary shareholder, most of the capital of Compagnie française d'assurance pour le commerce extérieur became private, but Coface continued to manage public guarantees on behalf of the French State.

1996

The Group acquires an interest in Allgemeine Kredit, a German company providing domestic and export credit insurance solutions.

1997

The Group takes an equity interest in Österreichische Kreditversicherung, the leading Austrian credit insurer.

2000

Compagnie française d'assurance pour le commerce extérieur was listed on the primary market of the Paris Stock Exchange by its shareholders.

1.2.3 MULTI-SERVICE POSITIONING

2002

- Until 2010, the Group was positioned as a multi-service player specialised in trade receivables management.
- The Group takes an equity interest in the portfolio of Continental in the United States.
- Natexis Banques Populaires, established through the acquisition by the Caisse Centrale des Banques Populaires of Natexis, the latter resulting from the merger of the Group's two original shareholders (Banque française du commerce extérieur and Crédit national), acquired 35.26% of the Company's share capital and became its majority shareholder, owning 54.4% of the share capital.

2006

After Compagnie française d'assurance pour le commerce extérieur was delisted from the Paris Stock Exchange in 2004, it became a wholly-owned subsidiary of Natixis, the entity born out of the merger between Natexis Banques Populaires and Ixis CIB. Natixis is the financing, asset management and financial services bank of the BPCE group, one of the primary French banking groups that resulted from the merger of Banques Populaires and Caisses d'Epargne in 2009.

2009 and 2010

The Company strengthened its equity through two capital increases, fully subscribed by Natixis, in the respective amounts of €50 million and €175 million, in particular in view of maintaining the Group's solvency within the context of the sharp economic slowdown at that time.

1.2.4 STRATEGIC REFOCUSING

2011-2013

- In 2011, to back the refocusing of its activities on its core business, credit insurance, the Group launched the *Strong Commitment* plan and set up around 80 structuring actions to clarify and optimise its business model around credit insurance. The implementation of this plan addressed three essential concerns: (i) focusing on the fundamental elements of credit insurance, its core business, (ii) preparing the conditions for a sustainable and profitable growth model, and (iii) implementing a structured, flexible and innovation-oriented form of governance.
- In 2013, the Group introduced a new baseline, "Coface, for safer trade", and moved its head office to Bois-Colombes (June 2013), which became the centre for the activities in France and head office activities.

2014

- On June 27, the Company launched an IPO on Compartment A of the Euronext Paris regulated market. The offering concerned a total of 91,987,426 shares, i.e. 58.65% of its capital and voting rights. Its stock was listed on the SBF 120 [1] market index on December 22, 2014.
- As part of its commercial development, Coface reorganised its international network of partners, CreditAlliance, and renamed it Coface Partner, to draw on the strength of larger scale networks than the Group's own commercial network.

2015

On July 29, the French government announced its decision to transfer the public guarantees management activity, carried out by Coface, to the Bpifrance group, and agreed with *la Compagnie* on the Financial terms of such transfer. The amended French Finance Act of December 29, 2015 (No. 2015-1786) specified the transfer of this management no later than December 31, 2016 The French Finance Act of December 29, 2016 (No. 2016-1917, Articles 47 and 127) set the effective date of the transfer at January 1, 2017 (see Section 1.5.1).

1.2.5 NEW *FIT TO WIN* PLAN

2016

- In the first half of the year, the Group had to cope with heightened risks in emerging countries. To address this volatile environment, it produced a three-year strategic plan called *Fit to Win*, with a two-fold ambition: become the most agile global credit insurer and evolving towards a more efficient capital model. The aim of the plan is to position the Group to deliver return on average tangible equity (RoATE) of 9% through the cycle, after optimising the capital management model (see Section 1.6).
- As of December 31, Natixis had a total interest of 41.24% in the Company's share capital, with the Group's employees holding 0.24% and the public float representing 58.51% (including 344,010 treasury shares, i.e. 0.22% of the share capital, of which 0.10% in liquidity agreement and 0.12% in treasury share transactions).

(1) On March 10, 2016, Euronext announced the withdrawal of Coface from the SMF 120 and CAC Mid 60 indexes and its introduction into the CAC Small index. This change took effect on March 21, 2016.

1.3 Description of the main activities

The Group's activity line is mainly focused on credit insurance which represents 89% of its revenue in 2016. It entails providing businesses with solutions to protect them against the risk of client insolvency on both their domestic and export markets.

The Group is also present on the factoring market, in Germany and in Poland, and on the surety bond market. In some countries, mainly Central Europe, the Group sells information and recovery products without an insurance guarantee or surety bond.

The following table presents the changes in the contribution of these activities to the Group's consolidated revenue at December 31 for the 2014-2016 period:

CONSOLIDATED REVENUE BY ACTIVITY *(in millions of euros and as a % of the Group total)*	(SEE ALSO PARAGRAPH)	2016	%	2015	%	2014	%
Credit insurance	**1.3.1 / 1.5.1**	**1,252**	**88.7%**	**1,331**	**89.4%**	**1,275**	**88.5%**
Gross earned premiums net of cancellations		1,064	75.4%	1,135	76.2%	1,078	74.9%
Services related to insurance(1)		135	9.5%	136	9.1%	134	9.3%
Public procedures management		53	3.8%	60	4.0%	63	4.3%
Additional services		**159**	**11.3%**	**159**	**10.6%**	**166**	**11.5%**
Factoring (net income from banking activities)	1.3.2 / 1.5.2	71	5.0%	71	4.7%	71	4.9%
Surety bonds	1.3.3 / 1.5.3	51	3.6%	51	3.4%	54	3.8%
Business information and other services	1.5.4	38	2.7%	37	2.5%	41	2.8%
TOTAL		**1,411**	**100%**	**1,490**	**100%**	**1,441**	**100%**

(1) This item corresponds to the fee and commission income (policy management costs) and to other insurance-related services (international policies commission; business contributors commission). See Note 24 of the consolidated financial statements.

1.3.1 DESCRIPTION OF THE CREDIT INSURANCE BUSINESS LINE

1.3.1.1 Credit insurance mechanism

Credit insurance allows a creditor (the seller/supplier), with a term commercial debt held on its debtor (the buyer/client), to ask an insurer to cover the risk of non-payment of the trade receivable, in exchange for the payment of a premium. It is therefore one of the key hedge instruments for the trade receivables of companies that grant payment terms to their clients.

The following diagram illustrates the credit insurance mechanism.

The Service proposed by the Group to its policyholders entails much more than indemnifying the losses they sustain, it includes preventing claims and providing assistance in developing a profitable and solvent clientele.

Preventing the risk of non-payment through credit insurance solutions requires collecting pertinent, reliable and up-to-date information about the debtors and their economic environment. The information held by the Group on the solvency of debtors is the basis for its credit insurance

offers. It is a key element at the time of its policyholders' applications for coverage, and when decisions are made regarding the coverage that is granted on a daily basis by its underwriters (see Section 1.5.1.3).

The Group grants complete or partial coverage, which generally globally covers a portfolio of debtors (or a stream of business) of a given policyholder, as opposed to underwriting one insurance policy to cover a single debtor risk. The credit insurance policies are generally entered into for a period of one year, and may be tacitly renewed.

Within the context of these policies, the Group authorises each new debtor that is presented by the policyholder, and establishes, through the credit limit granted, the maximum amount of risks that it is ready to accept for this debtor. It may reduce or cancel its credit limit coverage at any time, subject sometimes to prior notice, for the future deliveries of goods or services by the policyholder to the debtor concerned, in order to reduce payment default risk. This reduction or cancellation allows the policyholder to be warned of an increased fear on the part of the Group in terms of said debtor's soundness. Exceptionally, the Group may give certain policyholders, depending on their expertise, more or less autonomy in setting the credit limits for receivables not exceeding an amount as established in their credit insurance policy.

In the event that a debt is not paid by the debtor, the Group handles the recovery of unpaid receivables, in order to limit the loss and release the policyholder from managing this dispute phase. In this way, the policyholder is able to preserve, as much as possible, its commercial relations with its debtor (unless the policyholder expressly wishes to maintain the power to carry out this recovery itself). The Group conducts negotiations and, if necessary, disputes (before indemnification, within the context of a recovery mandate, then after indemnification within the context of a subrogation), to recover the amounts due (see Section 1.5.1.5).

By using credit insurance, companies secure their margins while insuring themselves against the financial impacts of a payment default, while benefiting from prevention tools and information regarding the solvency of their debtors within the context of managing their credit risks. They also benefit from regular exchanges with the Group's sector and country specialists.

1.3.1.2 Description of public procedures management

Until December 31, 2016, Compagnie française d'assurance pour le commerce extérieur managed, on behalf of and with the guarantee of the French State, export guarantees relating to non-insurable risks by the private market (exports financed in the medium and long term, French investments abroad). The French Finance Act of December 29, 2016 (No. 2016-1917, Articles 47 and 127) set the effective date for the transfer of this business line to Bpifrance on January 1, 2017 (see Section 1.5.1): the teams and information systems dedicated to this business line were also transferred on January 2, 2017.

Coface had been managing State export credit guarantees as a service performed on behalf of the French government. All of the financial flows and related flows (premiums, indemnities, remittances) were included in a distinct accounting entry in the financial statements of Compagnie française d'assurance pour le commerce extérieur. The premiums and remittances collected by it were paid directly on behalf of the French State. The indemnities were paid by Compagnie française d'assurance pour le commerce extérieur from the same account.

The management procedures for these guarantees and their remuneration were set out in an agreement between Compagnie française d'assurance pour le commerce extérieur (see the regulatory environment of the public procedures management and guarantee in Section 1.9.2).

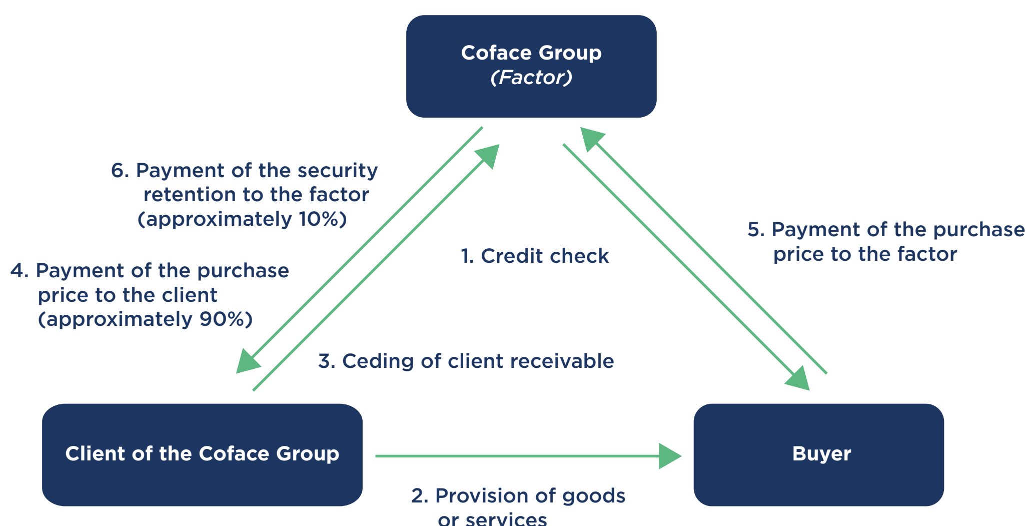
1.3.2 DESCRIPTION OF THE FACTORING BUSINESS LINE

Factoring is a financial technique whereby a factoring company (the factor) finances and, if necessary, manages the trade accounts of a company by acquiring its trade receivables, ensuring their recovery on its own behalf and by supporting any losses or, conversely, via a right of recourse against the company.

The Group's factoring offering allows businesses to fund their trade receivables and optimise their liquidity:

- by having immediate availability to cash upon sale of their receivables (subject to deposit of holdback money);
- by streamlining their trade accounts receivable, in the absence of recourse (via the transfer of risks of non-payment and recovery);
- by financing their growth without being held up by their working capital requirement.

The following diagram illustrates the factoring mechanism:



Factoring attenuates the risks associated with the financing of commercial receivables, thanks to the analysis performed on the chosen counterparties, the evaluation of their solvency, and the recovery mechanisms for unpaid receivables. The Group offers such factoring solutions in Germany and Poland.

The Group combines its factoring activities with its credit insurance expertise in order to offer the following products:

- factoring with recourse: factoring product with recourse on the client in case of payment defaults;
- full factoring without recourse: product combining the services of factoring and credit insurance. Thus, in the event of a claim, the client is covered by credit insurance for its unpaid invoices;
- in-house factoring with or without recourse: the client manages the relationship with its buyer, in particular, in the case of a payment default, notably to preserve its commercial relationship;
- reverse factoring: the Group's client is in this case the buyer, who proposes a payment through the factoring company to its supplier;
- maturity factoring: product deriving from full factoring, for which financing occurs at the invoice due date.

1.3.3 DESCRIPTION OF THE SURETY BOND BUSINESS LINE

In addition to its primary credit insurance activities, and relying on its debtor risk management capacity, the Group offers surety bond solutions in certain countries (mainly Austria, France, Germany and Italy) to its clients in order to address the specific needs of companies in certain markets.

A surety bond consists of an engagement which covers the beneficiary of the surety bond, in the event of a potential default or breach by the bondholder of its contractual obligations. The coverage provided by a surety allows a corporate bondholder to reassure its commercial or financial partners, in order to postpone immediate payment and/or to avoid reducing its borrowing abilities. Furthermore, in certain businesses, obtaining a surety is an obligation needed to run a business or access specific markets.

Sureties have a fixed term (from a few weeks to a maximum of five years) and can be shared among several market players (generally banks and insurers).

The Group selectively offers a range of specific surety bonds to help businesses win domestic or export contracts:

- **contract surety bonds:** tender bond (guaranteeing to the buyer that the seller has responded to the call for tenders, may actually, if the contract is won, offer the services announced in its reply to the call for tenders), performance bond (guaranteeing to the buyer that the seller will perform the contract), advance payment bond (commitment to return the payment made by the buyer, in case the seller does not pursue the contract), holdback bond (guaranteeing potential faulty work that appears during the coverage period), and subcontracting bonds (guaranteeing the payment of the subcontractors that the business has hired);
- **customs and excise bonds:** allow bearers to benefit from customs duties credits or even, on some markets, to guarantee amounts payable as indirect contributions or excise taxes, or to postpone the payment thereof;
- **environmental surety bond:** covers expenses linked to monitoring a site, keeping a facility safe, any interventions in the event of accidents or pollution and restoring the site after the activity is discontinued;
- **legal bonds** for temporary employment companies: to cover the wages and social security charges of temporary employees, in case the business becomes insolvent;
- **payment guarantees:** guaranteeing the amounts owed by the bondholder as payment for its purchases and services rendered by a beneficiary.

1.4 Presentation of the credit insurance market and the competitive environment

1.4.1 THE CREDIT INSURANCE MARKET

The purpose of credit insurance is to protect a company against default on payment of its trade receivables. It provides a conditional insurance cover, on counterparties selected by the insurer. The solution offers two basic services: the prevention of debtor risks – by selecting and monitoring insured buyers – and collection of unpaid receivables. In the classic form of the product, these two services are the main hallmarks of sector players.

The Group's main business line concerns short-term credit insurance (defined by risks of no more than 12 months), which is a market representing around €8 billion of premiums. The Group is also active on the medium-term credit insurance market through its Single Risk offer. This is a global market which is often syndicated with a value of around €1.7 billion of premiums. In 2016, the Single Risk business line represented around 1.7% of the Group's consolidated revenue.

The Group considers that the credit insurance sector has a continuous growth potential. Between 2005 and 2009, the sector grew by around 5% per annum and has since been growing by around 3%. The penetration rate by credit insurance of the global volume of trade receivables worldwide remains very low, estimated at around 5% (1), offering a genuine opportunity for conquest.

The growth of the sector depends on several factors, which are sometimes contradictory:

- the commercial conquest of the sector's players (and the contrary of the potential loss of clients);
- the organic growth of revenue of credit policyholder clients;
- price changes, up or down;
- the risk selection policy by players, up or down.

1.4.2 THE COMPETITIVE ENVIRONMENT OF THE COFACE GROUP

The global credit insurance market comprises three types of players: global insurers, national or regional insurers and niche players.

There are three global players: Coface, Euler-Hermes (a company under French law whose shares are listed on the Euronext Paris regulated market which belongs to the Allianz group) and Atradius (an unlisted company under Dutch law which belongs to Grupo Catalana Occidente). These three players have a network which spans the five continents, which represents a force for international trade insurance. In 2015, the three insurers still share around 60% of the global market (2).

2015 CREDIT INSURANCE MARKET SHARE

The credit insurance market also includes:

- the national or regional players, some of whom are from or are still public export insurance agencies. These include Sinosure (China), the largest in size, followed by Nexi (Japan), K-Sure (South Korea), EDC (Canada) or even Cesce (Spain). There are also private local players, such as the German R+V;

(1) *The ICISA database only contains data on ICISA partners (players and countries) and does not represent the entire credit insurance market.*

(2) *Global markets shares are calculated on the basis of short-term credit insurance gross premiums; including markets under State monopoly in 2015. Sources: i) market official sources, official consolidated financial statements of companies and internal Coface estimates; ii) the global footprint includes direct presence and partners; iii) Euler Hermes 2015 Registration Document – page 21 "International presence"; and iv) Atradius 2015 Annual Report – pages 16-17 "The global footprint".*

- a growing number of players tackle credit insurance with a niche strategy. This strategy allows them to bypass the high cost which represents the constitution and maintenance of a debtor information global database. These offers generally consist in delegating more broadly the selection of risks to policyholders that can demonstrate effective risk management, the insurer provides its financial strength to amortise shocks beyond a significant deductible. Among the players on this segment, AIG (United States) has the largest credit insurance earned premium.

1.5 The Group's activities and positioning

The Group generates its consolidated revenue of €1,411 million from nearly 40,000 clients. As the average annual income per client is less than €30,000 and is generated in very diversified business sectors and geographic regions, it is more resilient to the hazards of economic and sector-specific cycles.

The Group does not consider itself to be dependent on particular policyholders; thus, for the financial year ended December 31, 2016, the most important policyholder represented less than 1% of the Group's consolidated revenue.

1.5.1 CREDIT INSURANCE AND RELATED SERVICES

For the financial year ended December 31, 2016, credit insurance products and related services generated revenue of €1,252 million, or 88.7% of the Group's consolidated revenue. The following table presents the changes in the contribution of this business line to the Group's consolidated revenue during the 2014-2016 period (in millions of euros and as a percentage of the Group's total):

	AS OF DECEMBER 31,					
	2016		2015		2014	
SHARE OF CONSOLIDATED REVENUE	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Credit insurance	**1,252**	**88.7%**	**1,331**	**89.4%**	**1,275**	**88.5%**
o/w earned premiums net of cancellations	1,064	75.4%	1,135	76.2%	1,078	74.9%
o/w insurance-related services [(1)]	135	9.5%	136	9.1%	134	9.3%
o/w public procedures management	53	3.8%	60	4.0%	63	4.3%

(1) This item corresponds to the fee and commission income (policy management costs) and to other insurance-related services (international policies commission; business contributors commission). See Note 24 of the consolidated financial statements.

Credit insurance

The Group, directly present through subsidiaries or branch offices on a geographical area representing nearly 97% of the world gross domestic product, relies on an international network of local partners, and markets its credit insurance solutions and its supplementary services in 100 countries, thus having a presence and geographic footprint on all continents. It considers itself to be one of three global players on the credit insurance market (see Section 1.4).

Transfer of public procedures management to the Bpifrance group

Since 1946, Compagnie française d'assurance pour le commerce extérieur used to manage, on behalf of, and with the guarantee of, the French State, export guarantees concerning risks that are uninsurable by the private market.

The amended French Finance Act of December 29, 2015 (No. 2015-1786) specified the transfer of this management to the Bpifrance group. The December 29, 2016 Act (No. 2016-1917, Articles 47 and 127) set the effective date of the transfer at January 1, 2017. Accordingly, Coface disposed of the State export guarantees management business to Bpifrance France on December 31, 2016, and the teams and information systems dedicated to this activity were transferred on January 2, 2017. As consideration for this transfer, Coface received compensation and bore costs corresponding to a net exceptional gain of €75 million before tax recognised in the accounts for the financial year ended December 31, 2016.

Coface had been managing State export credit guarantees as a service performed on behalf of the French government. In 2016, this business represented around 4% of its consolidated revenue.

◆ 1.5.1.1 The Group's primary credit insurance products

The Group has refocused and enhanced its offering of solutions to adapt it to the specific needs of specific identified market segments: small and medium enterprises, mid-market companies, major multi-nationals, financial institutions and clients of distributer partners.

The Group offers numerous credit insurance solutions which are harmonised at global level; the primary ones are described below.

PRODUCT	DESCRIPTION
TradeLiner	It is a flexible offering aimed at addressing the specific requirements and needs of each policyholder thanks to a set of options and adaptable general terms and conditions. Today, it is the central solution in the Group's product platform. TradeLiner is gradually phasing out Globalliance as it is deployed in the different markets.
EasyLiner	EasyLiner, launched in 2014, is a range of contracts intended for offering for small and medium enterprises (SMEs), which are often unfamiliar with the mechanisms and benefits of credit insurance solutions. This offering can be distributed online, under a custom brand if necessary, in the context of commercial partnership agreements. EasyLiner is gradually replacing historic offerings designed to address the needs of SMEs in the mature markets where the Group is present.
Coface Global Solutions	Coface Global Solutions (the "CGS offering") is an offering dedicated to the management of large international insurers. This offering relies on a global organisational structure which offers multi-national companies services, and management and control tools tailored to their issues (geographic fragmentation, multi-currency risks, consolidation of buyers credits, aggregates, etc.).
CofaNet and other online services	CofaNet is the central Internet portal used by Coface for the day-to-day management of the contracts of its policyholders. This multi-lingual portal is completed by a comprehensive range of added value services: ■ Coface Dashboard: a paying tool which develops analyses and reporting statements on client risks; ■ CofaNet Policy Master: a paying tool used to streamline the bulk of routine contract management by directly mining data from the policyholder's accounting system; ■ The Group also provides its clients access to specialised portals for medium-term or surety bond activities (see below). The main features of CofaNet are also available on smartphones (CofaMove mobile application) and by a system to system automatic link (CofaServe webservices offering).
Medium-term insurance (Single Risk)	The Single Risk offering provides coverage for commercial and political risks in connection with operations that are time-specific, complex, and for a high amount (generally greater than €5 million) and for which the credit term is between 12 months and seven years. It gives policyholders coverage against a risk linked to an investment or particular market, in comparison to credit insurance products, which cover policyholders against payment default risks for the entirety of their revenue (whole turnover policies). To simplify insurance for this type of risk for more modest (up to €5 million), but more frequent operations, the Group launched the TradeLiner Capital Goods offering in 2016. This multi-operation contract is particularly suitable for capital goods (industrial tooling, infrastructure, electrical equipment, multi-year maintenance).

◆ 1.5.1.2 Pricing of credit insurance offers

The pricing of credit insurance is generally reflected in the premiums. Related services are generally subject to specific pricing depending on the actual consumption of policyholders (number of monitored buyers, number of collection files).

The Group considers the fair remuneration of risk as an important issue and has accordingly developed a pricing methodology within a proprietary computer tool (PEPS – past and expected profitability system) and controlled commercial governance. The Group considers that it has a benchmark pricing methodology, including for example, a risk-based type of analysis and capital cost approach directly linked to the portfolio of the insured risks. Furthermore, adjustments and improvements are made routinely to ensure that the pricing methodology contributes to controlled underwriting.

Medium-term Single Risk covers, for which the default probabilities series are more limited, are subjected to a separate methodology, applied by a small team of experts.

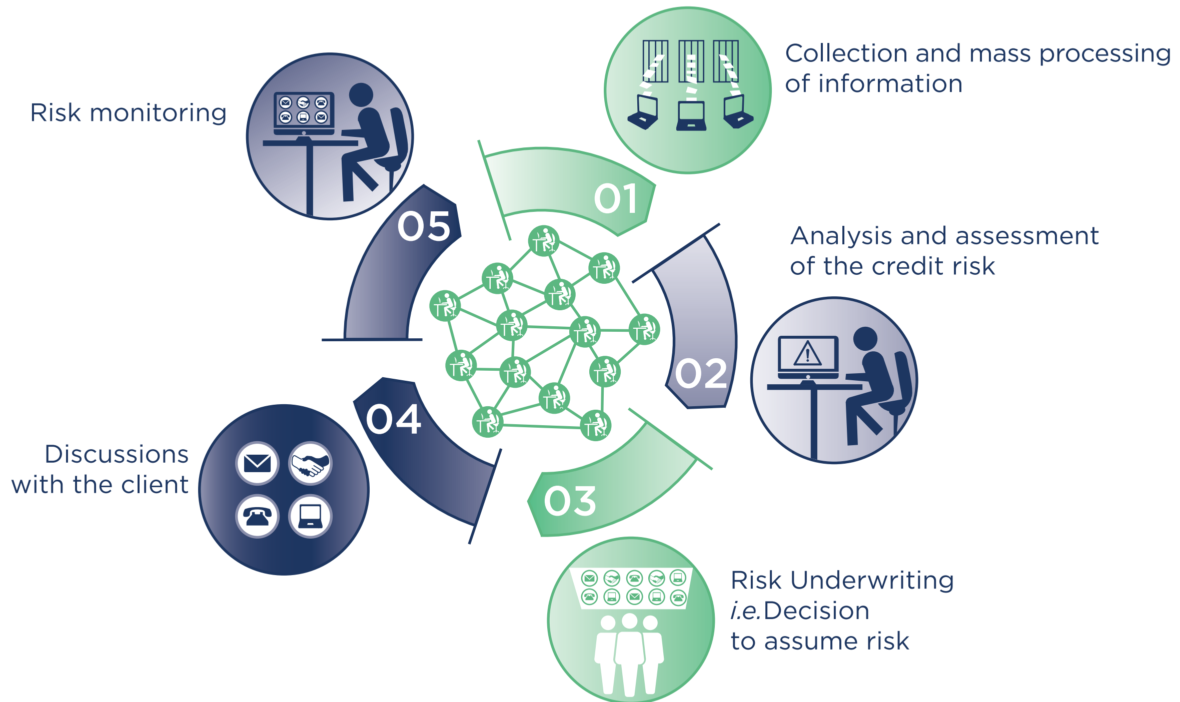
◆ 1.5.1.3 Information regarding the solvency of debtors at the core of the Group's business

The Group's business essentially consists of the sale of guarantees or services relying on the acquisition and management of pertinent, reliable and up-to-date information on debtors and their environment. The Group operates a network of 50 centres dedicated to collecting financial information on more than 80 million debtors worldwide, for the processing and analysis of information and debtor risks.

Information is a key element in each stage of tracking the risks within the Group, and is compiled within its ATLAS database (see Section 1.8.2). It is first collected, particularly from external providers, for initial administrative processing. It is then analysed by the team of 330 credit analysts in view of evaluating debtors according to the "debtor risk assessment" (or DRA) scale which is common to the Group as a whole. The risk underwriters rely on DRA to decide on the amount of risk which will be underwritten for each policyholder.

Lastly, this information, which is collected, enhanced, analysed and used by the Group, is updated regularly to allow tracking of debtor risks. All of the Group's businesses moreover rely on EASY, its unique debtor identification database which facilitates communication between the Group and its partners and clients (see Section 1.8.2).

The following diagram illustrates the central place of information for the Group's activities.

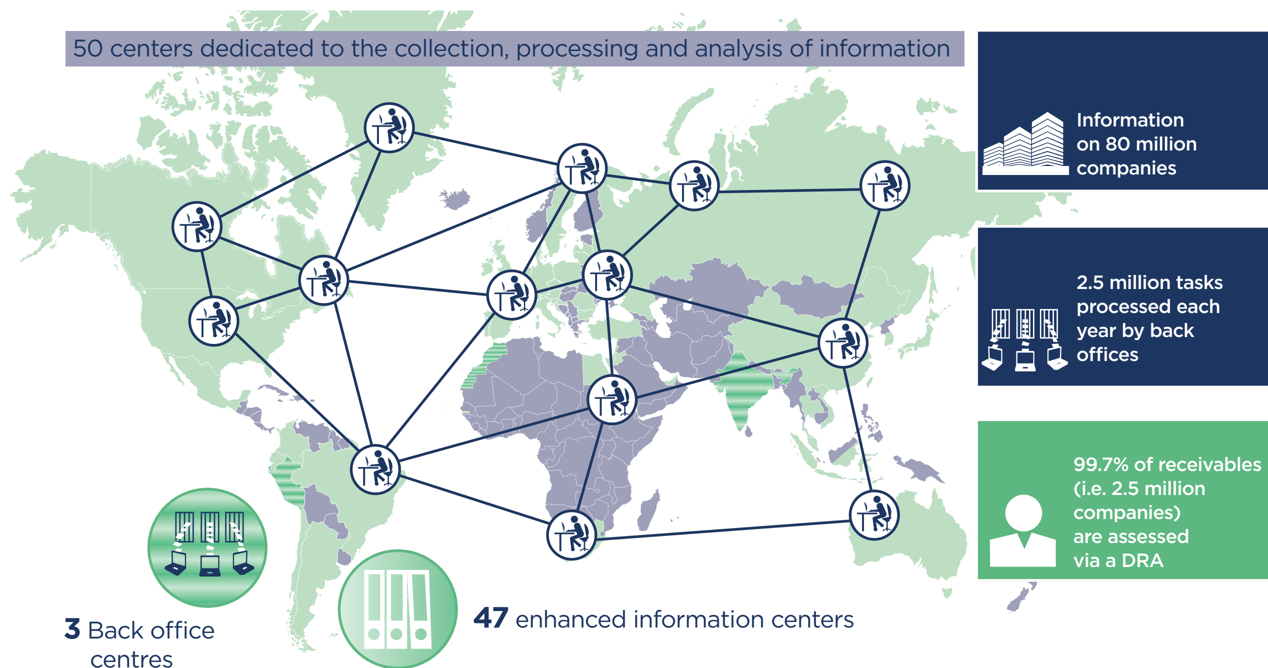


The collection, operation and preservation of reliable, updated and secure information constitutes a major issue for the Group, in order to:

- manage its pricing policy and enhance the quality of its credit insurance offerings;
- obtain, in particular at the local level thanks to its close proximity to the risk, micro-economic information on the debtors and their economic environment, in order to make the underwriting decisions of underwriters secure within the context of its risk management policy, and to do so while offering its policyholders a debtor risk-tracking solution;
- facilitate its management activity and the recovery of receivables.

Incidentally, this policy allows the Group to obtain macroeconomic information, which is analysed by the teams of the Economic Research Department. This department consists of 15 economists, 10 of whom are based in the Western Europe region (Paris) and five of whom are in regions where the Group is present, in an effort to provide local coverage. These economists have internal production objectives for the Group's businesses, and externally for policyholders and for the public (journalists, academics, prospective clients, banks, brokers, partners, etc.). External production essentially takes the form of "panoramas" (country, sector risks, corporate defaults), which are published on its website (www.coface.com), the purpose of which is to help businesses evaluate and prevent risks, and to make their decisions using the most pertinent and the most recent information.

The following diagram illustrates the network of information on businesses of the Group.



Under the new *Fit to Win* strategic plan, the Group will devote substantial investments to information in order to improve risk management. Purchases of additional financial information and payment records will be made in 18 countries and more than 25 additional senior risk analysts will be hired to improve credit analyses and raise the number of contacts with debtors.

1.5.1.4 Harmonised risk underwriting process

The Group has established a harmonised process for all of its risk underwriters located in 44 countries, in order to strengthen and secure the management of risks attached to its various activities. The risk underwriting decision is by default made by the risk underwriter of the debtor's country, who is best placed to know the local economic environment. Where applicable, a second risk underwriter is able to adjust this initial decision upward or downward, because they are best qualified to determine the commercial or strategic context of the policyholder. This organisation allows debtor and policyholder proximity to be combined, including for major export transactions. In all, approximately 10,000 risk underwriting decisions are made each day.

The risk underwriting decisions relating to Single Risk coverage are made by a dedicated team within the Group's Risk Underwriting Department.

To make their decisions, risk underwriters rely on the information collected, which is then analysed internally and synthetised through the DRA (Debtor Risk Assessement), the drafting and updating of which are carried out according to the quality of the debtor. They also use the weighted assessment of portfolio (WAP), a concise indicator that measures the average debtor portfolio quality of a policyholder. Lastly, Coface has implemented a detailed management of its risks, through 38 sectors and five different country risk levels (150 risk levels in total).

Risk underwriters:

- work in real time and in a network, thanks to the ATLAS risk centralisation system, an IT tool for underwriting and managing risks for all entities of the Group (see Section 1.8.2);
- have no sales objective for the Group's products and services, and their compensation is in no way linked to their commercial success. This is to ensure an impartial application of the Group's policies in terms of risk management;
- have underwriting delegations (from €100,000 to €10 million), according to their appraisal, seniority and expertise. They are compelled, above €10 million, to abide by a double signature procedure for decisions up to €40 million for the regional level. Decisions relating to coverage greater than €40 million, or which is particularly sensitive, are validated by the Group Risk Underwriting Department. The history of decisions and compliance with the levels of underwriting delegation are traceable in ATLAS (see Section 1.8.2).

1.5.1.5 Indemnification of claims and recovery of receivables

Faced with the threat of a payment default, or if a payment default has been recorded, the policyholder makes a declaration to the Group. Following this declaration, within the context of the underwritten policies, the latter intervenes to ensure the tracking, management and recovery of the

unpaid trade receivable, either before indemnification by means of the "litigation mandate" (which is provided by the policyholder within the context of its credit insurance policy), or upon indemnification within the context of the subrogation mechanism, the insurer being thus subrogated in the rights of its policyholder.

The indemnification of claims and the recovery of receivables are two essential activities of credit insurance. Internally, the effectiveness of the recovery has a direct impact on the Group's loss ratio, the increase of one point in the recovery rate representing nearly €8 million in recovered receivables, which has an immediate effect on its results and improves its loss ratio.

The Group has established a standardised system of monthly indicators on the recovery rate, which allows it to standardise the practices of its indemnification and recovery network, and to track the overall performance of this activity in each country.

The indemnification and recovery network, responsible for covering more than 200 countries, comprises teams specialised in analyzing indemnification requests and employees in charge of debt collection. These teams rely on DCON, an IT tool used to enter and collect all unpaid invoices reported by its policyholders (see Section 1.8.2).

This powerful network is completed by group of 32 collection companies and 185 attorneys' offices which support the Group's teams, in order to either assume the entire recovery process (i.e. approximately 40,000 files in 2016), or intervene in support of the internal teams, and at all stages of the recovery process.

1.5.1.6 A multi-channel sales network strengthened by a large network of partners and business contributors

To market its credit insurance products and complementary services, the Group uses several distribution channels, for which the breakdown changes according to local markets. Specialised brokerage is largely dominant on the international scale, although in certain markets direct sales forces are historically more substantial. The following diagram illustrates this model of multi-channel distribution of the Group's service offerings (the breakdown between direct and intermediated distribution is expressed as a portion of the total premiums collected):

The fronters, who can also participate as business contributors, are partner insurers who issue insurance policies on behalf of the Group in countries where it does not have a licence. With its partner network, of which a significant portion are members of the Coface Partner network (www.partner.coface.com), the Group thus provides assistance to its policyholders in around forty countries in which it has no direct commercial presence or specific licence.

1.5.2 FACTORING[1]

The Group is active on the German and Polish markets.

In Germany, after 10.8% growth in 2014, the factoring market continued to grow by 10% in 2015, at a much faster rate than GDP, to reach €209 billion in factored receivables for the year. However, in 2016, the Group expects the growth to slow down by around 4%. Owing to the increase in regulatory requirements, the number of companies is still decreasing (less than 200 companies).

The German factoring market is dominated by six players, which have, according to the Coface Group's estimates, approximately 75% of the market: Targo Commercial Finance AG (including Commerz Factoring GmbH), PB Factoring GmbH, Eurofactor GmbH, Deutsch Factoring Bank AG, BNP Paribas Factor GmbH and Coface Finanz GmbH, which holds 15% of market shares.

In Poland, the factoring market is still growing: 16.7% in Q3-2016, much higher than the 2.5% GDP growth. The Polish factoring market is led by seven players, which dominate, according to the Coface Group's estimates and the association of Polish factors, approximately 74% of the market: ING CF, BZ WBK Faktor, Raiffeusen Polbank, Bank Millennium, Pekao Faktoring, BCZ BNP Paribas Factoring and Coface Poland Factoring, which holds around 8% of market shares.

(1) *Sources: i) Deutsche Factoring Verband. Website: http://www.factoring.de/german-factoring-market-2015-0; and ii) Polish Factors Association. Website: http://www.faktoring.pl/eng/*

For the financial year ended December 31, 2016, factoring represented €71 million, or 5.0% of the Group's consolidated revenue.

NET BANKING INCOME AND PERCENTAGE OF CONSOLIDATED REVENUE	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Factoring	71	5.0	71	4.7	71	4.9

1.5.3 SURETY BOND

The world surety bond market is largely dependent on the regulatory framework of the various countries. It is, therefore, fragmented into national markets. Indeed, the local legal context determines as much the characteristics of the product as the requirements in terms of a mandatory surety bond, which makes this market scope difficult to establish. In addition, the practice of certain business sectors or certain types of operations may also influence this market.

The Group estimates that this market represents between €10 and €15 billion in revenue, or more than the credit insurance market. Although largely dominated by banking players, the market also has insurers, who are secondary, notably because they do not have access, for regulatory reasons, to certain national markets (that is the case in India and in several countries of the Middle East and North Africa). The world's largest market, the United States, represents, according to the Coface Group's estimates, approximately half of the global surety bond market. In Europe, Italy is by far the leading market, and in Asia, South Korea has the highest percentage of revenue from surety bonds issued.

For the financial year ended December 31, 2016, surety bonds represented €51 million in net banking income, or 3.6% of the Group's consolidated revenue.

SHARE OF CONSOLIDATED REVENUE	AS OF DECEMBER 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Surety bonds	51	3.6	51	3.4	54	3.8%

1.5.4 INFORMATION AND OTHER SERVICES

In some countries, essentially Central Europe, the Group sells information and recovery products to businesses that have no credit insurance. As of December 31, 2016, this activity represented consolidated revenue of €38 million.

1.5.5 POSITIONING OF THE COFACE GROUP REGION BY REGION (1) (2)

Thanks to its leading international presence, the Group organises its activities around seven geographic regions in which it sells its products: Western Europe, Northern Europe, Central Europe, Mediterranean & Africa, North America, Latin America and Asia-Pacific (commentary on the results of the regions can be found in Section 3.4).

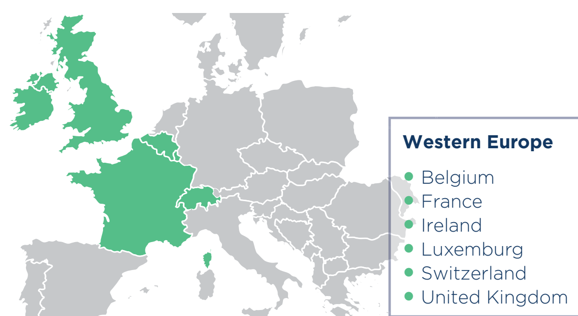
In 2016, the size of regions in Europe was rebalanced. Spain and Portugal joined the Mediterranean & Africa region, while Russia joined Central Europe. The Western Europe and Northern Europe regions are now centred on France and Germany respectively, the Group's largest markets in terms of revenues.

(1)
- ***Direct:*** *Coface has a portfolio of licences which allows it to directly issue credit insurance contracts.*
- ***Freedom of services:*** *Coface issues contracts from another European country where it has a licence, thanks to the EU principle of free movement of services.*
- ***Offshore:*** *Coface occasionally issues contracts from abroad, according to the conditions of the country concerned.*
- ***Coface Partner:*** *Coface may use an insurer that has a licence in the country concerned, which issues the contract and retrocedes all or part of the Group's risks, according to the principle of fronting.*

(2) *The workforce figures provided relate to employees on open-ended or fixed term contracts, excluding those who had permanently left the company.*

1.5.5.1 The Group's activities in the Western Europe region

AVAILABILITY OF THE GROUP'S OFFERING



Key figures

The Group, which currently employs approximately 1,175 people in the Western Europe region, earned revenue of €327.2 million in the region, or 23.2% of its total revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

The countries in which the Group has a presence in the region represent mature credit insurance markets; there is strong pressure on pricing due to competitive pressure and the relatively low company insolvency rate. The activities of the Group on these markets are quite considerably guided towards the sale of credit insurance policies. Nevertheless, locally they present certain particularities, as in Switzerland, where the offering of Single Risk policies represents a significant portion of the revenue achieved in that country, or again in France where the Group also sells surety bonds.

Marketing and strategy

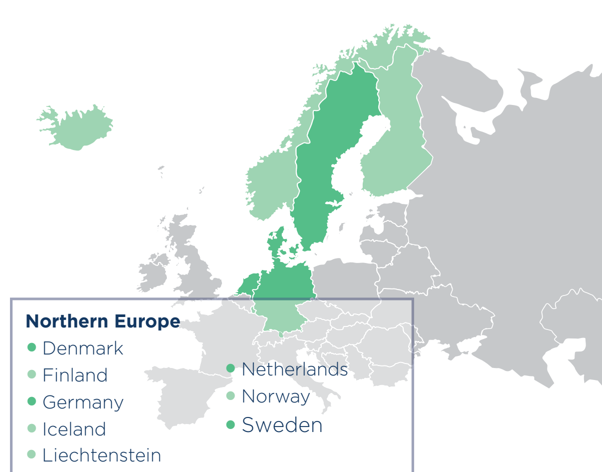
In 2016, the Group reduced the scope of the Western Europe region, by transferring the management and development of its business line in Spain and Portugal to the Mediterranean and Africa region. This change allows the Western Europe region to strengthen its action in France which is the Group's primary market in terms of revenue.

The bulk of the Group's activities in this region is brokerage-based. In France, to improve its commercial efficiency, the region reorganised its sales force in 2016 by changing from a regional organisation into an organisation specialised by business lines and by distribution channels (or direct sale through brokers or banks). In particular, it signed a partnership agreement with the BPCE group, which will sell its products and services to its own client companies.

With respect to mature markets in terms of credit insurance, the Group's commercial strategy in this region, as defined in its *Fit to Win* strategic plan, is to improve the efficiency of its sales and innovate in order to stand out from the competition.

1.5.5.2 The Group's activities in the Northern Europe region

AVAILABILITY OF THE GROUP'S OFFERING



Key figures

The Group, which currently employs approximately 771 people in this region, earned revenue of €307.3 million in the region, or 21.8% of its revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

The countries in which the Group has a presence in the region represent mature credit insurance markets; there is strong pressure on pricing due to competitive pressure and the relatively low company insolvency rate. The Group mainly sells credit insurance services on these markets. In Germany, it also proposes factoring services, surety bonds, Single Risk coverage, in addition to information and debt collection.

Marketing and strategy

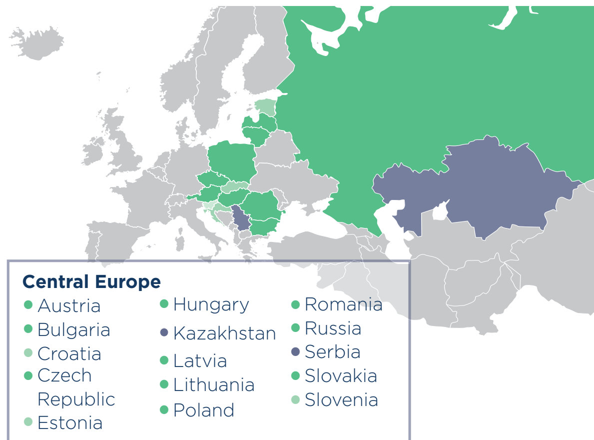
The Group's offering in this region is marketed through a combination of direct sale by its own sales forces and sale through its partners (brokers and banking institutions).

In 2016, the Group transferred the management and development of its business line in Russia to the Central Europe region in order to allow the Northern Europe region to focus more effectively on mature markets (Germany and the Netherlands).

With respect to mature markets in terms of credit insurance, the Group's commercial strategy in this region, as defined in its *Fit to Win* strategic plan is to improve the efficiency of its sales and innovate in order to stand out from the competition. In line with this strategy, in 2016, the region continued striving to offer its clients better quality service, by improving its organisation, its processes and its tools in order to be more effective.

1.5.5.3 The Group's activities in the Central Europe region

AVAILABILITY OF THE GROUP'S OFFERING



Key figures

The Group, which currently employs approximately 721 people in the Central Europe region, earned revenue of €121.3 million in this region (with the largest contributions from Austria, Poland, Romania and Russia), or 8.6% of its total revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

In this region, the Group has the particularity of being the only supplier of integrated credit management solutions comprising credit insurance, business information and debt collection services for both insured and uninsured businesses. It also provides factoring services in Poland.

Marketing and strategy

By being present in 14 countries, the Group has the widest network in Central Europe and the largest local footprint. It continues to expand this presence by seeking new partners, as it did for example in Serbia in late 2014 with French insurer AXA to market its credit insurance contracts.

In 2016, to improve the efficiency of the regional structure and develop synergies between countries, the Russian market was transferred to the Central Europe region.

Building a strong and powerful commercial organisation is the cornerstone of the Group's strategy in this region. By doing so, it will provide a better service to SMEs, while developing new distribution channels through financial institutions.

Concerning emerging markets with stable credit insurance activity (apart from Austria which is a mature market), the Group's commercial strategy, as defined in its *Fit to Win* strategic plan, is to ensure healthy growth in the countries of the region where it has a presence.

1.5.5.4 The Group's activities in the Mediterranean & Africa region

AVAILABILITY OF THE GROUP'S OFFERING

Mediterranean & Africa

- Albania
- Algeria
- Bahrain
- Benin
- Burkina Faso
- Cameroon
- Chad
- Cyprus
- Djibouti
- Egypt
- Gabon
- Gambia
- Ghana
- Greece
- Guinea
- Israel
- Italy
- Ivory Coast
- Jordan
- Kuwait
- Lebanon
- Libya
- Mali
- Malta
- Mauritania
- Mauritius
- Morocco
- Niger
- Nigeria
- Oman
- Portugal
- Qatar
- Saudi Arabia
- Senegal
- South Africa
- Spain
- Tunisia
- Turkey
- Uganda
- United Arab Emirates
- Yemen

Key figures

The Group, which currently employs approximately 760 people in the Mediterranean & Africa region, earned revenue of €331.9 million in this region, or 23.5% of its revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

In credit insurance terms, the countries of the region primarily represent stable emerging markets, apart from Italy, Spain or again Portugal, which are mature markets. The Group has a unique geographic coverage in the credit insurance market in the region. It is directly present in five countries and in a position to operate its business in Middle Eastern and African countries through partnerships. It develops its strategy by using regional centres based in Casablanca, Dubai, Madrid and Milan, tasked with the responsibility of managing its establishments and partner networks in a coordinated manner.

The Group sells credit insurance contracts and surety bonds, as well as information on debtors and debt collection services.

Marketing and strategy

According to the size and configuration of the markets in the region, the Group alternates between sales through partners such as brokers, agents or banks and direct sales. It uses these two distribution channels in Italy, Spain, Turkey, in the Gulf countries, Israel, South Africa and Morocco. In West African countries, the Group promotes credit insurance through partners (insurers, banks), to whom it supplies credit insurance contracts and back office services to manage them.

The Group reported on the three mature credit insurance markets of Italy, Spain and Portugal, another substantial production and an exceptionally high level of client loyalty, while gradually adapting its premiums. This performance is the result of a commercial strategy launched in 2015, organised around multi-channel distribution and detailed client segmentation. In 2016, the Group particularly developed partnerships with banks, multi-line insurers and professional associations.

1.5.5.5 The Group's activities in the North America region

AVAILABILITY OF THE GROUP'S OFFERING

Key figures

The Group, which currently employs approximately 112 people in the region of North America, earned revenue of €136.1 million in this region, or 9.6% of its total revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

The Group directly issues credit insurance contracts in the United States and in Canada, two markets that it considers under-penetrated in terms of credit insurance. It primarily sells credit insurance services, along with debtor information and debt collection services for its policyholder or other clients. The Group also provides Single Risk coverage, on a lesser scale.

Marketing and strategy

These products are distributed according to a multi-channel strategy. The bulk of credit insurance policies are sold by 65 exclusive agents (United States), but also by brokers or by Coface sales teams.

Given the low penetration rate of credit insurance in that region, the Group's strategy as defined in its *Fit to Win* strategic plan is to continue investing in its network in order to strengthen its presence on the market through different channels. To target profitable growth opportunities, it continued to train agents and implemented a more targeted approach on the brokerage market.

Although credit insurance products continue to be sold by specialised networks, the Group seeks to develop additional and targeted distribution through non-traditional channels by using experienced agents.

1.5.5.6 The Group's activities in the Latin America region

AVAILABILITY OF THE GROUP'S OFFERING

Key figures

The Group, which currently employs approximately 366 people in the Latin America region, earned revenue of €77.7 million in this region, or 5.5% of the Coface Group's total revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

In terms of credit insurance, the Group considers that the countries of the region represent high risk markets. The portfolio of products sold by the Group in the region essentially consists of credit insurance policies, but also includes debtor information and debt collection services. Credit insurance policies are sold in ten or more countries including Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru.

Business information services are also available in all the countries of the region and the Group has dedicated enhanced information management teams in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru (where incidentally, one of the Group's three shared information administrative management centres is based – see Section 1.5.1.3). Debt collection services are managed in seven dedicated centres, located throughout the region.

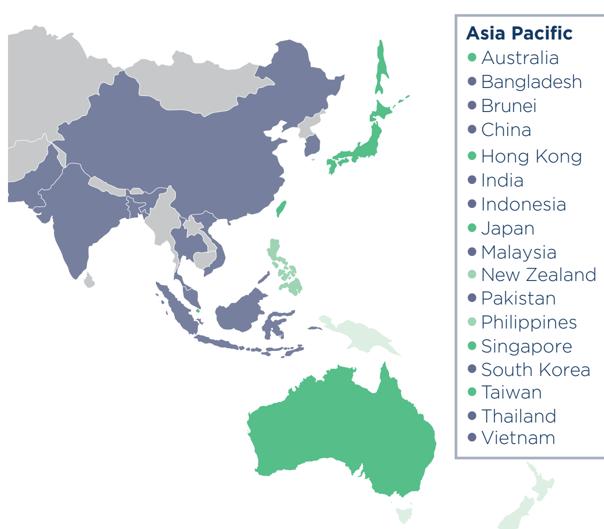
Marketing and strategy

Given the typology of the countries of the region (markets with a high risk profile), the Group's strategy entails stabilising the high risk areas and focusing on developing the most profitable segments in specific countries.

In 2016, the Group strengthened its relations with brokers to supplement its direct sale force. As a leader on the market for more than ten years now, the Group continues its selective geographic extension in Latin America, by using commercial action based on targeted canvassing (according to specific sectors in each of the markets of the region, to adapt them to the reality of sector-specific risks).

1.5.5.7 The Group's activities in the Asia-Pacific region

AVAILABILITY OF THE GROUP'S OFFERING



Key figures

The Group, which currently employs approximately 377 people in the Asia-Pacific region, earned revenue of €109.8 million in this region, or 7.8% of its total revenue for the financial year ended December 31, 2016.

Typologies of countries and offering

The Group has a direct presence in 13 countries: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

In terms of credit insurance, the countries of the region essentially represent markets with a high risk profile, apart from Japan, which is a mature market with a low penetration rate.

The bulk of the Group's activities in this region comes from the direct or indirect sale of credit insurance contracts which are marketed in all countries in the region, along with Single Risk contracts managed from Singapore.

It also comes from the sale of additional services: business information and debt collection. Incidentally, one of the three centres used by the Group to process the debtor information that it receives is based in the Asia-Pacific region, specifically in India (see Section 1.5.1.3).

Marketing and strategy

In Asia-Pacific, the Group distributes its products directly and through partnerships with insurers (fronters). The products are therefore distributed either directly through branches with insurance licences in Australia, Hong Kong, Japan, Singapore and Taiwan, or through the largest partner network in the region. The last network comprises 38 partners, including two new arrivals in 2016: AXA Assurance in Singapore and PT Mandiri AXA Assurance Générale in Indonesia. Furthermore, pursuant to the Group's multi-channel strategy, the region also uses specialised brokers and banking partners to market its offering.

1.6 Strategy of the Group

After a strategic study launched by Xavier Durand after his appointment as the Group's Chief Executive Officer in February 2016, Coface announced in September 2016, its three-year *Fit to Win* strategic plan to the market and to its employees. This plan was developed after in-depth consultations which involved 31 countries, all the regions and all of the Group's key functions.

Fit to Win seeks to re-position the Group as the most agile global trade-credit partner in the industry and to steer the evolution of its capital management model towards more efficiency and profitability. This plan should allow Coface to strengthen its customer service, improve its risk and cost control and ultimately its results through the cycle.

To support this plan, Coface has made four values central to the Group's culture: Client focus, Expertise, Courage & Accrutability, and Collaboration. These values guide the operational principles and conducts that all Coface employees are expected to adopt.

In financial terms, the Group aims to generate return on average tangible equity (RoATE) of 9% through the cycle, after optimising the capital management model. This goal relies in particular on a combined ratio of around 83% through the cycle, and cost savings of €30 million in 2018, offsetting the loss of the public guarantees management business. It also seeks to implement an attractive dividend payment policy to its shareholders of at least 60% of its net income, a policy backed by a robust financial position and characterised by (i) a solvency ratio in the upper end of the 140-160% objective and (ii) a minimum "A" financial strength rating from Fitch and Moody's.

1.6.1 BECOME THE MOST AGILE INTERNATIONAL CREDIT INSURANCE PARTNER OF THE SECTOR

In a volatile and interwoven economic environment, the Group considers agility as an essential quality to guarantee the achievement and preservation of its target profitability through the cycle. This requires galvanising its entire network and placing its underwriting teams at the service of its different client segments according to their needs; managing its risks according to the specific nature of each country and sector; and optimising its cost structure and selectively rolling out its commercial resources.

This ambition also relies on the Group's capacity to innovate by offering new products and services, by using digital distribution to reach new clients or existing clients more effectively, and by continuously enhancing information on companies by using Big Data type of techniques.

To achieve this goal, the Group will:

- strengthen risk management and the quality of its information databases on companies;
- improve its operational efficiency while strengthening service rendered to its clients;
- implement a selective, profitable growth strategy.

◆ 1.6.1.1 Strengthen risk management and information quality

The loss experience trend since 2014 has shown that using a risk approach that is not tailored to specific regions and client type is incompatible with the current reality of credit insurance markets.

To restore the cost of risk to a standardised level through the cycle, the Group relies first, on the expertise developed over the last 70 years, but has also decided to reinvest in its risk management platform to better adapt to specific new trends on different markets. In concrete terms, multiple projects have been launched, focusing on information and tools, underwriting processes and skills building.

1.6.1.1.1 Investing in information databases

- This goal entails acquiring more information in countries with incomplete information, especially in emerging countries, but also through more substantial enhancement by Coface teams of the purchased information. To this end, the Group will add 25 analysts to its teams in charge of enhancing information.

1.6.1.1.2 Improving the efficiency of underwriting processes, more particularly on the most risky segments.

- As an efficient underwriting process should reflect the solvency of the buyer/debtor as well as the seller's risk management practices, the Group should ensure that risk underwriting strategies and the commercial activity or even economic research are properly integrated.
- The Group is developing finer and more differentiated underwriting rules tailored to specific clients and sectors: commercial underwriting and drafting of specific contracts, variable risk appetite levels, risk monitoring and exposures adjusted to the level of risk taken. With respect to the monitoring of exposures and portfolios, the Group has implemented a more refined management of its risks, through 38 sectors and five country risk levels (150 risk levels in total). Beyond the obvious impact on monitoring quality, this approach helps to better anticipate risk trends, focus on coverage reductions on terminations and improve customer satisfaction.

1.6.1.1.3 Strengthening the Group's resources and talents in the risk area

- In addition to strengthening its Risk Department, the Group has created a team of senior experts, capable of intervening in all countries to support local underwriters and collection teams during peak risk periods.
- To ensure the continued improvement of underwriting practices, Coface schools specialising in risk underwriting and commercial underwriting are being created. More generally, these training courses will influence the career path of employees.

1.6.1.2 Improve Group operational efficiency while strengthening service rendered to its clients

In addition to the need to cope with the loss of contribution linked to the transfer of the public procedures management business, the Group has decided to improve its operational efficiency in order to achieve a two-fold goal: bolster the quality of customer service and adjust the cost structure of the organisation.

This ambition is backed by a series of major IT projects, an evolving organisation, the creation of a shared services centre and measures taken to improve purchasing processes and better use of its premises. Lastly, the Lean management programme should allow the Group to optimise its processes and free up resources for more added value tasks, better suited to the needs of its customers.

The investments required for implementing this ambition will be financed by the exceptional gain recorded by Coface in 2016 following the transfer of the public exports guarantees business to Bpifrance:

- around €35 million will be used to finance restructuring costs linked to organisational changes, simplification of structures, reducing the number of legal entities and adjusting the workforce;
- around €35 million will be invested in technology and major IT projects, such as the standardisation of the IT applications that support the main business line processes; updating accounting tools; the gradual development of a single contract management tool; the gradual roll-out of a single invoicing tool, or even the automation of claims procedures (debt collection).

The operational efficiency improvement programme should lead to savings of €30 million in 2018. To achieve these savings and adjust its cost structure to market realities, Coface intends to take four main actions:

1.6.1.2.1 Simplify and automate processes

- The selected approach combines the implementation of a series of IT projects to automate tasks that can be automated, with a Lean management type of approach, for functions requiring more flexibility and for which the efficiency challenge consists in reducing wastage of resources, shortening performance deadlines and reallocating resources to tasks that generate more added value.
- With respect to these major IT projects, the Group will (i) streamline and integrate the IT applications used by the main business processes, (ii) update accounting tools, (iii) simplify and automate commercial processes and gradually implement a single contract management tool, (iv) roll out a single invoicing tool, (v) replace the debt collection tool, (vi) use new technologies to automate and enhance information sources.
- The IT projects will be implemented and the Lean management programme rolled out over the next three years.

1.6.1.2.2 Establish centres of excellence for certain functions to improve the Group's operational model.

- The Group seeks to reach a critical size by setting up an IT centre of excellence in Romania, specialised in development functions and redefining the activity of the three shared regional services centres located in India, Morocco and Peru. At the same time, these functions that used to be outsourced, will be carried out internally.
- The Group is finalising the setup of its "close to the risk" underwriting model, initiated under its Strong Commitment strategic plan, by rolling it out in Germany and in France.

1.6.1.2.3 Reviewing the purchasing and real estate portfolio management policy

- The Group has harmonised its expenditure policies and optimised its purchasing policy, by combining certain categories over a smaller number of suppliers, while aligning its policies and procedures in all its countries of business.
- The real estate portfolio is also being streamlined, following the transfer of the French public guarantees management business.
- The purpose of all these changes is to reduce the purchasing and real estate expenditure base by around 5% over the plan period.

1.6.1.2.4 Streamline and simplify the organisation

- There is on-going substantial work to reduce the number of the Group's legal entities in the Baltic countries, around the Adriatic and in West Africa. The transition from a purely geographic structure to a hybrid structure based on functions and geography should clarify the Group's organisation.
- Lastly, a certain number of wage agreements, which were no longer aligned with market practices, are being renegotiated.

1.6.1.3 Implement a selective, profitable growth strategy

The strategic review of the Group's activities has revealed the polarised nature of economic environments worldwide: growth-stunted markets subject to strong price pressures (in developed countries), compared to growth markets subject to high volatility (in many emerging markets); political discontinuities all over the world. In the light of these observations, Coface has redefined its growth strategy and decided to favour profitability and to implement a differentiated approach for specific geographic regions:

1.6.1.3.1 Tailor its commercial ambitions to specific markets

- On so-called "mature" markets, characterised by a strong credit insurance penetration rate, limited growth rates and strong competitive intensity, Coface faces the challenge of retaining as many clients as possible by offering quality service and improving the management of its sales forces. On Western Europe markets, the SME segment also represents an untapped growth potential, subject to the availability of simple-to-use products that can be distributed through partnerships or digital channels at low cost.
- On "under-penetrated" credit insurance markets such as the US and Japan, the goal is to develop distribution in all its forms and increase opportunities for contacts with clients and prospects. A sector-specific approach with particular focus on financial institutions is currently being rolled out.
- On "stable emerging" markets, such as Central Europe, the Group has to assist the transition processes of these economies, the emergence of new players in distribution and more generally, increasingly fierce competition. The Group's strategy therefore entails gradually "industrialising" its commercial practices, stabilising its sales teams, and continuing to invest in information.
- On "high risks" markets, priority is given to risk control and serving major international clients. The allocation of development resources will be contingent on the country's capacity to be profitable through better targeting of countries, sectors and clients. Lastly, the Group will continue to invest in information databases to develop the expertise required for profitable commercial underwriting.

1.6.1.3.2 Segment the offering and marketing by type of client

- In addition to this geographic segmentation, the Group has defined segmentation by type of client: large accounts (CGS), mid-market companies, SMEs and financial institutions.
- Large accounts and mid-market companies represented the bulk of the Group's business in 2016. The Group will continue to develop on these two segments by constantly improving its service, its responsiveness and by investing in the systems necessary for monitoring international major programmes.
- Furthermore, the Group intends to develop its market share with financial institutions and to grow in the SME segment through a digital offering.

The Group will continue to develop its factoring activities in Germany and in Poland, the issuance of surety bonds on behalf of companies, in addition to information and debt collection.

1.6.2 EVOLVE TOWARDS A MORE EFFICIENT CAPITAL MANAGEMENT MODEL

The Group wishes to steer its economic model towards a more efficient capital model. Adequate capital remuneration is a factor for long-term competitiveness and a major driver for creating value for its shareholders. The application of the Solvency II prudential regime has strengthened this attention paid to both statutory and economic capital.

The Group's capital management policy addresses two major goals: maintaining the financial strength brought to its customers and financing its profitable growth. It is therefore reasserting its financial strength objectives, measured by a solvency ratio in the upper end of the 140-160% range and maintaining a minimum A financial rating.

The Group has developed a comfort scale in line with its risk appetite based on the Solvency II standard model and the stress tests performed under ORSA. This scale, approved by its Board of Directors, takes into account the flexibility required to cope with external stress as well as its growth needs.

Recently, the Group demonstrated its capacity to issue instruments that could be used to improve the efficiency of its balance sheet (subordinated debt, contingent equity) and intends to continue this quest to reduce the cost of its solvency margin. In the longer term, the Group is working on improving the fungibility of its capital (creation of branches, roll-out of Coface Re).

It considers that the validation of a partial internal model (as defined in Solvency II) remains a strategic option, but that the time frame for such a project is too uncertain to be part of its strategic plan. In the short term, it therefore intends to explore other possibilities of capital optimisation, in particular the possibilities offered by the reinsurance market. The policy adopted will take account of the associated financial gain, but also the sustainability and durability of the adopted solutions. Coface is persuaded that reinsurance will provide access to the benefit of diversification (through the balance sheet of reinsurers) at a competitive price.

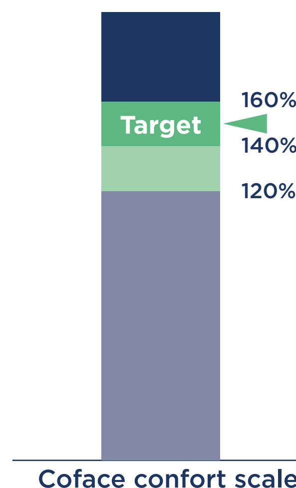
Furthermore, Coface reasserted its desire to pay a dividend equal or higher than 60% of its normalised income, provided that its solvency remains in the target zone.

- Increase appetite for investments risk
- Additional room to invest in business growth
- Flexibility on the dividend payout rate

- Dividend policy based on a 60% paiement rate
- Invest in business growth
- Maintain current investment risk appetite

- Increased selectivity on the growth initiatives
- Possibility of reviewing downwards the dividend payout rate

- Reduction in growth initiatives
- Reduction in dividend payout rate



1.7 Group organisation

While preparing to roll out its new strategy, Coface strengthened its teams and continuously updated its organisation throughout 2016, to enhance efficiency, speed and customer service, while strengthening control. These developments were completed at the beginning of 2017.

The Group's organisation relies on seven regions and functional departments, which include:

(i) centralised and pooled resources: strategy and development (strategy, marketing, innovation, partnerships, economic research), operations (information systems, organisation, processes), purchasing, reinsurance, financial portfolio management, financing;

(ii) decentralised operational functions: commercial, information, risk underwriting, indemnification, recovery;

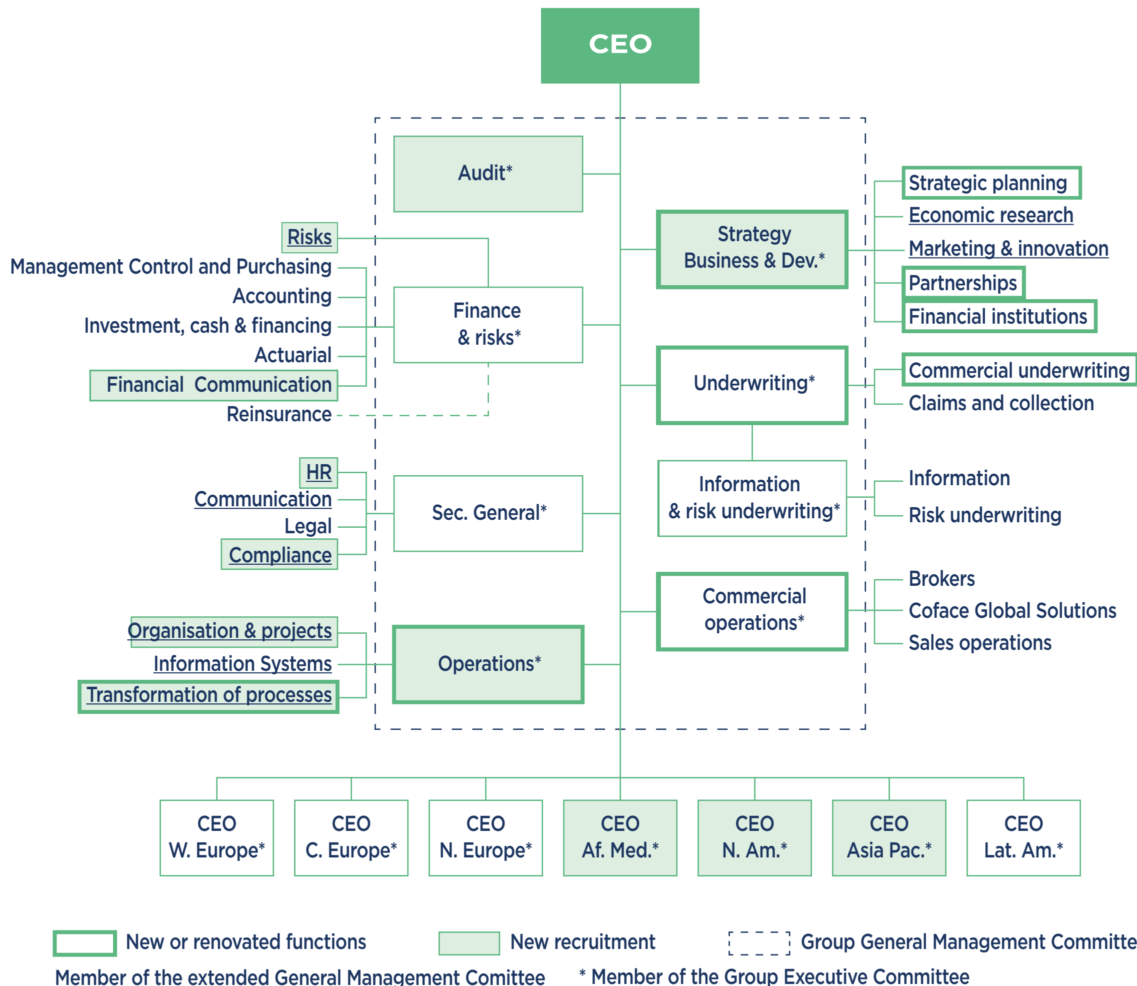
(iii) back office functions passed on regionally: management control, accounting and tax, actuarial, risks, audit, human resources, communications, legal, compliance.

The Group's seven regions are autonomous profit centres headed by a CEO with direct authority over the country directors. Each region manages its own business and oversees its development according to its specific market reality.

As part of the roll-out of the new *Fit to Win* strategic plan, the Group is reorganising the company's organisational structure, to allow each head office function to fully perform its role and responsibilities. This entails in particular:

- the creation of a Strategy and Business Development Department, headed by Thibault Surer, who joined Coface in June 2016 (see Section 1.7.1);
- the creation of an Operations Department, headed by Valérie Brami, who joined Coface in June 28, 2016 (see Section 1.7.2);
- the creation of an Underwriting Department, headed by Cyrille Charbonnel (as from April 2017). This department comprises the Risk Underwriting, Information, claims and collection, and Commercial Underwriting departments (see Section 1.7.3);
- the recruitment or appointment of new regional directors:
  - Bhupesh Gupta and Frederik Murer joined Coface in September 2016 as directors of the Asia-Pacific and North America regions respectively;
  - Antonio Marchitelli, who used be in charge of the Mediterranean & Africa region, replaced Cyrille Charbonnel as Head of Western Europe, starting from April 2017;
  - Cécile Paillard joined Coface to manage the Mediterranean & Africa region, starting from April 2017;
- an enhanced Finance and Risk Department, headed by Carine Pichon (see Section 1.7.6);
- an enhanced General Secretariat, headed by Carole Lytton (see Section 1.7.7);
- enhanced links between Group functions and corresponding regional functions. A hierarchy has now been created between key functions (risks, actuarial, compliance and audit, see Section 2.4.2.2.2). For the other functions, the functional ties will be strengthened according to the principle of a strong matrix organisation.

This organisation, built on precisely-defined responsibilities, transparent governance and a direct presence in 66 countries, aims to facilitate implementation of the Group's strategic guidelines. The organisational structure below shows the new executive organisation of Coface:



1.7.1 STRATEGY AND BUSINESS DEVELOPMENT DEPARTMENT

Headed by Thibault Surer, the scope of this department includes:

- strategy and business development, a department which performs the annual strategic planning and monitors its implementation, to develop the Group's activity through external growth;
- marketing and innovation, a department which analyzes the competition (market studies), client segmentation, the Group's product and service offering, pricing, etc.
- partnerships, a department which develops and sets up new partnerships;
- the offering for financial institutions, which strengthens the Group's presence with financial institutions, both as clients and partners;
- economic research.

1.7.2 OPERATIONS DEPARTMENT

Headed by Valérie Brami, this department is in charge of:

- organising and applying all transformation programmes needed to implement the Group's strategy. It is notably in charge of defining the needs and assisting in the implementation of various Group projects, handling the maintenance and configuration of the tools, user assistance and impact studies on the IT system;

- the Group information systems, a department which develops, rolls out and manages all of the Group's shared IT resources i.e. networks, servers, programs, applications rolled out, hardware or software platforms, packages, IT equipment, the acquisition and renewal of hardware and software, and maintenance contracts;
- process transformation (new function, managed by Pierre-Emmanuel Albert, who joined Coface in July 2016), tasked with identifying and implementing simplifications, optimisations and modernisation of operational processes and managing on-going transformation projects and Lean management.

1.7.3 UNDERWRITING DEPARTMENT

Headed by Cyrille Charbonnel, this department includes i) commercial underwriting and claims and collection; and ii) risk underwriting and information (headed by Nicolas de Buttet);

- commercial underwriting which reviews commercial decisions requiring head office approval and sets underwriting standards;
- claims and collection, which is in charge of indemnification and debt collection procedures. It validates any payment of an indemnity that exceeds €1 million;
- risk underwriting, which defines and controls the policy on underwriting credit risks, and monitors its application.

  It notably oversees the largest outstanding amounts, as well as the most fragile ones, and analyzes the monthly reports on credit risk activity for the Group as a whole. In addition, it underwrites risks greater than €40 million, and plays a role in the coordination of risk underwriting centres. It oversees the risk underwriting centres combined within seven regions, and specifically the factoring, surety bonds and Single Risk businesses;
- information, tasked primarily with coordinating information suppliers, enhanced information centres and shared services centres based in India, Morocco and Peru in order to supply useful information for risk underwriting.

1.7.4 COMMERCIAL DEPARTMENT

Headed by Nicolas Garcia, this department is tasked with structuring, organising and coordinating the Group's commercial activity. Its responsibilities stretch to distribution networks, both brokerage-based and direct, and management of portfolio accounts. This department includes:

- sales, a department which tracks sales and pricing;
- Single Risk, which, due to its specific nature, is subject to a different underwriting from a dedicated team;
- Coface Global Solutions, which manages, in particular, the commercial development of the CGS Offer, and oversees the relationship with the policyholders of this market segment.

1.7.5 AUDIT DEPARTMENT

Headed by Nicolas Stachowiak, who joined Coface in August 2016, this department is in charge of internal auditing. It performs in particular three levels of periodic controls, according to the requirements of Solvency II and reports directly to the CEO, according to an audit plan approved by the Board of Directors.

1.7.6 FINANCIAL DEPARTMENT

Headed by Carine Pichon, the Company's effective manager under Solvency II since November 2, 2015, this department is tasked with, together with all of the Group's operational departments and entities, to steer and monitor the Group's financial performance in all the countries where it is present and according to the geographical regional division adopted by the Group.

Its tasks, therefore, consist in management control and purchasing, accounting and tax, publication of regulatory statements, financial communication and relations with investors and rating agencies (a function now steered by Thomas Jacquet, who joined Coface in September 2016), and the set-up of balance sheet resources (in particular in the reinsurance sector).

The Group's Investments, Financing and Treasury Department reports to the Group Financial Department and combines the Group's asset management, cash management and financing duties.

In accordance with the new insurance sector and banking system rules, the actuarial function was separated from the Risk Department and reports directly to Carine Pichon as from July 1, 2016.

1.7.6.1 Risk Department

Headed by Thierry Croiset, who joined Coface in July 2016, this department is in charge of supporting the actions of the general management teams to ensure the Group's long-

term solvency and profitability, and monitor compliance with the requirements laid down by the Solvency II Directive. It covers the risk management and internal control functions as described in the Solvency Directive.

1.7.6.2 Actuarial Department

Headed by Bruno Vial, this department is tasked, among other duties, with analyzing and processing the financial impacts of the risk and substantial work on solvency issues and provisioning under Solvency II.

1.7.7 GENERAL SECRETARIAT

Headed by Carole Lytton, the general secretariat includes the functions below:

- legal, which provides advice to all of the Group's entities. It is specifically in charge of the smooth operation of the Group's corporate bodies and committees, in addition to substantial claims;
- compliance, a function now managed by Frank Marzilli, who joined Coface in January 2017. It is in charge of overseeing the Group's compliance with all the rules governing its activities;
- human resources, a function now headed by Pierre Bévierre, who joined Coface in January 2017, in charge of providing change management support to general management and to all employees. The function manages human resource procedures and policies, and implements initiatives in talent and skills development, remuneration and performance management;
- communication, which defines and implements the Group's internal and external communication strategy, both in France and abroad. It carries out this task in liaison with general management.

The general secretariat is in charge of organising and promoting the Group's CSR (corporate social responsibility) policy.

1.7.8 GENERAL MANAGEMENT SPECIALISED COMMITTEES

In this context, the Group's governance was recentred around three bodies, chaired by the Chief Executive Officer:

Group General Management Committee (GMC) – see Section 2.1.2

It is comprised of seven members: the Chief Operating Officer; the Strategy and Business Development Director; the Underwriting and Claims Director; the Risk Underwriting and Information Director; and the Commercial Director.

The GMC is the decision-making body of Coface. It generally meets every week to examine and validate the Group's main strategic guidelines and steer the management, in particular, concerning strategy and budget, major investments and projects, definition of the organisation and human resources, monitoring of operational performance and results, in addition to control and compliance of activities.

Executive Committee

It is comprised of the GMC and regional directors.

The Executive Committee does not have formal decision-making power. It has an advisory role and helps to prepare the Group's strategy and study of key operational subjects or strategic initiatives.

Just as the GMC, the Executive Committee pays particular attention to monitoring the efficiency of internal control, internal audit and risk management systems considered as essential to the Group's smooth internal governance. They meet each month to review the progression of the Group's cross-disciplinary projects and implement the *Fit to Win* strategic plan.

Incidentally, the Executive Committee members contribute, as a team, to setting up and disseminating the managerial culture of Coface.

Enlarged General Management Committee

It is comprised of members of the GMC and heads of certain critical support functions for the Group's progression:

- Information Systems Director;
- Organisation Director;
- Transformation and Process Director;
- Marketing Director;
- Risk Director;
- Human Resources Director;
- Communications Director;
- Compliance Director;
- Economic Research Director.

The role of the GMC is primarily centred on information and monitoring. It ensures the coherence of the action plans initiated by all group functions and, in this respect, proposes to the CEO the necessary arbitration.

1.8 Information systems and processes

1.8.1 GENERAL PRESENTATION

The use of efficient, reliable and secure information systems is a major challenge for the Group in the context of its commercial offerings. It is also equally important for its management, reporting and internal control procedures, allowing it to have a global perspective on its activities, the completion of its strategic plans and its development, the management of its risks, and the follow-up given to internal and external audit reports.

In recent years, the Group focused on aligning its information systems on its strategic objectives, unifying and securing business line data. This approach continues and is emphasised with the new strategic plan which includes a strong component of streamlining processes and automation of information systems. In accordance with its business continuity plan (BCP), all servers worldwide are hosted in two external data processing centres (data centres) located in France in the Paris region. The data is backed up on a private cloud. These two sites combine the Group's information system equipment (servers, storage, backups, network and telecommunications equipment, etc.). In the event of a failure at one of these two sites, the other takes over in a completely transparent manner for all users. User backup sites are also planned in the event of a crisis for significant entities, in particular for staff of the head office. The "Information Systems" portion of the BCP is tested at least once a year (see Section 2.4.2.2.3.4 "Operational and Non-Compliance Risk Measure").

For nearly 20 years, the Group has chosen Oracle to guarantee a high level of expertise and quality in data management, and has been leaning towards open information systems, which allow it to keep abreast of the technological developments needed for its activities, through a range of applications consisting of internally developed applications and software packages.

Furthermore, the Group's information systems follow a quality and active certification process. As such, the Coface Group's information systems were ISO 9001 certified in 2000 [(1)].

Overall, thanks to this new architecture, maintenance costs have fallen and security and assurance of business continuity have been improved. The Group is committed to investing in its information systems, particularly to support its commercial and innovation strategy while containing related expenses and investments, which totalled €50.5 million, i.e. 3.6% of consolidated turnover, for the year ended December 31, 2016.

(1) *ISO: Founded in 1947, ISO (International Organisation for Standardisation) is the world's leading producer of voluntary international standards in almost all technological and economic domains. These standards establish quality specifications that are applicable to products, services and good practices in order to boost efficiency in all sectors of the economy.*

1.8.2 GROUP APPLICATIONS AND TOOLS

The operational applications and tools directly linked to the services delivered by the Group and its clients, and quoted in this registration document, are described below.

APPLICATIONS	DESCRIPTION
ATLAS	ATLAS is the IT underwriting tool for the credit insurance business, and for the risk underwriting management of all of the Group's businesses, for all of its entities and partners of the Coface Partner network. ATLAS incorporates all functions necessary for commercial underwriting and monitoring (receipt of a request for credit limit cover, automatic or manual underwriting, management and follow-up of the risk covered, as well as outstanding amounts and portfolios). It offers comprehensive management of debtor risks: the different risks are integrated, outstanding amounts are managed and viewed. The quality of Group-level reporting and control procedures are improved. This tool – accessible 24/7, excluding programmed maintenance periods, contains access to information on more than 80 million businesses worldwide, thereby allowing a quick answer to an initial request for a credit limit. In addition, this tool proposes an integrated vision of the information contained in the Group's main risk analysis tools (ATLAS, EASY, ATLAS-INFO, WORKLIST, CUBE) and a link towards these applications in a single portal.
DCON (Debt Collection Online)	The Group uses this tool in the context of its debt management and collection activities, and for managing outstanding invoices linked to its business line. A centralised tool, DCON is used in 48 countries where the Coface Group directly performs its debt management and collection activities. This application allows all outstanding payments flagged by the Group's policyholders to be entered and validated, and then for each file to be tracked in the attempt at amicable settlement phase, moving through a potential legal phase, until its resolution (regardless of whether the outcome is positive or negative). It combines all tasks and reminders relating to a file, and likewise facilitates the communication and sharing of information among the Group's entities, within the context of international files.
EASY	EASY is a centralised database and software of the Group which allows companies to be identified, regardless of their location in the world. It is linked to all applications of the Group which require access to such data, notably enabling: ■ search and identification of debtors; ■ on-going management of the content and quality of information in this database (history of modifications made); ■ file duplication and data standardisation; ■ cross-checking with lists of debtors that appear on the anti-money laundering lists of international institutions.
CofaNet	CofaNet is a secure web platform for managing the flow of information dedicated to the Group's policyholders. Thanks to this platform, each policyholder may, in a few seconds, identify its debtors, know its receivables with covered risks, declare its claims, or even track payment of its unpaid receivables. The platform offers key services for the Group's various business lines:
Other tools Group	The Group also provides other IT tools used for its various businesses, such as NAVIGA for surety bond management and SONATA for Single Risk management and MAGELLAN for factoring. INVOICING, an invoicing tool, and iNCA, an claims management tool, are deployed in the Northern Europe and Central Europe regions and will be extended to the other regions of the world under the strategic plan.

1.9 The Group's regulatory environment

The Group is governed by specific regulations in each of the countries in which it operates its insurance or factoring activities, either directly, or through subsidiaries or partnerships.

Furthermore, in addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur covers and manages on behalf of the French State and under its control, the risks associated with international trade, which are subject to a specific legislative and regulatory framework. These activities, which terminated in december 2016, do not fall within the provisions of Articles L.151-3 and R.151-1 et seq. of the Monetary and Financial Code.

1.9.1 CREDIT INSURANCE ACTIVITIES

1.9.1.1 General rules on oversight and control of the Group's activities

The French Insurance Code, notably in Book III thereof, provides that an insurance company holding an authorisation from a Member State that allows it to perform its activities in one or more classes of insurance, may exercise these same activities, directly or through branch offices, within the context of the European passport.

As an insurance company, Compagnie française d'assurance pour le commerce extérieur, is subject to the provisions of the French Insurance Code, and placed under the control of the ACPR, an independent administrative authority, which ensures that insurance companies are always able to keep their commitments to their policyholders, and present the solvency margin required. In this respect, level two controls have been put in place since 2008. They primarily concern regulatory licences and authorisations, compliance with the regulations relating to the protection of personal data, the establishment of specific procedures to guarantee data confidentiality, rules of governance, compliance with anti-money laundering legislation, and "Know Your Customer" obligations assumed by insurance companies, along with the effectiveness of the reporting procedures.

The Company, as the body in charge of establishing and publishing the consolidated financial statements of an insurance group, provides the ACPR with a report each year that describes the insurance group's internal control mechanism (see Section 2.4.2.2.2.2, "Compliance function" and Section 2.4.2.2.3.4 "Operational and Non-Compliance Risk Measure").

The Company, as a holding company for an insurance group, is likewise subject to the ACPR's additional oversight as concerns compliance with the solvency standards (see Section 5.1.4.2).

In accordance with Articles L.322-4 and R.322-111-1 to R.322-11-3 of the French Insurance Code, any party (acting alone or in concert) that intends to increase or decrease its interest, directly or indirectly, in the share capital of the Company or Compagnie française d'assurance pour le commerce extérieur, such that the voting rights held by that party (or parties, in the case of a disposal or extension of interest made in concert) would go above or below the threshold of one tenth, one fifth, one third or one half of the voting rights in the Company or in Compagnie française d'assurance pour le commerce extérieur, is required to inform the ACPR of such plan for disposal or extension of interest. Any party (acting alone or in concert) whose plan to extend its interest would have the effect of exceeding one of the voting right thresholds described above is likewise required to obtain the ACPR's prior agreement as to its plan to acquire equity capital.

In application of Article L.561-2 of the French Monetary and Financial Code, Compagnie française d'assurance pour le commerce extérieur is subject to the legislative mechanism relating to anti-money laundering and the financing of terrorism. The current mechanism, codified within the sixth title of Book V of the French Monetary and Financial Code includes oversight of any practices whereby third parties would use insurance operations to engage in corruption or to reinject funds obtained by committing criminal offences into the legal economy. Transactions likely to be the result of an act of corruption, money laundering, or terrorism financing are analysed and, where applicable, result in a declaration of suspicion to Tracfin (*Traitement du renseignement et action contre les circuits financiers clandestins* [Financial Intelligence Unit]), which is the competent authority for this subject area in France.

1.9.1.2 Prudential regime for insurance companies

The prudential regime for insurance companies, to which the Company is subject as an insurance group pursuant to Article L.356-1 5° of the French Insurance Code, is defined by two aspects which govern their operation: a financial component on the one hand, and an accounting component, on the other. The companies of the Group operating outside of the European Union are likewise subject to a prudential regime.

1.9.1.2.1 Financial aspect of the prudential regime for insurance companies

The regulations derived (i) from Directive No. 2009/138/EC of the European Parliament and of the Council of November 25, 2009 on the taking up and pursuit of the business of Insurance and Reinsurance, transposed by ordinance and decree into the French Insurance Code in April and May 2015, and (ii) from its application texts, including the delegated regulations of the European Commission ("the Commission"), notably delegated Regulation (EU) 2015/35 completing the aforementioned directive, came into force on January 1, 2016 (together "**Solvency II**").

The aim of Solvency II is, in particular, to achieve better understanding of the risks of insurers, and create a common system for all European Union members (see Section 5.1.2.5 "Risk factors – Risks linked to the Group's solvency coverage").

a) Obligation to provision for commitments

Insurance company liabilities essentially consist of commitments underwritten for their policyholders. Due to the uncertainty weighing upon the number and date of execution of these commitments, which is integral to the activity of an insurance company, these commitments are posted in the balance sheet as estimated amounts. The latter, which are also known as technical provisions, must at all times be sufficient to settle the debts they represent, in application of Article R.343-1 of the French Insurance Code.

The main operating company of the Group, Compagnie française d'assurance pour le commerce extérieur, is required, in conformity with the provisions of Article R.343-7 of the French Insurance Code, in French standards, to establish the following technical provisions, intended to cover the complete settlement of its commitments to policyholders or contract beneficiaries: provisions for unearned premiums, provisions for pending risks, provisions for payable claims, provisions for equalisation, capitalisation reserves, provision for default risk.

b) Rules of Dispersal

Article R.332-3 of the French Insurance Code requires compliance with quantitative criteria in terms of distribution and dispersion. Under rules of distribution, loans are capped at 10%, real estate assets at 40% and instruments of any other nature at 65% of the amount of regulated commitments.

c) Rules of valuation

The assets accepted in representation of the commitments of an insurance company obey the rules that determine the value at which they will be recorded in the balance sheet. The regulations schematically enact three recording methods according to the asset considered, it being specified that, in principle, said assets are recorded at their acquisition value, deducting for any amortisation and impairment. Nevertheless, certain assets are recorded in the balance sheet at their historic value, and another category of assets is recorded in the balance sheet at the realisation value. Lastly, amortisable assets are recorded in the balance sheet at their reimbursement value, as stipulated in the contract.

d) Obligation to establish a sufficient solvency margin

Beyond technical provisions, the regulation requires that insurance companies offer solvency guarantees through their own equity. Generally, solvency rules consist of the insurance company holding a minimum surplus of assets in comparison to those representing its commitments. To that end, the Group's transformation of all of its insurance subsidiaries on the territory of the European Union into branch offices allowed it to centralise all of these entities' assets and to only leave the minimum cash necessary for operational needs at the local level. In other countries, regardless of the legal status of the entity concerned, it must comply with the local regulations. To that end, the entities have locally maintained their asset portfolios as well as their cash in an effort, in particular, to respond to the asset-liability and solvency requirements set by local regulators.

Within the European Union, the Group is subject to oversight from the Prudential Supervisory and Resolution Authority (ACPR), which has broad oversight power, notably to examine the solvency margin. The Company is required to calculate a consolidated solvency margin corresponding to the ratio between the total of its available capital and the required regulatory capital. According to the applicable French regulations, the Company must maintain its consolidated solvency margin at a minimum of 100%.

During recent years, the European Commission, in conjunction with the Member States, conducted an in-depth examination of the regulatory capital requirements in the insurance sector, within the context of implementing Solvency II.

Solvency II, which came into force on January 1, 2016, aims in particular to achieve better understanding of the risks of insurers, and will constitute a single for all members of the European Union. At this stage, there are still uncertainties about some application procedures that have to be adopted (for a detailed description of the risks related to these uncertainties, see Section 5.1.2.5 "Risk factors – Risks linked to the hedging of the Group's solvency").

1.9.1.2.2 Accounting features of the prudential regime for insurance companies

In addition to the general accounting obligations enacted by Article L.123-12 et seq. of the French Commercial Code, the Group is subject to specific accounting rules for insurance companies, which have been codified under Title IV, Book III of the French Insurance Code. In fact, the inversion of the production cycle that is specific to insurance activities – i.e. the fact of providing services with an actual cost that will only be known after the fact – justifies the existence of the specific accounting rules for the companies that conduct these activities.

The Group's consolidated financial statements are prepared in application of IFRS rules (IFRS 4, phase 1). This standard requires that the references used for these insurance contracts be an internationally recognised set of guidelines. The Group has thus adopted the French principles to show the accounting of the insurance contracts. The provision for equalisation is not accepted under IFRS, and was thus eliminated in the IFRS financial statements, even though it has been maintained in the financial statements of Compagnie française d'assurance pour le commerce extérieur. Furthermore, the Group must apply IFRS 4, paragraph 14 and in particular proceed to conduct liability adequacy tests.

◆ 1.9.1.3 Regulations applicable to the credit insurance contracts signed by the Group

The contracts issued in each of the countries where it is present comply with the corresponding country's regulations. In France, the credit insurance contracts issued by the Group are not subject to the provisions of the French Insurance Code, but rather to those of the general law on contracts – with the exception of the provisions of Article L.111-6 (major risks), L.1122 (framework of the pre-contractual phase), L.112-4 (content of the insurance policy), L.112-7 (information to be provided when the contract is

offered with unrestricted provision of services) and L.113-4-1 (motivation to be provided to the policyholder by the credit insurer when it refuses to cover the receivables held by the policyholder over its debtor) of the French Insurance Code.

1.9.2 MANAGEMENT AND COVERAGE OF PUBLIC PROCEDURES

In addition to the activities it performs on its own behalf, Compagnie française d'assurance pour le commerce extérieur managed, until December 31, 2016, on behalf of the French government and under its control and guarantee, the risks related to international trades, which are unlikely to be insured by the market. This engagement was performed under the conditions set by Act. No. 49-874 of July 5, 1949, and Decree No. 94-376 of May 14, 1994, as amended and codified in Articles L.432-1 et seq. and R.442-1 et seq. of the French Insurance Code, in its previous version as of December 31, 2016 supplemented by the management and public procedures agreement, and the agreement relating to financial relations between the French government and *la Compagnie*, which is attached thereto, signed on February 24, 2012.

This public procedures management activity has been maintained, as with all credit insurance operations performed "on behalf of or with the support of the State, or when the State is the insurer", outside the field of application of Directive 1987, in particular as concerns the prudential rules it imposes, as well as the Third Non-Life Directive, even including a subsequent coordination, for which intervention has still not been planned.

For this activity, some operations of Compagnie française d'assurance pour le commerce extérieur, benefited from the State's coverage in application of Article L.432-2 of the French Insurance Code in its previous version as of December 31, 2016. This essentially concerns the following activities, which are aimed at supporting and developing French export trade (see paragraph 1.3.1.2).

In application of Articles L.432-3 and R.442-2 of the French Insurance Code, in its previous version as of December 31, 2016, the insurance guarantee was issued by Compagnie française d'assurance pour le commerce extérieur, on behalf of the French State, in conformity with the decisions of the Ministry of the Economy, which are made upon consultation with the Foreign Trade Credit and Guarantees Commission.

Article L.432-4 of the French Insurance Code, in its previous version as of December 31, 2016, provides that all technical flows corresponding to public procedures, with the exception of the fees collected by Compagnie française d'assurance pour le commerce extérieur for its management, should be distinctly recorded in the Company's financial statements. As such, these operations do not have to be recorded in the balance sheet or income statement of la Compagnie française d'assurance pour le commerce extérieur: only the management compensation collected in this context is reported in the income statement. Furthermore, the same article requires Compagnie française d'assurance pour le commerce extérieur to report these operations under a separate accounting record. An agreement between the French State and Compagnie française d'assurance pour le commerce extérieur sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more Statutory Auditors. Lastly, without prejudice to the rights of holders of receivables arising from the operations performed with the French State's guarantee, no creditor of Compagnie française d'assurance pour le commerce extérieur may invoke any right whatsoever over the assets and rights emerging from this record, including on the basis of the rules of Book VI, Title II of the French Commercial Code, or of Articles L.611-1 to L.612-4 of the Commercial Code, or of Articles L.310-25 and L.326-2 to L.327-6 of the French Insurance Code.

1.9.2.1 Government control

In application of Article R.442-3 of the French Insurance Code, in its previous version as of December 31, 2016, Compagnie française d'assurance pour le commerce extérieur, as a manager of public funds, is subject, for the public procedure management activity, to the economic and financial control of the French State. In this respect, Compagnie française d'assurance pour le commerce extérieur may be audited by government controllers that have powers to perform documentary and on-site investigations, and who periodically report on their activities to the French Ministries of Finance, Economic Affairs and Budget.

Furthermore, Articles R.442-4 and R.442-5 of the French Insurance Code, in their previous version as of December 31, 2016, notably provide for the appointment by the Minister of the Economy of a government commissioner to COFACE SA and Compagnie française d'assurance pour le commerce extérieur, in charge of overseeing implementation of the government's coverage. The commissioner may review the accounting at any time, as well as documents or information needed to perform their engagement, and may exercise a veto right over any decision relating to the government's coverage that is likely to compromise performance, or negatively impact the interests of the country with respect to national defence or the secure supply of energy resources. In case of a veto, Compagnie française d'assurance pour le commerce extérieur has a period of eight days to file an appeal before the Minister of the Economy, who is required to issue a decision on this opposition within ten days.

Article R.442-6 of the French Insurance Code, in its previous version as of December 31, 2016, reiterated in Article 9 of the Articles of Association of *la Compagnie*, furthermore provides that a party, acting alone or in concert, that exceeds the 10% threshold of the share capital or voting rights of COFACE SA or Compagnie française pour le commerce extérieur be subject to a resolution by the Board of Directors, which is then submitted for the approval of the Minister of the Economy. This approval is deemed acquired, barring an objection from the minister, within 30 days following the Board's resolution when the threshold crossing appears likely to damage the interests of the country in terms of national defence or the secure supply of energy resources. When interests have been acquired in disregard of the provisions of this article, the holder(s) of the interests concerned cannot exercise their corresponding voting right, and must transfer these instruments within a period of three months.

1.9.2.2 Transfer of public procedures management

As a reminder (see Section 1.5.1), the amended French Finance Act of December 29, 2015, no. 2015-1786, specified the transfer of this management to the Bpifrance group. The December 29, 2016 Finance Act (No. 2016-1917, Articles 47 and 127) set the effective date of the transfer at January 1, 2017.

1.9.3 FACTORING ACTIVITIES IN GERMANY AND POLAND

Factoring is regulated by the German banking law *(Kreditwesengesetz)* as a financial service (and not as banking activity), and is defined as the on-going disposal of receivables based on a master agreement with a third party institution, with or without recourse against the ceding company. As a financial service *(Finanzdienstleistung)*, in the sense of German banking law, factoring activity is regulated and subject to oversight by the German financial regulation authority, BaFin *(Bundesanstalt für Finanzdienstleistungsaufsicht)*, which notably requires an authorisation to conduct such activities.

In Poland, the factoring activities that are performed within the context of the local Civil Law scheme on disposal of receivables, are not specifically supervised, with the caveat that they are subject to the Polish anti-money laundering regulations.

The law and regulations applicable to the Group's factoring activities in Germany and Poland do not impose any requirements in terms of regulatory capital or liquidity.

CORPORATE GOVERNANCE

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2.1 Composition of administrative and management bodies

The functioning of the administrative and management bodies is restated in Section 2.4 “Chairman’s report on corporate governance, internal control and risk management procedures” of this registration document.

2.1.1 BOARD OF DIRECTORS

◆ 2.1.1.1 Mapping of the characteristics of the members of the Board of Directors for financial year 2016

								BELONGING TO A COMMITTEE	
NAME	AGE	START OF TERM	END [1]	SHARES	GENDER	NATIONALITY	STATUS	AUDIT	APPOINTMENTS AND COMPENSATION
Laurent MIGNON	53	Nov. 21, 2012	2016	500	♂	French	Non-independent		○
BPCE, represented by Marguerite BÉRARD-ANDRIEU	39	Nov. 21, 2012	2016	500	♀	French	Non-independent		
Jean ARONDEL	66	Nov. 21, 2012	2016	1000	♂	French	Non-independent		
Jean-Paul DUMORTIER	68	Jul. 26, 2013	2016	550	♂	French	Non-independent		
Éric HÉMAR	53	Jul. 1, 2014	2017	892	♂	French	Independent	●	
Linda JACKSON	58	May 5, 2015	2016	550	♀	British	Independent		
Sharon MACBEATH	47	Jul. 1, 2014	2017	500	♀	British	Independent		○
Martine ODILLARD	62	May 5, 2015	2016	500	♀	Belgian	Independent	○	
Olivier ZARROUATI	58	Jul. 1, 2014	2017	500	♂	French	Independent		●
Resignation – Cooptation									
Pascal MARCHETTI Resignation on Oct. 10, 2016	52	Nov. 21, 2012	2016	500	♂	French	Non-independent	○	
Isabelle RODNEY Cooptation on Nov. 3, 2016	51	Nov. 3, 2016	2016	500	♀	French	Non-independent		
Resignation – Cooptation									
Laurent ROUBIN Resignation on Oct. 25, 2016	47	Jul. 26, 2013	2016	500	♂	French	Non-independent		
Anne SALLÉ-MONGAUZE Cooptation on Nov. 3, 2016	51	Nov. 3, 2016	2016	500	♀	French	Non-independent	○	
Average	**55**			**3-year term**	**54%** [2]	**27%** [3]	**45%** [4]	**90%** [5]	**100%** [5]

(1) Until the Ordinary Annual Shareholders’ Meeting called to approve the financial statements for the financial year ending December 31, of the specified year.

(2) Percentage of women at December 31, 2016.

(3) Percentage of foreign national directors at December 31, 2016.

(4) Percentage of independent directors at December 31, 2016. As the Company is controlled by Natixis within the meaning of Article L.233-3 of the French Commercial Code, the recommendation of Article 8.3 of the AFEP-MEDEF Code which requires this committee to include at least one third independent members has therefore been met (see Section 7.3.3 “Declaration relating to the Company’s control by the majority shareholder”).

(5) Average attendance rate.

● *Chairman* ○ *Member* ♀ *Women* ♂ *Men*

For the purposes of their corporate mandates, the members of the Board of Directors are domiciled at the head office of the Company.

2.1.1.2 Experience and terms of office of the members of the Board of Directors

Laurent MIGNON

Chairman of the Board of Directors since November 21, 2012

FRENCH NATIONALITY

53 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Laurent MIGNON is Chief Executive Officer (CEO) of Natixis and a member of the BPCE Management Board. Graduate from HEC and the Stanford Executive Program, Laurent MIGNON worked for more than 10 years in various positions at Banque Indosuez, from the trading floor to corporate banking. In 1996, he joined Schroeders Bank in London, then AGF in 1997 as Chief Financial Officer. He was appointed to the Executive Committee in 1998, then became Deputy CEO in charge of Banque AGF, AGF Asset Management and AGF Immobilier in 2002. He became Chief Executive Officer (CEO) in charge of the Life and Financial Services and Credit Insurance Departments in 2003 and Chairman of the Executive Committee in 2006. From September 2007 to May 2009, he was Associate Manager at Oddo et Cie alongside Philippe Oddo.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chief Executive Officer (CEO) of Natixis [(1)]
- Member of the Management Board of BPCE [(1)]
- Chairman of the Board of Directors of Natixis Global Asset Management
- Director of: Arkema [(1)], AROP (Association pour le Rayonnement de l'Opéra) and Peter J. Solomon Company LLC

During the past five years and which are no longer held:

- Director of Sequana [(1)], Lazard Ltd [(1)]
- Permanent representative of Natixis: non-voting member of BPCE

(1) Listed company.

BPCE, represented by Marguerite BÉRARD-ANDRIEU [2]

Director since November 21, 2012

FRENCH NATIONALITY

39 years

ATTENDANCE RATE

55.5%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Marguerite BÉRARD-ANDRIEU (representative of BPCE), Deputy CEO – Strategy, Legal Affairs and Compliance, group company secretary for the BPCE group, and is a member of its General Management Committee. Graduate from the Institut d'études politiques de Paris and of Princeton University, and an alumna of ENA, she began her career in 2004 at the French Tax Inspectorate. From 2007 to 2010, she was a Technical Adviser and then an Adviser to the French presidency, in charge of employment and social protection issues. She then directed the office of the Ministry of Labour, Employment and Health from November 2010 to May 2012.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Member of the BPCE Management Board, in charge of Group Finances, Strategy, Legal Affairs and General Secretariat for the Board
- Permanent BPCE representative: to the Board of Directors of Natixis and to the Board of Directors of Crédit Foncier de France
- Deputy CEO and BPCE permanent representative to the Board of Directors of CE Holding Participations
- Chairman of the Board of Directors of S-Money
- Director of SCOR [1], Havas [1]

During the past five years and which are no longer held:

- Chairman of the Board of Directors and Chairman of Issoria
- Chairman of the Board of Directors of Meilleurtaux
- Chairman of: S- Money, Oterom Holding
- Permanent representative of the BPCE group: on the Board of Directors of Banque Palatine, on the Supervisory Board of FLCP, Chairman of the Board of Directors and Chairman of BPCE Domaines, Chairman of Issoria, Chairman of Issoria SAS, Chairman of Issoria International Trading SAS
- Permanent representative of GCE
- Permanent representative of CE Holding Promotion to the Board of Directors of Nexity [1]
- Director of: Maisons France Confort [1], Natixis Coficiné, BPCE International et Outre-Mer
- Participations on the Board of Directors of Demain
- Deputy CEO – Strategy, Legal Affairs and Compliance, group company secretary for the BPCE group

(1) Listed company.

(2) BPCE, represented by Marguerite Bérard-Andrieu, resigned on February 8, 2017. In light of this, at the meeting of February 8, 2017, Mr Daniel Karyotis, CEO of Banque Populaire Auvergne Rhône Alpes, was coopted as director by the Board of Directors.

Jean ARONDEL

Director since November 21, 2012

FRENCH NATIONALITY

66 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Jean ARONDEL, an engineer and HEC graduate, is the Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre. He has performed executive functions within various companies of the industrial sector, the cosmetics sector and the financial sector, and was also a director at Natixis Lease.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP THE COFACE GROUP

During financial year 2016:

- Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Loire Centre
- Chairman of the Board of Directors of Société Locale d'Épargne Pays Chartrain et Drouais
- Director of CE Holding Promotion of the BPCE group
- Non-voting member of the BPCE Supervisory Board
- Chairman of the Fédération Nationale des Caisses d'Epargne
- Chairman of the Compensation Committee of Caisse d'Epargne Loire-Centre
- Chairman of the Appointments Committee of Caisse d'Epargne Loire-Centre
- Member of the Board of Directors of the Caisse d'Epargne Loire-Centre corporate foundation
- Member of the Audit Committee of Caisse d'Epargne Loire-Centre
- Member of the Risks Committee of Caisse d'Epargne Loire-Centre
- Chairman of the Association pour l'Historie des CEP
- Vice-Chairman of World Savings Bank Institute (WSBI)
- Co-manager: SNC Ecureuil – 5 rue Masseran

During the past five years and which are no longer held:

- Director of NATIXIS LEASE (SA) for Caisse d'Epargne Loire-Centre
- Chairman of the Fondation Caisse d'Epargne Loire-Centre

Jean-Paul DUMORTIER

Director since July 26, 2013

FRENCH NATIONALITY

68 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Jean-Paul DUMORTIER, a graduate of the Institut d'études politiques de Paris and a former student of ENA, has been Chairman of the Board of Directors of Banque Populaire Rives de Paris since 2013. After starting his career in the financial sector, he became Chairman and Chief Executive Officer (CEO) of Foncière Paris France (1) from 2005 to 2012, and has been director of Banque Populaire Rives de Paris since 2004.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chairman of Holding Wilson 250 SAS
- Chairman of the Board of Directors of SCM Habitat Rives de Paris
- Chairman of the Board of Directors of Banque Populaire Rives de Paris
- Chairman of Imocominvest OPCI
- Chairman of Imocominvest 2 OPCI
- Director of SOVAFIM
- Director of Crédit Foncier de France

Positions in the past five years and which are no longer held:

- None

(1) *Listed company.*

Éric HÉMAR

Independent director since July 1, 2014

FRENCH NATIONALITY

53 years

ATTENDANCE RATE

44.4%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017

CURRICULUM VITAE

Éric HÉMAR, a former ENA student, began his career at the "Cour des comptes" before joining the Ministry of Equipment, Transportation and Tourism in 1993, where he served as Technical Adviser to minister Bernard Bosson. In 1995, he joined the Sceta group, and then Geodis as company secretary. He left Geodis Logistics in March 2001 to create the ID Logistics group. Mr HÉMAR has been Chairman and Chief Executive Officer (CEO) of the ID Logistics group since 2010.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chairman and Chief Executive Officer (CEO) of ID Logistics group (1)
- Chief Executive Officer: IDL Logistics (Mauritius), IDL Supply Chain South Africa, IDL Fresh South Africa, ID Assets (Taiwan)
- Chairman: ID Logistics, ID Logistics France, ID Logistics France 3, ID Logistics Mayotte, ID Logistics Océan Indien, Ficopar, Timler, ID Logistics La Réunion, Les Parcs du Lubéron Holding
- Chairman of the Board of Directors: France Paquets, ID Logistics (Nanjing) Business Consultation, ID Logistics Nanjing, ID Logistics Taiwan, ID Logistics (Mauritius)
- Director: ID Logistics China Holding Hong Kong, ID Logistics Switzerland SA, ID Logistics Nanjing, ID Logistics Taiwan, ID Logistics (Nanjing) Business Consultation, France Paquets, ID Logistics group, ID Logistics Belgium, IDE Enterprise (Taiwan)
- Member of the Supervisory Board: Dislogic, ID Logistics Polska
- Permanent representative of Les Parcs du Luberon Holding, Chairman of SAS Les Parcs du Luberon 1
- Permanent representative of ID Logistics, Chairman of SAS IDL France 9, SAS IDL France 10 and SAS IDL France 11,
- Permanent representative of ID Projets to the Board of Directors of Froid Combi
- Manager: FC Logistique R&D, ID Logistics Maroc, ID Logistics Training

Positions in the past five years and which are no longer held:

- Chairman: Immod, Financière ID, ID Logistics group, La Flèche
- Chairman of the Board of Directors: ID Logistics Polska
- Director: ID Logistics

Linda JACKSON

Independent director since May 5, 2015

BRITISH NATIONALITY

58 years

ATTENDANCE RATE

44.4%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Linda JACKSON holds an MBA from the University of Warwick in the UK. She began her career in the automobile industry in 1977 with MG Rover Europe and has held several positions including that of Chief Executive Officer France (2000-2003). In 2005, she joined Citroën as Chief Financial Officer for Citroën UK, and later for Citroën France (2009-2010). She then became Chief Executive Officer of Citroën UK and Ireland in July 2010. Linda JACKSON has been Chief Executive Officer of the Citroën brand since June 1, 2014.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chairman of the Board of Directors and Chief Executive Officer (CEO) of Automobiles Citroën
- Chief Executive Officer (CEO) and director of Citroën UK Limited
- Director of Citroën Benelux
- Director of Dongfeng Peugeot Citroën Automobiles Company LTD
- Director of Peugeot Citroën Automobiles UK Limited
- Director of Peugeot Citroën Retail UK Limited
- Director of Peugeot Citroën Ukraine

Positions in the past five years and which are no longer held:

- Director of Citroën Motors Ireland Limited

Sharon MACBEATH

Independent director since July 1, 2014

BRITISH NATIONALITY

47 years

ATTENDANCE RATE

88.8%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017

CURRICULUM VITAE

Sharon MACBEATH, has a degree in psychology and management from the University of Glasgow, and holds a Master's Degree in Human Resources from the Sorbonne, and an EMBA from INSEAD. After creating the EMDS consulting company, which specialises in the recruitment, selection and development of highly promising young people with international profiles, she has worked in France since 1991 in the field of human resources. She held the position of Director of Human Resources for the pharmacy and beauty line of the Rexam group, before becoming the Director of Human Resources and Communications for Redcats, a company in the Kering group (formerly PPR) in 2005. Sharon MACBEATH has been Head of Human Resources and member of the Executive Committee of the Rexel group since November 2013. She has been a member of the Tarkett Group Management Board and Director of Human Resources since January 2017.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Member of the Management Board and Executive Committee, Director of Human Resources and Communication for the Tarkett group [(1)] (since January 3, 2017)
- Director on the Supervisory Board of Hermes International [(1)]
- Member of the Hermes International Audit Committee [(1)]

Positions in the past five years and which are no longer held:

- Director of Group Human Resources, member of the Executive Committee of Rexel [(1)]
- Director of Human Resources and Communication, member of the Executive Committee of Redcats

2

(1) *Listed company.*

Martine ODILLARD

Independent director since May 5, 2015

BELGIAN NATIONALITY

62 years

ATTENDANCE RATE

66.6%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Martine ODILLARD holds a degree in classical literature and a Master's in management from ECCIP. She began her career with Arjomari Prioux. In 1979, she joined the staff of the Chairman of the Pricel group, subsequently known as Chargeurs. In 1990, she was appointed Human Resources Director of Chargeurs. She became Head of the Communications Department of Chargeurs in 1996. In 2000, she was appointed Director of Human Resources and Communications at Pathé. In September 2010, she was appointed Chief Executive Officer of Chargeurs. She has been Chairman of Cinémas Gaumont Pathé since January 2016.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chairman of: Cinémas Gaumont Pathé, Pathé SpA, Pathé Suisse SA
- Chairman of the Supervisory Board of Pathé Holding BV
- General Manager of: Cinémas Gaumont Pathé Services SNC, Pathé Romandie SARL
- Director of: Pathé Suisse SA, Flonplex, Pathé Ebikon, Pathé Riddes, Pathé Spreitenbach, Pathé Westside AG, Pathé Dietlikon, Pathé Küchlin AG
- Member of the Management Committee of Cinémas Gaumont Pathé SAS
- Permanent representative of Cinémas Gaumont Pathé SAS: on the Supervisory Board of Cezanne, the Executive Committee of Grands Écrans du Genevois, on the Management Committee of Cinémas la Valentine
- Permanent representative of Cinémas Gaumont Pathé Services SNC: on the Executive Committee of Cinésavoie, on the Board of Directors of Talent Group Communication, director of GIE Carte LP, director of GIE Les Cinémas Gaumont Pathé Actions commerciales, director of GIE Les Cinémas Gaumont Pathé Cartes de Fidélité, director of GIE Cinémas Gaumont Pathé Programmation

Positions in the past five years and which are no longer held:

- Chairman and Chief Executive Officer (CEO) of Chargeurs Entoilage SA
- Chairman of: Chargeurs Textiles SAS, Fitexin SAS, Lainière de Picardie BC SAS, Chargeurs Wool (Eurasia) SAS
- Director of: Union des Industries Textiles (UIT), Lanas Trinidad SA (Uruguay), Zhangjiagang Yangtse Wool Combing Co. Ltd (China)
- Chief Executive Officer and director of Chargeurs SA [(1)]
- Chairman and director of CMI (Chargeurs Management International)
- General Manager of Chargeurs Boissy SARL
- General Manager of Soparic SNC
- Permanent representative of Chargeurs SA on the Board of Directors of Chargeurs Entoilage SA
- Permanent representative of Chargeurs SA on the Management Committee of Lanière Picardie BC SAS

(1) *Listed company.*

Olivier ZARROUATI

Independent director since July 1, 2014

FRENCH NATIONALITY

58 years

ATTENDANCE RATE

88.8%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017

CURRICULUM VITAE

Olivier ZARROUATI, is a former student at the École polytechnique and an engineering graduate of the École nationale supérieure de l'aéronautique (SUPAERO) and of the Harvard Kennedy School of Cambridge. After beginінng his career as an engineer in the armaments sector, he held the positions of engineer and Head of Major Projects at the CNES (Centre national d'études spatiales) from 1982 to 1988, and then at Matra Marconi Space from 1989 to 1994. He joined Intertechnique, which was purchased by Zodiac in 1999, as Head of External Development and Subsidiary Control. He subsequently performed various functions within the Zodiac Aerospace group, in particular as Chief Executive Officer (CEO) of the Aerosafety Systems segment and as Chief Executive Officer (CEO) of aeronautical activities. Since 2007, he has been Chairman of the Management Board and Director of the Executive Committee of the Zodiac Aerospace group. He has also been Chairman of the Fondation Institut supérieur de l'aéronautique et de l'Espace SUPAERO since 2011.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chairman of the Management Board and member of the Executive Committee of Zodiac Aerospace [1]
- Chairman: Zodiac Engineering, Sicma Aero Seat Services (United States), Zodiac US Corporation (United States), Fondation ISAE-SUPAERO
- Director: Air cruisers Company LLC (United States), Avox Systems Inc. (United States), C&D Aerospace Canada Co. (Canada), C&D Zodiac inc. (United States), Esco (United States) formerly Engineering Arresting Systems (United States), Zodiac Interconnect UK Ltd (formerly Icore) (United Kingdom), Mag Aerospace Industries Inc. (United States), Zodiac Parachutes Industries of Southern Africa Pty (South Africa), Zodiac Aerospace UK Ltd (United Kingdom), Zodiac Seats France, Monogram Train LLC (United States), Sicma Aero Seat Services (United States)
- Member of the GIFAS Board
- Member of GEAD

Positions in the past five years and which are no longer held:

- Chairman of: Zodiac Aerotechnics, GEAD
- Director: Icore GmbH (Germany), HeathTechna (United States)

(1) Listed company. Governance situation of Zodiac Aerospace undergoing changes following the merger of Zodiac and Safran.

During 2016, two new directors, Isabelle RODNEY and Anne SALLÉ-MONGAUZE, were coopted for the remaining period of the directorships of Pascal MARCHETTI and Laurent ROUBIN, after they resigned, as follows:

Isabelle RODNEY – Coopted on November 3, 2016

Director since November 3, 2016

FRENCH NATIONALITY

51 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Isabelle RODNEY has been a member of the Management Board of Caisse d'Epargne Côte d'Azur since August 2008. She is in charge of the finance and expertise division and oversees in this respect, the Financial Department, the Accounting and Tax Department, the Commitments and Recovery Department as well as the Banking Back Office Department. Graduate from the Paris École supérieure de commerce, holder of a degree in business law and an actuary diploma, she worked between 1986 and 1993 as broker, trader and treasurer in various financial organisations (Coficoba, BMF, Casden Banque Populaire). Inside the Banque Populaire group, she was later appointed Sub-director in the Casden group, in charge of the Treasury, ALM, planning and Management Control. In 2001, she joined the Caisse Nationale des Caisses d'Epargne (CNCE) where she held the position of Director of the Planning and ALM Department. She then was appointed Director of the Financial Performance Department in 2007, after following the corporate officers course of the Caisse d'Epargne group.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chair of CAZ Foncière 2 SAS
- Member of the Management Board of CECAZ SA
- Permanent representative of CECAZ on the Board of Directors of AEW Foncière Écureuil
- Chair of the Board of Directors of MURACEF SA

Positions in the past five years and which are no longer held:

- Representative of CECAZ on the Board of Directors of MURACEF SA

Pascal MARCHETTI – Resigned on October 10, 2016

Director since November 21, 2012

FRENCH NATIONALITY

52 years

ATTENDANCE RATE

71.4%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Pascal MARCHETTi, Graduate from the École des cadres and the Institut de technique bancaire, was previously Chief Executive Officer (CEO) of Banque Populaire des Alpes, and is now CEO of MW Finance. Mr MARCHETTI began his career in 1988 in the Banques Populaires group, where he was Director of Development in 2007 and 2008.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chief Executive Officer of MW Finance

Positions in the past five years and which are no longer held:

- Chief Executive Officer (CEO) of Banque Populaire des Alpes [(1)]
- Permanent representative of Banque Populaire des Alpes: Vice-Chairman of Banque de Savoie, on the Board of Directors of IBP, on the Board of Directors of Compagnie des Alpes [(1)], director of the PRIAM Banque Populaire economic interest group, director of Pramex, member of the InnovaFonds Steering and Supervisory Board, member of the Banque de Savoie Audit Committee, Chairman of SAS Sociétariat Banque Populaire des Alpes, Chairman of SAS BPA Atout Participations, member of the IBP Audit and Risk Committee, Non-voting member of the BPCE Supervisory Board
- Member of the Banque Palatine Audit Committee and Board of Directors
- Member of the Supervisory Board of Naxicap Partners

2

(1) *Listed company.*

Anne SALLÉ-MONGAUZE – Cooptation on November 3, 2016

Director since November 11, 2016

FRENCH NATIONALITY

51 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Anne SALLÉ-MONGAUZE graduated from the Paris Institut d'études politques and holds a postgraduate degree in economics and finance. She started her career in 1987 at the AMF, in the inspection division. In 1995, she joined the Banque Populaire group as Deputy Manager for the organisation of the Equity Capital Markets Department and participated in the steering of various growth operations in 2001. In 2006, she was appointed M&A Manager at Natixis, before becoming Director of Strategy in 2013. On August 25, 2014, she was appointed Chief Executive Officer of Compagnie européenne de garanties et cautions, a subsidiary of Natixis.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Chief Executive Director of Compagnie européenne de garanties et cautions (CEGC)
- Manager of: CEGC Conseil, SCI SACCEF Champs Élysées, SCI SACCEF La Boétie

Positions in the past five years and which are no longer held:

- Chief Executive Officer (CEO) of NATIXIS HCP
- Director of HCP NA LLC (United States)
- Permanent representative for Natixis HCP on the Board of Directors of: Kompass International Neuenschwander SA, ELLISPHERE
- Permanent representative for CEGC on the Board of Directors of SIAGI

Laurent ROUBIN – Resigned on October 25, 2016

Director since July 26, 2013

FRENCH NATIONALITY

47 years

ATTENDANCE RATE

71.4%

EXPIRATION DATE OF THE TERM

Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016

CURRICULUM VITAE

Laurent ROUBIN, graduate from École centrale Paris, Stanford Executive Program and holder of a postgraduate degree from Université Paris-Dauphine, began his career in 1992 in the Compagnie Bancaire group at the holding *company then at the Risks Department of Cetelem Espagne. In 1996, he joined the PricewaterhouseCoopers Management Consultants banks and Financial Institutions Department, and became the director in 2000. In 2002, he was appointed to the Management Board of the Caisse d'Epargne du Pas-de-Calais, where he was in charge of finance and risks. In 2005, he joined Ixis Asset Management and became Chief Operations Officer of Natixis Asset Management. He joined Caisse Nationale des Caisses d'Epargne in 2008 to coordinate the development of Caisses d'Epargne on major corporate and institutional customers. In 2009, he held the position of Commercial Development Director of the Caisses d'Epargne at BPCE. Mr ROUBIN was appointed Chairman of the Management Board of Caisse d'Epargne Picardie in 2011. Since May 2016, he is a member of the BPCE Management Board in charge of the Commercial Banking and Insurance Division.*

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2016:

- Member of the BPCE Management Board in charge of the Commercial Banking and Insurance Division.
- Chairman of the Board of Directors: Banque Palatine, BPCE International
- Permanent representative of BPCE, non-voting director: Erilia
- Director: Crédit Foncier de France

Positions in the past five years and which are no longer held:

- Chairman of the Management Board of Caisse d'Epargne Picardie
- Chairman: Triton, Picardie Foncière, NSAVADE, Picardie Mezzanine, CEPICINVESTISSEMENT
- Chairman of the Supervisory Board of: CE Capital, Caisse d'Epargne Développement,
- Member of the Supervisory Board: Palatine Asset Management, SIA Habitat, Seventure Partners, Alliance Entreprendre, IT-CE
- Member of the BPCE Management Board in charge of the Commercial Banking and Insurance Division.
- Representative of BPCE director (advisory capacity) of Procilia
- Director: Banque privée 1818, FNCE, GCE Capital, Alliance Entreprendre
- Permanent representative of Caisse d'Epargne Picardie: member of the Supervisory Board of IT-CE, director of BPCE-IT
- Member of the Management Committee of Picardie Foncière, of Nsavade
- Chairman of the Audit Committee of SIA Habitat

2.1.1.3 Criteria on the independence of members of the Board of Directors

At its meeting of February 8, 2017, the Board of Directors reviewed the situation of non-BPCE directors with respect to the independence criteria recommended in the AFEP-MEDEF Code and the analysis of the Corporate Governance High Committee, (HCGE), in the AFEP-MEDEF Code application guide revised in November 2015. Upon examination, the Board concluded that these criteria had indeed been met.

The Board of Directors paid particular attention to assessing the material nature of any possible business relations between the Company and the independent directors. To do so, it began by identifying any commercial relation relating to credit insurance. In the event of the existence of any such relationship, it is assessed on the basis of its potential impact on the independent judgement of the director. The Board of Directors then reviews a body of evidence and parameters, specifically the nature of the activity, the place of credit insurance in the strategy of the Company in which the director performs his/her functions, the importance of the contract and the existence of an alternative offering at comparable conditions on the market. The Board of Directors, in light of these criteria, considered that there was no material business relation between Coface and the companies in which the independent directors hold positions as corporate executive officers, namely ID Logistics, PSA, Gaumont-Pathé, Tarkett and Zodiac.

The table below presents the criteria examined at the Board of Directors' meeting:

CRITERIA TO BE ASSESSED	ÉRIC HÉMAR	LINDA JACKSON	SHARON MACBEATH	MARTINE ODILLARD	OLIVIER ZARROUATI
Not to have held an employee position or a corporate mandate within the past five years in Natixis, Coface, or one of its subsidiaries.	✓	✓	✓	✓	✓
Not to be the corporate officer of a company in which Coface directly or indirectly holds a director's mandate or in which an employee or corporate officer of Coface holds or has held a director's mandate within the past five years.	✓	✓	✓	✓	✓
Not to be a client, supplier, corporate banker, significant investment banker of the Company or its group, or for which the Company or its group represents a significant portion of the business.	✓	✓	✓	✓	✓
Not to have a close family tie to a corporate officer.	✓	✓	✓	✓	✓
Not to have been an auditor of Coface over the past five years.	✓	✓	✓	✓	✓
Not to have been a director of Coface during the last 12 years.	✓	✓	✓	✓	✓
Not to be a director representing a significant shareholder of Coface or Natixis.	✓	✓	✓	✓	✓
Not to receive or have received significant supplementary compensation from Coface or from the Group outside of directors' fees, including for participation in any form of options on shares, or any other form of performance-linked compensation.	✓	✓	✓	✓	✓

2.1.1.4 Fitness and probity policy

Fitness

All persons that perform functions as director, effective manager, head of key functions, general manager of a branch or with the authority to sign on behalf of the Company, should be fit, under all circumstances, to implement a sound and prudent management based on their professional qualifications, knowledge and experiences.

The evaluation of fitness includes an evaluation of the professional diplomas and qualifications, relevant knowledge and experience in the insurance sector, as well as in the sectors of finance, accounting, actuarial services and management. The evaluation takes into account the different entrusted tasks.

Furthermore, to evaluate the fitness of members of the Board of Directors, their training and their experience with respect to their responsibilities are taken into account, in particular the experience acquired as Chairman of a Board or a committee. The evaluation also takes into account the assessment made of each person, of the fitness, experience and responsibilities of the other members of the Board of Directors. When terms of office have been previously exercised, fitness is presumed owing to the experience acquired. For new members, the evaluation takes into account the training that they can have throughout their term of office.

Probity

Evaluating the probity of a person includes an evaluation of his/her honesty, financial strength, based on tangible elements concerning his/her character, personal behaviour and professional conduct, including any relevant element of a criminal, financial or prudential nature, for the purpose of this evaluation.

The functions of director, effective manager, head of key functions, general manager of a branch, or with the authority to sign on behalf of the Company cannot be performed by any person who has been the subject less than ten years previously of:

- a final sentence as described in Article L.322-2 of the French Insurance Code;
- a final measure of personal bankruptcy or any final prohibition measure under the conditions specified by Book VI of the French Commercial Code. This incapacity also applies to any non-rehabilitated person who has been the subject of a personal bankruptcy handed down by a foreign jurisdiction when the declarative sentence was declared as enforceable in France.

Persons performing the functions of director, effective manager, head of key functions, general manager of a branch or with the authority to sign on behalf of the Company, are required to provide as proof, for citizens of other Member States, a declaration of absence of bankruptcy and a police record or, failing which, an equivalent document issued by a competent judicial or administrative authority of the original Member State or origin of these foreign citizens.

2.1.2 CHIEF EXECUTIVE OFFICER AND GROUP GENERAL EXECUTIVE COMMITTEE

On the meeting dated on November 22, 2012, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. This decision is connected to the Company's wish to comply with best practices in the area of corporate governance and to clearly distinguish between the strategic, decision-making and supervisory duties of the Board of Directors, and the operational and executive duties of the Chief Executive Officer. This separation was specifically reasserted by the Board of Directors at its meeting of January 15, 2016 when it appointed Xavier DURAND.

2.1.2.1 Experience and terms of the Chief Executive Officer (CEO)

At its January 15, 2016 meeting, the Board of Directors terminated the appointment of Jean-Marc Pillu ahead of time. This decision became effective on February 9, 2016, when Xavier DURAND entered office. For the purposes of the table below, the Chief Executive Officer (CEO) is domiciled at the Company's head office.

Xavier DURAND, since February 9, 2016

Chief Executive Officer

53 years

End of term of office on the day of the Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019

13,300 registered shares

(see Section 7.2.2)

CURRICULUM VITAE

Xavier DURAND is a graduate of École polytechnique and École nationale des ponts et chaussées. He began his career in 1987 at The Mac group (Gemini Consulting) consulting firm before joining Banque Sovac Immobilier in 1994 as Deputy Chief Executive Officer. In 1996, Mr DURAND joined GE Capital group where he had an international career, first in Chicago as Director of Strategy and Development for the financial division of Auto Monde, then in France, first as Sales and Development Managing Director for GE Money Bank France, then CEO for France and later Europe for the banking activities of GE Capital. In 2011, he became CEO of GE Capital Asia-Pacific and was based in Japan. At the end of 2013, he was appointed Director of Strategy and Development for GE Capital, based in London. He has been Chief Executive Officer of COFACE SA since February 9, 2016.

PRINCIPAL TERMS OF OFFICE AND DUTIES

During financial year 2016:

- Chairman of the Board of Directors and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur
- Chairman of the Board of Directors of Coface North America Holding Company
- Director of: Axa France Vie, Axa France Iard, Wizink Bank (Madrid, formerly BancoPopular-e)

Positions in the past five years and which are no longer held:

- Chairman and Chief Executive Officer of GE Capital Asia-Pacific
- Director of the Strategy and Growth Department of GE Capital International in London
- Director of Krungsri group, Thailand, Chairman of the Compliance Committee
- Director of: Hyundai Capital Cards, GE Japan Corporation

2.1.2.2 Composition and experience of the members of the Group General Executive Committee

The Chief Executive Officer (CEO) of the Company created a Group General Executive Committee whose strategic and operational mission is described in Section 1.6. In addition to Xavier DURAND, the Group General Executive Committee comprises the following persons on the date of publication of the registration document:

Valérie BRAMI, Chief Operating Officer

The Operations Department encompasses IT systems, organisation and transformation of processes

CURRICULUM VITAE

Valérie BRAMI, 49 years old, is a graduate of École centrale de Lille and holder of a Master's degree in management science and finance. Ms Brami has spent most of her career in management and IT consulting, including 12 years in Japan on the Asia-Pacific region, specifically in implementing complex transformation programmes for international banks. She worked for Accenture, PricewaterhouseCoopers and IBM. In 2013, she joined Allianz France to set up and implement transformation programmes. She joined the Group in June 28, 2016 as Group Chief Operating Officer, encompassing the activities of projects, process and IT transformation.

Thibault SURER, Strategy and Business Development Director

The newly created Strategy and Business Development Department includes the functions of strategic planning, marketing and innovation, partnerships, offerings to financial institutions and economic research.

CURRICULUM VITAE

Thibault SURER, 54 years old, is a graduate of École des hautes études commerciales de Paris, the London Business School and the Stockholm School of Economics. He began his career in Eurozuez-Euroventures funds (1987-1994) and then spent 15 years with McKinsey & Company, as partner and director of the Financial Institutions and Transport and Logistics competence centres. After holding the position of partner in the Astorg Partners private equity fund (2010 to 2015), he became Strategy and Business Development Director of Coface Group on June 13, 2016.

Cyrille CHARBONNEL, Underwriting and Claims Director

The combined control of debtors' and clients' risk is fundamental to the Fit to Win plan. The newly created Underwriting Department will therefore be in charge of both commercial underwriting and claims as well as of the Risk Underwriting and Information Department.

CURRICULUM VITAE

Cyrille CHARBONNEL, 52 years old, is a graduate in finance of the Institut supérieur de commerce de Paris. After initially working at an organisational consulting firm, he joined the Euler Hermes France group as Risk Analyst in 1990. He then moved to the Commercial Department in 2001 and was appointed Sales and Marketing Director in 2004. In 2007, he left for Portugal as Chief Executive Officer of the local subsidiary. He joined Coface in 2011 as Group Organisation Director, then as Chief Operating Officer. In 2013, he was appointed director of the Western Europe and France region before becoming Underwriting and Claims Director in 2017.

Carine PICHON, Chief Financial and Risk Officer

The Finance and Risk Department encompasses management control and purchasing, accounts, investment and financing activities, financial communication, reinsurance as well as the Risk Department and the Actuarial Department.

CURRICULUM VITAE

Carine PICHON, 44 years old, is a graduate in corporate finance of École supérieure de commerce de Rouen and of the University of Regensburg (Germany). After having worked at PricewaterhouseCoopers where she held the title of as Mission Director of Insurance, she joined the Group in 2001 as Consolidation Supervisor. After holding the position of Chief Financial Officer for Coface in France, she became Chief Financial Officer for the entire Group in 2013. The Group Risk Department has been reporting to her since November 30, 2015. On November 2, 2015, the Board of Directors decided to appoint her as the Company's effective manager under the Solvency II Regulation.

Carole LYTTON, General Secretary

The General Secretariat encompasses the Human Resources Department, the Communication Department, Legal Department as well as Compliance Department, which represents a newly created department.

CURRICULUM VITAE

Carole LYTTON, 60 years old, is graduated from the Institut d'études politiques de Paris and holder of a post-graduate degree in international law. She joined the Group in 1983 and has been the Chief Legal and Compliance Officer since 2008. Since 2013, her duties also include Facility Management for France, which reports to her. She was appointed General Secretary on July 3, 2015. Since 2016, the Communication and Human Resources Departments for the Group have also been placed under her authority.

Nicolas de BUTTET, Risk Underwriting, Information and Claims Manager

The Risk Underwriting and Information Department is part of the Underwriting Department.

CURRICULUM VITAE

Nicolas de BUTTET, 43 years old, is graduated from EDHEC. After having begun his career as a Credit Analyst within the Crédit Lyonnais group, he joined the Euler Hermes group as a Risk Underwriter. He joined the Coface Group in 2012 as Manager of Underwriting for Western Europe and France, and has held the position of Group Risk Underwriting, Information and Claims Manager since 2013.

Nicolas GARCIA, Commercial Director

The Group's Commercial Department will strengthen its mission of structuring, organising and promoting the commercial activity. Its responsibilities stretch to distribution networks, both brokerage-based and direct, and management of portfolio accounts, including those of Coface Global Solutions, intended for our major international customers.

CURRICULUM VITAE

Nicolas GARCIA, 43 years old, holds a degree from the University of Bordeaux in economics and international finance, as well as an MBA in international banking & finance from Birmingham Business School. He has held various positions within the Euler Hermes group including that of Head of Commercial Underwriting since 2011. He has held the position of Group Commercial Director since July 2, 2014.

In addition to the Group General Executive Committee, Xavier DURAND also chairs two specialised committees (see Section 1.7).

2.2 Compensation and benefits paid to managers and corporate officers

The Company refers to the AFEP-MEDEF Code to prepare the report required by Article L.225-37 of the French Commercial Code.

The tables inserted in the sections below present a summary of compensation and benefits of any kind that are paid to managing corporate officers of the Company, and to members of the Company's Board of Directors by (i) the Company, (ii) controlled companies, pursuant to Article L.233-16 of the Commercial Code, by the Company in which the mandate is performed, (iii) controlled companies, pursuant to Article L.233-16 of the Commercial Code, by the company(ies) which control(s) the company in which the mandate is performed and (iv) the company(ies) which, pursuant to the same article, control(s) the company in which the mandate is exercised. Since the Company belongs to a group at the date of this registration document, the information concerns the amounts owed by all companies in the chain of control.

The Company is a corporation *(société anonyme)* with a Board of Directors. The duties of Board Chairman, performed by Mr Laurent Mignon, and Chief Executive Officer (CEO), performed by Mr Xavier Durand, until February 9, 2016 (function previously performed by Mr Jean-Marc Pillu) have been separated.

No form of compensation or benefit has been paid to Mr Laurent Mignon by the Company. The compensation paid by Natixis to Mr Laurent Mignon for his term as Chief Executive Officer (CEO) of Natixis is described below (Sections 2.2.2 and 2.2.3).

Mr Xavier Durand and Mr Jean-Marc Pillu were compensated by the Company for their respective terms as Chief Executive Offer as described in Sections 2.2.2 and 2.2.3 below.

2.2.1 COFACE COMPENSATION POLICY

2.2.1.1 Regulatory framework

Coface's compensation policy falls under the provisions of the Solvency II Directive and of the 2015/35 delegated regulation (Article 258 paragraph 1, point 1 and Article 275).

Generally, compensation practices should contribute to an effective risk management in the Company, and in particular:

- ensure strict compliance with the legal and regulatory provisions applicable to insurance companies;
- prevent conflicts of interest and not encourage risk taking beyond the limits of the Company's risk tolerance;
- be coherent with the Company's strategy, interests and long-term results;
- guarantee the Company's capacity to keep appropriate equity.

In this context, the compensation policy of Coface specifies general provisions applicable to all employees according to certain criteria and provisions specific to the population identified as regulated.

2.2.1.2 General principles

The compensation policy is a key instrument in implementing Coface's strategy. It seeks to attract, motivate and retain the best talents. It encourages individual and collective performance and seeks to be competitive on the market while respecting the Group's financial balance. It complies with the regulations in force, guarantees internal fairness and professional equality, particularly between men and women. It is managed by the Group's HR Department and passed along in Coface regions and countries.

Structured in a clear and transparent manner, the compensation is aimed to be adapted to the Group's objectives and to assist it in its long-term development strategy:

- **fixed compensation:** principal component of individual compensation, it is according to the abilities and expertise expected for a given position. It is fixed at the time of hiring and reviewed annually with regard to market practices, individual contribution and internal equity in strict compliance with the constraints of the budgets allocated for the financial year;
- **annual individual variable compensation ("bonus"):** the Group's variable policy takes individual and collective performance into account over a given year and is assessed on the basis of financial and non-financial criteria. The eligibility rules and variable compensation level are set by business line, responsibility level and market under consideration. For the Group's key managers, the target variable compensation is set as a percentage of the base salary;
- **long-term individual variable compensation (Long-Term Incentive Plan):** since 2014, the year of its initial public offer, the Group has set up an annual plan for the allocation of free performance shares to its Executive Committee and aimed at ensuring that the interests of

beneficiaries are aligned with those of shareholders over the long term. In 2016, the Group extended the allocation of free of performance shares to certain target populations in order to meet the regulation requirements of Solvency II, but also for purposes of retaining key employees;

- **collective variable compensation (employee savings):** in France, the Group negotiated a three-year the participation agreement in 2015. This agreement benefits all employees working under a fixed or open-ended employment contract, who provide proof of more than three months' seniority within the companies forming part of the economic and corporate unit Compagnie française d'assurance pour le commerce extérieur – Fimipar (a fully-owned subsidiary of the Group). The incentive scheme is calculated based on five cumulative criteria linked to the evolution of certain financial indicators. The participation is handled according to the legal formula. Similar collective schemes exist in other Group entities depending on their legal obligations and seek to associate employees with the Company's performance;
- **corporate benefits:** corporate benefits are determined by each of the Group's entities in an effort to closely address local concerns. The Group ensures practices are consistent, and guarantees a competitive level of social protection on the market, which is respectful of its employees worldwide.

The compensation of employees is wholly or partly comprised of these components, depending on the position held, the level of responsibility and the reference market.

2.2.1.3 Special provisions applicable to the regulated population

Scope of the regulated population

Pursuant to the provisions of Article 275, paragraph 1 point (c) of Regulation 2015/35, the Company has identified the following persons as falling within the scope of the regulated population:

- members of the Executive Committee who cover general management, finance, strategy, operations, legal, commercial, risk underwriting functions and regional managers;
- persons holding the key functions described in Articles 269 to 272 of Regulation 2015/35: audit, risk, compliance and actuarial;
- persons whose professional activity has a material impact on the Company's risk profile: investment, reinsurance, human resources, IT, economic research, financial communication, country managers whose turnover exceeds a threshold determined each year with respect to the Company's overall turnover.

For 2016, 25 functions fall within the regulated population scope. The Appointments and Compensation Committee identifies these functions then presents them to the Board of Directors for approval. This list is reviewed each year in order to guarantee a perfect match between the evolution of the Company's risk profile and that of its employees.

Specific provisions regarding compensation

The Group endeavours to ensure that the proportion and structure of variable compensation are balanced and that the goals set are in accordance with the Company's strategy and risk profile.

- In addition to rules common to all managers, the Group sets specific compensation rules intended for the population identified as regulated:
  - the variable compensation package includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of the Company's free shares;
  - free shares represent the deferred portion of the variable compensation and represent at least 30% of overall variable compensation. They are contingent upon presence and performance conditions and have a vesting period of three years.

  Any individual coverage or insurance strategy is forbidden.
- The following specific provisions have been defined for the Company's corporate executive officers:
  - the variable compensation package includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of the Company's free shares;
  - the deferred variable compensation comprises two components:
    - free shares which represent at least 30% of the variable compensation package. They are contingent on presence and performance conditions and have a vesting period of three years; the corporate executive officer is further required to hold 30% of the awarded shares until expiry of his term of office,
    - the payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 15% in N+2 and 15% in N+3. A penalty system is introduced in case of observed losses on the payment date.

  Any individual coverage or insurance strategy is forbidden.

  The overall rate for deferred compensation thus represents more than 50% of the variable remuneration package.

All the specific provisions, applicable to the regulated population and to the Company's corporate executive officer, are validated by the Appointment and Compensation Committee, then presented to the Board of Directors for approval.

2.2.2 SUMMARY OF COMPENSATION OF MANAGING CORPORATE OFFICERS FOR 2015 AND 2016

In order to comply with the regulations, the tables below present a breakdown of the summary of compensation and stock options and shares awarded during the financial years ended December 31, 2015 and 2016 to Mr Laurent MIGNON, Chairman of the Board of Directors, to Mr Xavier DURAND, Chief Executive Officer since February 9, 2016 and to Mr Jean-Marc PILLU, Chief Executive Officer until February 9, 2016.

No form of compensation or benefit has been paid to Mr Laurent MIGNON by the Company. The compensation paid by Natixis to Mr Laurent MIGNON for his term as Chief Executive Officer (CEO) of Natixis is described below.

TABLE 1 – TABLE SUMMARISING THE COMPENSATION, AND OPTIONS AND SHARES ALLOCATED TO EACH MANAGING CORPORATE OFFICER (AMF NOMENCLATURE)

	FISCAL YEAR 2016 (1)	FISCAL YEAR 2015 (1)
Laurent MIGNON, Chairman of the COFACE SA Board and Natixis CEO (2)		
Compensation due for the year (3)	1,754,761	1,899,372
Value of the multi-year variable compensation allocated during the financial year	-	-
Value of options allocated during the financial year	-	-
Value of performance shares allocated during the financial year (4)	160,000	160,000
TOTAL	**1,914,761**	**2,059,372**
Xavier DURAND, Chief Executive Officer (CEO) since February 9, 2016		
Compensation due for the year (5) (detailed in Section 2.2.3 below)	985,795	-
Value of the multi-year variable compensation allocated during the financial year	-	-
Value of options allocated during the financial year	-	-
Value of performance shares allocated during the financial year (detailed in Section 2.2.7 below)	312,553	-
TOTAL	**1,298,348**	**-**
Jean-Marc PILLU, Chief Executive Officer (CEO) until February 9, 2016		
Compensation due for the year (5) (detailed in Section 2.2.3 below)	2,034,206	878,840
Value of the multi-year variable compensation allocated during the financial year	-	-
Value of options allocated during the financial year	-	-
Value of performance shares allocated during the financial year (detailed in Section 2.2.7 below)	-	305,977
TOTAL	**2,034,206**	**1,184,817**

(1) In euros.

(2) The details of the compensation for Mr Laurent Mignon, Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis, are available on pages 84 to 96 of the 2016 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 21, 2017 and are available on the website: www.natixis.com.

(3) Including €126 car benefit + €2,967 of family supplement for 2015; and €2,969 of family supplement for 2016.

(4) Valuation of the shares at the allocated price.

(5) On a gross basis (before social contributions and income tax).

2.2.3 COMPENSATION OF MANAGING CORPORATE OFFICERS FOR FINANCIAL YEARS 2015 AND 2016

In order to comply with the regulations, the tables below present a breakdown of the fixed and variable compensation, along with the other benefits awarded during the financial years ended December 31, 2015 and 2016 to Mr Laurent Mignon, Chairman of the Board of Directors, to Mr Xavier Durand, Chief Executive Officer since February 9, 2016 and to Mr Jean-Marc Pillu, Chief Executive Officer until February 9, 2016.

No form of compensation or benefit has been paid to Mr Laurent MIGNON by the Company. The compensation paid by Natixis to Mr Laurent MIGNON for his term as Chief Executive Officer (CEO) of Natixis is described below.

2.2.3.1 Compensation due or allocated for the year ended December 31, 2016, to Mr Laurent MIGNON, Chairman of the COFACE SA Board of Directors

TABLE 2 – SUMMARY OF COMPENSATION OF EACH MANAGING CORPORATE OFFICER (AMF NOMENCLATURE)

	2016 (1)		2015 (1)	
	AMOUNTS DUE (5)	AMOUNTS PAID	AMOUNTS DUE	AMOUNTS PAID
Laurent MIGNON, Chairman of the COFACE SA Board and Natixis CEO (2)				
Fixed compensation for corporate office (6)	800,000	800,000	800,000	800,000
Annual variable compensation	951,792	984,113 (3)	1,096,279	1,083,450 (3)
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	2,969 (4)	2,969 (4)	3,093 (4)	3,093 (4)
TOTAL	**1,754,761**	**1,787,082**	**1,899,372**	**1,886,542**

(1) In euros.
(2) The details of the compensation for Mr Laurent Mignon, Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis, are available in the 2016 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 21, 2017 on pages 84 to 96 and are available on the website: www.natixis.com.
(3) This amount includes payment relating to the variable remuneration deferred from previous years.
(4) Including €126 car benefit + €2,967 of family supplement for 2015; and €2,969 of family supplement for 2016.
(5) Mr Laurent Mignon also benefited at the Board meetings of February 18, 2015 from a free allocation of 27,321 performance shares valued at €160,000 and on July 28, 2016, from the free allocation of 47,463 performance shares valued at €160,000.
(6) On a gross basis before social contributions and income tax.

2.2.3.2 Compensation due or allocated and elements of compensation for the year ended December 31, 2016, to Mr Xavier DURAND, Chief Executive Officer (CEO) of COFACE SA starting from February 9, 2016

TABLE 2 – SUMMARY OF COMPENSATION OF EACH MANAGING CORPORATE OFFICER (AMF NOMENCLATURE)

	2016 (1)		2015 (1)	
	AMOUNTS DUE (3)	AMOUNTS PAID (4)	AMOUNTS DUE (3)	AMOUNTS PAID (4)
Xavier DURAND, Chief Executive Officer				
Fixed compensation (2)	513,865	513,865	-	-
Annual variable compensation (2) (6)	460,000	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation (2)	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind (5)	11,930	11,930	-	-
TOTAL (7)	**985,795**	**525,795**		

(1) In euros.
(2) On a gross basis before social contributions and income tax.
(3) Amounts due correspond to sums allocated for the financial year.
(4) Amounts paid correspond to sums effectively paid during the financial year and include the amounts that were due for the previous financial year.
(5) Mr Xavier Durand benefits from the payment by the Company of 62.5% of contributions due for the business managers and corporate officers social guarantee scheme (GSC) and a company car.
(6) Variable compensation for performance year N paid in N+1, N+2 and N+3.
(7) For the history of allocation of bonus shares, see Section 2.2.11.

BREAKDOWN OF THE COMPONENTS OF THE COMPENSATION OF MR XAVIER DURAND, CHIEF EXECUTIVE OFFICER (CEO) OF COFACE SA FOR THE YEAR ENDED DECEMBER 31, 2016

COMPENSATION COMPONENTS	AMOUNT	COMMENTS
Fixed compensation	€513,865	Gross annual compensation set at €575,000 and paid in proportion to presence in 2016.
Annual variable compensation ("bonus")	€460,000	Variable compensation is set at €575,000. It is made up of 60% of financial objectives, and 40% of strategic and managerial objectives. The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for managerial objectives). The achievement rate for 2016 objectives is 77.81%, broken down as follows:

FINANCIAL OBJECTIVES	ALLOCATION KEY	ACHIEVEMENT RATE	AMOUNT OF CORRESPONDING VARIABLE COMPENSATION
Revenue	20%	88.9%	102,178
Net income	20%	0.0%	0
Internal general overheads excluding exceptional items	10%	100.2%	57,730
Gross loss ratio excluding claims handling expenses	10%	0.0%	0
TOTAL (A)		**27.81%**	**159,908**

STRATEGIC AND MANAGERIAL OBJECTIVES	ALLOCATION KEY	ACHIEVEMENT RATE	AMOUNT OF CORRESPONDING VARIABLE COMPENSATION
Fit to win strategic plan Management/Project management	40%	125.0%	287,500
TOTAL (B)		**50.00%**	**287,500**
TOTAL (A+B)		**77.81%**	**447,408**

As part of assuming his duties, it has been agreed that Mr Xavier Durand's variable compensation for 2016 for will be guaranteed at the level of 80% of target variable compensation. The bonus due for financial year 2016 is therefore €460,000.
The payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 15% in N+2 and 15% in N+3. A malus scheme was introduced: therefore, in case of losses observed prior to the payment dates of the deferrals, i.e. in N+2 and N+3 for year of performance N, no payment will be made for these deferrals.

COMPENSATION COMPONENTS	AMOUNT	COMMENTS
Multi-year variable compensation	€0.00	N/A
Exceptional compensation	€0.00	N/A
Long-term variable compensation (Allocation of stock options/performance shares and any other long-term compensation component)	(see Section 2.2.7)	50,000 shares are allocated under the Long-Term Incentive *Plan 2016 (LTIP 2016)*, representing a value of €312,553 for the allocation, based on the average of the last 20 stock market trading sessions preceding the date of the Board meeting. Bonus shares will be definitively vested on November 4, 2019, under presence and performance conditions measuring over the term of the plan until December 31, 2018, as follows: ■ 60% of the allocated shares will be vested subject to the achievement of the savings described in the *Fit to Win* strategic plan, duly noted as of December 31, 2018; ■ 20% of the allocated shares will be vested subject to the achievement of the RoATE (Return on Average Tangible Equity) level of COFACE SA for the financial year ended on December 31, 2018; ■ 20% of the allocated shares will be vested subject to a performance condition relating to the COFACE SA share, measured by the growth of the total shareholder return (TSR) [1] of COFACE SA compared to the growth of the TSR of institutions in the Euro Stoxx Insurance index over the same period. The share vesting period is set at three years, starting from November 3, 2016. The plan does not provide for any holding period. The Board decided that 30% of the CEO's shares vested under the 2016 LTIP should be retained until the end of his corporate term or of any other function that he might hold within Coface.

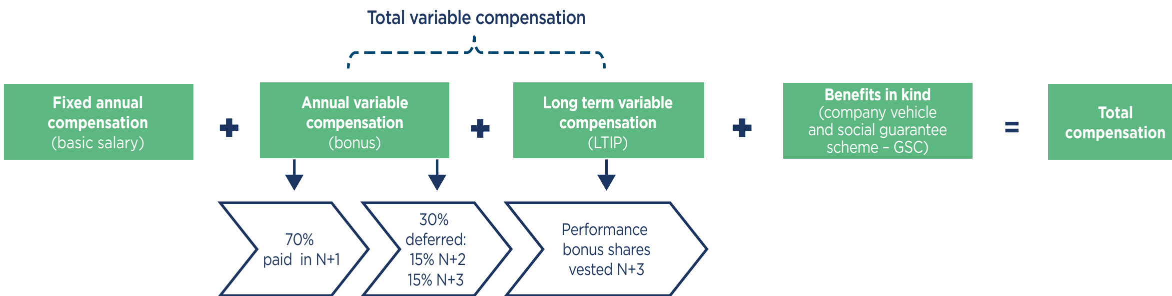
COMPENSATION COMPONENTS	AMOUNT	COMMENTS
No hedging	€0.00	To the Company's knowledge, no hedge instrument has been set up.
Supplementary retirement scheme	€0.00	Mr Xavier Durand does not benefit from any supplementary retirement scheme.
Directors' fees	€0.00	Mr Xavier Durand did not receive any directors' fee for 2016 in connection with his duties inside the Company.
Benefits in kind	€11,930	Mr Xavier Durand benefits from a company car and the payment by the Company of 62.5% of contributions due for the business managers and corporate officers social guarantee scheme (GSC).
TOTAL AMOUNTS DUE*	**€985,795**	

* *The amounts due correspond to the sums allocated for the financial year.*

(1) *TSR sis calculated as follows:*
TSR = [end of period price – start of period price + sum of dividends per distributed share during the period]/price at start of period.

The compensation for the current CEO, Mr Xavier Durand, for 2016 can be summarised as follows:

VARIABLE COMPENSATION PACKAGE



2.2.3.3 Compensation due or allocated and components of the compensation for the year ended December 31, 2016, to Mr Jean-Marc Pillu, Chief Executive Officer (CEO) of COFACE SA until February 9, 2016

TABLE 2 – SUMMARY OF COMPENSATION OF EACH MANAGING CORPORATE OFFICER (AMF NOMENCLATURE)

	2016 (1)		2015 (1)	
	AMOUNTS DUE (3)	AMOUNTS PAID (4)	AMOUNTS DUE (3)	AMOUNTS PAID (4)
Jean-Marc Pillu, Chief Executive Officer (CEO)				
Fixed compensation (2)	54,597	54,597	500,000	500,000
Annual variable compensation (2) (6)	-	370,521	370,521	680,400
Multi-year variable compensation	-	-	-	-
Exceptional compensation (2)	1,978,804 (8)	1,978,804 (8)	-	-
Directors' fees	-	-	-	-
Benefits in kind (5)	805	805	8,319	8,319
TOTAL (7)	**2,034,206**	**2,404,727**	**878,840**	**1,188,719**

(1) *In euros.*
(2) *On a gross basis before social contributions and income tax.*
(3) *The amounts due correspond to the sums allocated for the previous financial year.*
(4) *The amounts paid correspond to the sums effectively paid during the financial year and include the amounts that were due for the previous financial year.*
(5) *Mr Jean-Marc Pillu benefited from a company vehicle.*
(6) *Variable compensation for performance year N paid in N+1.*
(7) *For the history of allocation of bonus shares, see Section 2.2.11.*
(8) *This amount corresponds to the severance package paid to Jean-Marc Pillu.*

BREAKDOWN OF THE COMPONENTS OF THE COMPENSATION OF MR JEAN-MARC PILLU, CHIEF EXECUTIVE OFFICER (CEO) OF COFACE SA FOR THE YEAR ENDED DECEMBER 31, 2016

COMPENSATION COMPONENTS	AMOUNT	COMMENTS
Fixed compensation	€54,597	Gross annual compensation set at €500,000 in January 2015 and paid in proportion to the actual presence time in 2016.
Variable compensation	€0.00	Variable compensation is set at €500,000. No variable compensation is due for 2016.
Multi-year variable compensation	€0.00	N/A
Exceptional compensation	€1,978,804	Mr Jean-Marc Pillu benefited from a severance package due in the event of forced departure (except for serious misconduct or gross negligence), on condition that the two performance criteria below are fulfilled: ■ achievement of at least 75% of the average annual objectives during the three years preceding the departure date, and ■ provided that the combined ratio after reinsurance of the Company is at most 95% on average for the three financial years preceding the departure date. On January 15, 2016, the Board of Directors ascertained that (i) the first condition had been met, the average performance rate by Mr Jean-Marc Pillu of the objectives during financial years 2013, 2014 and 2015 was 106%, i.e., above the 75% target and (ii) the second condition had been met, the Company's average combined ratio after reinsurance for 2013, 2014 and 2015 was lower than 95%. Consequently, the Board decided to pay Mr Jean-Marc Pillu severance pay in the amount of €1,978,804 gross corresponding to two years of compensation (fixed and variable). The reference salary for the fixed portion is the salary of the current year at the date he stops his duties (€500,000) and the reference salary for the variable portion is the average of the variable portions of his compensation for the preceding three financial years.
Allocation of stock options/performance shares and any other long-term compensation component	(see Section 2.2.7)	Mr Jean-Marc Pillu did not benefit from the allocation of any performance shares for 2016. The following was agreed when his duties were terminated: maintenance of the rights to the free allocation of 43,269 COFACE shares. Pursuant to the provisions of the exceptional allocation plan which he benefited from in 2014 in the context of the initial public offering of COFACE SA, these shares were vested on July 1, 2016. Mr Jean-Marc Pillu is required to hold these shares for two years in accordance with the plan stipulations, i.e., until June 30, 2018; maintenance of the performance share rights allocated under the Long-Term Incentive Plan in 2014 and in 2015, regarding a maximum total number of 53,179 COFACE shares, on the understanding that the final vesting of the shares at the end of the vesting period is contingent on the performance conditions and on the dates set out in the plans. Mr Jean-Marc Pillu is required to hold any vested shares for a period of two years, in accordance with the plan stipulations.
No hedging	€0.00	To the Company's knowledge, no hedge instrument has been set up.
Supplementary retirement scheme	€0.00	In 2016, Mr Jean-Marc Pillu was not covered by any supplementary pension scheme.
Directors' fees	€0.00	Mr Jean-Marc Pillu did not receive any directors' fee for 2016 in connection with his duties in the Company.
Benefits in kind	€805	Mr Jean-Marc Pillu benefited from a company car until the date of his departure from the Company.
TOTAL AMOUNTS DUE*	**€2,034,206**	

* *Compensation allocated for duties performed during the previous financial year, regardless of the payment date.*

2.2.4 DIRECTORS' FEES AND OTHER COMPENSATION COLLECTED BY THE MEMBERS OF THE BOARD OF DIRECTORS DURING 2015 AND 2016

The table below shows the directors' fees and other types of compensation collected by members of the Company's Board of Directors in 2015 and 2016.

TABLE 3 – TABLE REGARDING THE DIRECTORS' FEES AND OTHER COMPENSATION COLLECTED BY NON-MANAGING CORPORATE OFFICERS (AMF NOMENCLATURE) (2)

NON-MANAGING CORPORATE OFFICERS	FIRST APPOINTMENT	EXPIRY OF THE TERM OF OFFICE	AMOUNTS PAID IN 2016 (1)	AMOUNTS PAID IN 2015 (1)
BPCE				
Directors' fees COFACE SA	Nov. 21, 2012	SM Dec. 31, 2016 (3)	28,000 (5)	14,000
Other compensation			-	-
Marguerite BÉRARD-ANDRIEU, permanent representative of BPCE				
Other compensation:				
BPCE fixed compensation			460,256.46	330,000.06
BPCE annual variable compensation			299,693.33	170,153
Multi-year variable compensation			-	-
BPCE exceptional compensation			-	-
Benefits in kind from BPCE			-	2,002.21
Jean ARONDEL				
Directors' fees COFACE SA	Nov. 21, 2012	SM Dec. 31, 2016 (3)	20,000	14,000
Other compensation			-	-
Jean-Paul DUMORTIER				
Directors' fees COFACE SA	Jul. 26, 2013	SM Dec. 31, 2016 (3)	20,000	16,000
Other compensation			-	-
Éric HÉMAR				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2017 (3)	41,000	41,000
Other compensation			-	-
Linda JACKSON				
Directors' fees COFACE SA	May 5, 2015	SM Dec. 31, 2016 (3)	16,000	9,333
Other compensation			-	-
Sharon MACBEATH				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2017 (3)	26,000	22,000
Other compensation			-	-
Pascal MARCHETTI				
Directors' fees COFACE SA	Nov. 21, 2012	SM Dec. 31, 2016 (3) Resignation on Oct. 10, 2016	21,834	27,000
Other compensation			-	-
Martine ODILLARD				
Directors' fees COFACE SA	May 5, 2015	SM Dec. 31, 2016 (3)	27,000	16,667
Other compensation			-	-
Isabelle RODNEY				
Directors' fees COFACE SA	Nov. 3, 2016	SM Dec. 31, 2016 (3)	3,333 (6)	-
Other compensation			-	-

Laurent ROUBIN				
Directors' fees COFACE SA	Jul. 26, 2013	SM Dec. 31, 2016 (3) Resignation on Oct. 25, 2016	4,667	16,000
Other compensation			-	-
Anne SALLÉ-MONGAUZE				
Directors' fees COFACE SA	Nov. 3, 2016	SM Dec. 31, 2016 (3)	-	-
Other compensation			-	-
Olivier ZARROUATI				
Directors' fees COFACE SA	Jul. 01, 2014	SM Dec. 31, 2017 (3)	34,000	30,000
Other compensation			-	-

(1) In euros, on a gross basis (before social contributions and income tax).
(2) The dates of appointments and end of appointments for the Board of Directors are available in Section 2.1.1.1.
(3) Shareholders' Meeting held to approve the financial statements for the previous fiscal year.
(4) Effective expiration date of term.
(5) Of which €10,000 for Mr Laurent Roubin in accordance with BPCE's policy.
(6) The fees of Ms Isabelle Rodney are paid directly to the Caisse d'Epargne Côte d'Azur in accordance with their policy.

2.2.5 STOCK OPTIONS OR WARRANTS ALLOCATED IN 2016 TO EACH MANAGING CORPORATE OFFICER OR BY ANY COMPANY IN THE GROUP

No allocation of stock options or warrants occurred for managing corporate officers during the year ended December 31, 2016.

2.2.6 STOCK OPTIONS OR WARRANTS EXERCISED IN 2016 BY EACH MANAGING CORPORATE OFFICER

No stock options or warrants were exercised by a managing corporate officer during the year ended December 31, 2016.

2.2.7 FREE SHARES ALLOCATED DURING 2016 TO CORPORATE OFFICERS

The conditions for bonus share allocation are described in Section 2.2.3. The table below restates the description of the shares allocated free of charge to Mr Xavier Durand under the 2016 Long-Term Incentive Plan.

TABLE 6 – SHARES ALLOCATED TO EACH CORPORATE OFFICER (AMF NOMENCLATURE)

	PLAN DATE	NUMBER OF SHARES ALLOCATED DURING THE YEAR	VALUATION OF SHARES IN EUROS ACCORDING TO THE METHOD USED FOR THE CONSOLIDATED FINANCIAL STATEMENTS	VESTING DATE	AVAILABILITY DATE	PERFORMANCE CONDITIONS
Xavier Durand Chief Executive Officer	*2016 Long-Term Incentive Plan* Nov. 3, 2016	50,000	€312,553	Nov. 4, 2019	Nov. 4, 2019	See table in Section 2.2.3.2
TOTAL		**50,000**	**€312,553**			

2.2.8 SHARES WHICH HAVE BECOME AVAILABLE IN 2016 FOR EACH CORPORATE OFFICER

Pursuant to the provisions relating to the exceptional allocation plan under which Mr Jean-Marc Pillu received bonus shares in 2014 in the context of the COFACE SA initial public offering, his 43,269 Coface shares vested on July 1, 2016. Mr Jean-Marc Pillu is required to hold these shares for two years, *i.e.,* until June 30, 2018.

2.2.9 HISTORY OF ALLOCATION OF STOCK OPTIONS OR WARRANTS

No allocation of stock options or warrants took place during the years ended December 31, 2016, 2015 and 2014.

No plan to allocate stock options or warrants is pending at the date of this registration document.

2.2.10 STOCK OPTIONS OR WARRANTS GRANTED TO THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS

No stock options or warrants were allocated during the years ended December 31, 2016, 2015 and 2014 to the top ten non-corporate officer employees.

No plan to allocate stock options or warrants is pending at the date of this registration document.

2.2.11 HISTORY OF PERFORMANCE SHARES ALLOCATION

78,842 performance shares were allocated under the 2014 LTIP, representing the entire package allocated by the Board of Directors. 21,635 performance shares were allocated to the corporate officer for a value on the allocation date of €225,000 during the financial year ended December 31, 2014. The remaining performance shares, *i.e.* 57,207, were allocated to members of the Executive Committee.

For financial year 2014, an exceptional compensation linked to the IPO was implemented, in the form of bonus share allocation. In this respect, 43,269 shares were allocated to the corporate officer for a value on the allocation date of €450,000 during the financial year ended December 31, 2014. These shares, vested on July 1, 2016, should be held until June 30, 2018.

106,800 performance shares were allocated under LTIP 2015, out of the 113,109 shares representing the total package allocated by the Board of Directors. 31,544 performance shares were allocated to the corporate officer for a value on the allocation date of €350,000 during the financial year ended December 31, 2015. The remainder of the 106,800 performance shares, *i.e.* 75,256 shares, were allocated to members of the Executive Committee.

302,196 performance shares were allocated under the 2016 LTIP, out of the 399,932 available shares representing the total package allocated to this plan by the Board of Directors. 50,000 performance shares were allocated to the corporate officer for a value on the allocation date of €312,553 during the financial year ended December 31, 2016. The remainder of the 252,196 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of free shares was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (28,395 phantom shares) – see Section 7.2.1.2.

TABLE 10 – HISTORY OF BONUS SHARE ALLOCATION

	LONG TERM INCENTIVE PLAN [1]		EXCEPTIONAL ALLOCATION OF BONUS SHARES	
	2016	2015	2016	2015
Meeting date	May 19, 2016	May 18, 2015	-	-
Date of the Board of Directors' meeting	Nov. 3, 2016	Feb. 17, 2015	-	-
Total number of bonus shares allocated	302,196	106,800	-	-
of which allocated to Xavier Durand	50,000	-	-	-
of which allocated to Jean-Marc Pillu	-	31,544	-	-
Share vesting date	Nov. 4, 2019	Feb. 18, 2018	-	-
End-date of the retention period	N/A	Feb. 18, 2020	-	-
Number of stock options	-	-	-	-
Cumulative number of cancelled or lapsed shares	-	-	-	-
Remaining bonus shares allocated at year-end	302,196	106,800	-	-

(1) The performance conditions are described in Section 2.2.3.2 above.

2.2.12 EMPLOYMENT CONTRACTS, RETIREMENT INDEMNITIES AND INDEMNITIES IN THE EVENT OF TERMINATION OF THE DUTIES OF THE MANAGING CORPORATE OFFICERS

TABLE 11 – EMPLOYMENT CONTRACTS, RETIREMENT INDEMNITIES AND INDEMNITIES IN THE EVENT OF TERMINATION OF THE DUTIES OF THE MANAGING CORPORATE OFFICERS (AMF NOMENCLATURE)

	EMPLOYMENT CONTRACT		SUPPLEMENTARY RETIREMENT SCHEME		COMPENSATION OR BENEFITS DUE OR WHICH COULD BE DUE AS A RESULT OF A TERMINATION OR CHANGE OF DUTIES		COMPENSATION RELATED TO A NON COMPETE CLAUSE	
MANAGING CORPORATE OFFICERS	YES	NO	YES	NO	YES	NO	YES	NO
Laurent MIGNON Chairman of the Board of Directors Since November 21, 2012 until the Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016		X		X [1]	✓ [3]		✓ [3]	
Xavier DURAND Chief Executive Officer Since February 9, 2016, until the Ordinary Annual Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2019		X		X [2]	✓			X
Jean-Marc PILLU Chief Executive Officer Between January 3, 2011 and February 9, 2016		X		X [2]	✓			X

(1) Benefits from the coverage of the pension plan as all Natixis personnel do.
(2) The Chief Executive Officer (CEO) of the Company, benefits from all health, pension and providence plans under the prevailing conditions of the Company.
(3) Paid by Natixis. No form of compensation or benefit has been paid to Mr Laurent Mignon by the Company.

Severance pay granted to Mr Xavier Durand

Mr Xavier Durand benefits, in the event that his corporate term ends, from severance pay in an amount equal to two years' (fixed and variable) salary. The reference salary used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference salary for the variable portion will be the average of the variable portions received for the three years preceding the termination date of his duties (or of one of the two years concerned since he came into office in the event of departure before December 31, 2018).

This severance pay shall be due if the following performance criteria have been met:

- achievement of at least 75% of the average annual objectives during the three years preceding the departure date; and
- the Company's combined ratio after reinsurance reaches at most 95% on average for the three financial years preceding the departure date.

If just one of the two conditions above has been fulfilled, 50% of the compensation shall be due. If none of the conditions above has been met, no indemnity shall be due. No compensation shall be paid by the Company if the corporate term is ended at Mr Xavier Durand's initiative or in the event of termination for serious misconduct or gross negligence. The compensation components and corporate benefits governed by the regulated agreements procedure in accordance with the provisions of the French Commercial Code shall be subject to the approval of the Company's Shareholders' Meeting.

2.2.13 AMOUNTS PUT IN RESERVE OR OTHERWISE RECORDED BY THE COMPANY OR ITS SUBSIDIARIES FOR THE PURPOSES OF PAYING PENSIONS, RETIREMENT, OR OTHER BENEFITS

Since Mr Xavier Durand and Mr Jean-Marc Pillu benefit from the joint scheme within the Company, no particular amount was put in reserve or recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement or other benefits to its managing corporate officers.

2.3 Conflicts of interest

2.3.1 PREVENTION RULES APPLICABLE TO DIRECTORS IN RESPECT OF CONFLICTS OF INTEREST

Pursuant to the Director's Ethics Charter which can be consulted on the website http://www.coface.com/Group/Our-organisation in the tab on the Board of Directors, the director must inform the Board of Directors of any conflict of interests, including potential ones, in which he or she may be directly or indirectly involved. The director shall refrain from participating in debates and decision making on the subjects concerned.

The director shall also inform the Chairman of the Appointments and Compensation Committee of any intention to accept a new term of office in a listed company that does not belong to a group of which the director is an executive, in order to allow the Board of Directors, at the proposal of the Appointments and Compensation Committee, to decide, if necessary, whether such an appointment would be incompatible with being a director of COFACE SA.

The director shall inform the Chairman of the Board of Directors of any conviction for fraud, any indictment and/or public sanction, and any prohibition to manage or govern that may have been issued against him/her, as well as any bankruptcy, sequestration or liquidation in which he/she may have been involved.

2.3.2 STATEMENT OF CONFLICTS OF INTEREST

To the Company's knowledge, there is no service contract binding the members of the Board of Directors to the Company or to one of its subsidiaries, and providing for the award of benefits.

To the Company's knowledge, there is no familial ties between the members of the Board of Directors and the other executive corporate officers of the Company.

To the Company's knowledge, none of the members of the Board of Directors have been convicted of fraud during the last five years. None of these people have participated as a manager in a bankruptcy, sequestration or liquidation during the past five years, and none of these people were subject to an incrimination and/or an official public sanction pronounced by a statutory or regulatory authority (including designated professional bodies). None of these people were prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer, nor from taking part in the management or performance of business of an issuer during the past five years.

To the Company's knowledge there are not, as of the date of this registration document, any potential conflicts of interest between the duties of the members of the Board of Directors and the executive officers of the Company, as regards the Company and their private interests.

To the Company's knowledge, no pact or agreement has been entered into with any shareholders, customers, suppliers or other parties by virtue of which any member of the Board of Directors or executive officers of the Company has been appointed in such capacity.

As of the date of this registration document, no restrictions have been accepted by the members of the Board of Directors or the managing corporate officers of the Company as concerns the disposal of their interests in the Company's share capital, with the exception of the rules relating to the prevention of illegal insider trading and the recommendations of the AFEP-MEDEF Code imposing a share retention obligation.

2.4 Chairman's report on corporate governance, internal control and risk management procedures

Pursuant to Article L.225-37 of the French Commercial Code, the subject of this report is to report on the composition and functioning of the Board of Directors and its committees, any potential limitation in powers of general executive management, the application of a Corporate Governance Code prepared by the organisations representing the companies and the rules for determining compensation of corporate officers.

It is the responsibility of the Chairman of the Board of Directors to report on the internal control and risk management procedures set up by the Group, by detailing those regarding the preparation and processing of accounting information. COFACE SA (the "Company"), is subject to the legislative and regulatory provisions of the French Insurance Code. Furthermore, since January 1, 2016, the Group is subject to European Solvency II Directive and to its application regulations. This report presents an overview and is not intended to provide a detailed description of all the internal control mechanisms rolled out inside the Group and its subsidiaries. To the Group's knowledge, this information is currently accurate.

This report has been examined by the Audit Committee before being reviewed and approved by the Board of Directors on its meeting dated on February 8, 2017. It is attached to the Board of Directors' report and presented at the Annual General Shareholders' Meeting.

2.4.1 CORPORATE GOVERNANCE

2.4.1.1 Board of Directors

Composition (see Section 2.1.1)

Until the date of its meeting of February 8, 2017, the Board of Directors was composed of eleven members, 54% of which are women and 45% of which are independent [(1)]:

- Mr Laurent MIGNON, Chairman;
- Mr Jean ARONDEL;
- BPCE represented by Ms Marguerite BÉRARD-ANDRIEU [(2)];
- Mr Jean-Paul DUMORTIER;
- Mr Éric HÉMAR;
- Ms Linda JACKSON;
- Ms Sharon MACBEATH;
- Ms Martine ODILLARD;
- Ms Isabelle RODNEY, coopted to the seat of Mr Pascal MARCHETTI, who resigned;
- Ms Anne SALLÉ-MONGAUZE, coopted to the seat of Mr Laurent ROUBIN, who resigned;
- Mr Olivier ZARROUATI.

(1) *As the Company is controlled by Natixis as set out under Article L.233-3 of the French Commercial Code, the recommendation of Article 8.3 of the AFEP-MEDEF Code which requires this board to include at least one third independent members has therefore been met.*

(2) *BPCE, represented by Marguerite Bérard-Andrieu, resigned on February 8, 2017. In this respect, at its meeting of February 8, 2017, the Board of Directors co-opted Mr Daniel Karyotis, CEO of Banque Populaire Auvergne Rhône Alpes, as director.*

Operations

The Board of Directors has drafted a Charter of internal regulations which can be consulted on the website http://www.coface.com/Group/Our-organisation in the tab on the Board of Directors.

Convening notice of the Board of Directors

The Board of Directors meets as often as is required in the interests of the Company, and at least once per quarter.

Board meetings are convened by the Chairman. However, directors representing at least one third of the Board members may convene a meeting of the Board, detailing the agenda, if there has been no meeting for more than two months. Where the duties of the Chief Executive Officer (CEO) are not performed by the Chairman, the Chief Executive Officer (CEO) may also ask the Chairman to convene a Board meeting to consider a fixed agenda.

Board meetings are held either at the registered office or any other location indicated in the convening notice. The convening notice is completed by simple letter or e-mail, sent to the Board members within a reasonable period of time before the date of the meeting scheduled. It is issued by the Board Secretary.

In case of an urgency, as defined below ("Urgency"), the following accelerated procedure may be applied.

An Urgency is defined as an exceptional situation (i) marked by the existence of a brief period of time, imposed by a third party on penalty of being time-barred, and for which a failure to comply could result in damage for the Company or one of its subsidiaries or (ii) which requires a quick response from the Company which is incompatible with the application of the Board of Directors' usual time frame for a convening notice.

In case of Urgency, the convening notice may be transmitted using all appropriate methods, even verbally, and the time frames for the convening notice and for holding the meeting of the Board of Directors shall not be subject to the provisions described above, insofar as the Chairman of the Board of Directors of the Company has:

(i) first sent notice to the directors providing the basis for the Urgency per the definition above; and

(ii) sent all directors, with the convening notice for said Board, all elements needed for their analysis.

Holding of the Board of Directors' meetings

Meetings of the Board of Directors are presided over by the Chairman of the Board of Directors or, in his absence, by the eldest director, or by one of the Vice-Chairmen if as the case may be.

In accordance with the legal and regulatory provisions, and except when adopting decisions relating to the review and closing of the annual corporate and consolidated financial statements, the directors participating in the Board meeting by video conference or telecommunication are deemed to be present for the purpose of calculating the quorum and majority, thereby satisfying the technical criteria set by the current legislative and regulatory provisions.

Each meeting of the Board of Directors must be of a sufficient duration to have a useful and in-depth debate on the agenda. Decisions are made by a majority of the votes of the directors who are present or represented. In the event of a tie, the vote of the Chairman of the Board of Directors shall prevail.

In the event of a malfunction in the video conference or telecommunications system, as noted by the Chairman of the Board of Directors, the Board may validly deliberate and/or move forward with just the members who are physically present, provided that the quorum conditions have been met.

Informing the Board of Directors

Pursuant to the terms of Article 21 of the Company's Articles of Association, and pursuant to Article 3.4 of the Board of Director's Charter of internal regulations, said Board carries out the inspections and verifications which it judges necessary. The Chairman or the Chief Executive Officer (CEO) must send to each director all the documents and information needed for the accomplishment of his/her duties.

The directors must, prior to the meeting of the Board of Directors, and within a sufficient period of time, have access to the information that will allow them to make an informed decision. However, in the event of an emergency, or when respecting confidentiality so requires, and in particular when sensitive strategic, commercial or financial information is at issue, this information may be provided during the meeting. Directors shall likewise receive, if they so request, a copy of the minutes from the Board of Directors' deliberations.

Furthermore, the directors receive all useful information on the events or operations which are significant for the Company in between meetings.

The Company has set up a Group-level governance system based on a clear separation of responsibilities with an information transmission mechanism. This governance system includes the key functions below: risk management, verification of compliance, internal audit and actuarial functions. Each key function operates under the ultimate responsibility of the Board of Directors, to which it reports.

a) Information at the initiative of the Board of Directors.

The Board of Directors organises an audition, at its own initiative, each time it deems necessary and at least once a year, of key function managers. This audition can take place in the absence of the Chief Executive Officer (CEO) if the Board members consider it necessary. The Board of Directors may refer this audition to a specialised Board committee.

b) Information at the initiative of a key function manager.

Key function managers may inform the Board of Directors, directly and at their own initiative, when justified by the occurrence of certain events. They must do so immediately as soon as they encounter a major problem that falls within their purview. The key function manager must send a written report of the problem to the Chairman. The report must include a detailed explanation of the problem as well as all the elements required to understand it. The report must include recommendations for resolving the problem. The Chairman then communicates this report to the Board members.

Activity

The Board of Directors met nine times in 2016.

The average participation rate was 79.3%.

The main subjects reviewed by the Board of Directors in 2016 included the following in particular:

Financial position, cash and commitment of the Company	■ Approval of the 2015 annual financial statements (parent company and consolidated) ■ Review of quarterly and half-yearly financial statements
Internal control/Risks	■ 2016 audit plan ■ Solvency II: approval of the ORSA report, of the Risk appetite framework and the actuarial report, approval of written policies
Corporate governance	■ Termination of the duties of Jean-Marc Pillu and appointment of the new Chief Executive Officer, Xavier Durand ■ Self-assessment of the Board's work ■ Modification of the Audit Committee by-laws ■ Cooptation of two directors
Compensation	■ Conditions for the departure of Mr Jean-Marc Pillu, Chief Executive Officer ■ Directors' fees allocation principles ■ Compensation of the new Chief Executive Officer, Xavier Durand ■ Approval of the 2016 Long-Term Incentive Plan ■ Update of the compensation policy
Financial operations	■ Arrangement of a contingent equity line ■ Renewal of the share buyback programme ■ Final recording of the capital reduction by decreasing the par value ■ Transfer of the public guarantees management business line to Bpi ■ Negotiation of the rider to the management agreement with the French State for financial year 2016
Corporate strategy	■ Approval of the *Fit to Win* strategic plan

Self-assessment of the Board's work

For the second time, COFACE SA conducted an assessment of the work of its Board of Directors and its specialised committees, in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies. Every three years, the assessment should be implemented with the assistance of an external consultant. A formal assessment will therefore be performed in 2017.

The assessment was carried out through a questionnaire, accompanied by meetings on a number of specific points.

The assessment mainly concerned:

- organisation, operation and composition of the Board;
- the relevance of the agenda and debates with important subjects for the Company;
- directors' relations with general management;
- assessment of the procedures of specialised committees;
- measurement of the Board's general performance.

Generally, the assessment is satisfactory or very satisfactory, especially with respect to the Board's performance (relationship of trust between the Board, the Chairman and the CEO; compliance with governance rules, etc.), the involvement of directors and the answers obtained to their questions.

The main ideas for improvement adopted for 2017 were as follows:

- directors' knowledge of the Charter of internal regulations and of the Company's business lines;
- time devoted to risk control and to major balance sheet items.

Training of directors

The Company has set up a training programme for new directors joining the Company. This training is provided over a half-day, with the main objectives of presenting the Group, its products strategy, its organisation and its commercial objectives, the main components of its balance sheet as well as key business indicators. In addition, the Company organised two training sessions for directors on the Solvency II Regulation.

2.4.1.2 Specialised committees, offshoots of the Board of Directors

Pursuant to Article 18 of the Company's Articles of Association, the Board of Directors may decide to form, with or without the participation of individuals who are not directors, committees or commissions to examine issues that itself or its Chairman refers for their assessment. These committees or commissions perform their duties under its responsibility.

Within this context, the Board of Directors has established an Audit Committee and an Appointments and Compensation Committee, whose composition, powers and rules of operation are described below.

Audit Committee

On the date of this report, the Audit Committee was composed of Mr Éric Hémar (Chairman), Ms Martine Odillard and Ms Sallé-Mongauze since November 3, 2016 (replacing Mr Pascal Marchetti).

Two thirds of the members of the Audit Committee are independent members of the Board of Directors. The recommendation of the AFEP-MEDEF Code, according to which this committee must have a majority of independent members, has thus been complied with.

Composition (Article 1 of the Audit Committee by-laws)

a. Members

The Audit Committee will be composed of three members having the necessary qualifications sufficient to exercise their functions effectively, in particular with competence in financial or accounting matters, appointed amongst the directors of the Company for the duration of their term as directors.

Two thirds of the Audit Committee will consist of independent members.

b. Chairman

The Chairman of the Audit Committee will be one of the members nominated by the Board of Directors amongst the independent members and for the duration of his/her term as a director.

The Chairman of the Audit Committee will exercise his/her functions in accordance with the by-laws of the Audit Committee.

The Chairman of the Audit Committee will set the dates, times and places of the meetings of the Audit Committee, establish the agenda and preside at its meetings. The convening notices for the meetings will be sent by the Audit Committee Secretary.

The Chairman of the Audit Committee will report to the Board of Directors on the opinions and recommendations expressed by the Audit Committee for the Board of Directors to consider.

The Chairman of the Audit Committee will ensure the monitoring of the preparation and due process of the work of the Audit Committee, between each of its meetings.

Duties (Article 3 of the Audit Committee by-laws)

The role of the Audit Committee is to ensure the monitoring of matters concerning the development and verification of accounting and financial information and to ensure the effectiveness of the monitoring of risks and internal operational control in order to facilitate the Board of Director's duties of control and verification.

In this connection, the Audit Committee will in particular exercise the following principal functions:

a. Monitoring of the preparation of financial information

The Audit Committee, must examine, prior to their presentation to the Board of Directors, the annual or half-year parent company and consolidated financial statements, to ensure the relevance and the consistency of the accounting methods used to prepare these financial statements. The Audit Committee will examine, where necessary, major transactions where a conflict of interest could exist.

The Audit Committee reviews in particular provisions and their adjustments and all situations that could create a significant risk for Coface, as well as all financial information or quarterly, half-year or annual reports on the Company's business, or produced as a result of a specific transaction (such as asset contribution, merger, or market transaction).

The examination of the financial statements should be accompanied by a presentation by the Statutory Auditors indicating the key points not only of the results of the statutory audit, but in particular the audit adjustments and significant weaknesses in the internal control identified during the conduct of the audit, but also the accounting methods used, as well as a presentation by the Chief Financial Officer describing the Company's risk exposure and its material off-balance sheet commitments.

b. Monitoring the effectiveness of the internal control systems, internal audit and risk management relating to financial and accounting information

The Audit Committee must ensure the relevance, reliability and implementation of the internal control procedures, identification, hedging and management of the Company's risks in relation to its activities and the accounting and financial information.

The Audit Committee should also examine the material risks and off-balance sheet commitments of the Company and its subsidiaries. The Audit Committee should in particular listen to the internal audit managers and regularly review business risk mapping. The Audit Committee should in addition give its opinion on the organisation of the service and be informed of its working schedule. It should receive the internal audit reports or a summary of such reports.

The Audit Committee is informed of any loopholes in the internal control system and of the corrective actions implemented to correct them. It is informed of the actual implementation of these corrective actions.

c. Monitoring of the legal control of the individual and consolidated financial statements by the Company's Statutory Auditors

The Audit Committee should have regular discussions with the Statutory Auditors during the Audit Committee meetings dealing with the review of the procedures for preparing financial information and the review of the financial statements in order to report on their performance and the conclusions of their work.

The Audit Committee should also monitor the Company's Statutory Auditors (including with and without the presence of the executives), in particular, their working schedule, potential difficulties encountered in the exercise of their duties, modifications which they believe should be made to the Company's financial statements or other accounting documents, irregularities, anomalies or accounting irregularities which they may have discovered, uncertainties and material risks relating to the preparation and treatment of accounting and financial information, and material weaknesses in internal control that they may have discovered.

d. Monitoring the independence of the Statutory Auditors and compliance with the professional code of conduct

The Audit Committee shall meet the Statutory Auditors at least once a year without the presence of

the executives. In this respect, the Audit Committee should also review, with the Statutory Auditors, the risks affecting their independence and the preventive measures taken to mitigate such risks. It must, in particular, ensure that the amount of the fees paid by the Company and the Group, or the share of such fees in the revenues of the firms and networks, would not impair the independence of the Statutory Auditors.

On this occasion, the Statutory Auditors shall also present to the Audit Committee a report on the compliance with their obligations regarding the professional code of conduct for Statutory Auditors and with professional auditing standards.

To this end, the Audit Committee should in particular, ask to receive each year:

- the Statutory Auditors' statement of independence;
- the amount of the fees paid to the network of Statutory Auditors by the companies controlled by the Company or the entity controlling the Company in respect of services that are not directly related to the Statutory Auditors' mission; and
- information concerning the benefits received for services directly related to the Statutory Auditors' mission.

e. Selection and renewal of the Statutory Auditors

The Audit Committee must oversee the selection and renewal of the Statutory Auditors, and must submit the result of this selection to the Board of Directors. Upon expiration of the term of the Statutory Auditors, the selection or the renewal of the Statutory Auditors may be preceded, upon proposal of the Audit Committee and decision of the Board of Directors, by a call for tenders supervised by the Audit Committee that will approve the specifications and choice of firms consulted, and ensure the selection of the "best bidder" and not the "lowest bidder".

The Audit Committee reports regularly on the exercise of their duties to the Board of Directors and informs it without delay of any difficulties encountered.

Operation (Article 2 of the Audit Committee by-laws)

a. Frequency of meetings and procedures for convening meetings

The Audit Committee will be convened whenever necessary and at least four times a year. The Audit Committee will in particular meet prior to each Board meeting if the agenda consists of the examination of a matter related to their assignment and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

- Ordinary convening of meeting:

  The Audit Committee meets upon a written convening notice issued by its Secretary and sent to each of the members. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Audit Committee and ask him to meet with said committee to discuss a specific agenda.

- Extraordinary convening of meeting:

  Two members of the Audit Committee may ask its Chairman to convene a meeting of the committee to discuss a certain agenda or to add one or more points to the agenda in accordance with the limits and powers of said committee. In the event that the Chairman of the Audit Committee does not grant this request within a period of 15 days, the two members may convene the Audit Committee and set the agenda thereof.

  The Company's Statutory Auditors may, if they consider there is an event which exposes the Company or its subsidiaries to a significant risk, ask the Chairman of the Audit Committee to convene a meeting of said committee.

- Form and timing of the convening of meeting:

  The convening notice of the Audit Committee is sent to the members of the Audit Committee with reasonable prior notice, and contains the detailed agenda for the meeting. The information allowing the members of the Audit Committee to issue informed advice during this meeting is sent to the members of said committee, to the extent possible, within a sufficient period prior to the meeting.

  In the event of urgency, the Audit Committee may be convened at any time by its Chairman, acting within the context of an exceptional procedure. In this case, the Audit Committee meeting does not need to comply with the time limits for the above convening notice insofar as the urgency declared in the convening notice and the information allowing the members of the Audit Committee to issue informed advice has been sent prior to the meeting.

b. Attendance at Audit Committee meetings

If any member is prevented from attending an Audit Committee meeting, such member may participate by telephone or video conference.

Only the members of the Audit Committee, as well as the Secretary of the Audit Committee, have the right to attend the Audit Committee meetings.

At the Chairman's proposal, the Audit Committee may invite any executive of the Company (including an executive of any of the principal subsidiaries), as well as the Statutory Auditors of the Company to attend any of its meetings, capable of having a bearing upon the work of the Audit Committee.

c. Quorum and majority rule

The Audit Committee may not validly express its opinions and recommendations unless at least half of its members (including the Chairman) are present.

No member of the Audit Committee may represent another member.

The opinions and recommendations of the Audit Committee will be adopted if the Chairman and the majority of members present at the meeting vote in favour of such opinions and recommendations.

d. Secretariat and minutes of meetings

The Secretary of the Company's Board of Directors will be responsible for the secretariat of the Audit Committee.

The opinions and recommendations of the Audit Committee will be written in a report, one copy of which will be addressed to all members of the Audit Committee and another, if required, by the Chairman to the executives of the Company.

Activity of the Audit Committee

The Audit Committee met five times in 2016. The average participation rate was 90%.

The main work notably addressed:

- approval of the annual financial statements for the year 2015;
- examination of the quarterly and half-yearly financial statements for the year 2016;
- examination and approval of the 2016 audit plan;
- examination of the main off-balance sheet commitments;
- Solvency II Directive: approval of the ORSA report, the Risk appetite framework, the actuarial report and written policies;
- modification of the Audit Committee by-laws;
- reinsurance structure.

The Appointments and Compensation Committee:

The principle of an Appointments and Compensation Committee was decided by the Board of Directors during its meeting of July 15, 2014. Since that date, and at the date of this report, the Appointments and Compensation Committee consists of Mr Olivier Zarrouati (Chairman), Ms Sharon MacBeath and Mr Laurent Mignon.

The Appointments and Compensation Committee is chaired by an independent director and two thirds of it consists of independent members of the Board of Directors. The recommendation of the AFEP-MEDEF Code, according to which this committee must have a majority of independent members, has thus been respected.

Composition (Article 1 of the Appointments and Compensation Committee by-laws)

a. Members

The Appointments and Compensation Committee will be composed of three members appointed from among the members of the Company's Board of Directors for the duration of their term as director.

The Appointments and Compensation Committee shall have a majority of independent members of the Board of Directors who are competent to analyze compensation-related policies and practices.

b. Chairman

The Chairman of the Appointments and Compensation Committee will be one of the members of the Appointments and Compensation Committee nominated by the Company's Board of Directors from among the independent members for the duration of his/her term of appointment as director.

The Chairman of the Appointments and Compensation Committee will convene the meetings of the Appointments and Compensation Committee, determine the agenda and chair the meetings.

The Chairman will (i) report to the Board of Directors on the proposals and recommendations put forward by the Appointments and Compensation Committee in order for the Board of Directors to consider and (ii) ensure the continuity of the preparation and due process of the work of the Appointments and Compensation Committee, between each of its meetings.

Powers (Article 3 of the Appointments and Compensation Committee by-laws)

a. Duties of the Appointments and Compensation Committee

In all matters relating to the appointment of executives (and separate from any difficulty related to their compensation), the Chief Executive Officer (CEO) will be involved in the work of the Appointments and Compensation Committee.

The Appointments and Compensation Committee shall prepare the resolutions of the Company's Board of Directors on the following topics:

(i) Compensation conditions

The Appointments and Compensation Committee is responsible for formulating proposals for the Company's Board of Directors concerning:

- the level and terms of compensation of the Chief Executive Officer (CEO), and, as the case may be, the Deputy CEO, including benefits in kind, retirement plans and pension contributions, as well as the potential grants of stock options;
- the rules for the distribution of directors' attendance fees to be allocated to the Company's directors and the total amount to be submitted to the approval of the Company's shareholders; and
- compensation policy.

(ii) Conditions for appointment

The Appointments and Compensation Committee:

- makes proposals to the Board of Directors regarding the appointment of members of the Board of Directors and of the members of the General Management;
- establishes and keeps an up-to-date succession plan for the key executives of the Company and the Group;
- issues proposals to the Board of Directors regarding the appointment of directors by the Annual Ordinary Shareholders' Meeting.

In its specific function of appointing members of the Board of Directors, the Appointments and Compensation Committee shall take the following criteria into account: (i) the desired balance in the composition of the Board of Directors with regard to the composition and evolutions of the Company's ownership; (ii) the desired number of independent Board members; (iii) the proportion of men and women required by current regulations; (iv) the opportunity to renew terms; and (v) the integrity, competence, experience and independence of each candidate. The Appointments and Compensation Committee must

establish a procedure for selecting future independent members and undertake its own evaluation of potential candidates before the latter are approached in any way.

The qualification of an independent member of the Board of Directors is discussed by the Appointments and Compensation Committee, which drafts a report on this subject for the Board. Each year, the Board of Directors will review, in the light of this report, prior to the publication of the annual report of directors, the situation of each of the directors with regard to the criteria of independence as defined by the Charter of internal regulations of the Board of Directors.

b. Resources and prerogatives of the Appointments and Compensation Committee

The Appointments and Compensation Committee leave at his disposal and upon the request of the Chief Executive Officer (CEO) all documents and information required for the completion of their tasks. It may, moreover, upon request of the Company's Board of Directors, order any study or analysis by experts outside of the Company relating to the compensation conditions of corporate officers from comparable companies in the banking sector.

Operations (Article 2 of the Appointments and Compensation Committee by-laws)

a. Frequency of meetings and procedures for convening meetings

The Appointments and Compensation Committee will be convened whenever necessary and at least once a year. The Appointments and Compensation Committee will in particular meet prior to each Board meeting if the agenda consists of the examination of a matter related to their assignment and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

- Ordinary convening of meeting:

  The Appointments and Compensation Committee meets upon a written convening notice issued by its Chairman and sent to each of the members. The convening notice for the meetings will be sent by the Appointments and Compensation Committee Secretary. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Appointments and Compensation Committee and ask him to meet with said committee to discuss a specific agenda.

- Extraordinary convening of meeting:

  Two members of the Appointments and Compensation Committee may ask its Chairman to convene a meeting of the committee to discuss a certain agenda or to add one or more points to the agenda in accordance with the limits and powers of said committee. In the event that the Chairman of the Appointments and Compensation Committee does not grant this request within a period of 15 days, the two members may convene the Appointments and Compensation Committee and set the agenda thereof.

- Form and timing of the convening of meeting:

  The convening notice of the Appointments and Compensation Committee is sent to the members of the Appointments and Compensation Committee with reasonable prior notice, and contains the detailed agenda for the meeting. The information allowing the members of the Appointments and Compensation Committee to issue informed advice during this meeting is sent to the members of said committee, to the extent possible, within a sufficient period prior to the meeting.

In the event of urgency, the Appointments and Compensation Committee may be convened at any time by its Chairman, acting within the context of an exceptional procedure. In this case, the Appointments and Compensation Committee meeting does not need to comply with the time limits for the above convening notice insofar as the urgency declared in the convening notice and the information allowing the members of the Appointments and Compensation Committee to issue informed advice has been sent prior to the meeting.

b. Attendance at meetings of the Appointments and Compensation Committee

Only members of the Appointments and Compensation Committee may, as a matter of right, attend said committee's meetings. The Secretary of the Appointments and Compensation Committee also participates in these meetings.

If any member is unable to attend a meeting of the Appointments and Compensation Committee, he or she may participate in it by phone or video conference.

c. Quorum and majority rule

The Appointments and Compensation Committee cannot validly express its opinions and proposals unless half of its members (including the Chairman) are present.

No member of the Appointments and Compensation Committee may represent another member.

The opinions and proposals of the Appointments and Compensation Committee will be adopted if the majority of the members present, including the Chairman, vote in favour of adopting them.

d. Secretariat and minutes of meetings

The Secretary of the Company's Board of Directors is responsible for the secretariat of the Appointments and Compensation Committee.

The opinions and proposals of the Appointments and Compensation Committee will be noted in a minute, a copy of which will be addressed to all the members of the Appointments and Compensation Committee and, if necessary, to the directors of the Company.

Duties of the Appointments and Compensation Committee

The committee met three times in 2016. The average participation rate was 100%.

It examined and/or set:

- the components of the Chief Executive Officer's compensation, in particular the financial and qualitative objectives set for 2016;
- the components of a Long-Term Incentive Plan established for the Chief Executive Officer and certain employees, and in particular the performance conditions underlying the vesting of shares;
- the compensation policy, especially in light of the Solvency II Regulation;
- strengthening top management; and
- the cooptation of two new directors to the Board of Directors.

2.4.1.3 Limitations to the powers of the general management

The Board of Directors has established specific procedures in its Charter which are aimed at guiding the powers of the Company's general management.

Pursuant to the terms of Article 1.2 of the Board of Directors' Charter, the following are subject to the prior authorisation from said Board, ruling by a simple majority of the members present or represented:

- extension of the activities of the Company to significant businesses not performed by the Company; and
- any interest, investment, disposal or any establishment of a joint venture carried out by the Company or one of its significant subsidiaries, for a total amount that is greater than €100 million.

2.4.1.4 Code of corporate governance

The Company voluntarily refers to all recommendations of the Corporate Governance Code for listed companies of the AFEP and MEDEF (the "AFEP-MEDEF Code" [1]). The Company has on-going access to copies of the AFEP-MEDEF Code for the members of its corporate bodies.

Within the context of the rule to "apply or explain" provided for by Article L.225-37 of the French Commercial Code, and by Article 27.1 of the AFEP-MEDEF Code, the Company believes that its practices conform to the recommendations of the AFEP-MEDEF Code. However, on the date of publication of the registration document, certain recommendations are not applied, for the reasons presented in the following table:

The Board of Directors' rules must specify that any significant operation not covered by the Company's announced strategy must receive the prior approval of the Board (Article 3.2).	The wording of the Board of Directors' Charter of internal regulations although slightly different, results in a comparable outcome. It provides that the following are subject to the prior authorisation from the Board of Directors, ruling by a simple majority of the members present or represented: extension of the activities of the Company to significant businesses not performed by the Company; and any interest, investment, disposal or any establishment of a joint venture carried out by the Company or one of its significant subsidiaries, for a total amount that is greater than €100 million.
The Compensation Committee must not contain any managing corporate officer (Article 17.1).	The Chairman of the Board of Directors is a member of the Compensation Committee. The Chairman of the Board of Directors has no executive role. Furthermore, there is no risk of a conflict of interest, to the extent that the role of Chairman is not compensated, and that Mr Laurent Mignon does not collect directors' fees either as Chairman or as a member of the Compensation Committee.
The Board of Directors must periodically set a minimum quantity of shares that must be retained by the Chairman of the Board and the Chief Executive Officer in registered form, until the end of his duties (Article 22).	The Articles of Association set the number of shares that must be held by any director The LTIP plans set the number of shares that must be held by the Chief Executive Officer until the end of his duties.

2.4.1.5 Terms of participation at the Shareholders' Meeting

The conditions for shareholder participation at the Annual Shareholders' Meetings are governed by Article 23 of the Company's Articles of Association, and by the current regulations (see Section 7.1.5.5).

2.4.1.6 Factors that may have an impact in the event of a public offer

These factors are published in Section 7.4 "Factors that may have an impact in the event of a public offer".

(1) *This code may be consulted on the website www.afep.com.*

2.4.1.7 Rules for determining the compensation of corporate officers

The compensation policy for the Company's corporate officers was adapted to the standard practices of listed companies.

a. Members of the Board of Directors

The amount allocated to the Board of Directors is €400,000 for 2016.

The rules on distribution of directors' fees are as follows:

- for members of the Board of Directors:
  - fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €2,000 per meeting, capped at six meetings;
- for members of the Audit Committee:
  - Chairman
    - fixed portion: €17,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €2,000 per meeting, capped at six meetings;
  - Members of the Audit Committee
    - fixed portion: €5,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €1,000 per meeting, capped at six meetings;
- for members of the Appointments and Compensation Committee:
  - Chairman
    - fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €2,000 per meeting, capped at five meetings;
  - Members of the Appointments and Compensation Committee
    - fixed portion: €3,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €1,000 per meeting, capped at five meetings.

2016 – MAXIMUM GROSS AMOUNTS OF DIRECTORS' FEES

ON AN ANNUAL BASIS OF NINE BOARD MEETINGS; FIVE AUDIT COMMITTEES: THREE APPOINTMENTS AND COMPENSATION COMMITTEES	AMOUNT OF DIRECTORS' FEES	FIXED PORTION: %	VARIABLE PORTION AS A %
Member of the Board of Directors	€20,000	40	60
Member of the Board of Directors + Chairman of the Audit Committee	€47,000	53.2	46.8
Member of the Board of Directors + member of the Audit Committee	€30,000	43.3	56.7
Member of the Board of Directors + Chairman of the Appointments and Compensation Committee	€34,000	47	53
Member of the Board of Directors + member of the Appointments and Compensation Committee	€26,000	42.3	57.7

b. Chief Executive Officer (CEO)

At the start of each year, the Board of Directors, at the proposal of the Appointments and Compensation Committee, sets the various components of the Chief Executive Officer's (CEO) compensation. This includes a fixed and a variable portion, based on a certain number of objectives which are determined on an annual basis. Pursuant to the principles established in the Solvency II Directive, the variable compensation includes a deferred compensation component, according to the terms set by the Board of Directors (see Section 2.2.3).

2.4.2 RISK MANAGEMENT PROCEDURES AND INTERNAL CONTROL

COFACE SA, as a listed company, has decided to rely on the AMF reference framework with regard to risk management and internal control mechanisms, in addition to legislative and regulatory provisions of the French Insurance Code *(Code des assurances)*. Lastly, since January 1, 2016, the Group is subject to the European Solvency II Directive and to its regulations.

This report presents an overall vision and is not supposed to be a detailed description of all the internal control procedures and mechanisms deployed inside the Group and its subsidiaries. This information is accurate as of the publication date and in the Group's current state of knowledge.

Within the framework of the Group's activity, the risk taking translates the search for business opportunities and the will to develop the Company in an environment intrinsically submitted to possible unexpected events. The essential goal of the risk management function is to identify the risks facing the Group and to set up an effective internal control system to create value.

To address these risks, the Group has established a risk management structure which aims to ensure i) the proper functioning of all of its internal processes, ii) compliance with the laws and regulations in all of the countries where it is present, iii) control of compliance by all operating entities with the Group rules enacted in view of managing the risks related to operations and optimising its effectiveness.

The Group defines the internal control system as a set of mechanisms intended to ensure control of its development, profitability, risks and business operations. These mechanisms seek to ensure that i) risks of any kind are identified, assessed and controlled; ii) operations and behaviours are in accordance with the decisions made by the corporate bodies, and comply with the laws, regulations, values and internal

rules of the Group; as concerns more specifically financial information and management, they aim to ensure that they accurately reflect the Group's position and business; and that iii) these operations are carried out with a concern for effectiveness and efficient use of resources.

Lastly, this system provides managers with access to information and tools –required for the proper analysis and management of these risks. It also ensures the accuracy and relevance of the Group's financial statements as well as the information disclosed to financial markets.

◆ 2.4.2.1 Structure of the mechanism

The internal control and risk management mechanism consists of:

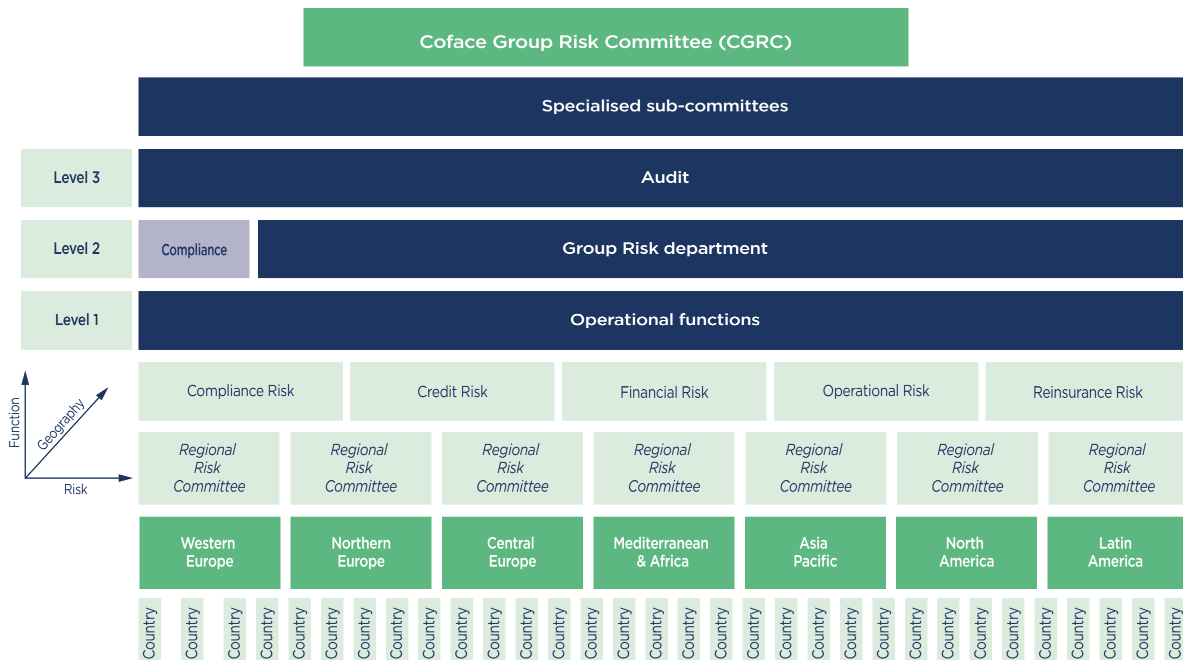
- a governance structure, designed to allow supervision and appropriate management of the Group's activities; and,
- management structures and control mechanisms, designed to allow the Group's managers to separately apprehend the main risks facing the Group and to have the right tools for analyzing and preventing them.

2.4.2.1.1 Governance structure

Coface Group has implemented a risk management and control system which revolves around a clear governance supported by a dedicated organisation based on key functions (see Section 2.4.2.2.2). It has developed its governance by relying on the Board of Directors and its specialised committees (see Section 2.4.1) and on the three general management specialised committees (see Section 1.7 and 2.1.2) which define the Group's strategy, the risk appetite limits and indicators and their control, review and approve policies, identify, measure and manage identified risks (see Section 2.4.2.2.1).

Governance revolves around level one operational committees and level two control committees. The Coface Group Risk Committee (CGRC) is the second level backbone which relies on specialised sub-committees covering different risk scopes or categories as described by the diagram below.

RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM PLAYERS AND SCOPE OF RESPONSIBILITY



In 2016, the regional Risk Committees of Coface's seven global regions were strengthened. They meet every quarter, are chaired by the regional risk manager and fulfil the same missions as the CGRC.

2.4.2.1.2 Management structures and control mechanisms

The management structures and control mechanisms are based on the CGRC. The committee meets at least every quarter and is presided over by the Chief Executive Officer (CEO) (see Section 1.7); the members of the Group Management Board – the strategic and operational control Board of the Group –, the Group Risk Director, the Group Corporate Secretary, the Group Compliance Director, as do, where applicable, the representatives of the operational or functional departments concerned, who are likewise represented according to the matters at hand.

The CGRC is tasked with:

- setting the risk policies;
- monitoring the Company's risk exposure;
- measuring the efficacy of the risk management mechanisms;
- validating and defining the audit and control plans;
- verifying the Company's capacity to confront crises (business continuity plan, solvency); and
- ensuring compliance of processes and organisation.

In 2016, specific sessions were organised to review the Group's risk mapping, by involving each Group entity, regional directors and the regional risk managers.

2.4.2.2 Risk management system

The Group's risk management system seeks to ensure the proper functioning of all of the Company's activities and processes, by controlling and monitoring identified risks. This system is based on the CGRC, described in Section 2.4.2.1.2.

2.4.2.2.1 Identification of risks

The Group has identified five main types of risks: strategic risks, credit risks, financial risks, operational and non-compliance risks and lastly reinsurance risks.

2.4.2.2.1.1 STRATEGIC RISKS

Strategic risk stems from Coface businesses and business lines worldwide. It can be defined as the risk affecting our results and our solvency due to changes in market conditions, poor strategic decisions or poor application of these decisions aimed at addressing the changes to market conditions.

Changes to market conditions may, for example, be linked to regulatory or prudential developments or to the brokerage model implemented within Coface.

2.4.2.2.1.2 CREDIT RISKS

Credit risk is defined as the risk of loss, owing to non-payment by a debtor, of a receivable owed to Coface or insured by Coface.

The credit risk may be aggravated due to the concentration of our exposures (countries, sectors, debtors, etc.) and is modelled as a premium risk, reserve risk and catastrophe risk.

As part of our factoring business lines, the risk of dilution will be handled as an operational risk.

2.4.2.2.1.3 FINANCIAL RISKS

Financial risks cover all risks linked to the management of assets and liabilities. They include: interest rate risk, foreign exchange risk, liquidity risk, real estate risk, spread risk, equity risk and counterparty risk:

- interest rate risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the interest rate curve or the volatility of interest rates;
- foreign exchange risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of exchange rates;
- liquidity risk materialises through the impossibility of dealing with contract or contingent payment obligations;
- equity risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of the value of equity markets;
- real estate risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of the value of real estate markets;
- spread risk materialises due to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or the volatility of credit spreads with respect to the curve of risk-free interest rates;
- counterparty risk materialises through the unexpected default, or credit quality deterioration, of the Company's counterparties and debtors.

2.4.2.2.1.4 OPERATIONAL AND NON-COMPLIANCE RISKS

Operational risk is a risk of losses due to an inadequacy or to a default that is attributable to procedures and people in all areas of business, to the internal systems or to outside events, including the risks of internal and external fraud.

Operational risk also includes the notion of legal risk, including the risk of a dependency situation. The Coface Group does not consider its business or profitability to be dependent on any trademarks, patents or licenses. Indeed, within the context of its activity selling credit insurance solutions and additional services, the Group does not hold any patent. The name Coface is protected by a filed trademark, notably in France. Lastly, the Group has filed a certain number of trademarks, logos and domain names worldwide within the context of its business.

Non-compliance risk is an operational risk, in the same way as model risk and dilution risk:

- non-compliance risk is defined as the risk of judicial, administrative or disciplinary sanctions, a significant financial loss or impact on reputation, which arises out of a failure to comply with the specific provisions on insurance, sale of information, debt collection, or factoring business lines, whether they are legislative or regulatory in nature, or concern professional and ethical standards, or instructions from the executive body. The main areas of non-compliance are: legislations on the fight against financial delinquency (anti-money laundering or terrorism financing legislation), personal data protection, the professional rules of ethics and the regulation applicable to the insurance business;
- model risk is defined as a risk on a result arising from unsuitable or poorly-used models, owing to poor design, poor monitoring or poor use;
- dilution risk is included in operational risks for the factoring business (resulting in particular from disputes or falsified invoices). This risk consists of all of the causes that render invoices technically valueless, regardless of the debtor solvency: disputes, compensations, prepaid invoices, double cession for example.

2.4.2.2.1.5 REINSURANCE RISK

Considering its risk appetite, COFACE is reinsured against potential extreme risks.

Reinsurance generates four types of risks:

- residual insurance risk that may stem from discrepancies between the reinsurance needs and the actual cover specified in the treaty;
- the counterparty risk resulting from the incapacity or potential refusal of the reinsurer, or a stakeholder to the treaty, to meet its obligations to the ceding insurer;
- the liquidity risk arising from the possible time period between the payment of the benefit by the insurer to its insured and the receipt of the reinsurance benefit;
- operational risk linked to the execution of the treaty.

2.4.2.2.2 Organisation of risk management

In order to ensure risk management and prevention, and in accordance with the Solvency II Regulation, the Group has set up an effective governance system, which guarantees sound and prudent management of the business line. This governance system is built on a clear separation of responsibilities and should be proportional to the nature, magnitude and complexity of the Group's operations.

The Solvency II Regulation grants the Chief Executive Officer (CEO) and the Deputy CEO if existing, the status of effective directors of a Group. It authorises the appointment by the Board of Directors of one or several other effective directors. It also defines the following four key functions:

- the risk management function, which consists of defining the risk policies and monitoring their application, validating the risk indicators and monitoring them, assessing the pertinence and efficacy of the internal control system, tracking the business continuity plan, collecting the incidents and losses and updating the risk mapping. This function is assumed by the Group Risk Director;
- the compliance function is tasked with verifying the risk of non-compliance, defined in Section 2.4.2.2.1.4. It is performed by the Compliance Department, which became an independent department of the Legal Department in 2016. The Group Compliance Department regularly informs the Coface Group's management bodies of the status of the risk of non-compliance; quarterly, within the context of the CGRC, and occasionally, directly to the Coface Group's general management in case of major incidents;
- the internal audit function, which is particularly in charge of assessing the adequacy and efficacy of the Group's internal control system and the other elements of the Group's governance system. This function is exercised objectively and independently of operational functions by the Group Audit Director; and
- the actuarial function, which is specifically in charge of coordinating the calculation of technical provisions and the methodology used, evaluating the quality of the data used in the calculation and comparing the best estimates to reality, informing the Board of Directors of the reliability and appropriateness of the calculation of technical provisions, issuing an opinion on the provisions linked to reinsurance and on the comprehensive subscription policy, modelling the risks linked to the calculation of capital requirements and contributing to the internal assessment of risks and solvency. This function is assumed by the Group Actuarial Director.

Each key function is under the authority of the Chief Executive Officer or the effective manager and operates under the ultimate responsibility of the Board of Directors. It has direct access to the Board for reporting any major problem in their area of responsibility. This right is enshrined in the internal rules of the Board of Directors.

The professional qualifications, knowledge and experience of persons with key functions should be adequate to enable sound and prudent management, and they must be of good repute and integrity (see Section 2.1.1.4 "Fitness and probity policy").

Key functions are free of influences that may compromise their capacity to carry out the tasks assigned to them in an objective, loyal and independent manner. In 2016, the actuarial function was separated from the risk management function, with these two functions reporting directly to an effective director.

In December 2016, in order to strengthen the control sectors, it was decided that regional managers of audit, risk and compliance functions would report to managers in charge of these functions at Group level. Similarly, subject to compliance with local regulations, the same chain of command is established between managers at regional level and those at country level.

2.4.2.2.2.1 RISK MANAGEMENT FUNCTION

The risk management function is designed to cover all of the Group's risks and consists in defining risk policies and monitoring their application, assessing the pertinence and efficacy of the internal control system, tracking the business continuity plan, collecting the incidents and losses and updating the risk mapping.

The risk management function:

- implements and monitors the risk management system;
- monitors the Group's overall risk profile, identifies and assesses emerging risks;
- reports on risk exposures and advises the Board of Directors on risk management issues;
- defines and monitors the Group's appetite [(1)] towards these risks: risk appetite takes five dimensions into account through 14 indicators.

(1) Risk appetite represents the risk levels which the Group wants and can accept, with the purpose of reaching its strategic objectives and achieving its business plan.

The risk management function is in charge of rolling out and coordinating Solvency II at the Group level. It reports on its activity to the CGRC which meets every quarter. It cooperates closely with the actuarial function, which is in charge of tests, documentary monitoring and the analysis of the performances of the partial internal model. It communicates the results of the model with users and informs the Board of Directors on the improvements to be made.

The Group's Risk Department leads a network of seven regional risk managers for each region. The latter are in charge of leading a network of correspondents in the countries within their geographic scope. These correspondents are in charge of performing the centrally established level two controls at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

Pursuant to regulations, the risk policies are reviewed annually by the Group Risk Department, and then approved by the Board of Directors. These policies are then communicated to all the Group's entities, contributing to forging a common culture of risk.

2.4.2.2.2.2 COMPLIANCE FUNCTION

The compliance function consists of verifying compliance of the operations with the rules and of ensuring the control of operational activities. The function is performed by the Group Compliance Department, which reports to the General Secretariat.

The compliance function is particularly in charge of implementing procedures ensuring that the Company complies at all times with the legislation applicable to it and of checking the effective application. In this respect, it ensures that level 1 controls are effectively implemented by business lines, it defines and performs level 2 controls and issues recommendations on how to correct any shortcomings identified during such controls. It provides advice on all issues relating to the legislative, regulatory and administration provisions related to access to insurance activities and their conduct.

2.4.2.2.2.3 INTERNAL AUDIT FUNCTION

The Group Internal Audit Department is placed under the responsibility of the Group Director of Audit, who is also in charge of the key internal audit function. He attends the Group General Management Committees in an advisory capacity. He reports, by hierarchy, to the Group Chief Executive Officer (CEO) and by function, to the Natixis Director of General Inspection, as the internal audit function is integrated into the periodic control mechanism of Natixis, the reference shareholder, and into that of BPCE.

Since 2016, the structure of the internal audit function is based on hierarchical attachment to the Group Director of Audit.

An internal audit policy defines the purview of the function. The key objectives of the function include evaluating, according to the scope of each mission, all or a selection of the points below, and reporting on them:

- the quality of the financial position;
- the level of risks effectively incurred;
- the quality of organisation and management;
- the coherence, relevance and smooth operation of risk evaluation and control mechanisms, and their compliance with regulatory requirements;
- the reliability and integrity of accounting information and management information, including information linked to Solvency II issues;
- compliance with laws, regulations and the Group's rules (compliance). The audit verifies the quality and relevance of the procedures implemented to ensure compliance with laws, regulations and professional standards applicable to the audited activities, in France and abroad, and the policies, decisions of the Group's corporate bodies and internal rules;
- the quality, effectiveness and smooth operation of the permanent control mechanism in place and other components of the governance system;
- the quality and level of security offered by the information systems;
- the effective implementation of the recommendations of prior audit engagements, whether it concerns those from the proceedings of the Group's audit segment, BPCE and Natixis general inspections, in addition to the external controls of supervisory authorities.

The missions are defined in an audit plan approved by the Board of Directors and cover the entire Group scope over a limited number of financial years. An audit mission ends with a written report and recommendations which are under the oversight of the audit function.

The independence of the audit function is inherent in its mission. There should be no interference in the definition of its field of action, in the fulfilment of its proceedings or in the disclosure of the results of those proceedings.

The Group Director of Audit has total leeway to approach the Chairman of the Audit Committee and has free access to the Audit Committee. If necessary, and after consulting the Chief Executive Officer and/or the Chairman of the Audit Committee, the Group Director of Audit may inform the ACPR of any breach that he might notice.

The Group Audit Department has no operational activity. It neither defines nor manages the mechanisms that it controls. The internal auditors have no other responsibility under any other function. Lastly, the Group Audit Department has access to all the information required to carry out its missions.

2.4.2.2.2.4 ACTUARIAL FUNCTION

The actuarial function is performed by the Director of the Actuarial Department, who reports to the Chief Financial Officer since July 1st, 2016. Its mission is to advise the executive management or the supervisory body and to support its efforts to ensure the solvency and profitability of the Group over the long term and to ensure compliance with the requirements of Solvency II including on reserving. To fulfil its mission, the actuarial function has direct access to Board meetings.

The actuarial function is the contact of numerous Group departments (Finance, Information, Commercial or Debt Collection), entities of the Group on actuarial subjects, and informs the Board of Directors on the adequacy of the calculation of technical provisions.

The actuarial function:

- coordinates the calculation of technical provisions and the methodology used, evaluates the quality of the data used in the calculation and compares the best estimates to reality;
- informs the Board of Directors of the reliability and appropriateness of the calculation of technical provisions;
- issues an opinion on the provisions linked to reinsurance and on the comprehensive subscription policy;
- models the risks linked to the calculation of capital requirements;
- issues once a year, an actuarial report on the work that it conducts;
- reviews DRA ratings and the price-setting model;
- contributes to the internal assessment of risks and solvency.

The actuarial function works in the following committees in particular: CGRC, DRA Provisioning Committee, New Products Committee, Economic Anticipations Committee and Pricing Committee.

2.4.2.2.3 Risk measuring: quantitative and qualitative annexes

For each of the five major types of risk mentioned in Section 2.4.2.2.1, Coface has developed risk metrics, used to assess the risks and to determine the appropriate resources for controlling them.

2.4.2.2.3.1 MEASURING STRATEGIC RISK

Strategic risk is the risk that the strategic plan defined by the Group might be inefficient, not properly implemented or not suitable for changes in the economic and commercial environment.

The Group's Strategy and Development Department, created in 2016, manages the strategic planning process by working with the General Management Committee. They meet on a regular basis in order to assess the effectiveness of the plan and determine any modifications that might be necessary. The Board of Directors is definitively responsible for monitoring strategic risk, by adopting a strategic planning process and by determining any necessary modifications.

2.4.2.2.3.2 MEASURING CREDIT RISK

Credit risk may be aggravated due to the concentration of our exposures (countries, sectors, debtors, etc.) and is modelled as a premium risk, reserve risk and disaster risk. Classically, there is a distinction between frequency risk and peak risk:

- frequency risk represents the risk of a sudden and significant increase in outstanding payments for a multitude of debtors;
- peak risk represents the risk of abnormally high losses being recorded for a single debtor or Group of debtors, or of an accumulation of losses for a given country.

The Group manages the credit risk through numerous procedures described below, which cover the validation of the terms of the policy relating to the products, pricing, following of credit risk coverage and portfolio diversification.

Control and follow-up of products

- Approval of new products: the Group relies on a Group Product Committee to ensure that the product offer is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offer in each region. It combines the marketing, sales, organisation, compliance, actuarial risk, and any other function according to the projects. In addition, the marketing of new products is examined and approved in compliance with the applicable regulatory procedure. In this case, the committee sits with a specific composition of members, linking the managers of different risk categories. It produces minutes attesting to its decision.
- Validation of product developments: any product development, whether in terms of the policy, pricing method, retail method, target (insured, country), must be conveyed to the Group's Marketing Department and to the Group Compliance Department.
- Sales delegations: in order to ensure the profitability of the policies, the contractual parameters thereof that have a strong influence on the policy's performance or on risk management are covered by a delegation system with eight levels of responsibility.
- Pricing: the Group uses a common pricing tool (PEPS – see Section 1.5.1.2), allowing its users to create pricing projects with the help of simulation tools and to formulate pricing proposals that are consistent with the Group's profitability objectives.

Centralised credit risk management

Frequency and peak risks are tracked locally and regionally, and are likewise centralised and analysed by the head office.

Frequency risk is covered by technical provisions which are established using a statistical loss experience, which simulates the loss ratios using the developments observed and current loss experience data. This risk is measured for each region and country by tracking the instantaneous loss ratio [(1)] and the monthly indicator which determines changes in domestic/export credit by DRA and activity sector (see Section 1.5.1.3), by acceptance rate in the DRA scale, or by product line (bond, Single Risk). With respect to the monitoring of exposures and portfolios, the Group has developed a more refined management of its risks through 38 sectors and five country risk levels (150 risk levels in total). Therefore, outstanding payments are analysed weekly by the Group Risk Underwriting Committee, and monthly by the Group Committee. The loss ratios of the various underwriting regions are likewise tracked at the consolidated level of the underwriting.

Peak risk is covered by Coface Ré reinsurance (see Section 2.4.2.2.3.5 "Measuring reinsurance risk – Sharing of intra-group and reinsurance risks"). In addition to the weekly and monthly monitoring by each region and country, a mechanism is established at the Group level, which relies on:

- a centralisation of the provisions for claims exceeding a certain amount per debtor (currently, €0.5 million for all Group underwriting centres) which is then included in a *post mortem* analysis which enables the performance of the information, risk underwriting and recovery activity to be improved;
- at the risk underwriting level, monitoring beyond an amount outstanding as a function of the DRA causes a budget to be set and validated by the Group Underwriting Department; and
- a system to assess risks by the DRA, which covers all debtors.

Diversification of the credit risk portfolio

The Group maintains a diversified credit risk portfolio, to minimise the risks of debtor default, the slowdown of a specific business sector, or an unfavourable event in a given country, such that the impact is not disproportionate for the Group's total loss experience. The insurance policies furthermore include clauses to modify the contractual limits on outstanding amounts.

Debtor risk exposure

The Group insures the risk of payment defaults for nearly 2.71 million debtors worldwide. As of December 31, 2016, the average debtor risk was nearly €181.7 thousand. More than 80% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and the United Kingdom, and the United States.

The great majority of debtors, considered individually, constitute an insignificant risk with regard to the Group's total portfolio, since no debtor represents more than 1% of the Group's outstandings.

The total outstanding covered by the Group was €492.6 billion, up by more than €17 billion against a background of increasingly high sensitivity of emerging countries and of specific sectors such as construction, metallurgy and the oil sector. The risks selectivity level was strengthened for a finer granularity.

(1) *The instantaneous loss ratio is a weekly indicator which allows the evolution of the loss ratio to be reconstituted. It is tracked for each region and each country, and is included in weekly reports within the Coface Group, notably allowing the risk underwriters to track the evolution of their portfolio and detect any worsening, in order to establish remedial actions at an early stage.*

The charts below analyse the debtor distribution [1] as of December 31, 2014, 2015 and 2016 as a function of the outstanding amounts of cumulative credit risk outstanding [2] carried by the Group for them. The analysis of the number of debtors by segment of outstandings demonstrates a weak risk concentration profile.

	OUTSTANDINGS (IN €M)		
SEGMENTS OF OUTSTANDING TOTAL DEBTOR	2016	2015	2014
€1 - €100 thousand	39,581	39,169	39,985
€101 - €200 thousand	25,404	24,714	24,578
€201 - €400 thousand	34,833	33,836	33,727
€401 - €800 thousand	44,100	42,771	43,282
€801 - €1,500 thousand	45,778	43,894	45,696
€1,500 - €5 million	94,959	93,341	97,953
€5 million - €50 million	149,443	144,363	159,713
€50 million - €200 million	37,374	35,974	42,078
€200 million and more	21,185	17,358	21,025
TOTAL	**492,657**	**475,419**	**508,037**

Geographical distribution of risks

The debtors covered by the Group's credit insurance policies are essentially located in Western Europe. The Group is taking into account the consequences of Brexit, in particular the negotiation of the trade agreement between the UK and the European Union, and is adjusting its risk monitoring accordingly.

As of December 31, 2014, 2015 and 2016, the 10 most important countries represented respectively 63.0%, 64.2% and 64.3% of the Group's total exposure (€492,657 million), arising from its credit insurance activities:

AS OF DECEMBER 31, 2016 [3]

(*) Belgium (1.9%) leaves and China (2.1%) returns.

AS OF DECEMBER 31, 2015

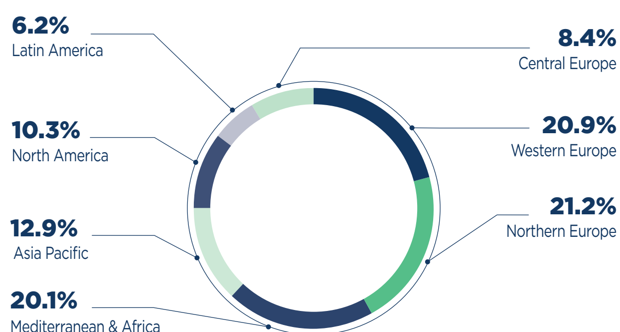
(*) Brasil (1.4%) and China (1.9%) leave [4].

AS OF DECEMBER 31, 2014

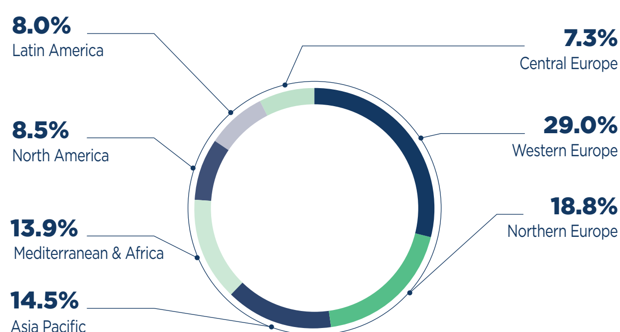
(1) The debtors mentioned above are the clients of the Group's insureds.
(2) The outstandings presented below are gross of reinsurance (direct business and accepted business) and correspond to the maximum covered amounts authorised by the Group for its insureds. They do not correspond to the effective use thereof by the insureds.
(3) Belgium no longer forms part of the 10 countries in terms of exposure. While China has returned to the top 10.
(4) At the publication of the 2015 registration document, the figures indicated were 1.3% for Brazil and 1.7% for China. These percentages were based on the short term credit insurance exposure over these countries.

The charts [1] below show the distribution as of December 31, 2014, 2015 and 2016 of the Group's debtor outstandings, grouped by geographical region:

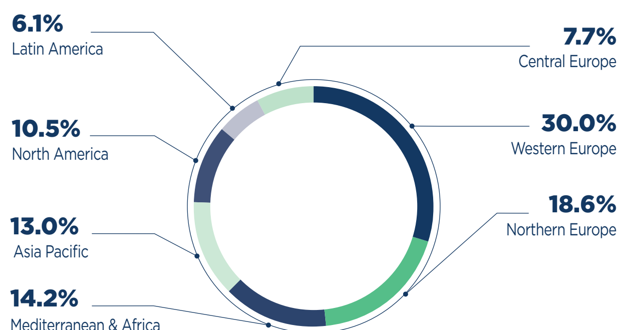
AS OF DECEMBER 31, 2016



AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2015



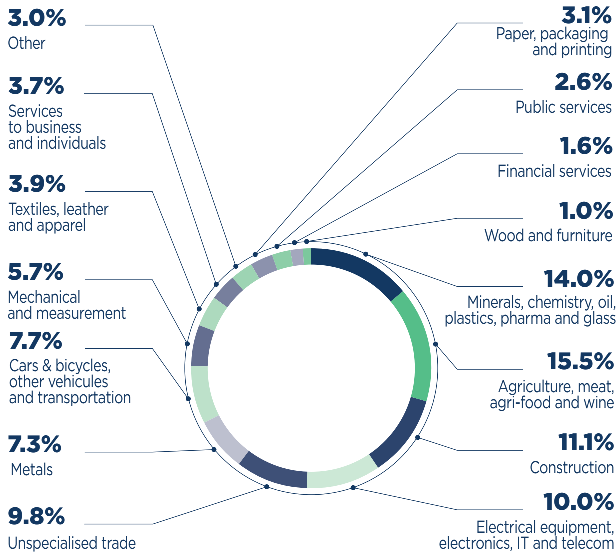
GROUP REGION	OUTSTANDINGS* (IN €M)		
	2016	2015	2014
Western Europe	103,010	142,401	147,145
Northern Europe	104,324	88,362	95,362
Asia-Pacific	63,734	61,905	73,733
Mediterranean and Africa	98,938	67,410	70,657
North America	50,626	49,806	43,234
Latin America	30,711	28,865	40,569
Central Europe	41,314	36,670	37,336
TOTAL	**492,657**	**475,419**	**508,036**

* *The outstandings presented below are gross of reinsurance (direct business and accepted business) and correspond to the maximum covered amounts authorised by the Coface Group for its policyholders. They do not correspond to the effective use thereof by the policyholders.*

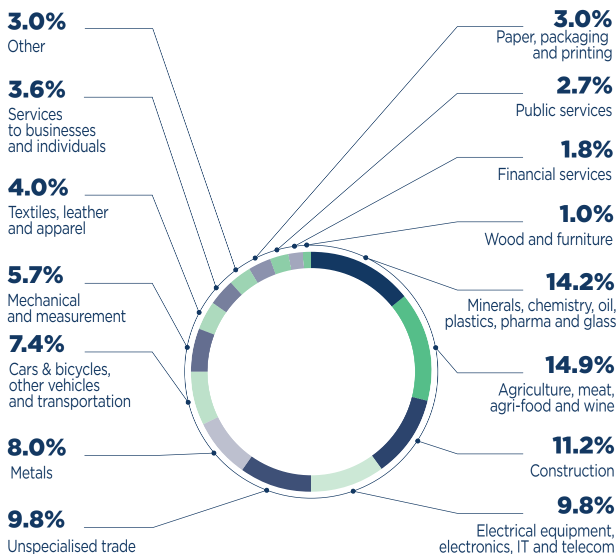
(1) *The breakdown was modified with respect to the previous year: Spain and Portugal have been placed in the Mediterranean & Africa region instead of Western Europe and Russia has been moved from the Northern Europe region to Central Europe.*

Exposure by sector of business of the debtor

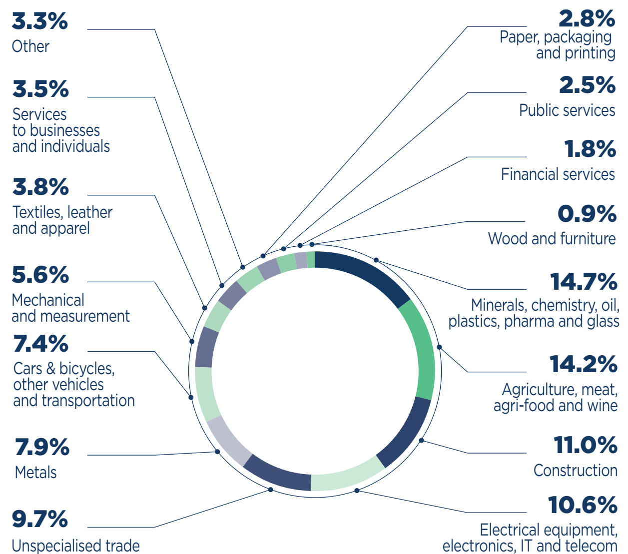
AS OF DECEMBER 31, 2016



AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



Duration of risks

More than 95% of the Group's outstandings consist of short-term risks. The maximum credit term mentioned in its policies rarely exceed 180 days.

Level two controls ensure that the Group's rules on credit risk are well-respected.

Common interests with policyholders

The purpose of credit insurance is to prevent losses as much as possible, in the common interests of policyholders and the insurer. The service offered to the insured, before any indemnification of the losses suffered, is claims prevention and assistance in developing a profitable clientele. These common interests contribute to maintaining prudent management of credit risks, and are found in various aspects of the Group's management policy, as described below.

Decision-making

The principle for the insurer is to approve, for each new debtor that is presented by the insured, the maximum amount of risks that the insurer is ready to accept for that debtor. The insurer likewise determines the maximum amount that it is ready to accept for a given debtor, for all of its policyholders.

The credit risks are primarily underwritten based on global policies under which the policyholders entrust all of their revenue to the insurer in order to avoid the risks of adverse selection. The credit insurer may reduce or cancel its credit insurance coverage for new sales to the debtor concerned at any time. As an exception to this rule, and according to the insured's expertise, the Group may grant certain insureds a degree of autonomy in setting the credit limits for receivables not exceeding an amount as established in the contract.

Consideration of risk quality for establishing the premium

The amount of premiums is set according to, on the one hand, the loss experience that is statistically noted for a population of policyholders which have similar characteristics and, on the other hand, the actual loss experience of the policyholder in question. The amount of the premium is revised when the policy is renewed, generally annually. It is calculated according to its effective loss experience and the quality of the risk associated with this policy at the time of renewal. Furthermore, certain policies provide for mechanisms to share benefits, in order to encourage insured companies to monitor the quality of their clients.

Sharing of risk between the Group and the insured

In general, 10% to 15% of the risk is the responsibility of the policyholder. Policies can provide for deductibles per claim, and sometimes for an overall annual deductible. An overall principle is likewise applied: most often the total revenue for a given business is covered, and it is not possible for the policyholder to choose the individual risks to be covered.

Recovery management by the Group

The Group also asks the majority of its insureds to put it in charge of recovering outstanding payments. As soon as the insured declares an outstanding payment, the Group starts recovery actions in an effort to limit the loss and allow the insured, to the extent possible, to maintain its commercial relationship with the debtor. Negotiations and, if necessary, litigation, are conducted by the world recovery network, which relies on the Group's internal resources and those of its partners in the Coface Partners network, along with collection agencies and a network of attorneys.

A fine-tuned risk underwriting system: ATLAS

Underwriting decisions are made by groups of risk underwriters in various underwriting centres, who work in real time and in network thanks to ATLAS (see Section 1.8). These risk underwriting decisions address the risk underwriting rules that are defined for the Group as a whole.

The Group Risk Underwriting Department is responsible for establishing a global risk underwriting policy. Moreover, the Group Risk Underwriting Committee has the goal of defining the risk policy by country, setting budgets and following the global risk underwriting activity within the context of the objectives set.

The accepted reinsurance (in other words the reinsurance of policies sold by the Coface Partners network which have been accepted for reinsurance) is underwritten according to the same procedures as those used for direct insurance. The Group provides reinsurance which is contingent upon the prior approval in ATLAS for each type of risk ceded.

Evaluation of provisions

The Group establishes claims provisions which are designed to cover probable losses for its credit insurance operations.

The claims that have arisen but not yet been declared/ settled at the close of the year are included in specific provisions.

The claims provisions recorded at a given moment are comprised of:

- provisions for claims declared, which rely on a file-by-file analysis, which is performed according to the characteristics of the policy and claim considered. These provisions are assessed on the amount of outstandings declared, which has been noted in an application for indemnification;
- so-called **"IBNR"** (Incurred But Not Reported) provisions, which simultaneously cover the estimated hazards for provisions of declared and undeclared claims (in other words, claims that have occurred but have which have not been declared at the closing date); and
- forecasts of recoveries to take place on completed indemnifications.

The technical provisions for credit insurance are not updated.

The estimated IBNR provisions are based on an estimate of a most recent loss experience through periodic actuarial analyses which are performed by the entities and controlled by the Group Actuarial Department.

The Group Actuarial Department also has the role of ensuring that the overall level of provisions of the Group is sufficient to cover future indemnifications, to establish and verify the correct implementation of actuarial principles, for which the calculations on estimated reserve must respect.

To date, the actuarial methods used by the Group and its entities are methods based on claims triangles (Chain Ladder and Bornhuetter-Fergusson actuarial methods). These methods are completed by an estimation of the variability of the technical reserves at one year by the Merz and Wuthrich method which aims to determine a reasonable estimate range in which the Group Risk Department recommends choosing an ultimate loss ratio.

Based on this range calculated by the actuaries, their recommendations and other actuarial or non-actuarial analyses, management decides, through a committee (Loss Reserving Committee) on the level of reserves to be withheld for each quarter's closing. This committee is formed for each entity, and at the Group level. It meets at least quarterly, but may be convened in case of a major event which requires a significant revision of the reserves level (in particular in the event of a significant claim). The estimates are likewise refined based on economic information, risk underwriting information, and information on the recovery of receivables, evaluated during a quarterly committee meeting on "economic expectations".

Loss ratio

The Group measures the loss experience, notably as a function of the loss ratio (total of claims charges compared to the total gross premiums earned). This ratio, which was determined using figures from the consolidated financial statements, totalled 63.3% in 2016.

The table below shows the evolution of the loss ratio including claim management fees before reinsurance recorded for a given year between 2011 and 2016:

YEAR	2011	2012	2013	2014	2015	2016
Loss ratio	51.7%	51.5%	51.1%	47.6%	51.0%	63.3%

The Group conducts its risk management policy thanks to its capacity to reduce or cancel its credit-insurance cover, a corrective measure aimed at reducing its exposure in certain countries in response to the deterioration of the economic situation.

The variation of +/- one percentage point [(1)] of the gross accounting loss ratio at December 31, 2016, would have had an impact of +/- €11 million on the claims expenses net of reinsurance, of +/-€6 million on the net income and of +/- €6 million on equity. The Group believes that a variation of one percentage point in the gross accounting loss ratio is reasonable as compared to the loss ratio recorded in previous years.

CLAIMS EXPENSES RECORDED AT THE GROUP LEVEL (NOTE 25, CHAPTER 4)

In the table below, the gross operations represent the claims expenses recorded in the Group's financial statements for direct business and inward. The cessions and retrocession represent the portion ceded for external reinsurance.

	AS OF DEC. 31								
	2016			2015			2014		
(in millions of euros)	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET
Claims expenses – current year	-782	168	-614	-815	165	-650	-787	164	-623
Claims expenses – prior years	76	-24	52	210	-44	166	248	-61	188
CLAIMS EXPENSES	**-706**	**144**	**-562**	**-605**	**121**	**-484**	**-539**	**104**	**-435**

STATUS OF TECHNICAL PROVISIONS ESTABLISHED AT THE GROUP LEVEL (NOTE 19 CHAPTER 4)

In the table below, the provisions for unearned premiums corresponds to the portion of written premiums relating to the period between the year-end and the next premium payment date. They are calculated *prorata temporis* for each insurance contract. The provisions for profit sharing correspond to an estimate of the cost of the profit sharing not paid at the closing date. The profit sharing is a contractual stipulation which consists of refunding a portion of the benefit, which the savings on the contract could generate, to the policyholder at the end of a defined period.

	AS OF DEC. 31		
(in millions of euros)	2016	2015	2014
Provisions for unearned premiums	276	286	286
Claims provisions	1,275	1,122	1,092
Provisions for profit sharing	127	107	94
Liabilities relating to insurance contracts	**1,678**	**1,515**	**1,472**
Provisions for unearned premiums	-48	-58	-57
Claims provisions	-267	-247	-249
Provisions for profit sharing	-26	-23	-23
Reinsurers' share of technical insurance liabilities	**-341**	**-328**	**-329**
NET TECHNICAL PROVISIONS	**1,337**	**1,187**	**1,143**

(1) In other words the variation of n% to (n+1)%.

ROLL-OUT OF CLAIMS PROVISIONS

The roll-out of claims provisions indicates the evolution of claims provisions for the last decade.

The following triangle, which presents the development of the ultimate loss ratios, details, for a given line N, the vision for each of the subsequent year-ends (N+1, N+2, etc.). The estimated final loss ratio varies as a function of the increasing reliability of information relating to claims still pending.

The discrepancy between the initial loss ratio and the final loss ratio measures the excess or insufficiency of the provisions recorded at the source.

TRIANGLE OF DEVELOPMENT OF ULTIMATE LOSS RATIOS (GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES)

OCCURRENCE YEAR (N)/ DEVELOPMENT YEAR *(as a %)*	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8
2007	62.0	61.1	66.6	66.8	66.9	63.7	64.3	63.7	63.8
2008	93.8	113.5	114.5	112.6	108.0	105.5	104.4	104.4	102.3
2009	77.1	65.9	60.3	61.8	57.8	56.5	55.8	56.3	
2010	58.2	44.3	37.9	35.6	35.0	34.9	34.7		
2011	73.6	61.1	54.9	54.3	53.2	52.2			
2012	77.3	67.5	61.0	58.7	59.9				
2013	72.6	56.9	51.1	49.2					
2014	72.5	61.8	62.9						
2015	70.2	65.4							
2016	70.0								

The claims provisions estimate model used by the Group is based on a history of data which notably includes 2008. This year is characterised by an 8.5-point insufficiency of provisions (between 93.8% estimated in 2008 and 102.3% re-evaluated in 2016). Consequently, this provision model has historically led the Group to estimate, out of prudence, higher loss ratios than the loss ratios actually recorded. Given the Group's proper control of loss experience, it has systematically recorded profits since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the evolution of these profits over the 2013-2016 period:

PERIOD	LATEST LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES OF EACH YEAR FOLLOWING THE FIRST YEAR OF DEVELOPMENT *(as a %)*	ACCOUNTING LOSS RATIO BEFORE REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES *(as a %)*	PROFIT *(as a %)*
2013	72.6	48.4	-24.1
2014	72.5	45.3	-27.2
2015	70.2	48.8	-21.4
2016	70.0	61.0	-9.0

The second table, entitled "Triangle of development of cumulative claims paid, net of recourse (gross of reinsurance)", details, for each year of occurrence, the cumulative amount of payments relating to years of occurrence N and prior which have occurred since December 31. The process of declaring claims, indemnifying them and any recourse extends over several years. This requires tracking the claims per insurance period.

TRIANGLE OF DEVELOPMENT OF CUMULATIVE CLAIMS PAID, NET OF RECOURSE (GROSS OF REINSURANCE)

OCCURRENCE YEAR (N)/ DEVELOPMENT YEAR *(in millions of euros)*	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2007	77	382	514	551	560	583	589	592	593	595
2008	122	798	973	1,013	1,034	1,035	1,039	1,043	1,042	
2009	164	453	517	533	538	545	545	547		
2010	60	274	345	359	366	370	379			
2011	67	458	566	597	626	608				
2012	118	448	564	577	582					
2013	83	400	491	523						
2014	74	417	572							
2015	62	370								
2016	55									

2.4.2.2.3.3 MEASURING FINANCIAL RISKS

Financial risks are described in Section 2.4.2.2.1.3 and cover all risks linked to the management of assets and liabilities. They include: interest rate risk, foreign exchange risk, liquidity risk, real estate risk, spread risk, equity risk and counterparty risk.

The Group has established an investment policy which considers the management of financial risks through the definition of its strategic allocation, the regulations applicable to insurance companies, and the investment constraints resulting from the management of its liabilities. The investment strategy implemented must allow for addressing the Group's commitments to its policyholders, and to do so while optimising investments and performance in a defined risk framework.

The Group's investment policy, which is reviewed twice a year, notably covers the strategic allocation of assets, asset classes and products eligible for investment, the target portfolio maturity, management of potential hedging and the income control policy of the Group. The allocation that is defined each year relies on an analysis of the liabilities, simulations and stress on performance/risk behaviours of various asset classes of the portfolio, and on compliance with the defined parameters linked to the Group's business and commitments: target sensitivity, consumption of equity, maximum loss as a function of the behaviour of financial markets, quality and liquidity of the investment portfolio.

The control of financial risks thus relies on a rigorous mechanism of standards and controls which is constantly reviewed.

Internal investment management control mechanism

Since May 2013, Coface has centralised management of its investments, and delegates a large portion of the management to various delegates under the aegis of a sole investment provider, the Amundi management company. The Group's reinsurance captive Coface RE, created in September 2014, has also delegated the management of its investments to various agents under the aegis of the management company Amundi.

An administrative management platform thus combines all investments from the Group's various insurance entities with the following services:

- advice on strategic and tactical allocation of assets;
- reporting (economic, risks, regulatory (Solvency II) and accounting); and
- back-office and middle-office functions.

This platform allows the Group's global portfolio to be managed according to a targeted distribution of various asset classes, determined by integrating (i) the constraints on risk and liquidity, (ii) the regulatory and insurance-specific constraints, (iii) the cost in capital and adequacy of investments, in terms of risk and duration, with the Group's liabilities.

This organisation allows the Group access to diversified asset classes and management techniques, with the objective of seeking, for its investment portfolio, stable long-term performance, while maintaining strong quality and liquidity of the underlying assets. It also ensures best monitoring of financial risks, reduces the operational risks and enables more responsive and refined management of the Group's financial income within a controlled general risk framework, and in compliance with the current and future regulatory requirements.

Management of risks related to asset allocation

Investment assets

As an insurance company, the Group's investment maintains an allocation that is heavily weighted towards fixed-income instruments, which provide it with recurring and stable revenues.

INVESTMENT PORTFOLIO (FAIR VALUE) [1]	AS OF DEC. 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Shares	126	4.8	219	8.7	189	7.4
Bonds	1,797	68.3	1,685	66.7	1,788	69.9
Loans, deposits and other financial investments	570	21.7	512	20.3	550	21.5
Real estate investment	138	5.2	112	4.4	31	1.2
TOTAL	**2,631**	**100**	**2,527**	**100**	**2,558**	**100**

(1) Excluding unconsolidated subsidiaries.

As of December 31, 2016, bonds represented 68.3% of the total investment portfolio.

Within the framework of the defined strategic allocation, the Group increased its exposure to the sovereign debt of leading issuers of the financial markets, as well as to European unlisted real estate while reducing its exposure to European equities.

DISTRIBUTION BY TYPE OF DEBT IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DEC. 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Sovereign and assimilated	923	51.3	815	48.4	763	42.7
Non-sovereign	874	48.7	870	51.6	1,025	57.3
TOTAL	**1,797**	**100**	**1,685**	**100**	**1,788**	**100**

These investments are all made within a strictly defined risk framework; the quality of the issuers, the sensitivity of issues, the dispersal of issuer positions and geographical zones are subject to precise rules that have been defined in the various management mandates granted to the Group's dedicated asset managers.

Specific limits applying to the entire investment portfolio are moreover defined in terms of portfolio pricing, and limits by counterparty and country. Regular monitoring is likewise conducted in terms of credit portfolio liquidity, the evolution of spreads and the Group's cumulative exposure to the main asset/liability exposures. Hedging is then ultimately completed, where applicable: it is systematic based on the exchange rate risk, and discretionary, as concerns the yield and spread risk.

As of December 31, 2014, 2015 and 2016, the main characteristics of the bond portfolio were as follows:

DISTRIBUTION BY GEOGRAPHIC ZONE OF THE BOND PORTFOLIO (FAIR VALUE)	AS OF DEC. 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Asia – Developed countries	259	14.4	154	9.1	73	4.1
Emerging countries [1]	164	9.1	159	9.4	135	7.5
Eurozone	821	45.7	788	46.8	1,036	58.0
Europe outside the eurozone [2]	145	8.1	136	8.1	151	8.4
North America	408	22.7	448	26.6	393	22.0
TOTAL	**1,797**	**100**	**1,685**	**100**	**1,788**	**100**

(1) Countries in which the Group is present, primarily Brazil, Mexico.
(2) Primarily the United Kingdom, Switzerland, Sweden and Norway.

The investment portfolio is primarily exposed to areas in developed countries of the eurozone and North America. The risk related to sovereign issuers of the eurozone was significant in 2013, and began decreasing in 2014 thanks to the various actions of the European Central Bank. The continuous improvement of the economic situations of Spain, Ireland and Italy has allowed us to improve our investments in the sovereign securities of these countries since 2014, however exposures remain limited due in particular to the significant political risk. Conversely, exposures to the sovereign debt of Portugal and Greece are still null. In 2015 and 2016, the Group increased the international diversification of its bond portfolio, particularly in developed countries in Asia, in order to benefit from higher rates of return and follow the various interest rate rises.

The bond portfolio remains essentially invested in companies and countries that have been rated as investment grade [1].

DISTRIBUTION BY RATING [1] OF THE BONDS IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DEC. 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
AAA	354	19.7	329	19.5	227	12.7
AA - A	675	37.6	540	32.1	636	35.6
BBB	576	32.1	558	33.1	576	32.2
BB - B	186	10.3	256	15.2	347	19.4
CCC and less	6	0.3	2	0.1	2	0.1
TOTAL	**1,797**	**100**	**1,685**	**100**	**1,788**	**100**

(1) Average rating between Fitch, Moody's and Standard & Poor's.

Incidentally, investments in company bonds represent 48.7% of the bond portfolio and are more than 85% concentrated on investment grade companies [1]. These investments were made within the context of a strictly defined risk policy, and particular care was given to the quality of the issuers, the sensitivity of the issues, the dispersal of the issuers' positions and the geographical zones in the various management mandates granted to the Group's dedicated managers.

The rate risk carried by the Group on its financial portfolio is limited, the maximum authorised sensitivity for the bond asset class being deliberately capped at 4 [2]. The sensitivity of the bond portfolio was 3.6 as of December 31, 2016.

Lastly, the semi-annual Risk Committee systematically reviews the spread and liquidity risks of the portfolio.

Coverage policy

The Group's Investment Department, in charge of controlling investments and managing the investment portfolio, can authorise the use of hedging on the risk of a rise in rates, through liquid financial forward instruments (swaps, futures, options) on a regulated market, or by negotiation with counterparties rated A- or higher.

These operations are exclusively performed for hedging purposes, and in strict application of the regulations applicable to insurance companies. The nominal amount of the hedge is thus strictly limited to the amount of underlying assets held in the portfolio (shares or rate products) in order to cover assets actually held in the portfolio.

As of December 31, 2016, only Compagnie française d'assurance pour le commerce extérieur and Coface Re had developed a hedging strategy for the equity exposure of the investment portfolio, by using out-of-the-money long-term maturity put options. The level and control of this hedging strategy on eurozone-listed equities are defined and reviewed according to the market circumstances and the control of the levels of unrealised gains and losses during the monthly Investment Committees between the Group and the Amundi investment platform manager.

Foreign exchange risk

As of December 31, 2016, 36.7% of the Group's consolidated revenue was earned outside of the eurozone, and thus subject to exchange rate risk.

The subsidiaries or branches whose financial statements have been prepared in euros, and who underwrite in other currencies must respect the same principles of congruity (matching between assets and liabilities denominated in a currency other than the one used as reference for issuing accounting statements). As an exception, positions opened in other currencies may be hedged. No investment in foreign currencies has been made by the Group for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. Exposure to the exchange rate risk is limited for investment portfolios: as of December 31, 2016, 69% of investments were thus denominated in euros.

(1) *According to the Standard & Poor's rating agency scale, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of less than or equal to BB+ are considered to be high yield.*

(2) *The sensitivity of a bond measures its loss in value in the event that interest rates rise. Thus, a bond with a sensitivity of 4 will have its market value decrease by 4% if the interest rates increase by 1%.*

DISTRIBUTION BY CURRENCY OF THE INVESTMENT PORTFOLIO	AS OF DEC. 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
EUR	1,833	69.6	1,743	69.0	1,791	70.0
USD	410	15.6	514	20.3	504	19.7
Other [(1)]	388	14.8	270	10.7	263	10.3
TOTAL	**2,631**	**100**	**2,527**	**100**	**2,558**	**100**

(1) Primarily the Singapore dollar, the pound sterling, the Brazilian real and the Canadian dollar.

Furthermore, as concerns the majority of the portfolio which includes the European entities of the Group, the exchange rate risk is systematically covered for investments in foreign currency which departs from the matching principle. Therefore, as of December 31, 2016, investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were the subject of systematic hedges against the euro by the managers in charge of the portfolios concerned.

SENSITIVITY TO EXCHANGE RATE RISKS OF NET INCOME OF ENTITIES DENOMINATED IN FOREIGN CURRENCIES

	AVERAGE EXCHANGE RATE (DECEMBER 2016)	NET INCOME FOR THE YEAR (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT) IN THOUSANDS OF EUROS AS OF DEC. 31, 2016	NET INCOME FOR THE YEAR (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT) IN THOUSANDS OF FOREIGN CURRENCY AS OF DEC. 31, 2016	ASSUMPTION - 10% VARIATION OF THE EXCHANGE RATE	NET INCOME FOR THE YEAR (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT) IN THOUSANDS OF EUROS AFTER CHANGE IN EXCHANGE RATE	RATE VARIANCE BETWEEN ACTUAL EXCHANGE RATE, VARYING 10%
Brazilian real	0.2589	-817	-3,155	0.2848	-899	-82
Canadian dollar	0.6820	-3,374	-4,947	0.7502	-3,712	-337
Swiss franc	0.9175	1,664	1,814	1.0092	1,830	166
Pound sterling	1.2207	8,969	7,348	1.3428	9,866	897
Hong Kong dollar	0.1164	-10,257	-88,082	0.1281	-11,283	-1,026
Mexican peso	0.0484	749	15,485	0.0532	824	75
Polish zloty	0.2291	7,357	32,107	0.2521	8,093	736
Romanian leu	0.2227	2,211	9,929	0.2449	2,432	221
Russian rouble	0.0135	2,936	217,857	0.0148	3,229	294
Singapore dollar	0.6547	-43,893	-67,043	0.7202	-48,282	-4,389
US dollar	0.9039	-9,069	-10,033	0.9943	-9,976	-907
Others		-2,101			-2,311	-210
Euro		87,156			87,156	
TOTAL		**41,531**			**36,968**	**-4,563**

Equity risk

The stock markets are marked by volatility which causes a significant risk for an insurer, which is moreover subject to specific rules in terms of provisioning (provision for permanent impairment) and consumption of own funds (Solvency II Directive).

To that end, the Group has reviewed its equity exposure in 2016 through its work reviewing its strategic allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and concentrated in the eurozone, in line with its core business. The Group has no specific concentration of its equity risk in one or more specific economic sectors. Management is benchmarked according to the MSCI EMU [(1)] reference index. These investments are moreover the subject of discretionary coverage established to mitigate any extreme shocks. The hedging strategy is dynamic: its level, scope and size are defined by the Investment Department in line with the asset manager that is in charge of the asset management platform.

As of December 31, 2016, stocks represent 4.8% of the investment portfolio, 4.3% of which are stocks listed on a market in the eurozone. These investments were the subject

(1) Published by Morgan Stanley Capital International, the MSCI EMU index, an index which is weighted by the free float-adjusted market capitalisation, designed to measure the performance of stock markets in the eurozone countries.

of a hedge on 50% of the portfolio that was invested through the purchase of put options maturing in June 2018 at an exercise price of approximately 20% out of the money on the Eurostoxx index. These hedges may be adjusted according to investments and the amount of the unrealised losses or gains on the shares held.

Risk of concentration/default of a counterparty

The Group has established an investment policy which defines an overall counterparty risk management framework. The approach consists of defining the limits on bond investments, and consolidating all exposures through all financial instruments in order to delimit the Group's total potential loss following the default or bankruptcy of the counterparty in question.

A maximum limit of exposure for a single counterparty has thus been determined as a percentage of the investment portfolio. This is set at 5% of outstandings managed with possible, temporary exceptions to be made on individual exposures which are linked to short-term investments.

As of December 31, 2016, the 10 main exposures of the bond portfolio were €668 million, or 37% of the fair value of the bond portfolio.

More generally, the Group implemented rules imposing geographic and sector-specific risk diversification within its investment portfolio and for all asset classes, in an effort to protect itself or mitigate any default.

Real estate risks

Within the context of the Group's strategic allocation, property represents a limited portion of the Group's assets, less than 7% due to the low liquidity of this asset class. The Group's current portfolio consists of property used within the context of its operating activities, as well as underlying real estate funds.

The real estate risk materialises due to a reduction in market value, thereby impacting the unrealised profits recorded for this property, or even recording unrealised losses.

As of December 31, 2016, the Group had real estate exposure with a fair value of €198.3 million, consisting of €60.4 million in operating property and €137.9 million in non-listed real estate.

Sensitivity testing

Monthly simulations are moreover performed on the portfolio invested, and presented during the Investment Committee meetings. They cover the maximum loss anticipated in terms of economic performance over various periods, from asset class to asset class, devoting particular attention to the spread risk.

These sensitivity tests cover all asset classes in which the Group has invested, and allow the overall risk to which the portfolio is exposed in case of an adverse scenario to be assessed each month, and potential measures to be taken to reduce this risk, as applicable (reduction of exposure to certain risk factors, hedging strategies, protection of economic result for a given period, etc.).

It is hoped that the results will represent the various risks linked to investments made, and that they will also present, as with any quantitative analysis, limited related to the data and models used.

Risk on stocks and bonds in the portfolio as of December 31, 2014, 2015 and 2016

The tables below show that the portfolio, excluding hedging effect on shares, is, as of December 31, 2016, more sensitive to the combined effects of a 100 basis point rise in the bond rates and to a 10% drop in the stock market than it was as of December 31, 2014. This can be explained, despite the significant drop in our equity exposure, by the Group's higher exposure to bond markets and the slight increase in sensitivity.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2016

(in millions of euros)	MARKET VALUE AT DEC. 31, 2016	IMPACT FROM THE 100 BASIS POINT RISE IN RATE (1)	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS (2)	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS (2)
Bonds	1,797	-64.7	-	-
Shares	126	-	-12.7	-25.3
TOTAL	**1,923**	**-64.7**	**-12.7**	**-25.3**

(1) Average bond portfolio sensitivity in late 2016: 3.6
(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2015

(in millions of euros)	MARKET VALUE AS OF DEC. 31, 2015	IMPACT FROM THE 100 BASIS POINT RISE IN RATE (1)	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS (2)	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS (2)
Bonds	1,685	-54.3	-	-
Shares	219	-	-21.9	-43.8
TOTAL	**1,903**	**-54.3**	**-21.9**	**-43.8**

(1) Average bond portfolio sensitivity in late 2015: 3.2
(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2014

(in millions of euros)	MARKET VALUE AS OF DEC. 31, 2014	IMPACT FROM THE 100 BASIS POINT RISE IN RATE (1)	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS (2)	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS (2)
Bonds	1,788	-54.4	-	-
Shares	189	-	-18.9	-37.8
TOTAL	**1,977**	**-54.4**	**-18.9**	**-37.8**

(1) Average bond portfolio sensitivity in late 2014: 3.0
(2) Excluding any hedge effect.

To the extent that the stocks and bonds are recorded in the available-for-sale category, sensitivity would have an effect on the "other elements of comprehensive income", to which shareholder's equity is sensitive. Unrealised gains and losses on these financial instruments had no effect on net income, with the exception of any depreciation recorded. In case of sale, the resulting profit or loss would have an effect on the operating income in the income statement.

Liquidity and capital risks

Management of the liquidity risk related to credit insurance activities

The insurance activity functions with a reverse production cycle: premiums are cashed before payment of claims. Moreover, the liquidation term for a provision is less than three years, and the total of these provisions is covered by liquid assets. Consequently, the risk of liquidity linked to insurance activity is considered to be marginal.

The liquidity risk is monitored through an analysis by the Group's Treasury Department of the available assets and cash flow projections of the various entities for the entire scope of consolidation. This data is consistently analysed, which allows liquid assets to be managed for monetary or financial investment needs, in cases of recurring excess liquidity.

The majority of the other fixed income instruments and all of the Group's portfolio stocks are listed on OECD markets and present a liquidity risk which has been deemed to be weak at this time.

The liquidity of the portfolio with OECD credit bonds, and sovereign bonds of emerging countries, is monitored on a regular basis *via* market indicators (evolution of flows, spreads, purchase and sale spreads) and the manager performs regular analyses on the time limits and liquidation costs of the lines in portfolios (term of partial and complete liquidation, cost of instantaneous liquidity and under market stress conditions, etc.).

The Group's bond portfolio presents short-term maturity, in line with its liabilities. The distribution of bond maturities is presented below:

DISTRIBUTION BY MATURITY OF BOND PORTFOLIO	AS OF DEC. 31					
	2016		2015		2014	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
< 1 year	452	25.1	368	21.9	418	23.4
1 year < >3 years	480	26.7	547	32.5	646	36.1
3 years < >5 years	374	20.9	423	25.1	356	19.9
5 years < >10 years	444	24.7	312	18.5	344	19.3
>10 years	47	2.6	34	2.0	24	1.3
TOTAL	**1,797**	**100**	**1,685**	**100**	**1,788**	**100**

More than 52% of the bond portfolio instruments have a maturity of less than three years as of December 31, 2015.

The position of an insurance company, in terms of liquidity, is evaluated by standards which measure the Company's capacity to confront its financial commitments.

In addition, Coface established with BNP Paribas Arbitrage on February 9, 2016, a contingent capital line of €100 million, for a period of three years (that can be reduced to two years at the discretion of Coface), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events (significant increase in the loss or deterioration of the solvency ratio). In the event one of the extreme events planned for in the documentation occurs, Coface would benefit from a capital increase for a maximum amount of €100 million.

The contingent capital line supplements the existing capital management and solvency tools. It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to reinforce its financial strength to protect its business against extreme risks (see also the press release of February 9, 2016, available on the website www.coface.com).

Management of the liquidity risk related to factoring activity

The average term for factoring receivables is very short (less than six months), which reduces the liquidity risk related to factoring activities.

In order to ensure the refinancing of the factoring business, the Group has established several financing programs: a securitisation program of its factoring trade receivables, for a maximum amount of €1,195 million in bilateral credit

lines with various partners, for a maximum amount of €740.5 million, as well as a commercial paper program in the maximum amount of €600 million.

Management of the interest rate risk related to factoring activities

The Group, through its factoring activity, purchases and finances the trade receivables of its clients. These essentially concern short-term credit risks of a commercial nature (less than six months). The rate risk linked to factoring receivables is limited.

In order to ensure the refinancing of this activity, the Group has established several programs: a securitisation program for its factoring trade receivables, a commercial paper program and bilateral credit lines with various partners, as described above.

The cost of the sources of financing depends on the evolution of short-term rates, in particular the 1-month Euribor rate, with the exception of commercial paper issuances which are between one and six months. This cost essentially consists of the 1-month Euribor rate increased by a fixed margin. In terms of assets, the Group collects from its factoring clients compensation which consists of two parts: on the one hand, a factoring commission based on outstanding receivables throughout the term of the contract and, on the other hand, a financing cost which is indexed to the 3-month Euribor rate. Furthermore, it should be noted that, as for other activities of the Group, there is a principle for matching foreign currency between the needs and sources of financing.

2.4.2.2.3.4 MEASURING OPERATIONAL AND NON-COMPLIANCE RISKS

Mapping of operational risks

In an effort to improve knowledge of its operational risks, the Group has set up a risk mapping according to a qualitative methodology. In 2016, the Risk Department launched an overhaul of this mapping and developed a dedicated tool integrating effective reporting functionalities. This allows the roll-out of a homogeneous level two control programme for all entities.

For each business or support process, a list was set up for situations that could affect such business or support process.

The risk assessment, performed by each entity, is based on the assessment of its frequency and the intensity of its impact and on the effectiveness of level one controls. A four-level assessment scale was used (weak, average, significant, high).

Each risk situation is covered in a detailed description including the assessment of the inherent risk (*i.e.* before level one controls), describing and assessing level one controls, assessing residual risk and any action plans.

Collection of incidents and losses

An incident is the occurrence of an operational risk which could lead to or could have led to a financial loss, unjustified profit, or to other non-financial consequences.

An inventory of the operational incidents and losses is carried out. A summary is made each month and released at the Group Risks Committee (CGRC).

The incidents compiled are the subject of corrective measures, and are considered when updating the operational risk mapping.

Action plans and reporting

The purpose of implementing the approaches described above is to fully identify the operational risks. When approach is necessary, preventative or corrective action plans intended to reduce or control operational risks are defined and rolled out.

The Group Risk Department is in charge of reporting to the CGRC and the Group's management Board.

Business continuity

Each entity of the Group has a business continuity plan **(BCP)** to confront a temporary or permanent unavailability of its premises, information systems or staff.

The BCP is prepared based on Group rules, and supplemented by rules on mutual assistance between entities and remote work, and for which three tests were performed in 2016. These rules provide a concrete example of the Group business continuity policy. Each entity carries out its business continuity plan locally. User needs and resources are identified within a business impact analysis.

The overall process is in line with the standard principles on business continuity. The main operating elements of the BCP are the crisis management plan and the professional continuity plans. The back-up of the main data and IT applications used by the Group is ensured by two separate data processing centres located in the Paris region, which function in "active-active" mode (see Section 1.8).

Risks linked to cybersecurity

Coface has developed Information Systems security standards, which contain a set of policies, rules, procedures and standards prepared to the different levels of the organisation.

To minimise the risk of malicious acts, data theft, hacking on the information system, deletion of corporate websites, alteration of information, premature interruption of services (distributed denial of service or DDoS [1]) by saturation of networks or websites, several measures have been implemented:

- general maintenance of the infrastructure at the latest software version;
- distribution of security patches according to a recurring process;
- search for weaknesses on our infrastructures by implementing a permanent process of vulnerability management;
- assessment of the robustness of our infrastructures by specialised firms through implementation of attack simulations;

(1) *DDoS: distributed denial of service; an attack aimed at rendering unavailable a server, service or infrastructure.*

- assessment of the resilience of our internal applications to attacks by specialised firms through implementation of a code audit;
- reduction of the human risk through awareness raising campaigns on information systems security in the form of e-learning, communication by email or distribution of posters or brochures;
- implementation of a control program aimed at preventing the risks;
- management of the information systems security by a quarterly committee.

Non-compliance risk

This risk is managed by the Group Compliance Department, as relayed at the regional and country level by the compliance correspondents. This department also provides regulatory oversight, prepares and coordinates the level two controls performed in the areas of its expertise, which notably include, in addition to the regulations applicable to the insurance business, legislation relating to anti-money laundering, corruption prevention, and more generally to fight against financial delinquency.

2.4.2.2.3.5 MEASURING REINSURANCE RISK

Sharing of intra-group and reinsurance risks

In order to optimise its coverage against an abnormal deviation of the loss experience, the Group centralises the purchase of its reinsurance according to a sophisticated risk sharing mechanism.

The pivotal company, which centralises this purchase function, negotiates on behalf of the Group's insurance entities coverage against the frequency and peak risks, best responding to their operational needs. Compagnie française d'assurance pour le commerce extérieur had this role until the end of 2014, and was then replaced by Coface Ré as of January 2015.

This company, located in Lausanne, Switzerland, was formed in late September 2014. In late December 2014, it obtained a license from the Swiss Regulator to conduct business as a reinsurer, subject to compliance with various conditions indicated by the regulator.

The purpose of establishing Coface Re SA was to isolate the Group's flows of reinsurance within a dedicated entity, to pursue the streamlining of the coverage schemes of the Group's entities and partners, and to increase the range of services available to its international clients.

The external reinsurance programs for the 2016 underwriting years are comprised as follows:

- a quota-share treaty for which the cession rate is 20%; and
- two excess loss treaties, one by risk and the other by country (solely on Single Risk), protecting the Group's retained risks following cessions made under the quota-share treaty, such that no unitary claim represents, after taxes, more than 3% of the Group's equity, and
- a stop loss treaty that covers the Group retention, after quota-share and excess loss treaties, against a serious deviation of the frequency risk.

In 2007, the external reinsurance programme for the commercial underwriting year is comprised as follows:

- a quota-share treaty for which the cession rate is 26%; and
- two excess loss treaties, one by risk and the other by country (solely on Single Risk), protecting the Group's retained risks following cessions made under the quota-share treaty, such that no unitary claim represents, after taxes, more than 3% of the Group's equity, and
- a stop loss treaty that covers the Group retention, after quota-share and excess loss treaties, against a serious deviation of the frequency risk.

The 2017 reinsurance treaty of the Group was entered into with a pool of 22 reinsurance companies. All of the reinsurance companies presented in the 2017 panel are rated between A- and AA by one of the main international rating agencies.

The Group continues to require systematic collateral securities from its reinsurers (cash, securities, letters of credit) on all proportional treaties, including "IBNRs". This objective was met 100% as of December 31, 2016 for all counterparties of its master treaty. The collateral requirements concern excess losses, on a case-by-case basis, according to the Group's assessment, and are updated every year. For the 2017 reinsurance treaty, the top three reinsurers of the Group represent a quota share of 39.50% of the reinsured risks.

The Group has never had to face a claim which surpassed an excess loss reinsurance treaty since these treaties were established in 1990.

Since 2015, as concerns entities of the Group and members of the Coface Partner network, Coface Re is a reinsurer, and transmits the externally purchased coverage through the programs described below. It likewise sees to it that the conditions offered to the entities concerned prompt them to control their loss experience as best as they possibly can.

- Global coverage of entities through the establishment of:
  - proportional protection on gross underwriting, which takes the form of a quota share treaty and aims to absorb frequency claims;
  - the retention after quota-share of the Group's entities is protected by an excess loss treaty and a stop loss treaty in the wake of the Group's programme.
- Specific coverage of certain entities:
  - In order to meet the *ad hoc* regulatory needs of certain subsidiaries and branches of the Group, Compagnie française d'assurance pour le commerce extérieur likewise underwrites stop-loss treaties. This coverage aims to protect these entities against what is considered abnormal rises in their claims expenses by transferring any additional loss experience above the threshold set in the treaty to the reinsurer.
- Accepted reinsurance of the Coface Partner network:
  - there are acceptance schemes only in the countries where the Group conducts its business through fronters, in other words in countries where it has no license to perform its credit insurance activities. In this context, risk underwriting and management and

provisioning rules are the same as those applied for directly-underwritten policies.

2.4.2.2.3.6 MEASURING RISKS LINKED TO THE FACTORING BUSINESS

The risks are covered by guarantee funds or reserves. These guarantees represent a retention rate linked to the determination of two elements: the assessment of the potential technical risk of non-payment by the debtors of the invoices purchased by the factor, for different reasons than the debtor insolvency; the assessment of the ceding risk: potential expected loss on the client in case the client becomes affected by an insolvency proceeding with the aim to cover all amounts the client owes to the Factor as a result of an undervaluation of the technical risk noted above and/or of invoices financed without credit insurance cover in cases of a debtor's payment default. An exceptional reserve rate related to elements of seasonal dilution (for example to face up to end-of-year discounts and refunds negotiated by the client with its debtors) may be specifically added to this permanent contractual retention rate.

The management of the ceding risk is based on the assessment for each client of the probability of the occurrence of the risk and of the amount of the potential loss. Different procedures have been established for this:

- analysis of the clients' financial position, notably through internal pricing tools;
- on-site audit to check the reliability of the data on receivables during the acquisition phase of a new client, or during the monitoring phase of an existing client;
- regular checks to ensure the existence of the receivables acquired;
- specific procedures during the recovery phase.

The credit risk borne by the Group is determined during the contact negotiation and based on the type of product, the client and/or debtor's solvency analysis as well as the conditions and the pricing applied.

During the life time of the contract, the invoice acceptance process based on a solvency analysis of the buyers is similar to credit insurance risk underwriting. The financing of the receivables determines the credit risk and fixes the risk exposure of the Group. In case of non-recourse factoring contract, an underwriting risk is assumed by the Coface Group of the assignor's buyers.

As for all of the Coface Group's sensitive activities, the factoring business is framed by specific Group rules.

Only two companies of the Group are authorised to distribute and manage factoring products: Coface Finanz in Germany and Coface Factoring Poland in Poland.

Limited product types are authorised to be sold by these two entities:

- in-house factoring with or without recourse;
- full factoring;
- maturity factoring and reverse factoring.

The limits on buyers for factoring activities are approved and managed by the risk underwriting departments according to the same rules and delegations applicable to the credit insurance activities. These procedures allow an appropriate management of the Group's total exposure for its factoring activities and provide an identical level of expertise.

A single tool (Magellan) structures the factoring activity. It is already operational in Germany and is currently being rolled out in Poland. It contains all the contracts related data on clients, buyers and invoices.

The factoring exposure is recorded in ATLAS, allowing the Coface Group to have a consolidated management of its exposure at buyer or group of buyers' level

Internal control procedures have been established in the main subsidiaries for follow-up cases, late payments and claims. More precisely, regarding late payments and claims:

- for factoring contracts having credit insurance coverage, late payments from debtors are managed directly by credit insurance's claims department, including for litigation. In the absence of credit insurance, unpaid invoices are restored to the client (assignor) by a debit from its current account.
- in the case of ceding risk (amounts to be collected from the factoring client), the recovery, including through litigation if needed, is provided by the factoring company.

In addition to a level-two control to ensure compliance with the Group rules on factoring activity, there are three other monitoring components:

- limited delegations granted to entities above which an approval from the Group Risk Underwriting Department is required along with the favorable opinion from the Group Risk Department;
- a quarterly Risk Committee is organised by the Group Risk Underwriting Department and the Group Risk Department, gathering the respective Risk Managers of the factoring entities: this committee selects and studies sensitive cases eligible for examination.
- a risk indicators database (prevention aspect) for each entity, both at global level (portfolio summary to assess its quality and evolution) and at individual level (all the clients): the risk indicators used have been selected for their discriminating nature in terms of early detection of difficulties encountered by certain clients.

The factoring activities are covered by the Coface Group's reinsurance treaty (the buyer risks by the credit insurance section and the ceding risks by the dedicated factoring section).

2.4.2.3 Internal control system

As an insurance company with a banking Group as its reference shareholder, Coface implements an internal control system compliant with the provisions of the Solvency II Directive and the decree of November 3, 2014 on the internal control of banking sector companies, payment services and investment services subject to the oversight of the ACPR.

The risk control mechanism implemented in the Group revolves around three levels of control:

1. level one operational controls managed by businesses;
2. permanent level two controls managed by the Group Risk Department and Group Compliance Department;
3. periodic level three controls managed by the Group Audit Department.

The internal control system relies on the same functions as the risk management system (see Section 2.4.2.2.2), it allows the application of the rules and principles defined within the context of the risk management system.

The internal control system ensures adequate safety for risks inherent to these activities, in particular with regard to the efficiency of the operational processes, reliability of the financial report and the respect of legal standards and internal directives. It is based in particular on a body of rules enacted at Group level and an organisational structure that clearly defines the roles and responsibilities for each person. In 2016, the follow up and communication mechanisms for the Board of Directors and the Management Committee were again strengthened with the creation of *ad hoc* committees.

The control activities address all of the risks to which the Group is exposed.

These controls are performed based on procedures which define who the controllers are, the frequency of the controls, the methodology (preparation of samples, documents used, terminology, control items), as well as the procedures for reporting detected anomalies and following up on the resulting action plans. Following the controls, action plans are established to remedy any dysfunctions identified. The corrective actions immediately decided upon locally are implemented in cooperation with the operational managers, under the responsibility of the country and regional manager.

Quarterly reporting allows the various levels (Group, region, country) to track achievement: results of control plans, progress of remediation plans. A summary of the results of the controls is communicated quarterly by each correspondent to the Group Risk Department, which reports to the CGRC.

These controls are applicable inside Compagnie française d'assurance pour le commerce extérieur and within all Group entities, specifically with respect to:

- the integration in the organisation: internal control procedures are integrated into the organisation, either induced by the distribution of the functions itself, or through the control actions specified in the different processes;
- universality: no field is excluded. All processes, activities and structures are involved.

Similarly, within the Risk Department, the IS security manager manages a regional correspondents mechanism, conducts level 2 on-site controls to ensure compliance with the IT security policy.

2.4.2.3.1 Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the Chief Financial Officers (CFOs) of each region.

In principle, the local CFOs are responsible for their scope: i) for the local accounting system (compliance with local regulation and with the Group's rules); their IFRS accounts as reported in the Group's consolidation tool CACIS (compliance with IFRS regulation and Group rules); financial risks, specifically compliance with the principle of congruity between assets and liabilities in order to limit the financial risks on their balance sheet.

The Group CFO is responsible, at Group level, for i) the quality of financial reporting, ii) the definition and monitoring of the investment policy, iii) management of financial risks and the implementation of control rules for other risks, with the support of the Risk Department, and iv) the management of solvency, with Solvency II in particular.

The Group's Accounting and Tax Department provides regions with a control and reporting tool which allows oversight of proper reconciliations between management applications and the accounting tool.

Each entity sends at each closing date the controls and reconciliations performed, which allow the quality and integrity of the consolidated data to be validated. A reporting file, identifying the controls to be performed as well as the instructions on the details and supporting documentation requested is sent to them each quarter.

This file, along with the supporting documentation, is sent to the regional CFO (or to the person appointed by the regional CFO to collect this data), who oversees the proper completion of all of these comparisons. A summary of these controls must then be sent to the Group's Technical Accounting Department.

This process allows a complete audit trail to be obtained, and produces data quality that is standardised and reliable within the Group.

2.4.2.3.2 Processing of accounting and financial information

The Group's Accounting and Tax Department, which reports to the Financial Department, guarantees the quality of financial reporting and is in charge of producing and controlling accounting information for the entire Coface Group (consolidated financial statements; financial statements of the parent company COFACE SA and of its daughters Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Fimipar and Cogeri; tax related declarations and controls).

Its detailed tasks are broken down into:

- maintaining the general and ancillary accounts of these entities (France only): recording operations, control and justification of operations, closing the quarterly accounts, producing consolidated financial statements (accounting treatment of interests, reciprocal operations, etc.);
- producing regulatory and presentation of accounts reports: producing periodic regulatory statements in compliance with scheduling constraints (declarations to the supervisory, tax and corporate administrations),

relations with the supervisory authorities and Statutory Auditors;

- preparing Group standards, regulatory oversight and strategic projects: definition of rules and writing of Group accounting rules, writing and following up of accounting procedures in conjunction with Natixis' Finance Department in the case of IFRS, overseeing the development of the accounting and tax regulations, assisting, training and providing technical support to subsidiaries and branches, analyses and impact studies on modifications in scope for the consolidated financial statements;
- the control system: tracking the proper application of the standards and procedures in the Group;
- Group taxation.

The structure with the various entities of the Group relies on the Group's functional matrix principles, delegating certain responsibilities to entities of the various countries with regard to their scope. To that end, the consolidated entities are responsible for producing, according to their local standards and IFRS: i) accounting information; ii) tax information; iii) regulatory information; iv) corporation information.

They also monitor the production of consolidation bundles according to the Group's standards and procedures.

2.4.2.3.3 Common tool for general accounting, consolidation and management control

Since January 2014, the monthly reporting on management control, the French GAAP and quarterly IFRS bundles have been entered into a common tool which allows for automatic comparison statements to be developed, and for the quality of information received to be improved.

Within the context of the quarterly inventory operations, supplementary controls are performed, in particular using account analyses and comparisons to management data. Consistency controls are performed with the data coming from the reporting on management control.

Within the context of the consolidation operations, comprehensive controls are performed: analytical review of the balance sheet and income statement, consolidated statement of changes in Group equity, verifications on consistency between the most significant entities and line items, consolidated statement of changes in net position for all consolidated entities; the verification of intra-group operations and their proper reconciliation, specific checks on reinsurance income, specific checks on the breakdown of charges by destination, analytical review allowing for a comprehensive control on consistency.

The reinsurance operations accepted within the Group are subject to a particular accounting control, which consists of verifying the exhaustiveness and conformity of the detailed accounts entered in the Reinsurance Department, and of the source data until they are properly integrated into the accounting.

2.4.2.3.4 Disclosure requirements for financial and accounting information

The Financial Communications Department, under the authority of the Group Financial Department, produces with the support of other departments, the financial information released to financial markets, analysts and investors. The departments concerned help the department, in particular through their contributions and reviews, to control risks of material errors or release of erroneous information, delays in release and breach of confidentiality or equality between shareholders. This department is the special correspondent of the Autorité des marchés financiers (French Financial Markets Authority).

2.4.2.4 **Conclusion**

The Group applies a continuous improvement process for its risk management and internal control systems. In 2016, the process led to the clarification of the role of the different committees and the creation of new control committees, the separation of actuarial and risk management functions and the placing of regional risk managers under the authority of the Group Risk Director. Lastly, the process also led to the review of risk appetite to make it consistent with the new strategic plan *Fit to Win*.

2.5 Statutory Auditors' report prepared, pursuant to Article L.225-235 of the French Commercial Code, on the report of Chairman of the Board of Directors

Year ended December 31, 2016

Ladies and Gentlemen,

As Statutory Auditors of COFACE SA, and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that this report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

Additional information

We attest that the Chairman of the Board's report sets out the other information required by Article L.225-37 of the French Commercial Code.

The Statutory Auditors

Paris-La Défense, April 10, 2017	Neuilly-sur-Seine, April 10, 2017
KPMG Audit	Deloitte & Associés
Department of KPMG S.A. *Francine Morelli* *Partner*	*Damien Leurent* *Partner*

COMMENTS ON THE FINANCIAL YEAR

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3.1 Economic environment [1]

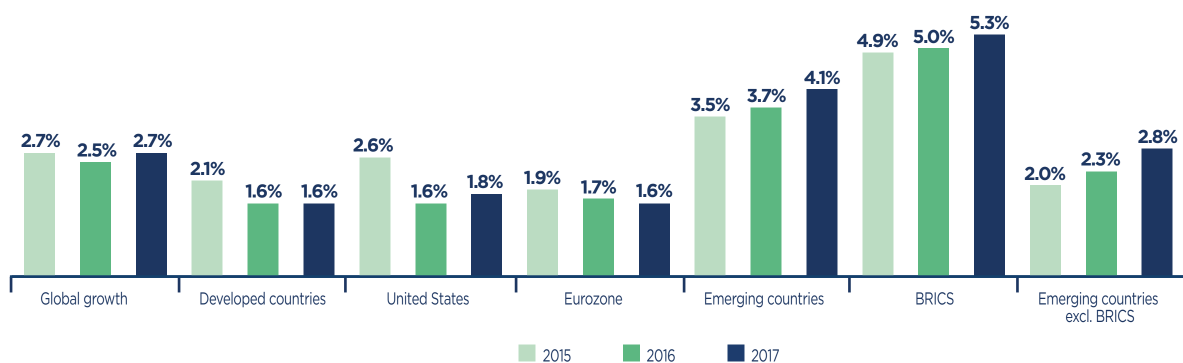
In 2016, global growth reached 2.5%, according to Coface, representing a slight downturn over the previous year (2.7%). While growth in emerging countries was hardly more dynamic (3.7%), advanced countries reported a slowdown in their growth (1.6%).

Economic activity rallied in the eurozone, with GDP growth reaching 1.7% in 2016 (after 1.9% in 2015). Once again, the factors that fuelled growth in 2015 continued to drive growth in 2016: (i) low commodities prices; depreciation of the euro against the dollar; iii) less budget consolidation; (iv) quantitative easing policy. Activity picked up in most eurozone major economies, even if the countries continued to show different growth trends. Growth strengthened in Germany (+1.8%), driven in particular by dynamic private consumption linked to the robust performance of the employment market and the extension of the minimum wage, but also by still favourable exogenous factors. The influx of refugees also had a positive impact on growth. In France, growth was resilient (+1.3%), still buoyed by household demand, but penalised by sluggish activity linked to tourism and lacklustre investment in spite of improved corporate margins and fewer company defaults. Among Southern European countries, Spain continued on its uptrend (+3.2%), well above the figures observed in Italy (0.9%) and in Portugal (1.2%). The situation in Greece also improved slightly (positive growth figure of 0.3%).

Activity barely slackened in the UK (+2.0%), in spite of fears of the referendum on leaving the European Union leading to a more substantial slowdown. In the US, growth clearly hit a down draft (+1.6%), owing to less robust fundamentals, and was characterised at the end of the year by the election of the new President, Donald Trump, and the Fed's key interest rate hike, a long-awaited first sign of a step towards the end of quantitative easing. Lastly, Japanese growth remained disappointing (0.8%), in spite of an expansionist policy mix.

The economic downturn observed in emerging countries since 2010 appears to have hit a low in 2016. Latin America was the hardest hit region (1% recession) with, in particular, the new business downturn in Brazil (-3.6%), followed by the CIS (-0.2%) with recession in Russia standing at 0.7%. Growth in Sub-Saharan Africa dropped 1.3% unlike the North Africa-Middle East zone (2.9%). Egypt in particular, which had to devalue its currency at the end of 2016, had to cope with less dynamic activity (drop in tourism in particular, but also expatriate rebates and less support from the GCC). Emerging Asia stood out again with the most vigorous growth (5.8%). However, the Chinese economic downturn was confirmed (6.7%), against a background of more restrictive measures towards investors. Furthermore, new concerns appeared in Europe about Turkish growth and the deterioration of its political and security environment. These concerns weakened the Turkish pound, which plunged to a record low against the dollar.

GDP GROWTH (AS A %): 2016 AND 2017 (SOURCE COFACE)



(1) *Group estimates.*

3.2 Significant events in the period

3.2.1 CHANGES IN GOVERNANCE

Appointment of Xavier Durand as Chief Executive Officer (CEO) of Coface

Coface's Board of Directors held a meeting on January 15, 2016, under the chairmanship of Laurent Mignon, and appointed Xavier Durand as new Chief Executive Officer (CEO). This appointment became effective after the Board meeting of February 9, 2016, held to approve the 2015 financial statements. Jean-Marc Pillu continued to act as Coface CEO until that date.

The severance payment of Mr Jean-Marc Pillu, granted by the Board of Directors of January 15, 2016, amounts to €1,979 thousand and is recognised in the accounts for the year ended December 31, 2016.

Rebalancing the composition of regions in Europe

The Coface Group Executive Committee decided to rearrange the Group's organisation in Europe in order to create better balanced, more geographically coherent regions.

The Coface Group's regional organisation has been changed as follows:

- Spain and Portugal, which used to be part of Western Europe, are now managed by the Mediterranean & Africa region;
- Russia, which used to be in the Northern Europe region, has rejoined Central Europe.

Changes in the Group's executive organisation

While preparing to roll out its new strategy, Coface strengthened its teams and continuously updated its organisation throughout 2016, to enhance efficiency, speed and customer service, which strengthening control. These changes were finalised in the beginning of 2017 and are described in Section 1.7 "Group organisation".

3.2.2 LAUNCH OF THE *FIT TO WIN* STRATEGIC PLAN

Fit to Win seeks to position Coface as the most agile global credit insurance partner in the sector, while optimising its capital model (see Section 1.6 "Strategy of the Group")

Coface presented its new strategic plan at the first "Investor' Day" organised in London on September 22, 2016. Named *Fit to Win*, the plan seeks to position Coface as the most agile global partner in the industry, while evolving towards a more efficient capital model.

Fit to Win is being rolled out over a three-year period, with the ambition of restoring Coface's financial performance through three transformation levers:

(a) strengthen risk management expertise and information quality, particularly in emerging markets;

(b) improve operational efficiency within a customer-centric business model; and

(c) implement differentiated growth strategies in markets where the Group operates, by preferring the principle of value creation over that of growth.

The operational roll-out of the *Fit to Win* plan

The operational roll-out of the *Fit to Win* plan is proceeding in line with expectations:

Strengthen risk management and information quality

The actions undertaken to strengthen risk management and information quality are progressing steadily, in emerging markets especially, with the enhancement of analysts teams, the update of risk underwriting policies and procedures, and the establishment of a central team of senior risk underwriters. Their full effect will become gradually visible within the next two years.

Improve operating efficiency and customer service

For this second strategic priority, Coface has launched multiple initiatives such as optimising its purchases and real estate portfolio, creating a leaner organisation and reviewing corporate commitments. Consultations have begun with the personnel representative bodies and are progressing according to plan.

The exceptional gain from the transfer of the State export guarantees management business will be used to finance the restructuring costs and the investments required to transform technologies and processes in order to improve operational efficiency and customer service.

As announced previously, €38.6 million of restructuring expenses and €2.1 million of plan set-up costs were recognised in the 2016 accounts; in 2017, Coface expects these expenses to amount to €21 million, then to €6 million and €3 million respectively in the following two years.

Coface has set itself the goal of using these actions to save €10 million in costs in 2017, and €30 million in 2018, thereby offsetting the entirety of the gross margin loss resulting from the transfer of the State export guarantees management business in France.

Implement differentiated growth strategies

Coface has decided to promote the principle of value creation over growth and has accordingly tailored its commercial approach to suit specific markets, sectors and customer profiles. This resulted in rate increases in Latin America and portfolio restructuring in Asia.

In mature markets, where priority is given to operational efficiency and innovation, Coface strengthened its customer relations management teams and modernised its commercial action. New partnerships were recently signed with Bank of China, Unicredit and BPCE.

Reduce capital intensity

Coface's determination to maintain its financial strength throughout the implementation of the *Fit to Win* plan leads to a target solvency ratio in the upper end of the 140% to 160% range and at least a single A financial strength rating.

In addition, Coface has identified ways of improving its use of capital, in particular through the increased use of reinsurance. It took a first step by raising the quota-share ceded reinsurance rate to 26% starting from January 1, 2017 (versus 20% in 2016).

The increase in ceded reinsurance should gradually reduce capital needs and thereby contribute to the *Fit to Win* ambition to achieve net return on average tangible equity (RoATE) of 9% or more through the cycle.

3.2.3 TRANSFER OF STATE EXPORT GUARANTEES MANAGEMENT

Coface transferred its State export guarantees management business to Bpifrance on December 31, 2016. The IT teams and resources dedicated to this business were also transferred on January 2, 2017.

Coface had been managing State export credit guarantees as a service performed on behalf of the French government. In 2016, this business represented around 4% of its consolidated revenue.

As consideration for this transfer, Coface received compensation corresponding to an exceptional pre-tax gain of €75 million recognised in the accounts for the year ended December 31, 2016 (see Section 1.5.1 "Transfer of the public guarantees management business to the Bpifrance group", Section 7.5 "Important contracts"), and Note 30 to the consolidated financial statements.

3.2.4 OPERATIONS ON CAPITAL AND FINANCIAL STRENGTH

◆ Arrangement of a contingent equity line [1]

On February 9, 2016, Coface arranged with BNP Paribas Arbitrage a contingent equity line of €100 million, for a period of three years (that can be shortened to two years at the discretion of Coface), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events.

The contingent equity line supplements the existing capital management and solvency tools by offering an effective and competitive solution in terms of costs (annual commission of 0.50%). It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to reinforce its financial strength to protect its business against extreme risks.

◆ Financial strength confirmed by rating agencies

On September 29 and then November 28, 2016, rating agencies Fitch and Moody's reconfirmed the Group's insurer financial strength (IFS) ratings at AA- and A2 (stable outlook) respectively.

◆ Reduction of the par value of the Group's share

The Board of Directors' meeting of July 27, 2016 decided to reduce the share's par value from €5 to €2. The operation restores the value of the share to a level comparable to that of the large majority of companies in the market.

The share capital would therefore be reduced by €471,744,696 and drop from €786,241,160 to €314,496,464. The amount of the capital reduction is allocated to a "share premium" sub-account and is unavailable. This decision does not change the number of shares comprising the Group's share capital, *i.e.*, 157,248,232 shares (see Section 7.2.1.7 "History of capital").

3.2.5 REFERENDUM OF JUNE 23, 2016: "BREXIT"

The UK's vote on June 23, 2016 to leave the European Union immediately resulted in a drop in the pound sterling's exchange rate and high uncertainty and volatility on financial markets.

(1) *See also the press release dated February 9, 2016, available online at www.coface.com.*

In the short term, the Group expects this higher risk level to impact the strength of some specific sectors and has taken measures to adjust its exposures (construction, importers, intermediaries, recruitment).

The Group has also taken steps to adjust its exposure to financial risks.

The Group is taking the consequences of the Brexit vote into consideration, in particular the negotiation of a trade agreement between the UK and the European Union, and is adjusting its risk monitoring accordingly.

3.2.6 EVENTS AFTER DECEMBER 31, 2016 (PURSUANT TO ITEM 20.9 OF ANNEX 1 OF EC REGULATION 809/2004)

There has been no significant change to the Group's financial or commercial position since December 31, 2016.

Compagnie française d'assurance pour le commerce extérieur received an accounts audit notice on January 10, 2017, issued by the Directorate for National and International Audits. The audit [1] will concern financial years 2014 and 2015.

3.3 Key financial performance indicators

3.3.1 FINANCIAL INDICATORS

Revenue

Composition of the Group's consolidated revenue by business line

The revenue from credit insurance and related services of the Group (representing 89% of the Group's consolidated revenue in 2016 and 2015, and 88% in 2014), combines the premiums from credit insurance policies and Single Risk policies ("Earned premiums net of cancellation"), the related service revenue ("Fee and commission income" and "Other related benefits and services"), and the revenue from management services for public coverage of export credit insurance carried out on behalf of the French State up to December 31, 2016 (see Section 1.5.1 "Credit insurance and related services").

It allows the revenue from this core business line to be presented and separate reporting for the surety bond activity (see Section 1.5.3 "Surety bonds"). At the operational level, surety bonds represent a different kind of risk (in terms of underlying factors and duration of risk), even though this activity is compensated by a premium, as with the credit insurance activity, and to that end meets the definitions for insurance contracts provided by IFRS 4.

The revenue from services in addition to the credit insurance business includes:

- the revenue from the factoring business, which primarily consists of factoring fees and net financing fees ("Net income from banking activities");
- the revenue from the Group's surety bond business; and
- the revenue from other services, which combines all revenue collected by the Group for the sale of services to access companies' solvency information, along with the marketing information ("Information and other services"), and the sale of debt collection services for receivables ("Receivables management"), for customers without credit insurance.

Composition of the Group's consolidated revenue by type of revenue

The Group's consolidated revenue, which is presented in its financial statements by type of revenue, in compliance with IFRS, consists of the following:

- premiums, corresponding to the amounts paid by the Group's policyholders as consideration for the Coface Group's commitment to cover the risks provided for in their insurance policy: credit insurance (short-term), Single Risk (medium-term) and surety bond (medium term) which, in terms of the offer, is not a credit insurance product, although its compensation takes the form of a premium;
- revenue from services provided by the Group: services related to credit insurance (information services on debtors, oversight of credit limits, management and debt collection), and services to manage public coverage of export credit insurance on behalf of the French State until December 31, 2016 (the principle and terms of compensation of the French State are established in the "Financial Agreement" dated February 24, 2012 – see Section 1.5.1 "Transfer of the public guarantees management business to the Bpifrance group" and 7.5 "Important contracts"; and
- factoring fees which provide payment for the services related to management and debt collection of receivables, as well as the net fees from financing outstanding receivables (financing margin) and the fees

(1) The Directorate for National and International Audit is a national service of the General Directorate of Public Finances.

for managing disputes that have been collected by the Group as part of its factoring activities in Germany and Poland (corresponding to "Net income from banking activities").

Earned premiums net of cancellations

Earned premiums net of cancellations combine gross premiums earned (fraction of premium written during the accounting year or previously, corresponding to the coverage of risks covered during the accounting year concerned) within the context of direct business (premiums related to policies underwritten directly by a group insurance company) and the premiums for inward reinsurance (premiums earned through partners within the context of fronting agreements in countries where the Group does not have a licence allowing it to work directly).

Premium refunds corresponding to refunds to policyholders of a portion of the premiums they have paid when the loss experience of their insurance policy does not exceed a certain threshold (policyholders' bonuses and rebates) or is nil (no-claims bonus), as well as the provisions for unearned premiums (fraction of premiums issued during the accounting year which relate to the coverage of risks covered for the period between the closing date of the accounting period and the expiration date of the contracts) are deducted from the premiums earned, thereby constituting the premiums earned net of cancellations.

Fees and commission income

Fees and commission income consists of charges billed to policyholders for credit insurance related services, (such as information on debtors, fees for monitoring credit limits and receivables management and debt collection). In this respect, fees and commission income are calculated under credit insurance revenue.

Net income from banking activities

This corresponds to revenue from factoring activities, which primarily consists of factoring fees (collected for management of receivables billed) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring clients, less interest paid for refinancing of the factoring debt). The premiums paid by the factoring companies to the insurance companies (for cover of the debtor risk and the ceding risk) are deducted from the net income from banking activities.

Cost of risk

The "Cost of risk" corresponds to expenses and provisions linked to cover the ceding risk (inherent to the factoring business) and the credit risk, net of credit insurance cover.

Revenue or income from other activities

This combines the other revenue of the Group with, on the one hand, the revenue from "Other insurance-related services", as well as the compensation collected by Coface for public credit insurance procedures management services, "Remuneration of public credit insurance procedures", which are calculated under credit insurance revenue and, on the other hand, "Information and other services" revenue, consisting of revenue from the sale of corporate information and marketing, and recovery of receivables ("Receivables management") for customers without credit insurance.

Investment income, net of management expenses excluding finance costs

"Investment income, net of management expenses (excluding finance costs)" combines the result of the Group's investment portfolio (investment income, gains or losses from disposals and changes in provisions for depreciation), exchange rate differences and investment management expenses.

Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, less changes from recoveries following Single Risk policies and surety bonds, recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the year, and the change in claims provisions during the year, and the management expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring the recovery procedures (charges and provisions for internal and external debt collection fees).

The claims paid correspond to the compensation paid under the policies during the accounting year, net of collections received, plus the costs incurred to provide the management, regardless of the financial year during which the claim was declared or during which the event producing the claim took place, less the amounts recovered during the year for the claims previously indemnified, regardless of the year during which the indemnification was paid.

Claims provisions are established for claims declared but not yet settled at year-end, as well as for claims that have not yet been declared, but which have been deemed probable by the Group, given the events that have arisen during the financial year (Incurred But Not Reported – IBNR provisions). The amounts thus provisioned also take into consideration a forecast of the amount to be collected for these claims. These provisions are decreased each year by recoveries made following the payment of compensation or the estimate of potential losses for declared or potential claims. The difference between the amount of provisions in a given year (established during the first year of underwriting a policy) and the amounts re-evaluated the following years are either a liquidation profit (revaluation downward) or loss (revaluation upward) (see Note 25 of Chapter 4 "Financial items").

Expenses from banking activities excluding cost of risk

The "Expenses from banking activities excluding cost of risk" correspond to the general operating expenses (payroll costs, IT costs, etc.), relating to factoring activities.

Expenses from other activities

The “Expenses from other activities” correspond to general expenses related exclusively to information and debt collection for customers without credit insurance.

Total general expenses, excluding external acquisition costs (commissions), are analysed independently of the method for accounting for them by destination, in all of the Group’s countries. This presentation enables a better understanding of the Group’s economy and differs on certain points from the presentation of the income statement, which meets the presentation requirements of the accounting standards.

Income and expenses net of ceded reinsurance (reinsurance result)

“Income and expenses net of ceded reinsurance” (reinsurance result) correspond to the amount of income from ceded reinsurance (claims ceded to reinsurers during the year for reinsurance treaties of the Group, net of the change in the provision for claims net of recourse that was also ceded, plus the reinsurance commissions paid by reinsurers to the Group for proportional reinsurance), and the charges from ceded reinsurance (premiums ceded to reinsurers during the year for reinsurance treaties of the Group, net of the change in provisions for premiums also ceded to reinsurers).

Underwriting income after reinsurance

Underwriting income net of reinsurance is a key financial indicator used by the Coface Group to analyze the operational performance of all of its business lines (excluding income from the investment portfolio).

Policy acquisition costs

“Policy acquisition costs”, consisting of insurance contracts external acquisition costs, include all of the commissions paid to business finder insurance intermediaries (brokers and other intermediaries) based on the revenue contributed and the internal costs of acquiring the policies, essentially fixed costs corresponding to payroll costs related to policy acquisition (including services charged for establishing contracts) and the Group’s sales network fees. These costs primarily include the costs related to the credit insurance business. However, due to pooling, policy acquisition costs related to the Group’s other business lines are also included in this item (see Note 27 “General expenses by function” in Chapter 4 “Financial items”).

Administrative costs

“Administrative costs” correspond to the Group’s general expenses, notably payroll and IT management costs related to policy administration. These costs primarily include the costs related to the credit insurance business. However, due to pooling, policy administration costs related to the Group’s other business lines are also included in this item (see Note 27 “General expenses by function” in Chapter 4 “Financial items”).

Other operating income and expenses

“Other operating income and expenses” include the charges that cannot be either directly allocated, or allocated through the application of a distribution key to one of the destinations defined by the chart of accounts (see Note 30 “Other operating income and expenses” in Chapter 4 “Financial items”).

Operating income

Operating income corresponds to the “Underwriting income net of reinsurance”, “Net investment income excluding the cost of debt” (finance costs) and “Other operating income and expenses”.

In the presentation of the operating income by region, the amounts are represented before the revenue from interregional flows and holding costs not recharged to the regions have been eliminated.

Income tax expense

Tax expenses include the tax payable and the deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described in Note 3.6 and Note 32 of Chapter 4 “Financial items”).

Net attributable income for the year (Group share)

Net attributable income (Group share) corresponds to the amount of “Net income from continuing operations” (corresponding to the “Operating income”, net of “Finance costs”, the “Share in net income of associates” and “Income tax”), “Net income from discontinued operations” and “Non-controlling interests”.

Significant accounting principles and main estimates

Significant accounting principles

A description of the Group’s accounting methods is outlined in Note 3 to the Group’s consolidated financial statements presented in Chapter 4. In particular, the general principles which apply to the credit insurance activities, the services business and the factoring business, along with the distribution of income and expenses relating to the various businesses of the Group, are presented.

Main estimates

Preparing the consolidated financial statements in conformity with IFRS requires the Group or subsidiary management to make estimates and use certain assumptions which have an impact on the carrying amounts of assets and liabilities recorded in the consolidated balance sheet, the notes related to these assets and liabilities, the income and expense items in the income statement and the commitments relating to the period-end. Management is likewise forced to use its judgement when applying the Group’s accounting methods.

The accounting methods presented below, and more extensively described in Notes 3 and 4 of Chapter 4, are those requiring the most significant use of the estimates and the judgement of the Group’s management.

ESTIMATES	CALCULATION BASIS
Goodwill impairment	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate, loss ratio and cost ratio assumptions.
Provision for earned premiums not yet written	This provision is calculated based on the estimated amount of premiums expected in the period. This provision corresponds to the difference between this estimate and the premiums already recorded.
Provision for policyholders' bonuses and rebates	This provision is calculated based on the estimated amount of refunds and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	This provision is calculated based on the estimated amount of potential recoveries for the claims settled.
Claims provision	This includes the estimated total cost of claims reported but not settled at year end.
IBNR* provision	The IBNR provision is calculated on a statistical basis, using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any debt collection action has been taken.
Pension benefit obligations	Retirement commitments are evaluated in compliance with IAS 19 and are reviewed annually by actuaries, according to the actuarial assumptions of the Group.

* *IBNR (incurred but not reported): provision for unknown claims corresponding to claims that have already occurred, but of which the insurer has not yet been informed.*

Furthermore, the recording of deferred tax assets depends in part on estimates of the Group's future profits. The accounting methodology for deferred taxes is presented in Note 3.6 and Note 21 of Chapter 4 "Financial items".

3.3.2 OPERATING INDICATORS

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

Production of new contracts

The production of new contracts corresponds to the annual value of the credit insurance policies taken out by new customers during the period. The Group generally records a higher production of new contracts during the first quarter of a given year.

Withholding rate

The withholding rate corresponds to the ratio between the annual value of the policies actually renewed and that of the policies that were supposed to be renewed at the end of the preceding period. The annual value of the policies corresponds to the valuation of the credit insurance policies over a 12-month period according to an estimate of the volume of the sales relating thereto and the level of the rate conditions in effect at the time the policy is taken out.

Price effect of credit insurance policies

The price effect of the credit insurance policies corresponds to the difference between the annual value of the contracts, calculated based on the rate conditions in effect at the time the policy is taken out, and the annual value of the policies for the preceding period (calculated based on the rate conditions of the preceding period and excluding any volume effect related to the definitive revenue of the policyholders).

Volume effect

The method for calculating premiums on the Group's revenue produces its effects throughout the life of the policies, and not for a single year. When the volume of a policyholder's actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy, this difference produces a positive effect on the earned premiums recorded by the Group with a one-year lag. Conversely, when the volume of the policyholder's sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Group's revenue for the following year.

Loss ratio

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

Loss ratio before reinsurance

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

Loss ratio after reinsurance

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

Cost ratio

Cost ratio before reinsurance

The cost ratio before reinsurance is the ratio of general expenses (as defined below) to gross earned premiums (as described above). It is used by the Group to measure all the costs related to the acquisition and management of its portfolio of contracts in a given financial year.

The Coface Group's credit insurance business is supported by services activities such as corporate information and receivables recovery. These services are inherent to the traditional credit insurance activity (related services) and the related expenses are included in the general expenses of the Group. General expenses are also increased by complementary businesses such as factoring (in Germany and Poland) and management of public procedures on behalf of the French State until December 31, 2016. Until June 30, 2014, SBCE, a Brazilian insurance company, performed the same type of activity for the Brazilian government. This agreement, which was entered into by the government of Brazil and SBCE, was not renewed as at June 30, 2014. In order for the cost ratio calculated by the Group to be comparable to the cost ratio calculated by other main market players, revenue generated by the additional businesses (non-insurance) described above is deducted from general expenses.

Cost ratio after reinsurance

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

General expenses

General expenses accounted for in the cost ratio are the sum of:

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

Combined ratio

Combined ratio measures the overall profitability of the Group's activities and its technical margin.

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

3.3.3 ALTERNATIVE PERFORMANCE MEASURES (APM) AT DECEMBER 31, 2016

This section takes a look at Alternative performance measures, which are KPIs that are not defined by accounting standards but are used by the Company for its financial communication.

This section is a follow-up to the AMF's position – IAP DOC 2015-12.

The indicators below represent indicators listed as belonging to the category of Alternative performance measures.

a) Alternative performance measures related to the revenue and its items

DEFINITION	JUSTIFICATION
Revenue with restated items	
(1) 2 types of restatements on the revenue: **i.** Calculation of revenue growth percentages in like-for-like: ■ year N recalculated at the exchange rate of year N-1; ■ N-1 at the group structure of year N.	**i.** Historic method used by Coface to calculate pro forma % (constant FX and perimeter). The transfer of the public guarantees business will be taken into account in this category (impact in 2017 since transfer was effective on December 31, 2016).
ii. Removal or addition of Rev. in value (€) considered as exceptional in the current year. The term "exceptional" refers to impacts on revenue which do not occur every year.	**ii.** Item considered as exceptional, in other words, which will only occur in the current year (year N).
Fee and commission income/Earned premiums (current - like-for-like)	
Weight of fees and commission income over earned premiums on like-for-like basis: ■ Year N at the exchange rate of year N-1; ■ Year N-1 at the group structure of year N. Fees and commission income corresponds to the revenue invoiced on additional services.	Indicator used to monitor changes in fees and commission income compared to the main Revenue item on a like-for-like basis.
Internal general expenses excluding exceptional items	
(2) Restatement or Addition of items considered as exceptional with respect to internal general expenses. The term "exceptional" refers to impacts on expenses which do not occur every year.	Indicator used to compare changes in internal general expenses by excluding exceptional items.

b) Alternative performance measures related to operating income

DEFINITION	JUSTIFICATION
Operating income excluding restated exceptional items (including financial costs and excluding other operating income and expenses)	
Restatement or Addition of items considered as exceptional to operating income: it concerns exceptional income and expenses impacting either revenue (see definition above, **(1)**) or general expenses (see definition above) **(2)**)	Indicator used to compare changes in operating income by excluding exceptional items.

c) Alternative performance measures related to net income

DEFINITION	JUSTIFICATION
Net income excluding exceptional items	
Restatement or Addition of items considered as exceptional with respect to net income. It concerns exceptional income and expenses likely to impact either revenue (see definition above **(1)**) or general expenses (see definition above) **(2)**). This aggregate is also restated for "current operating income and expenses" classified after operating income in the management income statement.	Indicator used to compare changes in net income by excluding exceptional items.

(1) DGP: State guarantees business line.

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON	
	2016	2015
i. (Rev. current N - FX Impact N-1)/(Rev. current N-1 + perimeter Impact N) - 1	**i. - 3.6% =** (€1,411.3m - (- €24.2m))/(€1,489.5m + €0.0m) - 1	**i. N/A** = €1,489.5m +/- €0.0m
ii. Rev. current N +/-Restatements/ Additions exceptional items N	**ii.** €1,411.3m +/- €0.0m	**ii.** €1,489.5m +/- €0.0m
Fee and commission income/Earned premiums	**Current: 12.1%** = (€134.7m/€1,115.1m) **Like-for-like: 11.9%** = (€134.7m - (- €1.0m))/ (€1,115.1m - (-€22.7m))	**Current: 11.4%** = (€135.7m/€1,185.9m)
Current internal general expenses +/- Restatements/Additions of exceptional items	**€545.4m** +/- €0.0m	**€551.2m** +/- €0.0m

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON	
	2016	2015
Current operating income +/- Restatements/Additions of exceptional items	**= €58.7m** = (€114.4m + (-€18.4m) - (+€53.5m) - (-€16.1m)	**= €194.2m** = (€192.3m + (-€18.5m) - (-€4.2m) - (-€16.1m)

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON	
	2016	2015
Current operating income +/- Restatements/Additions of exceptional items net of tax	**= - €12m** = (€41.5m - (€75m + €19.2m - €38.6m exceptional items) - (-€19.1m tax on exceptional items) = €5m - (€26.1m DGP income) - (-€9m DGP income tax expense)	**= €106.7m** = (€126.2m - (-€4.2m exceptional items) - €1.5m tax on exceptional items) = €128.9m - (€33.9m DGP [1] income) - (-€11.7m DGP [1] income tax expense)

d) Alternative performance measures related to the combined ratio

DEFINITION	JUSTIFICATION
Loss ratio before/after reinsurance	
Please refer to Section 3.3.2 and Note 3.8 (Breakdown of the calculation of ratios at December 31)	
Cost ratio before/after reinsurance	
Please refer to Section 3.3.2 and Note 3.8 (Breakdown of the calculation of ratios at December 31)	
Combined ratio before/after reinsurance	
Please refer to Section 3.3.2 and Note 3.8 (Breakdown of the calculation of ratios at December 31)	
Net combined ratio excluding restated and exceptional items [A]	
Restatement or Addition of items considered as exceptional with respect to combined ratio after reinsurance. It concerns exceptional income and expenses likely to impact revenue (see definition above, **(1)**) or general expenses (see definition above) **(2)**)	Indicator used to compare changes in combined ratios after reinsurance by excluding exceptional items.
Loss ratio excluding exceptional items [B]	
Restatement or Addition of items considered as exceptional with respect to loss ratio after reinsurance.	Indicator used to compare changes in loss ratios after reinsurance by excluding exceptional items.
Net cost ratio excluding restated and exceptional items [C]	
Restatement or Addition of items considered as exceptional to cost ratio after reinsurance: it concerns exceptional income and expenses impacting either revenue (see definition above, **(1)**) or general expenses (see definition above) **(2)**)	Indicator used to compare changes in loss ratio after reinsurance by excluding exceptional items.
Gross loss ratio with claims handling expenses	
Addition of claims handling expenses to the loss ratio before reinsurance excluding claims handling expenses. -(Claims/Earned premiums) Claims handling expenses refer to the expenses generated by the emergence of claims and managing the indemnification related thereto (such as legal fees, collection fees, etc.)	Key indicator in loss monitoring
Current year gross loss ratio gross – before reinsurance excluding claims handling expenses [D]	
Ultimate claims expense (after recourse) over earned premiums (after premium rebates) for the current year. The insurance period is exclusively the current year N.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
Prior year gross loss ratio – before reinsurance excluding claims handling expenses [E]	
Corresponds to the Gains/Losses for insurance periods prior to current year N excluded. A Gain or Loss corresponds to an excess or deficit of claims provisions compared to the loss ratio actually recorded.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
Comprehensive gross loss ratio – before reinsurance excluding claims handling expenses [F]	
Corresponds to the accounting loss ratio for all insurance periods (Current year N and its prior years). It concerns the loss ratio before reinsurance excluding claims handling expenses.	Key indicator in loss monitoring

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON 2016	2015
Combined ratio after reinsurance +/- Restatements/Additions of exceptional items	**[A]=[B]+[C]** **97.4%** = 65.5% + 31.9%	**[A]=[B]+[C]** **83.1%** = 52.5 + 30.5%
Loss ratio after reinsurance +/- Restatements/Additions of exceptional items	**65.5%** = 65.5% +/- 0.0 pts.	**52.5%** = 52.5 +/- 0.0 pts.
Cost ratio after reinsurance +/- Restatements/Additions of exceptional items	**31.9%** = 31.9% +/- 0.0 pts.	**30.5%** = 30.5 +/- 0.0 pts.
-[(Claims) + (Claims handling expenses)]/[Earned premiums] (see P&L)	**63.3%** = -[(-€680.5m) + (-€25.1m)]/[€1,115.1m]	**51.0%** = -[(-€578.9m) + (-€26.5m)]/[€1,185.9m]
= Claims reported in the current year / Earned premiums for the current year See ultimate loss ratios development triangle	**70.0%** = see ultimate loss ratios development triangle	**70.2%** = see ultimate loss ratios development triangle
[E] = [F-D]	**-9.0%** = 61.0% - 70.0%	**-21.4%** = 48.8% - 70.2%
-(Claims/Earned premiums)	**61.0%** =-(-€680.5m/€1,115.1m)	**48.8%** =-(-€578.9m/€1,185.9m)

e) Alternative performance measures related to equity

DEFINITION	JUSTIFICATION
RoATE	
Net income for the year, attributable to equity holders of the parent over average tangible equity (average equity for the period (attributable to equity holders of the parent) restated for intangible assets)	The return on equity ratio is used to measure the return on the Coface Group's invested capital.
RoATE excluding exceptional and non-recurring items	
The calculation of RoATE (see definition of RoATE above) is based on net income excluding exceptional items and Average Tangible Equity (see RoATE definition above) excluding exceptional items. For this calculation, interests or commissions linked to capital management instruments (such as hybrid debt, contingent equity) are not considered as exceptional items.	The calculation of return on equity ratio excluding exceptional items is used to monitor the Group's profitability between two reporting periods.

f) Alternative performance measures related to the investment portfolio

DEFINITION	JUSTIFICATION
Accounting rate of return of financial assets	
Investment income before income from investments in companies, foreign exchange income and financial expenses compared to the balance sheet total of financial assets excluding investments in companies.	Indicator used to monitor the accounting performance of the financial assets portfolio
Accounting rate of return of financial assets excluding income from disposals	
Investment income before income from investments in companies, foreign exchange income and financial expense excluding capital gains or losses on disposals compared to the balance sheet total of financial assets excluding investments in companies.	Indicator used to monitor the recurring accounting performance of the financial assets portfolio.
Economic rate of return of financial assets	
Economic performance of the asset portfolio. Thus, the change in revaluation reserves for the year over the balance sheet total of financial assets is added to the accounting return. Accounting rate of return of financial assets + revaluation reserves of financial assets (shares excluding investments in companies, real estate, fixed-income instruments), year N- revaluation reserves of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N-1)/ ((market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N-1)/2)	Indicator used to monitor the economic performance of the financial assets portfolio
Investment portfolio income	
Investment portfolio income (shares/fixed-income instruments and real estate)	Used to monitor the income from the investment portfolio only
Others	
Foreign exchange income and investments in companies	Used to monitor income from investments in companies and foreign exchange which are not an integral part of the investment portfolio

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON	
	2016	2015
Net income for year N/[(Equity attributable to equity holders of the parent N-1, restated for intangible assets N-1 + Equity attributable to equity holders of the parent restated for intangible assets N)/2]	**2.7%** = (€42m)/[(€1,539m + €1,537m)/2]	**8.4%** = (€126m)/[(€1,537m + €1,486m)/2]
Net income for year N excluding exceptional items/[Equity attributable to equity holders of the parent excluding exceptional items N-1, restated for intangible assets N-1 + Equity attributable to equity holders of the parent excluding exceptional items N restated for intangible assets N)/2]	**-0.8%** = (-€12m)/[(€1,485m + €1,518m)/2] To ensure comparability with subsequent years, the contribution to 2016 net income of the public guarantees management business has also been excluded from this indicator.	**7.2%** = (€107m)/[(€1,518m + €1,470m)/2] To ensure comparability with 2016, the contribution to 2015 net income of the public guarantees management business has also been excluded from this indicator.

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON	
	2016	2015
Investment portfolio income/ ((market value of financial assets (shares excluding investments in companies, real estate, fixed-income products) year N + market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N-1)/2).	**1.7%** = €43.5m/(((€2,649m - €122m) + (€2,752m - €121m))/2)	**2.0%** = €49.9m/(((€2,649m - €122m) + (€2,679m - €121m))/2)
Investment portfolio income excluding capital gains or losses /((market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N-1)/2).	**1.6%** = (€43.5m - (€3.5m))/(((€2,649m - €122m) + (€2,752m - €121m))/2)	**1.8%** = (€49.9m - (€4.5m))/(((€2,649m - €122m) + (€2,679m - €121m))/2)
Accounting return on financial assets + revaluation reserves of financial assets [shares excluding investments in companies, real estate, fixed-income instruments), year N- revaluation reserves of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N-1]/[market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding investments in companies, real estate, fixed-income instruments) year N-1]/2)	**2.8%** = (€43.5m + ((€137.4m - €3.0m - €93.4m) - (€112.2m - €6.1m - €93.3m)))/(((€2,649m - €122m) + (€2,752m - €121m))/2)	**1.4%** = (€49.9m + ((€112.2m - €6.1m - €93.3m) - (€124.4m - €2.8m - €93.6m)))/(((€2,649m - €122m) + (€2,679m - €121m))/2)
Income from shares excluding investments in companies + income from fixed-income instruments + real estate income	**€43.5m** = €1.6m + €37.5m + €4.4m	**€49.9m** = €14.2m + €33.4m + €2.3m
Income from foreign exchange + derivatives + from investments in companies (dividend, allowances to provisions, capital gains or losses, etc.)	**€7.7m** = €16.5m - €10.2m + €4.2m - €2.7m - €0.1m	**€5.9m** = €42.6m - €43.7m + €4.9m + €1.0m - €1.2m

g) Alternative performance measures linked to reinsurance

DEFINITION	JUSTIFICATION
Ceded premiums/ Gross earned premiums	
Weight of Ceded premiums compared to earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cedes to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not yet written.	Indicator used to monitor changes in reinsurance income.
Ceded claims/Total claims	
Weight of ceded claims compared to total claims. Ceded claims correspond to the share of claims that Coface cedes to its reinsurers under reinsurance treaties signed with them.	Indicator used to monitor the change in reinsurance income.
Underwriting income before reinsurance	
Please refer to Section 3.3.1 and 3.4.3	
Underwriting income after reinsurance	
Please refer to Section 3.3.1 and 3.4.3	

3.4 Comments on income at December 31, 2016

3.4.1 PERFORMANCE OF THE GROUP

At the end of 2016, the year in which it began its transformation, Coface is reporting revenue of €1,411 million, down 3.6% (excluding exchange rate effect) compared to 2015. The loss ratio after reinsurance stands at 65.5% in the target range and, thanks to strict monitoring of expenses, the cost ratio after reinsurance is 31.9%.

Coface has successfully completed the transfer of the State export guarantees management business and launched its three-year *Fit to Win* strategic plan, which is in the process of being implemented.

Net income (attributable to equity holders of the parent) amounts to €41.5 million; it includes €36.5 million of non-recurring items linked to the transfer of the public guarantees management business and the deployment of the *Fit to Win* [(1)] strategic plan.

A dividend payment of €0.13 per share [(3)] for financial year 2016, will be proposed to COFACE SA shareholders. This dividend payment includes €0.07 per share corresponding to a distribution rate of 62% of adjusted income (€0.11 per share) [(3)] and €0.06 of exceptional dividend.

The new Solvency II prudential regime became effective on January 1, 2016. Calculated according to the standard formula, the capital coverage ratio required to cover insurance and factoring risks remained high at around 150% [(4)] at December 31, 2016. This level, in the target range of 140%-160% allows the Group to renew its commitment to distribute at least 60% of its normalised net income, as proposed this year.

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(1) *€75.0 million gain on French State export guarantees management transfer, €38.6 million in restructuring costs, €19.2 million of gains from reviewing employee benefits (including €5.1 million linked to discounting the actuarial rate to present value and €14.1 million in reversal of provision), representing a total of €55.6 million before tax (see Note 30 of the 2016 consolidated financial statements). After tax (applied normative rate: 34.43%), the contribution of these items to 2016 net income attributable to equity holders of the parent amounts to €36.5 million.*

(2) *The proposal for a dividend payment of €0.13 per share includes €0.07 of dividend and €0.06 of exceptional dividend; these payments are subject to the approval of the Annual Shareholders' Meeting of May 17, 2017.*

(3) *The following items are excluded from the calculations for the adjusted net income: €75.0 million of income linked to the transfer of public credit insurance procedures management in France, €38.6 million of restructuring expenses, i.e. a total of €36.3 million before income tax (see Note 30 of the consolidated financial statements 2016) After income tax (rate applied: 34.43%), the contribution of these items to the net income attributable to owners of the parent 2016 was €23.8 million.*

(4) *Estimate of the coverage ratio is based on the interpretation of the standard Solvency II formula. Not audited.*

RECONCILIATION WITH THE FINANCIAL STATEMENTS	N/N-1 COMPARISON	
	2016	2015
(Ceded premiums (o/w change in premiums provisions)/Earned premiums)	**23.1%** =-(-€257.5m/€1,115.1m)	**22.4%** =-(-€265.7m/€1,185.9m)
Ceded claims (o/w change in claims provisions after recourse)/Total claims of which claims handling expenses	**20.4%** = -€144.2m/(-€680.5m)] + [-€25.1m]	**20.1%** = -[(-€121.8m) + (-€578.9m)]/[-€26.5m]

3.4.2 REVENUE

The Coface Group's consolidated revenue fell by 5.3%, from €1,489.5 million in 2015 to €1,411.3 million in 2016. Revenue was down 3.6% like-for-like.

There is no Group structure effect for 2016. The foreign exchange effect was down 1.7 points, primarily owing to devaluations of the Argentine peso, the pound sterling, the Turkish pound and the Mexican peso.

The table below shows the changes in the Coface Group's consolidated revenue by activity as of December 31, 2015 and 2016:

CHANGE IN CONSOLIDATED REVENUE BY ACTIVITY *(in millions of euros)*	AS OF DECEMBER 31		CHANGE		
	2016	2015	*(in €m)*	*(in %)*	*(as a %: constant Group structure and exchange rate)*
Insurance	1,340.7	1,418.9	-78.3	-5.5%	-3.8%
Earned premiums	*1,115.1*	*1,185.9*	*-70.8*	*-6.0%*	*-4.1%*
*Services**	*225.5*	*233.0*	*-7.5*	*-3.2%*	*-2.7%*
Factoring	70.6	70.6	0.0	0.0%	0.6%
CONSOLIDATED REVENUE	**1,411.3**	**1,489.5**	**-78.2**	**-5.3**	**-3.6%**

* *Sum of revenue from services related to credit insurance ("Fees and commission income" and "Remuneration of public procedures management services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information ("Business information and other services") and receivables recovery ("Receivables management")).*

◆ Insurance

Revenue for the insurance business line (including surety bonds and Single Risk insurance products) was down by 5.5% as reported (down 3.8% like-for-like) from €1,418.9 million in 2015 to €1,340.7 million in 2016.

Earned premiums were down 6.0% as reported (down 4.1% like-for-like), from €1,185.9 million in 2015 to €1,115.1 million in 2016 under the effect of pressure on prices and sluggish customer business in the most mature regions (Western and Northern Europe) and the impact of action plans on risks, particularly high in Asia (reduction in exposures; non-renewal of certain risk generating policies for which the proposals for renegotiations of prices and terms have not been accepted).

The annual production of new contracts amounted to €139.1 million in 2016, corresponding to a drop of 2.5% over 2015, it remained stable except in Asia.

Contract retention rate (ratio between the annual value of renewed policies and the value of policies to be renewed during the year) improved slightly to 88.5% as of December 31, 2016 (versus 87.7% in 2015).

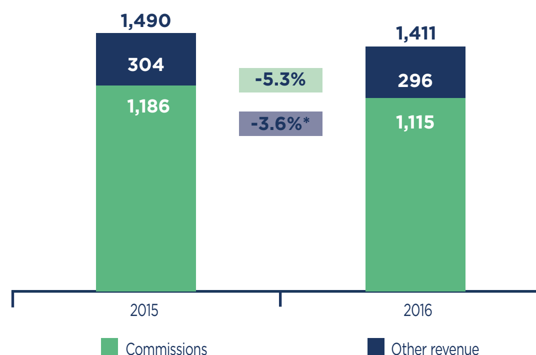
With a 1.7% decline in prices over 2016, versus 2.5% in 2015, the drop was more moderate. Mature markets are starting to stabilise in spite of the strong pressure on prices. Price increases were observed in Latin America.

The "business generated by policyholders" component (revenue/policyholders' business) rose by 0.8% in 2016 (versus +2.5% in 2015) marked by the economic downturn especially in emerging regions. Nonetheless, it remained positive and continued to drive the growth of our portfolio especially thanks to the robust performance of the Mediterranean & Africa region.

The service business revenue was down €7.5 million, from €233.0 million in 2015 to €225.5 million in 2016, corresponding to a drop of -3.2% (-2.7% like-for-like) mainly linked to the drop in remuneration for public procedures management services.

Factoring

Revenue from the factoring business (exclusively in Germany and Poland) was stable at €70.6 million in 2016, against a backdrop of significant access to market liquidities and a drop in interest rates. Germany reported a slight 0.9% drop in activity, due to pressure on prices while factoring in Poland rose 6.7% (+11% like-for-like), a sign of rallying commercial performances.



* on a like-for-like basis.

Change in revenue by region [1]

The following table shows the changes in consolidated revenue by business (net of intra-group flows) within the Group's seven geographic regions for the periods ended December 31, 2015 and 2016:

CHANGE IN CONSOLIDATED REVENUE BY REGION OF INVOICING *(in millions of euros)*	AS OF DECEMBER 31		CHANGE			
	2016	2015	*(in €m)*	*(as a %)*	*(as a %: on a constant exchange rate basis)*	*(as a %: on a constant Group structure and exchange rate basis)*
Western Europe	327.2	363.3	-36.2	-10.0%	-8.4%	-8.4%
Northern Europe	307.3	324.5	-17.2	-5.3%	-5.3%	-5.3%
Mediterranean & Africa	331.9	340.3	-8.4	-2.5%	-1.3%	-1.3%
North America	136.1	131.3	4.8	3.7%	4.0%	4.0%
Central Europe	121.3	125.3	-4.0	-3.2%	-1.1%	-1.1%
Asia-Pacific	109.8	121.3	-11.5	-9.5%	-10.9%	-10.9%
Latin America	77.7	83.5	-5.7	-6.9%	9.0%	9.0%
CONSOLIDATED REVENUE	**1,411.3**	**1,489.5**	**-78.2**	**-5.3%**	**-3.6%**	**-3.6%**

In Western Europe, revenue fell by 10% (by 8.4% like-for-like) due to sluggish commercial activity and pressure on prices. In particular, the revenue generated by the Single Risk offer fell sharply against a backdrop of difficult market conditions in the UK, Switzerland and France. Lastly, remuneration for the public procedures management services dropped by €6.6 million.

In Northern Europe, revenue was down 5.3%. The region is impacted by strong pressure on prices and volumes.

Revenue for Mediterranean & Africa dropped by 2.5% as reported (down 1.3% like-for-like) during the period. Italy reported robust commercial performances which were however offset by premium rebates granted on the Spanish market where the risk environment was favourable.

Revenue for North America was up 3.7% as reported (up 4.0% like-for-like) thanks to major accounts customers.

Central Europe was down 3.2% as reported (down 1.1% like-for-like) owing to a drop in debt collection revenue, in line with the relatively low loss experience in the region.

In the Asia-Pacific region, revenue was down 9.5% as reported (down 10.9% like-for-like), following risk abatement measures and tougher underwriting rules.

Revenue was up 9.0% in Latin America on a like-for-like basis. This growth can be explained by the high inflation observed in the region, but also to rate hikes and the dynamic commercial performance, especially in Argentina.

(1) *The modification of the composition of regions on April 11, 2016 led to a number of adjustments. Portugal and Spain, which were initially part of Western Europe, were transferred to the Mediterranean & Africa region. Russia, initially included in the Northern Europe region was transferred to the Central Europe region.*

3.4.3 UNDERWRITING INCOME

Underwriting income before reinsurance

Underwriting income before reinsurance fell by €164.4 million, from 194.8 million in 2015 to €30.5 million in 2016. This drop is mainly due to a decline in revenue (down €78.2 million) combined with a higher loss experience (€100.3 million).

The combined ratio before reinsurance totalled 96.4% (+13.9 percentage points), which corresponds to a 12.2 percentage point increase in loss ratio and 1.7 percentage point increase in cost ratio. The deterioration of the cost ratio is primarily due to a significant drop in revenue especially earned premiums (down €70.8 million). Internal general expenses are still contained, down 1.1% as reported (up 0.4% like-for-like).

Loss experience

The loss ratio, before reinsurance, deteriorated by 12.2 percentage points, rising from 51.0% in 2015 to 63.3% in 2016. This deterioration can be explained by a development of claims following a higher than expected loss experience in emerging countries which also affected the loss experience of exporting countries based in mature countries. Contrary to Asia-Pacific, the situation improved in Latin America at the end of 2016, where business had been strongly impacted in 2015. In mature regions, the loss ratio remained low with the exception of North America.

LOSS EXPERIENCE

	AS OF DECEMBER 31		CHANGE	
(in millions of euros and %)	2016	2015	*(in €m)*	*(as a %)*
Claims expenses incl. claims handling costs	705.7	605.3	100.3	16.6%
Loss ratio before reinsurance	63.3%	51.0%	-	+12.2 pts
Earned premiums	1,115.1	1,185.9	-70.8	-6.0%

In Western Europe, the loss ratio remained very low at 38.5%.

Northern Europe reported an increase in its ratio to 58.5%, corresponding to claims recorded on the specific sectors of traders.

The loss ratio for the Mediterranean & Africa region rose by 17.2 percentage points to 49.8%. This increase can be explained by a lower reversal of provisions in Spain which had reached a significant level in 2015. The ratio is still good at less than 50%.

In North America, the loss ratio stood at 85.0%, mainly due to the occurrence of substantial claims in the US in the industrial and services sectors while loss experience in Canada remained high.

Central Europe presented a loss ratio down to 50.3% as reported, (-7.1 percentage points). The action plans implemented in Russia in 2015 proved their effectiveness and thus helped to improve the loss experience.

Asia-Pacific recorded a loss ratio of 146.8%. This can be explained by a combination of several factors: strong credit insurance loss experience and major Single Risk claims primarily on contracts underwritten in Singapore.

The loss ratio for Latin America, another region marked by the volatility of risks on emerging markets, improved considerably to 60.2% (down 53.2 percentage points), as the action plans engaged in Mexico, Ecuador and in Brazil began to bear fruit.

CHANGE IN LOSS EXPERIENCE BY REGION OF INVOICING	AS OF DECEMBER 31		CHANGE
(as a %)	2016	2015	(% POINTS)
Western Europe	38.5%	33.5%	+5.0 pts
Northern Europe	58.5%	39.8%	+18.7 pts
Mediterranean & Africa	49.8%	32.5%	+17.2 pts
North America	85.0%	56.3%	+28.7 pts
Central Europe	50.3%	57.4%	-7.1 pts
Asia-Pacific	146.8%	100.6%	+46.2 pts
Latin America	60.2%	113.4%	-53.2 pts
LOSS RATIO BEFORE REINSURANCE	**63.3%**	**51.0%**	**+12.2 PTS**

GENERAL EXPENSES

GENERAL EXPENSES *(in millions of euros)*	AS OF DEC. 31, 2016	AS OF DEC. 31, 2015
Internal general expenses	545.4	551.2
of which claims handling expenses	*25.2*	*26.5*
of which investment management expenses	*2.7*	*2.1*
Commissions	153.4	162.0
TOTAL GENERAL EXPENSES	**698.8**	**713.2**

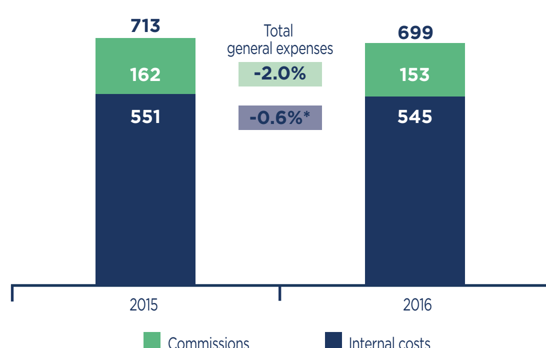
Gross earned premiums were down 2.0% as reported (down 0.6% like-for-like), from €713.2 million as of December 31, 2015 to €698.8 million at December 31, 2016.

Policy acquisition commissions were down 5.3% as reported (down 3.8% like-for-like), from €162 million in 2015 to €153.4 million in 2016. This change can be partly explained by the decline in earned premiums in 2016.

Internal general expenses, including claims handling expenses were down by 1.1% as reported (up +0.4% like-for-like), from €551.2 million in 2015 to €545.4 million in 2016.

Payroll costs are nearly stable at €304.0 million in 2016 as reported (up 1.4% like-for-like). IT costs decreased over the period to €50.5 million as reported, down 5.7% like-for-like. Other costs (taxes, IT purchases, rent) fell by 1.3% from €193.4 million in 2015 to €190.9 million in 2016. Savings were made, notably on IT purchases, travelling and the costs related to agents. The action plans launched in the regions continue to bear fruit.

Cost ratio before reinsurance deteriorated by 1.7 percentage points, from 31.5% in 2015 to 33.2% in 2016. This change can be primarily explained by the decline in earned premiums (+2.0 percentage points) and the compensation for public procedures management services (+0.6 percentage points) partly offset by external policy acquisition costs (-0.8 percentage points) and by a slight drop in internal general expenses (-0.5 percentage points) impacted by the roll-out of the *Fit to Win* strategic plan.



* *on a like-for-like basis.*

In Western Europe, general expenses were down 8.3% (down 6.8% like-for-like). The drop was most significant for policy acquisition commissions (down 13.7% like-for-like) following the decline in commercial activity. Significant cost control measures were taken to reduce internal general expenses by 4.8% like-for-like.

In Northern Europe, general expenses dropped by 3.0% as reported (down 3.0% like-for-like), thanks to a strict cost management policy.

In Mediterranean & Africa, general expenses dropped by 2.6% as reported (down 1.5% like-for-like), especially for costs linked to the recovery business and for taxes and levies.

In North America, general expenses were up 3.9% as reported (up 4.2% like-for-like). Commissions rose 5.5% (like-for-like) owing to the increase in revenue in a region with a brokerage-based commercial structure.

In Central Europe, general expenses were up 1.2% (up 3.0% like-for-like), this increase concerns policy acquisition commissions, specifically in Poland. Internal general expenses rose slightly (up 0.7% like-for-like).

In Asia-Pacific, general expenses fell 1.1% as reported (down 3.0% like-for-like).

In Latin America, general expenses dropped 6.7% as reported (up 11.3% like-for-like). Foreign exchange (Argentine peso and Brazilian real) had a material impact on general expenses. The increase in internal general expenses was mainly confined to payroll costs owing to compensation for strong inflation in Argentina.

◆ Underwriting income after reinsurance

Underwriting income after reinsurance contracted by €130.6 million, from €143.4 million in 2015 to €12.8 million in 2016. This change follows the same trend as underwriting income before reinsurance (-€164.4 million) while benefiting from the positive impact on the Group's external reinsurance.

The cost of reinsurance dropped significantly, from -€51.4 million in 2015 to -€17.6 million 2016 owing to the increase in loss ratio and a non-recurring gain of €13.8 million (exceptional accrual of claims collection costs in Northern Europe).

(in thousands of euros and %)	AS OF DECEMBER 31		CHANGE	
	2016	2015	(in €km)	(as a %)
Revenue	1,411,297	1,489,531	-78,234	-5.3%
Claims expenses	-705,655	-605,344	-100,311	16.6%
Policy acquisition costs	-255,289	-274,048	18,759	-6.8%
Administrative costs	-275,095	-269,956	-5,138	1.9%
Other current operating expenses	-83,004	-81,652	-1,352	1.7%
Expenses from banking activities, excluding cost of risk	-13,193	-14,094	901	-6.4%
Cost of risk	-4,222	-4,696	474	-10.1%
Expenses from other activities	-44,379	-44,892	513	-1.1%
UNDERWRITING INCOME BEFORE REINSURANCE	**30,460**	**194,848**	**-164,388**	**-84.4%**
Income and expenses from after reinsurance cessions	-17,599	-51,410	33,810	-65.8%
UNDERWRITING INCOME AFTER REINSURANCE	**12,861**	**143,438**	**-130,577**	**-91.0%**
Combined ratio after reinsurance	97.4%	83.1%	-	-

3.4.4 INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)

◆ Financial markets

2016 was especially memorable for two political events with unexpected outcomes: the UK vote to leave the European Union in June, and the election of Donald Trump as President of the United States in November. The economic situation, on the other hand, remained predictable in developed countries with continuation of the modest recovery on both sides of the Atlantic. In emerging countries, after serious doubts at the beginning of the year, the situation improved gradually (with, however, strong differences among countries), spurred by the stabilised situation in China and by an upsurge in oil prices.

In the United States, growth was disappointing in the beginning of the year, adversely impacted by the high dollar, but managed to bounce back, taking advantage of the positive effects of the drop in oil price on consumption and a vigorous employment market. The main event was the victory of Donald Trump in the US presidential elections, on a platform advocating for substantial tax cuts for families and businesses, more spending in certain sectors and an overhaul of trade relations with the rest of the world. The inflation fostered by this platform and the Federal Reserve's decision to raise its key interest rate at the end of year led to significant interest rate hikes in the last quarter and made up for the low interest rates in the first three quarters. The US 10-year yield rate rose from 2.28% to 2.45% at the end of the year. Equities markets rallied sharply at the end of the year and displayed an annual performance of more than 10%.

The economic recovery continued in the eurozone in 2016, though with significant differences among countries. Growth during the year was driven by household consumption which benefited from the low oil price and a weak euro against the dollar. However, there was still strong political uncertainty, stoked by the outcome of the British referendum and by the general wave of Eurosceptic sentiment. In the light of persistently weak growth and inflation, in addition to significant political risks, the European Central Bank maintained a very expansive policy throughout 2016. Accordingly, in March, it cut its key interest rates and announced an extension of its asset purchase programme to include corporate bonds starting in June. In December, it declared that it would reduce, starting in April 2017, the monthly volume of its asset purchase programme but would extend its duration until at least December 2017. These ECB measures led to another cut in sovereign rates over the period. The 10-year German rate fell by around 0.65% to 0.20% The French 10-year rate also dropped, by around 1% to 0.70% and the Spanish 10-year rate from around 1.80% to 1.40%, while the Italian 10-year rate, affected by the political uncertainty, rose from 1.60% to 1.80%.

For emerging countries, 2016 started off with heightened fears about an economic downturn in China and the consequences of low oil prices on producer countries. The differences among emerging countries continued to widen in 2016 with a political crisis in Brazil and downgrading of the sovereign ratings of several countries by the financial rating agencies. In the second quarter, the markets were reassured by improved Chinese figures and a surge in oil price. The signing of an agreement between OPEC countries also helped to confirm this trend by improving the outlook for oil exporting countries. However, at the end of the year, the election of Donald Trump opened up a new chapter of uncertainties. Emerging bond markets were therefore highly volatile but reported a positive performance for the year of nearly 10%, and thus partly wiped out the negative performances delivered in the previous quarters.

Financial income

Against this economic backdrop, the Group, as part of its defined strategic allocation policy, raised its exposure to the sovereign debt of leading issuers on the financial markets, and to unlisted European real estate while reducing its exposure to European equities. All these investments were made within a strictly defined risk framework; the quality of issuers, sensitivity of issues, dispersal of issuer positions and geographic areas are governed by strict rules defined in the different management mandates granted to the Group's dedicated managers.

The market value of the portfolio increased in 2016, thanks to a positive return on the investment portfolio and the payment of the French State's compensation for the transfer of the public guarantees management business.

The following table shows the financial portfolio by main asset class:

MARKET VALUE

	AS OF DECEMBER 31	
(in millions of euros)	**2016**	**2015**
Listed shares	113	207
Unlisted shares	14	12
Bonds	1,797	1,685
Loans, deposits and UCITS money-market funds	570	512
Property	138	112
TOTAL INVESTMENT PORTFOLIO	**2,631**	**2,527**
Associated and non-consolidated companies	121	122
TOTAL	**2,752**	**2,649**

The persistently low rates of return led to a slight fall in the return on the Group's portfolio. Investment income came off at €43.5 million (*i.e.* 1.7% of average outstanding in 2016) comparable with the €49.9 million reported in 2015 (2.0% of average outstanding in 2015).

INVESTMENT PORTFOLIO INCOME

	AS OF DECEMBER 31	
(in millions of euros)	**2016**	**2015**
Shares	1.6	14.2
Fixed-income instruments	37.5	33.4
Investment property	4.4	2.3
TOTAL INVESTMENT PORTFOLIO	**43.5**	**49.9**
o/w realised gains	*3.5*	*4.5*
Associated and non-consolidated companies	1.4	7.0
Net foreign exchange gains	6.3	-1.2
Financial and investment charges	-3.2	-2.7
TOTAL	**48.0**	**53.1**

After income from investments in companies, foreign exchange and derivatives income, financial expense and investment costs, financial income for 2016 came off at €48 million.

The economic rate of return of financial assets came off at 2.8% in 2016 versus 1.4% for the same period in 2015. This increase in economic return is linked to the drop during the year of European rates and the upturn on equities markets at the end of the year.

3.4.5 OPERATING INCOME

(in millions of euros)	AS OF DECEMBER 31 2016	2015	CHANGE (in €m)	(as a %)	(as a %: on a constant Group structure and exchange rate basis)
OPERATING INCOME INCLUDING FINANCE COSTS: A	**96.0**	**173.8**	**-77.8**	**-44.8%**	**-43.2%**
Other operating income and expenses (B)	53.5	-4.2	57.7	NS	NS
OPERATING INCOME INCLUDING FINANCIAL COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES: C = A-B	**42,5**	**178.0**	**-135.5**	**-76.1%**	**-74.5%**
Realised gains: (D)	-	-			
Interests costs (E)	-16.1	-16.1	0.0	0.0%	NS
OPERATING INCOME INCLUDING FINANCING COSTS AND EXCLUDING NON-RECURRING COSTS: F = C-D-E	**58.7**	**194.2**	**-135.5**	**-69.8%**	**-68.3%**

Current operating income, including finance costs and excluding restated items, fell by €135.5 million, *i.e.* by -69.8% (-68.3% like-for-like), from €194.2 million in 2015 to €58.7 million in 2016.

Combined ratio after reinsurance, including non-recurring items, rose by 14.3 percentage points, from 83.1% in 2015 to 97.4% in 2016 of which +12.9 percentage points of net loss ratio and +1.4 percentage points of cost ratio.

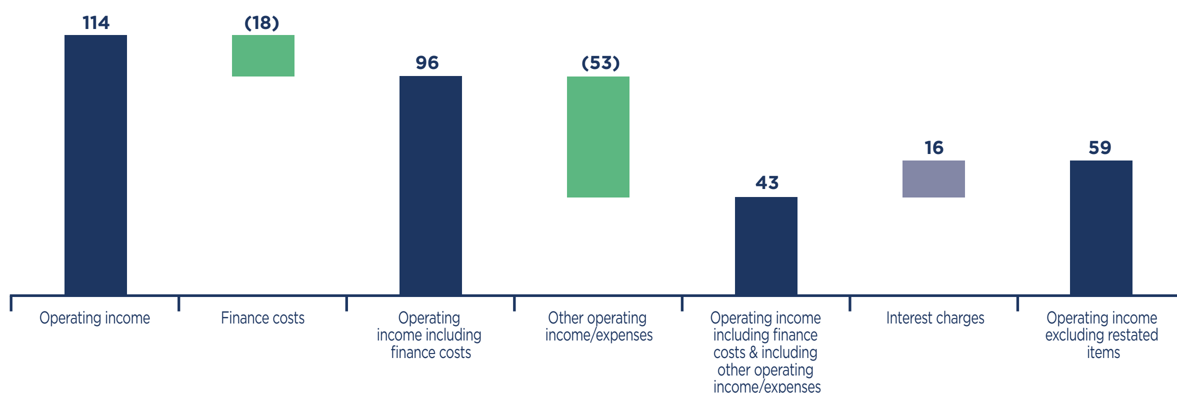
Other operating income and expenses amounted to €53.5 million and mainly comprise:

- compensation received following the transfer of the export support public procedures management business to the Bpifrance group and other income and expenses linked to exit from the scope of consolidation (€75 million);
- revenue linked to a reversal of provisions for employee commitments of €14.1 million and discounting of the corresponding actual rates by €5.1 million;
- expenses of €38.6 million linked to the roll-out of the *Fit to Win* strategic plan.

Interest expenses for the hybrid debt amounted to €16.1 million in 2016, stable compared to 2015 (debt contracted on March 27, 2014).

The decline in the Coface Group's operating income can be explained by both the deteriorated loss experience and the decline in revenue.

In €m



All regions contributed positively to operating income, except Asia-Pacific and North America, which were strongly impacted by an increase in loss experience. We draw attention to the improved circumstances of the Latin America region.

CHANGE IN CONSOLIDATED OPERATING INCOME BY REGION *(in millions of euros)*	AS OF DECEMBER 31			
	2016	2015	CHANGE	SHARE OF ANNUAL TOTAL AT DECEMBER 31, 2016
Western Europe	134.2	82.8	51.4	83%
Northern Europe	37.1	95.7	-58.7	23%
Mediterranean & Africa	66.7	99.1	-32.4	41%
Central Europe	29.8	32.3	-2.5	18%
North America	-30.6	6.4	-36.9	-19%
Latin America	6.2	-21.5	27.7	4%
Asia-Pacific	-81.7	-56.8	-24.9	-51%
TOTAL (EXCLUDING INTER-REGIONAL FLOWS AND HOLDING COST NOT REBILLED)	**161.5**	**237.9**	**-76.4**	**100%**

3.4.6 NET ATTRIBUTABLE INCOME FOR THE YEAR (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT)

The Coface Group's effective tax rate increased, jumped from 28.1% in 2015 to 50.1% in 2016. This increase can partly be explained by the total non-deferral of tax losses and the cancellation of an extraordinary positive effect recorded in 2015 in Italy.

Net income (attributable to equity holders of the parent) amounted to €41.5 million, down by 67%.

Restated for the following exceptional and non-recurring items:

- income and expenses linked to the transfer of the public procedures management business;
- income linked to the alignment of certain employee benefits;
- costs generated by the roll-out of the *Fit to Win* strategic plan;

and by excluding the income generated by the operational activities of public procedures management (€17.1 million), net income (attributable to equity holders of the parent) totalled -€12.0 million in 2016.

3.4.7 PARENT COMPANY NET INCOME

The net income of COFACE SA in 2016 amounted to €75.38 million, compared to €73.05 million in 2015. This figure can be primarily explained by the payment of the dividend by Compagnie française d'assurance pour le commerce extérieur, the Group's operating subsidiary, for an amount of €87 million in 2016 compared to €80 million in 2015.

3.5 Group cash and capital

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 12 "Cash and cash equivalents" in the Company's consolidated financial statements, as reported in Section 4 "Financial Items".

(in millions of euros)	AS OF DECEMBER 31	
	2016	2015
Net cash generated from operating activities	132.8	280.9
Net cash flows generated from investment activities	-105.2	-56.2
Net cash generated used in financing activities	-97.2	-98.7

(in millions of euros)	AS OF DECEMBER 31, 2016	2015
Cash and cash equivalents at beginning of period	396.8	278.6
Cash and cash equivalents at end of period	332.1	396.8
Net change in cash and cash equivalents	-64.8	118.2

3.5.1 GROUP DEBT AND SOURCES OF FINANCING

The Group's debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of "Amounts due to banking sector companies" and "Debt securities").

(in millions of euros)	AS OF DECEMBER 31, 2016	2015
Subordinated borrowings	387.8	387.3
Obligations under finance leases	2.3	5.2
Bank overdrafts and other borrowings	0.03	0.1
SUB-TOTAL FINANCIAL DEBT	**390.1**	**392.6**
Amounts due to banking sector companies	452.1	352.4
Debt securities	1,591.2	1,613.1
SUB-TOTAL OPERATING DEBT	**2,043.3**	**1,956.4**

Financial debt

For the period ended December 31, 2016, the Group's financing liabilities, totalling €390.1 million, primarily include the subordinated borrowings issued for €387.8 million.

These fixed rate (4.125%) subordinated notes (maturing on March 27, 2024) were issued on March 27, 2014 by COFACE SA for a nominal amount of €380 million.

The issue allowed the Coface Group to optimise its capital structure, which had previously been characterised by an extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory equity.

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

Operating debt linked to the factoring business

The Group's operating debt is mainly linked to financing for its factoring business.

This debt, which includes the lines "Amounts due to banking sector companies" and "Amounts due to customers of banking sector companies" correspond to sources of refinancing for the Group's factoring entities Coface Finanz (Germany) and Coface Factoring Poland.

Amounts due to banking sector companies, which corresponded to drawdowns on the bilateral credit lines (see below "Bilateral credit lines") set up with various banking partners of Coface Finanz and Coface Factoring Poland and the Group's leading local banks, amounted to €452.1 million for the period ended on December 31, 2016.

The borrowings represented by the securities amounted to €1,591.2 million for the period ended on December 31, 2016 including:

- the Senior units issued by the Vega securitisation mutual fund under the factoring receivables Securitisation Programme (see paragraph below "Securitisation Programme") of Coface Finanz, in the amount of €1,151 million; and
- commercial paper issued by COFACE SA (see paragraph below "Commercial paper programme") to finance the activity of Coface Finanz in the amount of €440 million.

Coface Group's main sources of operational financing

The Group's main sources of operational financing are to date:

- a Securitisation Programme to refinance its trade factoring receivables for a maximum amount of €1,195 million;
- a commercial paper programme for a maximum amount of €600 million; and
- bilateral credit lines for a maximum total amount of €740.5 million.

Since 2011, the amount of the Group's operational financing has fallen sharply. In 2012, the Group took a first step towards

achieving financial autonomy by implementing in February a factoring receivables Securitisation Programme dedicated to financing the business of Coface Finanz (Germany) and implemented a commercial paper programme dedicated to factoring financing.

In 2013, the Group continued to move away from Natixis by extending its commercial paper programme.

In 2014, a structural addition was introduced into the Securitisation Programme, which allowed the maximum amount of the programme to be increased to €1,195 million (recall that the initial amount was €1,100 million). The Securitisation Programme was renewed early at the end of 2015 for an unchanged maximum amount.

In 2015, the Group decided to set up new bilateral lines to replace the historic financing lines with Natixis and extend its commercial paper programme.

In 2016, the Group continued to set up new bilateral lines in order to optimise financing in Germany and support growth in Poland.

At December 31, 2016, the amount of the Group's debt linked to its factoring activities amounted to €2,043 million.

(a) Securitisation programme

In connection with the refinancing of its factoring business, the Group implemented, in February 2012, a Securitisation Programme for its factoring trade receivables for a maximum total amount of €1,100 million, guaranteed by Compagnie française d'assurance pour le commerce extérieur. The maximum amount of the programme increased by €95 million thanks to a structural addition set up in July 2014. The ceding entity was Coface Finanz, the German wholly-owned subsidiary of Compagnie française d'assurance pour le commerce extérieur. The reinsurer for the receivables is a French securitisation mutual fund, Vega, governed by the stipulations of the French Monetary and Financial Code. The Group gained from this ceded reinsurance initial funding with 35% of the programme due in one year and the remaining 65% in three years. On February 3, 2014, the Group reached an agreement with the banks in charge of the funding, to renew the funding due in one year and extend the 3-year portion of the funding, which was accordingly raised to 75% of the programme size. Thanks to the additional financing that was introduced in July 2014, the share of financing at three years reached 77%. The Securitisation Programme was completely renewed early in December 2015, *i.e.* for a maximum total amount of €1,195 million and financing units of 23% and 77% respectively on maturities of one year and three years. The main monitoring indicators for the programme include the default ratio, the delinquency ratio and the dilution ratio. The priority units issued by the Vega securitisation mutual fund were subscribed and refinanced by four undertakings which were issued in consideration for the short-term securities. The subordinated units were underwritten by Coface Factoring Poland.

At December 31, 2016, €1,151 million had been used under the programme.

This Securitisation Programme includes a number of usual early payment cases associated with such a programme, concerning the financial position of Coface Finanz (the ceding company) and other Group entities (including certain indicators regarding the quality of the reinsured receivables), and linked to the occurrence of various events, such as:

- payment default of Coface Finanz or of Compagnie française d'assurance pour le commerce extérieur for any sum due under the securitisation mutual fund;
- the cross default of any Group entity pertaining to debt above €100 million;
- closure of the asset-backed commercial paper market for a consecutive period of 180 days;
- liquidation proceedings against Coface Finanz, Coface Factoring Poland, the Company or Compagnie française d'assurance pour le commerce extérieur;
- the discontinuance or substantial change to the activities practised by Coface Finanz or by Compagnie française d'assurance pour le commerce extérieur;
- a downgrading of the financial rating of Compagnie française d'assurance pour le commerce extérieur below BBB- for the main funding (maximum amount of €1,100 million) and to below A for additional funding (maximum amount of €95 million); as well as in cases of
- non-compliance with one of the covenants linked to the quality of the reinsured portfolio of factoring receivables.

The Securitisation Programme does not contain a change of control clause for the Company, but contains restrictions regarding the change of control in Compagnie française d'assurance pour le commerce extérieur and the factoring companies resulting in their exit from the Group.

The three covenants set by the Securitisation Programme include:

COVENANT	DEFINITION	TRIGGER THRESHOLD
Default ratio	Moving average over 3 months of the rate of receivables outstanding beyond 60 days after their due date	> 2.24%
Delinquency ratio	Moving average over 3 months of the rate of receivables outstanding beyond 30 days after their due date	> 5.21%
Dilution ratio	Moving average over 3 months of the dilution ratio	> 9.71%

At December 31, 2016, the Group had complied with all of these covenants.

(b) Bilateral credit lines

In connection with the refinancing of its factoring business, the Group also introduced, mainly through its subsidiaries, a certain number of bilateral credit lines and bank overdrafts for a total maximum amount of €740.5 million:

- bilateral credit lines and bank overdrafts concluded with four German banks (the "German credit lines")

and two Polish banks (the "Polish bank overdrafts") for a maximum amount of €176.8 million. These bilateral credit lines and bank overdrafts were concluded for a maximum period of one year. Some German credit lines contain the usual clauses, such as: borrower compliance with a specified net asset level; borrower change of control clause and benefit for the lender of the strictest financial covenant granted by the borrower to other financial institutions. The Polish overdraft facilities contain the standard commitments. At December 31, 2016, €87.3 million had been drawn down under the German credit lines and €1.87 million had been used under the Polish bank overdrafts;

- bilateral credit lines concluded with six relational banks of the Group:
  - four lines for a maximum total amount of €190 million for Coface Finanz (with maturities ranging between one and three years), of which €78.2 million had been drawn down as of December 31, 2016,
  - six lines for a maximum total amount of €374 million for Coface Factoring Poland (with maturities ranging between one and two years), of which €284 million had been drawn down as of December 31, 2016.

(c) Commercial paper programme

The Group has a commercial paper issuance programme that was extended in October 2015 to reach a maximum amount of €600 million. Under this programme, the Company frequently issues securities with due dates ranging generally between one and six months. At December 31, 2016, the total amount of securities issued under the commercial paper programme totalled €439.95 million. The programme was rated P-2 by Moody's and F1 by Fitch.

Should the commercial paper market shut down, the Coface Group has six lines of credit, currently unused and granted for a period of one year (due in October 2017) for a period of two years (due in October 2018) covering the maximum amount of the commercial paper issue programme (€600 million). The agreements regulating these bilateral credit lines contain the usual restrictive clauses (such as a negative pledge, prohibition from assigning the assets outside the Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Group's business activities) and early repayment (payment default, cross default, non-compliance with representations, warranties and commitments, significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and liquidation procedure or downgrading of the Company's credit rating below BBB+ (by Fitch) or Baa1 (by Moody's)), in line with market practices.

3.5.2 SOLVENCY OF THE GROUP

In accordance with the regulation, the Group also measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) according to the Solvency II Regulation standard formula for its insurance business and according to bank regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet (see also Section 5.1.2.5 "Risks related to hedging the Group's solvency" – SCR ratio).

For insurance activities, pursuant to the Solvency II Regulation which became effective on January 1, 2016, the Group proceeded on December 31, 2016 with the calculation of the solvency capital requirement (SCR) under the standard formula introduced by European Directive No. 2009/138/EC. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operating risks. It takes account of frequency risks and severity risks. This calculation is calibrated to cover the risk of loss corresponding to 99.5% quantile at a one-year horizon. As of December 31, 2016, the estimated amount of the Group's capital requirement (including the SCR calculated according to the standard formula) amounted to €1,335 million [(1)] compared to €1,332 million at year end 2015.

The Group also calculates the capital requirement for the factoring business line. As of December 31, 2016, the capital requirement for the factoring business amounted to €194 million. It is estimated by applying a 9% rate to the risk-weighted assets (or RWA). RWAs are calculated on the basis of the factoring outstandings, by applying weighting as a function of the probability of default and the expected loss in case of default, determined according to the method in line with that used by Natixis. The Group intends to implement a conservative estimate, given that:

- the percentage applied by the Group (9%) is higher than the rate currently required by banking regulations (8.625% for 2016); and
- German and Polish local regulators (the two countries in which the Group operates its factoring business) have not defined specific mandatory capital requirements for factoring companies.

The amount of the capital requirement for the insurance business and the capital requirement for the factoring business is comparable with the available capital which totalled, as of December 31, 2016, €1,997 million.

As of December 31, 2016, the capital requirement coverage rate (ratio between the Group's available capital and its capital requirement for insurance and factoring), amounted to 150% [(2)] compared to 147% at the end of 2015 estimated according to the model applicable under Solvency II.

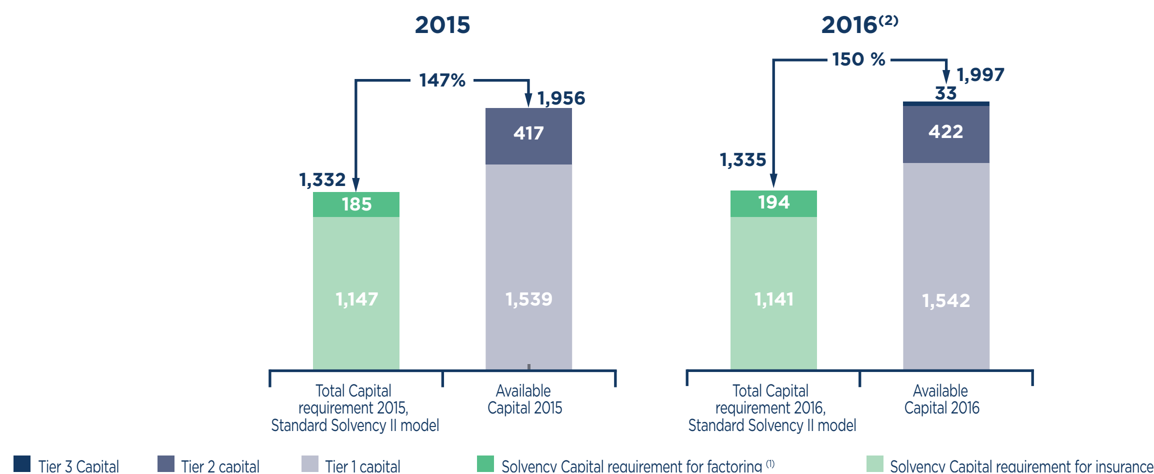
(1) United amount.
(2) Unaudited ratio.

The table below presents the items for calculating the capital requirement coverage ratio in the Group's standard formula [(1)]:

(in millions of euros)	AS OF DEC. 31, 2016 [(1)]	AS OF DEC. 31, 2015*
Total equity	1,761	1,767
- Goodwill and other intangible assets (net of deferred taxes)	-195	-201
+ Revaluation of provisions using the best estimate method (net of deferred taxes)	147	127
- Consolidation under the equity method of non-consolidated subsidiaries (net of deferred taxes)	-75	-75
+/- Other adjustments**	-43	-3
- Dividend payments	-20	-75
+ Subordinated debt (valued at market value)	422	417
= SOLVENCY II AVAILABLE OWN FUNDS (A)	**1,997**	**1,955**
Capital requirement – Insurance (SCR in standard formula) (B)	1,141	1,147
Capital requirement – Factoring (C)	194	185
STANDARD CAPITAL REQUIREMENT FORMULA (D)=(B)+(C)	**1,335**	**1,332**
SOLVENCY RATIO (E) = (A)/(D)	**150%**	**147%**

* *Final calculation.*
** *Mainly linked to the revaluation of certain balance sheet items, including the adjustment following the equity availability test.*

Solvency II margin



(1) Calculated according to the RWA methodology used by Natixis.
(2) Preliminary calculation. Coface's interpretation of Solvency II. Unaudited.

(1) As the Solvency II Standard formula is interpreted by Coface. Unaudited.

3.5.3 RETURN ON EQUITY [1]

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

The table below presents the elements used to calculate the Coface Group's RoATE over the 2015-2016 period:

	AS OF DECEMBER 31	
(in millions of euros)	2016	2015
Accounting equity (attributable to equity holders of the parent) – A	1,755	1,761
Intangible assets – B	216	224
Tangible equity – C (A -B)	1,539	1,537
Average tangible equity D ($[C_n + C_{n-1}]/2$)	1,538	1,511
Net income (attributable to equity holders of the parent) – E	42	126
RoATE – E/D	2.7%	8.4%

In order to analyze the change in return on equity between 2015 and 2016, this ratio was recalculated based on net income excluding exceptional items:

	AS OF DECEMBER 31	
(in millions of euros)	2016	2015
Accounting equity (attributable to equity holders of the parent) – A	1,755	1,761
Intangible assets – B	216	224
Equity, net of intangible assets, recalculated on the basis of the net income excluding exceptional items – C (A-B+F-E)	1,485	1,518
Average equity, net of intangible assets recalculated on the basis of net income excluding exceptional items- D ($[C_n + C_{n-1}]/2$)	1,502	1,494
Net income (attributable to equity holders of the parent) – E	42	126
Net income (attributable to equity holders of the parent) excluding exceptional items – F	-12*	107*
RoATE excluding exceptional items – F/D	(0.8%)*	7.2%*

* *Excluding exceptional items for the year (Note 30 of the Consolidated financial statements) and excluding the contribution of the public guarantees activity.*

(1) *See also comments on the operating income and the net income in Sections 3.4.5 and 3.5.6.*

3.5.4 OFF-BALANCE SHEET COMMITMENTS

Most of the Group's off-balance sheet commitments concern credit lines, guarantees received (pledged securities received from reinsurers corresponding to deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets.

The table below presents the details of the Group's off-balance sheet commitments for the 2015-2016 period:

(in thousands of euros)	DEC. 31, 2016	RELATED TO SCOPE OF ENTITIES	RELATED TO FINANCING	RELATED TO OPERATING ACTIVITY
COMMITMENTS GIVEN	**955,126**		**944,303**	**10,823**
Endorsements and letters of credit	944,303		944,303	
Property guarantees	7,500			7,500
Financial commitments in respect of equity interests	3,323			3,323
COMMITMENTS RECEIVED	**1,170,697**	**0**	**886,936**	**283,761**
Endorsements and letters of credit	136,964			136,964
Guarantees	143,997			143,997
Credit lines linked to commercial paper	600,000		600,000	
Credit lines linked to factoring	286,936		286,936	
Financial commitments in respect of equity interests	2,800			2,800
GUARANTEES RECEIVED	**302,893**	**0**	**0**	**302,893**
Securities lodged as collateral by reinsurers	302,893			302,893
FINANCIAL MARKET TRANSACTIONS	**58,533**			**58,533**

(in thousands of euros)	DEC. 31, 2015	RELATED TO SCOPE OF ENTITIES	RELATED TO FINANCING	RELATED TO OPERATING ACTIVITY
COMMITMENTS GIVEN	**924,417**	**5,569**	**911,348**	**7,500**
Endorsements and letters of credit	909,853		909,853	
Property guarantees	7,500			7,500
Financial commitments in respect of equity interests	5,569	5,569		
Obligations under finance leases	1,495		1,495	
COMMITMENTS RECEIVED	**1,228,810**	**2,776**	**958,900**	**267,134**
Endorsements and letters of credit	121,146			121,146
Guarantees	145,989			145,989
Credit lines linked to commercial paper	600,000		600,000	
Credit lines linked to factoring	358,900		358,900	
Financial commitments in respect of equity interests	2,776	2,776		
GUARANTEES RECEIVED	**409,216**	**0**	**0**	**409,216**
Securities lodged as collateral by reinsurers	409,216			409,216
FINANCIAL MARKET TRANSACTIONS	**55,699**			**55,699**

Endorsements and letters of credit totalling €944,303 thousand for the year ended December 31, 2016 correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes' investors (10 year maturity);
- as well as €554,762 thousand corresponding to the joint guarantee given to the banks financing the factoring business.

Collateral concerning Coface Ré for €191,138 thousand and Compagnie française pour le commerce extérieur for €111,755 thousand.

Credit lines amounted to €600 million for the year ended December 31, 2016, corresponding to the bilateral credit lines set up in the context of the Group's commercial paper issuance programme for €600 million (see Section 3.5.1 "Group debt and sources of financing").

3.6 Events after December 31, 2016

There has been no significant change to the Group's financial or commercial position since December 31, 2016.

Compagnie française d'assurance pour le commerce extérieur received an accounts audit notice on January 10, 2017, issued by the Directorate for National and International Audits [1]. The audit will concern financial years 2014 and 2015.

3.7 Outlook

3.7.1 ECONOMIC ENVIRONMENT [2]

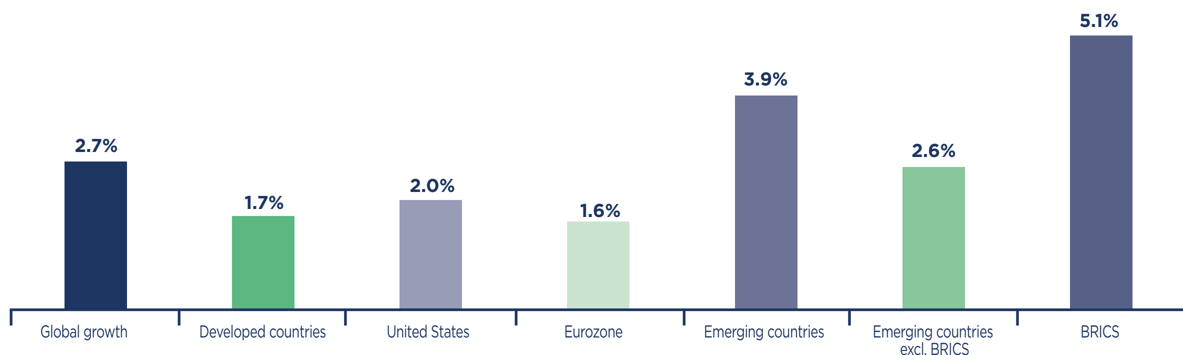
Global growth should be slightly higher in 2017 (2.7%) compared to 2016, thanks to the gradual business recovery in emerging economies (+4.1% after 3.7%) and moderate growth in leading countries (+1.6% after 1.6%).

In 2017, among advanced economies, the United States is likely to report modest growth (1.8%) owing to the adoption of a number of stimulus measures linked to the arrival of Donald Trump at the White House, while activity might be less dynamic in the United Kingdom (1.1%) due to the negative effects of Brexit (loss of confidence, inflation uptick linked to the depreciation of the pound sterling which will negatively impact household spending). Growth in the eurozone is likely to remain stable (1.6%) but marked by more political uncertainty (elections in the Netherlands, France and Germany). Vigorous domestic demand will continue to drive growth in these economies. The factors which supported developed economies in recent years such as low oil price, accommodating monetary policy or again low inflation, should have less of an impact this year. In particular, the inflation uptick is likely to limit the purchasing power of households, which can to a large extent be explained by commodities prices, which, after falling since mid-2014 and hitting a record low in 2016, should start to rise. Spain should report sound (+2.3%) but contracted growth compared to the previous year. In Germany, activity is likely to be less buoyant (1.6%), owing to the inflation uptick and arrival of fewer refugees. In France, growth should be stable (1.3%), but investment will continue to struggle to take off while employment would be better orientated, especially more so against a background of uncertainties linked to the presidential elections. In Italy, growth is likely to remain lacklustre (0.8%), with private consumption still penalised by uncertainty and diminished household confidence.

Emerging countries should experience more sustained growth in 2017 than in 2016. This can be primarily explained by the end of the recession in Brazil (0.4%) and Russia (0.8%), especially owing to the gradual rise in commodities prices and greater exchange rate stability. India is likely to continue reporting robust growth (7.5%), despite the demonetisation shock at the end of 2016. However, these improved performances by emerging countries could be limited by weakening activity in China (6.3%): the country will continue to grapple with the same issues this year. As the government is not ready to reduce its support to activity, reducing imbalances does not appear to be a priority as shown by the progression of its non-financial private debt. South Africa is likely to record less dynamic growth (0.8%) than in 2016 owing to the contraction of manufacturing activity, political instability and a volatile rand. The same scenario applies to Mexico (1.5%), penalised by the depreciation of the peso against the dollar (linked in particular to the uncertainty around Donald Trump's politics), which will cause an inflation uptick and tougher monetary policy.

(1) The Directorate for National and International Audit is a national service of the General Directorate of Public Finances.
(2) Group estimates.

GDP GROWTH (as %): 2017 (source Coface)



3.7.2 OUTLOOK FOR THE GROUP

The macro-economic context remains challenging (sluggish growth in advanced countries with greater political uncertainty in the US, the UK and Western Europe, as 2017 is an electoral year in several major countries). However, emerging countries should report more sustained growth in 2017, thanks to the end of the recession in Brazil and Russia, even though growth will be limited by the activity downturn in China.

The Group, therefore, expects a volatile and uncertain economic environment in 2017.

With *Fit to Win*, Coface has set itself the goal of delivering return on average tangible equity (RoATE) of 9% or more throughout the cycle.

Coface is fully focused on executing its strategic plan, and the effects of the initiatives rolled out in this framework should appear gradually.

In 2017, the Group will continue to focus its priorities on implementing its *Fit to Win* strategic plan, while remaining attentive and adapting to the risk environment.

For 2017, Coface expects its loss ratio after reinsurance to decrease below 61%. Coface expects to reap the first fruits of the operational efficiency measures already rolled out in the *Fit To Win* plan and save €10 million in costs in 2017: restructuring investments and expenses should amount to €21 million this year.

3.8 Appendix – Breakdown of the calculation of ratios at December 31, 2016

ADJUSTED NET OPERATING EXPENSES *(in €k)*		NOTES	DEC. 31, 2015	DEC. 31, 2016
Total operating expenses		**27**	**713,226**	**698,758**
Net income from banking activities		24	-70,599	-70,619
Fee and commission income		24	-125,550	-128,795
Other insurance-related services		24	-10,129	-5,882
Information and other services		24	-25,262	-25,170
Receivables management		24	-12,086	-12,330
Remuneration of public procedures management services		24	-59,969	-53,361
of which employee profit-sharing		27	-7,439	-5,118
Investment management expenses		27	-2,124	-2,659
Claims handling expenses		27	-26,460	-25,139
ADJUSTED GROSS OPERATING EXPENSES	C		**373,608**	**369,685**
Commissions paid by reinsurers		28	-92,499	-95,738
ADJUSTED NET OPERATING EXPENSES	F		**281,109**	**273,947**

ADJUSTED NET EARNED PREMIUMS *(in €k)*		NOTES	DEC. 31, 2015	DEC. 31, 2016
Gross earned premiums	A	**24**	**1,185,935**	**1,115,140**
Ceded earned premiums		28	-265,710	-257,539
NET EARNED PREMIUMS	D		**920,225**	**857,601**

ADJUSTED NET CLAIMS EXPENSES *(in €k)*		NOTES	DEC. 31, 2015	DEC. 31, 2016
Gross claims expenses [(1)]	B	**25**	**605,344**	**705,655**
Ceded claims expenses		28	-123,389	-124,553
Change in claims provisions net of recoveries		28	1,588	-19,649
NET CLAIMS EXPENSES	E		**483,543**	**561,453**

(1) of which claims handling costs

RATIOS	DEC. 31, 2015	DEC. 31, 2016
Loss ratio before reinsurance	51.0%	**63.3%**
Loss ratio after reinsurance	52.5%	**65.5%**
Cost ratio before reinsurance	31.5%	**33.2%**
Cost ratio after reinsurance	30.5%	**31.9%**
Combined ratio before reinsurance	82.5%	**96.4%**
Combined ratio after reinsurance	83.1%	**97.4%**

Gross combined ratio = gross loss ratio $\frac{B}{A}$ **+ gross cost ratio** $\frac{C}{A}$

Gross combined ratio = net loss ratio $\frac{E}{D}$ **+ net cost ratio** $\frac{F}{D}$

3.9 Appendix – investments outside the investment portfolio

The Group mainly invests in property, plant and equipment relating to the organisation or refurbishment of the office properties used, as well as investments in IT equipment or licences. They amounted, excluding deposits, surety bonds and buildings used in the business, to €20.5 million at December 31, 2013 (of which around €15 million linked to the refurbishment of the Group's head office); however, they were immaterial at December 31, 2014. The amounts totalled €7.9 million at December 31, 2015.

During the period ended December 31, 2016, the Group continued with one-off investments relating to its property, plant and equipment in the amount of €8.2 million.

FINANCIAL ITEMS

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4.1 Consolidated financial statements

4.1.1 CONSOLIDATED BALANCE SHEET

Assets

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Intangible assets		**215,708**	**224,307**
Goodwill	4	156,214	155,467
Other intangible assets	5	59,494	68,840
Insurance business investments	6	**2,751,091**	**2,648,119**
Investment property	6	787	800
Held-to-maturity securities	6	2,740	3,721
Available-for-sale securities	6	2,593,953	2,512,526
Trading securities	6	69,696	55,468
Derivatives	6	2,975	6,123
Loans and receivables	6	80,940	69,481
Receivables arising from banking and other activities	7	**2,481,525**	**2,370,902**
Investments in associates	8	**13,411**	**20,258**
Reinsurers' share of insurance liabilities	19	**341,347**	**327,986**
Other assets		**926,344**	**894,121**
Buildings used in the business and other property, plant and equipment	9	57,484	65,107
Deferred acquisition costs	11	46,393	44,043
Deferred tax assets	21	71,973	57,538
Receivables arising from insurance and reinsurance operations	10	528,273	518,970
Trade receivables arising from other activities	11	14,849	14,238
Current tax receivables	11	69,126	68,937
Other receivables	11	138,246	125,288
Cash and cash equivalents	12	**332,071**	**396,837**
TOTAL ASSETS		**7,061,497**	**6,882,530**

Equity and liabilities

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Equity attributable to owners of the parent		**1,755,177**	**1,760,954**
Share capital	13	314,496	786,241
Additional paid-in capital		810,420	347,371
Retained earnings		501,734	442,231
Other comprehensive income		86,996	58,872
Consolidated net income for the year		41,531	126,239
Non-controlling interests		**5,490**	**6,073**
Total equity		**1,760,667**	**1,767,027**
Provisions for liabilities and charges	16	**151,074**	**114,234**
Financing liabilities	18	**390,044**	**392,594**
Liabilities relating to insurance contracts	19	**1,678,249**	**1,514,862**
Payables arising from banking sector activities	20	**2,409,691**	**2,369,662**
Amounts due to banking sector companies	20	452,144	352,379
Amounts due to customers of banking sector companies	20	366,363	404,218
Debt securities	20	1,591,184	1,613,065
Other liabilities		**671,772**	**724,151**
Deferred tax liabilities	21	104,500	144,266
Payables arising from insurance and reinsurance operations	22	191,911	241,339
Current taxes payable	23	110,847	111,527
Derivative instruments with a negative fair value	23	7,508	6,752
Other payables	23	257,006	220,267
TOTAL EQUITY AND LIABILITIES		**7,061,497**	**6,882,530**

4.1.2 CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Revenue	24	**1,411,297**	**1,489,530**
Gross written premiums		1,202,440	1,269,082
Premium refunds		-92,876	-81,497
Net change in unearned premium provisions		5,576	-1,650
Earned premiums	24	**1,115,140**	**1,185,935**
Fee and commission income	24	**128,795**	**125,550**
Net income from banking activities	24	**70,619**	**70,599**
Cost of risk	26	-4,222	-4,696
Revenue or income from other activities	24	**96,743**	**107,446**
Investment income, net of management expenses	29	*46,927*	*50,245*
Gains and losses on disposals of investments	29	*1,105*	*2,846*
Investment income, net of management expenses (excluding finance costs)	29	48,032	53,091
TOTAL REVENUE AND INCOME FROM ORDINARY ACTIVITIES		**1,455,107**	**1,537,925**
Claims expenses	25	-705,655	-605,344
Expenses from banking activities, excluding cost of risk	26; 27	-13,193	-14,094
Expenses from other activities	27	-44,379	-44,892
Income from ceded reinsurance	28	*239,940*	*214,300*
Expenses from ceded reinsurance	28	*-257,539*	*-265,710*
Income and expenses from ceded reinsurance	28	-17,599	-51,410
Policy acquisition costs	27	-255,289	-274,048
Administrative costs	27	-275,095	-269,956
Other current operating expenses	27	-83,004	-81,652
TOTAL CURRENT INCOME AND EXPENSES		**-1,394,214**	**-1,341,396**
CURRENT OPERATING INCOME		**60,893**	**196,529**
Other operating expenses	30	-54,945	-5,490
Other operating income	30	108,441	1,258
OPERATING INCOME		**114,389**	**192,297**
Finance costs		-18,373	-18,491
Share in net income of associates	31	-5,838	2,157
Income tax expense	32	-48,124	-48,836
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**42,054**	**127,127**
Non-controlling interests		-523	-888
NET INCOME FOR THE YEAR		**41,531**	**126,239**
Earnings per share *(in €)*	34	0.26	0.80
Diluted earnings per share *(in €)*	34	0.26	0.80

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Net income for the period		**41,531**	**126,239**
Non-controlling interests		523	888
Other comprehensive income			
Currency translation differences reclassifiable to income		**12,413**	**2,328**
Reclassified to income		*0*	*0*
Recognised in equity		*12,413*	*2,328*
Fair value adjustments on available-for-sale financial assets	6; 15; 21	**20,727**	**-13,901**
Reclassified to income – gross		*1,906*	*-4,490*
Reclassified to income – tax effect		*-1,328*	*1,525*
Recognised in equity – reclassifiable to income – gross		*29,751*	*-9,465*
Recognised in equity – reclassifiable to income – tax effect		*-9,602*	*-1,471*
Fair value adjustments on employee benefit obligations	15; 17; 21	**-5,378**	**3,978**
Recognised in equity – not reclassifiable to income – gross		*-7,811*	*5,890*
Recognised in equity – not reclassifiable to income – tax effect		*2,433*	*-1,912*
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**27,762**	**-7,595**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69,816**	**119,532**
■ attributable to owners of the parent		69,654	119,910
■ attributable to non-controlling interests		162	-378

4.1.4 STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	NOTES	SHARE CAPITAL	PREMIUMS	CONSOLIDATED RESERVES	TREASURY SHARES
EQUITY AT DECEMBER 31, 2014 RESTATED IFRIC 21		**786,241**	**422,831**	**319,208**	**-709**
2014 net income to be appropriated				125,025	
Payment of 2014 dividends in 2015			-75,460		
Total transactions with owners		**0**	**-75,460**	**125,025**	**0**
December 31, 2015 net income					
Fair value adjustments on available-for-sale financial assets recognised in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					-1,934
Free share plans expenses				641	
Transactions with shareholders					
EQUITY AT DECEMBER 31, 2015		**786,241**	**347,371**	**444,874**	**-2,643**
Reduction of the value of shares		-471,745	471,745		
2015 net income to be appropriated				126,239	
Payment of 2015 dividends in 2016			-8,696	-66,616	
Total transactions with owners		**-471,745**	**463,049**	**59,623**	**0**
December 31, 2016 net income					
Fair value adjustments on available-for-sale financial assets recognised in equity	6; 15; 17; 21				
Fair value adjustments on available-for-sale financial assets reclassified to income	6; 15; 17; 21				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					-327
Free share plans expenses				207	
Transactions with shareholders					
EQUITY AT DECEMBER 31, 2016		**314,496**	**810,420**	**504,704**	**-2,970**

OTHER COMPREHENSIVE INCOME						
FOREIGN CURRENCY TRANSLATION RESERVE	RECLASSIFIABLE REVALUATION RESERVES	NON-RECLASSIFIABLE REVALUATION RESERVES	NET INCOME FOR THE PERIOD	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
-20,681	**107,264**	**-21,382**	**125,025**	**1,717,797**	**6,737**	**1,724,534**
			-125,025	0		0
				-75,460	-697	-76,157
0	**0**	**0**	**-125,025**	**-75,460**	**-697**	**-76,157**
			126,239	126,239	888	127,127
	-10,164			-10,164	-771	-10,935
	-2,822			-2,822	-144	-2,966
		3,978		3,978		3,978
2,679				2,679	-351	2,328
				-1,934		-1,934
				641		641
					411	411
-18,002	**94,278**	**-17,404**	**126,239**	**1,760,954**	**6,073**	**1,767,027**
				0		0
			-126,239			0
				-75,312	-771	-76,083
0	**0**	**0**	**-126,239**	**-75,312**	**-771**	**-76,083**
			41,531	41,531	523	42,054
	20,745			20,745	-596	20,149
	578			578		578
		-5,378		-5,378		-5,378
12,179				12,179	234	12,413
				-327		-327
				207		207
					27	27
-5,823	**115,601**	**-22,782**	**41,531**	**1,755,177**	**5,490**	**1,760,667**

4.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
Net income for the period	34	**41,531**	**126,239**
Non-controlling interests		523	888
Income tax expense		48,124	48,837
+/- Share in net income of associates	8	5,838	-2,157
Finance costs		18,373	18,491
Operating income (A)		**114,389**	**192,298**
+/- Depreciation, amortisation and impairment losses	5; 6.1; 9; 16	51,148	21,030
+/- Net additions to/reversals from technical provisions	19	140,474	23,452
+ Dividends received from associates	8	1,008	900
+/- Unrealised foreign exchange income / loss		8,340	41,095
+/- Non-cash items		37 896	37 840
Total non-cash items (B)		***238 866***	***124 317***
Gross cash flows from operations (C) = (A) + (B)		***353 255***	***316 614***
Change in operating receivables and payables		-60 418	12 616
Net taxes paid		-89 060	-73 228
Net cash related to operating activities (D)		***-149 478***	***-60 612***
Increase (decrease) in receivables arising from factoring operations		-117 473	-127 615
Increase (decrease) in payables arising from factoring operations		-59 736	100 207
Increase (decrease) in factoring liabilities		106 219	52 281
Net cash generated from banking and factoring operations (E)	7 - 20	***-70 990***	***24 873***
NET CASH GENERATED FROM OPERATING ACTIVITIES (F) = (C+D+E)		**132 787**	**280 875**
Acquisitions of investments	6	-1 608 009	-2 027 373
Disposals of investments	6	1 510 745	1 976 835
Net cash used in movements in investments (G)		***-97 264***	***-50 538***
Acquisitions of consolidated subsidiaries, net of cash acquired			
Disposals of consolidated companies, net of cash transferred			
Net cash used in changes in scope of consolidation (H)			
Disposals of property, plant and equipment and intangible assets	5; 9	-8 210	-7 931
Acquisitions of property, plant and equipment and intangible assets	5; 9	250	2 253
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***-7 960***	***-5 678***

(in thousands of euros)	NOTES	DEC. 31, 2016	DEC. 31, 2015
NET CASH USED IN INVESTING ACTIVITIES (J) = (G+H+I)		**-105,224**	**-56,216**
Proceeds from the issue of equity instruments			
Treasury share transactions		-327	-1,781
Dividends paid to owners of the parent		-75,312	-75,460
Dividends paid to non-controlling interests		-771	-697
Cash flows related to transactions with owners		***-76,410***	***-77,938***
Proceeds from the issue of debt instruments			
Cash used in the redemption of debt instruments	18	-2,882	-2,759
Interests paid		-17,911	-18,048
Cash flows related to the financing of Group operations		***-20,793***	***-20,807***
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES (K)		**-97,203**	**-98,745**
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (L)		**4,874**	**-7,702**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)		**-64,766**	**+118,213**
Net cash generated from operating activities (F)		132,787	280,875
Net cash used in investing activities (J)		-105,224	-56,216
Net cash generated from (used in) financing activities (K)		-97,203	-98,745
Impact of changes in exchange rates on cash and cash equivalents (L)		4,874	-7,702
Cash and cash equivalents at beginning of period	12	**396,837**	**278,624**
Cash and cash equivalents at end of period	12	**332,071**	**396,837**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**-64,766**	**+118,213**

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BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as at December 31, 2016 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union [1]. They are detailed in the Note 3 "Applicable Accounting Standards" of the present consolidated financial statements as at December 31, 2016.

They are presented with comparative financial information at December 31, 2015.

These IFRS consolidated financial statements for the year ended December 31, 2016 have been reviewed by the Coface Group's Board of Directors on February 8, 2017 subject to the approval of the Shareholders' Meeting of May 17, 2017.

/ NOTE 1 / Significant events

Governance evolution

Coface's Board of Directors held a meeting on January 15, 2016, under the chairmanship of Laurent Mignon, and appointed Xavier Durand as new Chief Executive Officer (CEO). This appointment took effect after the Board's meeting of February 9, 2016, which validates the financial statements for the year-end 2015. Mr. Jean-Marc Pillu stayed as Coface's CEO until that date.

The severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors of January 15, 2016, amounts to €2,612 thousand and it is recorded on the financial statements of the year-end 2016.

New organisation in Europe

Coface Group's Executive Committee decided to adjust the regional structure in Europe in order to rebalance the regions and give them greater geographic coherence.

The regional structure of Coface Group is adjusted as follows:

- Spain and Portugal, previously included in Western Europe region now are managed by Mediterranean and Africa region;
- Russia, previously included in Northern Europe region joined Central Europe region.

Contingent capital [2]

Coface established with BNP Paribas Arbitrage, on February 9, 2016, a contingent capital line of €100 million, for a period of three years (that can be reduced to two years at the discretion of COFACE), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events.

This contingent capital line supplements the existing capital management and solvency tools by offering an effective and competitive solution in terms of costs (annual commission of 0.50%). It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to strengthen its financial robustness to protect its business against extreme risks.

Management of State export credit guarantees

Coface ceded its State export guarantees activity to the French public investment bank, Bpifrance on December 31, 2016. The teams and IT systems dedicated to this activity were transferred to Bpifrance as of January 2, 2017.

Management of French State export guarantees – or public guarantees – was a service that Coface carried out on behalf of the French State. In 2016, the activity represented 4% of Coface's consolidated revenue.

In consideration for this transfer, Coface received an indemnity payment corresponding to a non-recurring gain of a pre-tax amount of €75 million recognised in the accounts of the year 2016.

Financial strength affirmed by rating agencies

Moody's and Fitch reaffirmed the financial strength ratings (IFS) of the Group, AA- and A2 respectively (stable outlook), on September 29, and November 28, 2016.

Referendum of June 23, 2016: Brexit

The vote that took place on June 23, 2016 in favour of the United Kingdom leaving the European Union had the immediate consequence of a fall in the exchange rate of the pound sterling and a rise in uncertainties and volatility on the financial markets.

In the short term, the Group anticipates that these increased risks weaken certain sectors in particular and took many adjustment measures of its exposures (construction, importers, intermediaries, recruitment).

The Group also took adjustment measures of its exposures to financial risks.

In the medium term, Coface considers that the consequences of the referendum, in particular the negotiation of the trade agreement between the United Kingdom and the European Union, will determine the future evolution of the risks; Coface adjusts its monitoring of the risks accordingly.

Reduction in the value of shares

The Board of Directors' meeting of July 27, 2016 decided to reduce the par value of the share to €2 from €5.

(1) The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

(2) See also press realease published on February 9, 2016, and available online on the company's website www.coface.com.

The purpose of this operation is to redefine the value of the share and bring it to a level comparable to that of most peer companies.

Accordingly, the share capital is reduced by €471,744,696 and has dropped from €786,241,160 to €314,496,464. The ammount of capital reduction is allocated to sub-account "share premium" and is not available. This decision does not change the number of shares comprising the share capital, namely 157,248,232 shares.

◆ *Fit to Win* strategic plan

The Group presented its new strategic plan called *Fit to Win* during its first Investor Day organised in London on September 22, 2016. *Fit to Win* aims at positioning Coface as the most agile global trade-credit partner in the industry, while evolving to a more capital efficient business model.

With a 3-year horizon, *Fit to Win* aims to restore Coface financial performance through three operational transformation drivers:

(a) reinforcing our risk management expertise and infrastructure – especially in emerging markets;

(b) driving operational efficiency under a client-centric business model; and

(c) differentiating our approach to growth in each one of the markets we are operating in, prioritising value creation over growth.

Once fully implemented, *Fit to Win* is aiming to position Coface to deliver a return on average tangible equity of above 9% across the cycle.

This objective is based on (i) a combined ratio of 83% through the cycle and (ii) cost savings of €30 million in 2018, to compensate the loss of the public guarantees activity. It also aims to pursue an attractive dividend policy for Coface's shareholders of at least 60% of its net income. This policy shall be supported by a robust financial situation characterised by (i) a solvency ratio between 140% -160%; and, (ii) a minimum A rating by Fitch and Moody's.

The impacts of the *Fit to Win* strategic plan on the financial statements are presented in Note 30 "Other operating income and expenses" and in Note 16 "Provisions for liabilities and charges".

/ NOTE 2 / Scope of consolidation

Change in the scope of consolidation in 2016

First-time consolidation

Fonds Lausanne 2 *Bis* mutual fund (*fonds communs de placement* or FCP) owned by Coface Re has been created during the 3rd quarter 2016.

Exit from consolidation scope

Fonds Colombes 6 *Bis* mutual fund (*fonds communs de placement* or FCP) owned by Coface Europe has been sold during the 4th quarter 2016.

Moreover, some changes in the affectation by geographical zone have been made by the Coface Group Executive Committee during 2016 financial year: (Cf. Note 1 "Significant events"):

- Coface Russia Insurance Company, a subsidiary held by Compagnie française d'assurance pour le commerce extérieur, has been transferred from the Northern Europe region to the Central Europe region;
- Coface Iberica and Coface Portugal, both branches of Compagnie française d'assurance pour le commerce extérieur as well as the Services entity Coface Servicios España have been also transferred from the Western Europe region to the Mediterranean and Africa region.

Special purpose entities

SPEs used for the credit insurance business

Coface's credit enhancement operations consist of insuring, *via* a special purpose entity (SPE), receivables securitised by a third party through investors, for losses in excess of a predefined amount. In this type of operation, Coface has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

Coface does not sponsor securitisation arrangements. It plays the role of mere service provider to the special purpose entity by signing a contract with the SPE. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the financial statements.

SPEs used for financing operations

Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).

Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French SPV (special purpose vehicle), the FCT Vega securitisation fund. The sold receivables are covered by credit insurance provided by Coface Deutschland (formerly Coface Kreditversicherung AG).

The securitisation fund acquires the receivables at their nominal value less a discount (determined on the basis of the portfolio's past losses and refinancing costs). To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue ABCP (asset-backed commercial paper) on the market, and (ii) subordinated units to Coface Factoring Poland. The Coface Group holds control over the relevant activities of the FCT.

The FCT Vega securitisation fund is consolidated in the Group financial statements.

SPEs used for investing operations

The Colombes mutual funds were set up in 2013 to centralise the management of the Coface Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caceis has been selected as custodian and asset servicing provider.

Coface Group entities (and only Coface Group entities) now subscribe to units in these funds, *via* Compagnie française d'assurance pour le commerce extérieur, instead of having their own respective investment portfolios, which have been liquidated. Once a year the entities concerned receive a share of the comprehensive income generated by the funds in proportion to their net contribution to the management platform.

Fonds Lausanne was created in order to allow to Coface Re to subscribe to parts in investment funds, the management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.

The three criteria established by IFRS 10 for consolidation of the FCP Colombes and FCP Lausanne funds are met. Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated. They are wholly-controlled by the Group.

◆ Scope of consolidation

All of Coface entities are consolidated by the full integration method, except Cofacrédit, which is consolidated by the equity method.

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE CONTROL DEC. 31, 2016	PERCENTAGE INTEREST DEC. 31, 2016	PERCENTAGE CONTROL DEC. 31, 2015	PERCENTAGE INTEREST DEC. 31, 2015
Northern Europe						
Germany	Coface Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 5 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Gmbh Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg Hauptstr. 131-137 65260 Eschborn	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation) 41, rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services Claudius Prinsenlaan 126 Postbus 3377 4800 DJ Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Claudius Prinsenlaan 126 P.O. Box 3377 4800 DJ Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark Nygade 111 7430 Ikast	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Western Europe						
France	COFACE SA 1, place Costes et Bellonte 92270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacredit Tour facto 18, rue Hoche 92988 Puteaux	Equity method	36.00%	36.00%	36.00%	36.00%
France	Cofinpar 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fimipar 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 ter 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 bis 90, boulevard Pasteur 75015 Paris	Sold	NA	NA	100.00%	100.00%

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Belgium	Coface Belgium Services Holding 100, Boulevard du Souverain 1170 Bruxelles	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium 100, Boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Suisse Rue Belle-Fontaine 18; CP 431 1001 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Re Rue Belle-Fontaine 18; CP 431 1001 Lausanne	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 Bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	NA	NA
Switzerland	Fonds Lausanne 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Holding 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Road Watford, Hertfordshire WD17 1RP	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ireland	Coface Irlande 67 B Upper George's Street Dun Laoghaire Co Dublin	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Central Europe						
Austria	Coface Austria Services Stubenring 24 1011 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europ Holding Stubenring 24-2 A 1010 Vienna	Full	74.99%	74.99%	74.99%	74.99%
Austria	Coface Austria (formerly – Coface Austria Holding AG) Stubenring 24 1011 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Coface Hungary Insurance Tűzoltó u. 57, H-1094 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Poland	Coface Poland CMS Al.Jerozolimskie 136 PL-02-305 / Warszawa	Full	100.00%	74.99%	100.00%	74.99%
Poland	Coface Poland Factoring Al.Jerozolimskie 136 PL-02-305 / Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Insurance Al. Jerozolimskie 136, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Czech Republic	Coface Czech Insurance I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Calea Floreasca 39, Et. 3 Sect.1 Bucharest	Full	100.00%	74.99%	100.00%	74.99%
Romania	Coface Romania Insurance Calea Floreasca 39, Et. 3 Sect.1, 014453, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Coface Slovakia Insurance Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuanie	LEID (Lithuania) Vilniaus str. 23 01402 Vilnius	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Bulgaria	Coface Bulgaria Insurance 85/87, T. Alexandrov blvd 1303 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	Coface Russia Insurance Company Parus Business Centre, 23/1 1st Tverskaya-Yamskaya Str. 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy (Branch) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
Israel	Business Data Information Coface (BDI Coface) 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
South Africa	Coface South Africa Services Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España, SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Portugal	Coface Portugal Av. José Malhoa, 16B – 7º Piso, Fracção B.1 Edifício Europa 1070 159 Lisboa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Turkey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%
North America						
United States	Coface North America Holding Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumers Road, Suite 910 Toronto – On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 Mexico City, D.F	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 México City, D.F	Full	100.00%	100.00%	100.00%	100.00%

COUNTRY	ENTITY	CONSOLIDATION METHOD	PERCENTAGE			
			CONTROL DEC. 31, 2016	INTEREST DEC. 31, 2016	CONTROL DEC. 31, 2015	INTEREST DEC. 31, 2015
Brazil	Coface Do Brasil Seguros De Credito Interno SA 34, João Duran Alonso Square Brooklin Novo District São Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE) Pça. João Duran Alonso, 34 – 12º Andar Brooklin Novo – Sao Paulo, CEP: 04571-070	Full	75.82%	75.82%	75.82%	75.82%
Chile	Coface Chile Nueva Tajamar 555. P17. Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Chile	Coface Chile SA Nueva Tajamar 555. Torre Costanera	Full	100.00%	100.00%	100.00%	100.00%
Argentina	Coface Argentina Ricardo Rojas 401 – 7 Floor CP 1001 Buenos Aires – Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia-Pacific						
Australia	Coface Australia Level 10, 68 York Street Sydney NSW 2000 GPO Box 129 Sydney NSW 2001	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong-Kong	Coface Hong Kong 29th Floor, No.169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface Japon Atago Green Hills MORI Tower 38F, 2-5-1 Atago, Minato-ku Tokyo 105-6238	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Singapore	Coface Singapour 16 Collyer Quay #15-00 Singapore 049318	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Taiwan	Coface Taiwan Room A5, 6F, N°16, Section 4, Nanjing East Road, Taipei 10553	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

/ NOTE 3 / Accounting principles

3.1 Applicable accounting standards

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union [1]. The same accounting principles and policies have been used for the financial statements of the year ended December 31, 2015 – apart from the following amendments applicable for the first time on or after January 1, 2016:

Legislation applicable since January 1, 2016

- the amendment to IAS 19 "Employee benefits" entitled "Defined Benefit Plans: Employee Contributions" adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment applies to the contributions paid by staff members or by third parties to defined benefit plans. The goal is to clarify and simplify the recognition of contributions that are independent of the employee's years of service (*e.g.*: the contributions of staff members that are calculated by a fixed percentage of wages) which can be recognised as a reduction in cost of services provided for the period when the service is rendered, instead of being allocated to the services periods;
- the amendment "Annual Improvements to IFRS 2010 – 2012 Cycle", adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 2 "Share-based payment", IFRS 3 "Business combinations", IFRS 8 "Operating segments", IAS 16 "Property, plant and equipment", IAS 38 "Intangible assets" and IAS 24 "Related-party disclosures" and IFRS 13 "Fair value measurement";
- the amendment to IFRS 11 "Joint arrangements" entitled "Accounting for acquisitions of interests in joint operation" adopted by the European Commission on November 24, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarifies how to account for the acquisition of an interest in a joint operation that constitutes a business as defined under IFRS 3 "Business combination";
- the amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" entitled "Clarification of acceptable methods of depreciation and amortisation" adopted by the European Commission on December 2, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and is from now on forbidden for the tangible assets and intangible assets;
- the amendment "Annual Improvements to IFRS 2012 – 2014 Cycle", adopted by the European Commission on December 15, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 5 "Non-current Assets held for sale and discontinued operations", IFRS 7 "Financial instruments: disclosures", IAS 19 "Employee benefits" and IAS 34 "Interim financial reporting";
- the amendment to IAS 1 "Presentation of financial statements" entitled "Initiative to improve presentation and disclosure in financial reports" adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment is mainly designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements;
- the amendment to IAS 27 "Consolidated and separate financial statements" entitled "Equity method in separate financial statements" adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment reinstates the equity method, described in IAS 28 "Investments in associates", as an accounting option for investments in subsidiaries, joint ventures and associate's in an entity's separate financial statements;
- the amendment to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities", IAS 28 "Investments in associates", entitled "Investment entities: applying the consolidation exception" adopted by the European Commission on September 22, 2016 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. These amendments clarify how to account for consolidation of investment entities and equity associates.

Coface did not proceed to the early application of the texts adopted by the European Union at December 31, 2016 but not yet in force on that date. These include:

IFRS 15

The new standard IFRS 15 "Revenue from contracts with customers" adopted by the European Commission on September 22, 2016 and of mandatory application on or

(1) *The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm*

after January 1, 2018 according to transitional arrangements. IFRS 15 provides a framework that replaces existing revenue recognition guidance in IFRS. Under IFRS 15, an entity recognises revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 applies to all contracts with customers except for, in particular, leases within the scope of IAS 17 "Leases", insurance contracts within the scope of IFRS 4 "Insurance contracts", and financial instruments within the scope of IFRS 9 "Financial instruments". If specific requirements regarding revenue or contract costs are provided by another standard, this one should be applied first. By default, IFRS 15 framework is to be applied. The IFRS 15 standard does not concern the insurance activity so it should have few impacts on the Group financial statements. The insurance activity will be impacted by the future standard IFRS 17.

IFRS 9

IFRS 9 "Financial instruments", was adopted by the European Commission on the November 22, 2016 with mandatory application on the January 1, 2018.

This new standard includes:

- for financial assets, a new approach of classification and assessment that reflects the economic model of management of the assets and the contractual cash flow characteristics. The standard provides three major financial asset classes: those measured at amortised cost, those measured at fair value through other components of comprehensive income and those measured at fair value through profit and loss. It removes the categories of IAS 39 (held-to-maturity, loans and receivables, and available-for-sale);
- for debt instruments, the standard revises the distinction Amortised Cost / Fair Value using a logical approach driven by the business model and the contractual cash flow characteristics. The business model depends on way Coface manages its assets in order to generate cash flows and create value. Thus, only basic instruments which give rise, in specified dates, to the only flows of repayment of principal and payment of interests on the outstanding are eligible to the category amortised cost (if they are managed in a hold to collect contractual flows, or fair value through other comprehensive income (OCI) if they are managed with the double aim of collecting contractual flows and selling. The reserve of OCI is later recyclable in the income statement;
- for equity instruments, fair value through profit or loss becomes the classification by default. A classification in fair value through other comprehensive income remains possible on option and under certain conditions. The reserve of OCI is not recyclable in the income statement;
- a unique forward-looking impairment model, based, not on the occurred credit losses as under IAS 39, but on the expected credit losses (ECL) calculated on all the debt portfolios recorded at amortised cost or on the fair value by other comprehensive income (OCI recyclable). Within this new model, it will no longer be necessary to identify an incurred defect to book an impairment. Generally, IFRS 9 standard requires booking expected losses over one year, and then secondly, if the credit risk increases significantly since the initial recognition, lifetime expected credit losses. Thirdly, if the credit risk downgrades to the point that the debt payment is threatened, expected losses are determined as the difference between the gross book value of the receivable and the future cash flows estimated discounted at the effective interest of origin of the asset.

Considering the importance of the changes brought by IFRS 9 standard, Coface leads works on implementation within a project organisation bringing in all the businesses and the support functions concerned.

Works of analysis, conception and IT development have started in 2016, and should end during the year 2017. The end of the year 2017 then will be dedicated mainly to acceptance testing, finalisation of models calibration, completion of documentation and adaptation of the processes required by the implementation of this new standard within the change management.

On the basis of the works led on the Classification and Measurement, it arises at this stage that the main part of the financial assets which were classified among the available-for-sale category or among assets at fair value through profit or loss under IAS 39 will continue to be measured at fair value under IFRS 9. Also, financial assets which were booked at amortised cost under IAS 39 will continue to satisfy the conditions for a booking at amortised cost under IFRS 9.

The identified reclassifications, considering works led at this stage are the followings:

For portfolios of securities, reclassifications should concern mainly:

- debt securities held within the liquidity reserve, which were booked under IAS 39 in assets available for sale, and which, being managed within the economic model of collect and sale will be reclassified to assets at the fair value through recyclable OCI;
- parts of UCITS (Undertaking for Collective Investment in Transferable Securities) qualified as equity instruments under IAS 39 and classified in the category of assets available for sale, that are analysed under IFRS 9 as debt instruments without basic characteristics , will be booked as financial assets at fair value through profit or loss;
- equity shares recorded among assets available for sale under IAS 39, that, as allowed by IFRS 9 standard, will be, on individualised option, either recorded as assets at fair value through profit or loss, or as assets at fair value though non recyclable OCI.

Reclassification between categories of financial assets at the amortised cost and financial assets at fair value should have a net impact on the consolidated equity of Coface, because

of the difference of measurement method of these assets. Calculations of impacts are being performed.

Regarding the new requirements on impairments:

Coface will use an impairment model based on the credit risk degradation measurement. Works on the implementation of the new process are being performed.

At the publication of Coface accounts at December 31, 2017, information on the first application of the standard will be known or reasonably estimated and can be precisely communicated and detailed.

In addition, information in appendices will respect IFRS 7 requirements amended by IFRS 9.

In application of the option allowed by IFRS 9, Coface does not plan to communicate comparative information for its financial statements.

IFRS 16

IFRS 16 “Leases” will supersede IAS 17 and currently existing leases guidance in IFRS. It is retrospectively effective for annual periods beginning on or after January 1, 2019 according to transitional arrangements, subject to its adoption by the European Commission.

Under IFRS 16, the lease agreements definition implies identifying an asset on the one hand, and the lessee’s right to control the use of an identified asset on the other.

From the lessor’s point of view, the accounting remains substantially unchanged as compared with IAS 17.

For the lessee, the standard requires recognition of the right-of-use lease asset at initial cost and the lease liability at present value of lease payments to be paid during the lease agreement period. The right-of-use asset is to be depreciated and the lease liability is to be remeasured by discounting over the lease term. Interest on the lease liability is to be recognised in profit and loss and shown in “Interest expense”, whereas depreciation of the right-of-use asset is to be recorded in “Expenses from other activities”. In contrast, under current IAS 17, properties acquired under operating leases are not included in assets and associated lease payments are shown in “Expenses from other activities”.

The standard provides for optional exceptions for short-term contracts or those on low value items. The Group did not take a decision at this stage about its possible use of optional exceptions.

Estimate of the initial value of the right-of-use lease asset is currently underway. Coface expects a material impact on the item “Other property, plant and equipment” and as a counterpart in the liabilities.

3.2 Consolidation methods used

In accordance with IAS 1 “Presentation of financial statements”, IFRS 10 and IFRS 3 on business combinations, certain interests that are not material in relation to the Coface Group’s consolidated financial statements were excluded from the scope of consolidation.

The consolidation methods applied are as follows:

- companies over which the Coface Group exercises exclusive control are fully consolidated;
- companies over which the Coface Group exercises significant influence are accounted for by the equity method.

All the entities of the Coface Group scope are fully consolidated except Cofacrédit, which is consolidated by the equity method.

IFRS 10 supersedes IAS 27 “Consolidated and separate financial statements” in relation to consolidated financial statements as well as SIC-12 on special purpose entities. The control of an entity must now be analysed through three aggregate criteria: the power on the relevant activities of the entity, exposure to the variable returns of the entity and the investor’s ability to affect the variable returns through its power over the entity. The analysis of special purpose entities (SPE’s) of the Coface Group is presented in the Note 2 “Scope of consolidation”.

Intercompany transactions

Material intercompany transactions are eliminated on the balance sheet and on the income statement.

3.3 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held-for-sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

- management is committed to a plan to sell the asset (or disposal group);
- a non-binding offer has been submitted by at least one potential buyer;
- it is unlikely that significant changes will be made to the plan or that it will be withdrawn.

Once assets meet these criteria, they are classified under “Non-current assets held for sale” in the balance sheet at the subsequent reporting date, and cease to be depreciated/amortised as from the date of this classification. An impairment loss is recognised if their carrying amount exceeds their fair value less costs to sell. Liabilities related to assets held for sale are presented in a separate line on the liabilities side of the balance sheet.

If the disposal does not take place within 12 months of an asset being classified as “Non-current assets held for sale”, the asset ceases to be classified as held for sale, except in specific circumstances that are beyond Coface’s control.

A discontinued operation is a clearly identifiable component of an entity that either has been disposed of, or is classified as held for sale, and:

- the component represents a separate major line of business or geographical area of operations;

- without representing a separate major line of business or geographical area of business, the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the component is a subsidiary acquired exclusively with a view to resale.

The income from these operations is presented on a separate line of the income statement for the period during which the criteria are met and for all comparative periods presented. The amount recorded in this income statement line includes (i) the net income from discontinued operations until they are sold, and (ii) the post-tax net income recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

As of December 31, 2016, none of these activities were present in the Group's consolidated financial statements.

3.4 Year-end and accounting period

All consolidated companies have a December 31 year-end and an accounting period of 12 months.

3.5 Foreign currency translation

Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.,* currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group's entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates.

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

The balance sheets of foreign subsidiaries whose functional currency is not the euro are translated into euros at the year-end exchange rate, except for capital and reserves, which are translated at the historical exchange rate. All resulting foreign currency translation differences are recognised in the consolidated statement of comprehensive income.

Income statement items are translated using the average exchange rate for the year, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

3.6 General principles

The insurance business

An analysis of all of Coface's credit insurance policies shows that they fall within the scope of IFRS 4, which permits insurers to continue to use the recognition and measurement rules applicable under local GAAP when accounting for insurance contracts.

Coface has therefore used French GAAP for the recognition of its insurance contracts.

However, IFRS 4:

- prohibits the use of equalisation and natural disaster provisions; and
- requires insurers to carry out liability adequacy tests.

The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IAS 18 "Revenue".

In accordance with IAS 18, revenue is recognised when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

The factoring business

Companies engaged in the factoring business are directly impacted by IAS 39 "Financial instruments: recognition and measurement": a financial instrument is a contract that gives rise to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

In application of IAS 39, Application Guidance 26, trade receivables are classified within the "Loans and receivables" category. After initial recognition at fair value, these receivables are measured at amortised cost using the effective interest method (EIM). The financing fee is recorded over the term of the factoring transactions, which is equivalent to it being included in the EIM in view of the short-term nature of the transactions concerned.

◆ Classification of income and expenses for the Group's different businesses

Breakdown by function of insurance company expenses

The expenses of French and international insurance subsidiaries are initially accounted for by nature and are then analysed by function in income statement items using appropriate cost allocation keys. Investment management expenses are included under investment expenses. Claims handling expenses are included under claims expenses. Policy acquisition costs, administrative costs and other current operating expenses are shown separately in the income statement.

Public credit insurance procedures management

Until December 31, 2016, Compagnie française d'assurance pour le commerce extérieur managed the public credit insurance procedures for the French government. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the compensation received from the French government is reported under "Revenue or

income from other activities". The corresponding costs are analysed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie française d'assurance pour le commerce extérieur in connection with its private market insurance activities.

Until June 30, 2014, SBCE, a Brazilian insurance company, performed the same type of activity for the Brazilian government. This agreement which was entered into by the government of Brazil and SBCE was not renewed as at June 30, 2014. Since July 1, 2014, SBCE continues its export credit risk insurance business for short-term operations.

Factoring companies

Operating income and expenses of companies involved in the factoring business are reported as "Income from banking activities" and "Expenses from banking activities" respectively.

Other companies outside the insurance business and factoring business

Operating income and expenses of companies not involved in the insurance or factoring businesses are reported under "Revenue or income from other activities" and "Expenses from other activities", respectively.

◆ Revenue

Consolidated revenue includes:

- for the insurance business, earned premiums, net of cancellation, and premium refunds for direct business and inward reinsurance transactions, as well as fees for insurance-related services. This latter category covers fee and commission income for policies issued as well as fees for other services offered by insurance companies;
- the compensation received by Compagnie française d'assurance pour le commerce extérieur from the French government for its management of public credit insurance procedures. The terms and procedures applicable to the compensation paid by the French government are set out in the "Financial Agreement" signed between the French government and Compagnie française d'assurance pour le commerce extérieur. This agreement was terminated on December 31, 2016 (see Note 1 "Significant events");
- sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing customer access to credit and marketing information and debt collection services;
- factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and dispute management fees.

Consolidated revenue is analysed by business line and country of invoicing (in the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located).

◆ Insurance operations

Premiums

Gross premiums correspond to written premiums, excluding tax and net of premium cancellations. They include an estimate of pipeline premiums and premiums to be cancelled after the reporting date.

The estimate of pipeline premiums includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum and final premiums. It also includes a provision for future economic risks that may impact end-of-year premiums.

Premiums invoiced are primarily based on policyholders' revenue or trade receivables balances, which vary according to changes in revenue. Premium income therefore depends directly on the volume of sales made in the countries where the Group is present, especially French exports and German domestic and export sales.

The Group also receives fee and commission income, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to customers and partners.

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with the loss attributed to the policy.

The "premium refunds" item includes provisions established through an estimation of rebates to be paid.

Reserves for unearned premiums

Reserves for unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the provision corresponds to the fraction of written premiums relating to the period between the year-end and the next premium payment date.

Deferred acquisition costs

Policy acquisition costs, including commissions and internal expenses related to contract preparation, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred that corresponds to policy acquisition costs relating to the period between the year-end and the next premium payment date is included in the Balance Sheet assets under "Acquisition costs".

Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

Paid claims

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses.

Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

The provisions also include a provision for collection costs and claims handling expenses.

Specific provisions are also recorded for major claims based on the probability of default and level of risk exposure, estimated on a case-by-case basis.

In the guarantee business, local methods are applied. Provisions are only recorded for claims of which the company concerned has been notified by the year-end. However, an additional provision is recorded when the risk that the guarantee will be called on is higher due to the principal (guaranteed) becoming insolvent, even if no related bonds have been called on. This additional provision is calculated based on the probability of default and the level of risk exposure.

Subrogation and salvage

Subrogation and salvage represent estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all open underwriting periods.

The subrogation and salvage includes a provision for debt collection costs.

In accordance with the applicable French Regulations, separate provisions are set aside for claims and recoveries.

◆ Reinsurance operations

All of the Group's inward and ceded reinsurance operations involve transfers of risks.

Inward reinsurance

Inward reinsurance is accounted for on a contract-by-contract basis using data provided by the ceding insurers.

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

Commissions paid to ceding insurers are deferred and recognised in the income statement on the same basis as reserves for unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period-end.

Ceded reinsurance

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related treaties.

Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities.

Funds received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded reserves for unearned premiums.

◆ Other operating income and expenses

In accordance with Recommendation no. 2013-03 issued by the ANC (the French accounting standards setter), "Other operating income" and "Other operating expenses" should only be used to reflect a major event arising during the reporting period that could distort the understanding of the Company's performance. Accordingly, limited use is made of this caption for unusual, abnormal and infrequent income and expenses of a material amount which Coface has decided to present separately in the income statement so that readers can better understand its recurring operating performance and to make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

Other operating income and expenses are therefore limited, clearly identified, non-recurring items which are material to the performance of the Group as a whole.

◆ Goodwill

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the amount of any non-controlling interest in the acquiree; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; less
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value).

In the case of a bargain purchase, the resulting gain is recognised in net income on the acquisition date.

If new information comes to light within the 12 months following the initial consolidation of a newly-acquired company and that new information affects the initial fair values attributed to the assets acquired and liabilities assumed at the acquisition date, the fair values are adjusted with a corresponding increase or decrease in the gross value of goodwill.

Goodwill is allocated, at the acquisition date, to the cash-generating unit (CGU) or group of CGUs that is expected to derive benefits from the acquisition. In accordance with paragraph 10 of IAS 36, goodwill is not amortised but is tested for impairment at least once a year or whenever events or circumstances indicate that impairment losses may occur. Impairment testing consists of comparing the carrying amount of the CGU or group of CGUs (including allocated goodwill) with its recoverable amount, which corresponds to the higher of value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

Impairment tests on goodwill and intangible assets

In accordance with IAS 36, for the purpose of impairment testing the strategic entities included in the Group's scope of consolidation are allocated to groups of CGUs.

A group of CGUs is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets (other CGUs). Paragraph 80 of IAS 36 stipulates that goodwill acquired in a business combination must, from the acquisition date, be allocated to each of the acquirer's groups of CGUs that is expected to benefit from the synergies of the combination.

Coface has identified groups of CGUs based on its internal organisation as used by management for making operating decisions.

The seven groups of CGUs are as follows:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

Measuring groups of CGUs and performing goodwill impairment tests

Existing goodwill is allocated to a group of CGUs for the purpose of impairment testing. Goodwill is tested for impairment at least once a year or whenever there is an objective indication that it may be impaired.

Goodwill impairment tests are performed by testing the group of CGUs to which the goodwill has been allocated.

If the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised and allocated to reduce the carrying amount of the assets of the group of CGUs, in the following order:

- first, by reducing the carrying amount of any goodwill allocated to the group of CGUs (which may not be subsequently reversed); and
- then, the other assets of the group of CGUs pro rata to the carrying amount of each asset in the Group.

The recoverable amount represents the higher of value in use (determined using the discounted cash flow method) and fair value less costs to sell (determined using multiples data from comparable listed companies as well as comparable recent transactions).

Method used for measuring the value of Coface entities

Value in use: Discounted cash flow method

Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Coface Group management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business line development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.

The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

Under the discounted cash flow method, Coface applies a discount rate to insurance companies and a perpetuity growth rate to measure the value of its companies.

Fair value

Under this approach, Coface values its companies by applying multiples of (i) revenue (for services companies), revalued net assets (for insurance companies) or net banking income (for factoring companies), and (ii) net income. The benchmark multiples are based on stock market comparables or recent transactions in order to correctly reflect the market values of the assets concerned.

The multiples-based valuation of an entity is determined by calculating the average valuation obtained using net income multiples and that obtained using multiples of revenue (in the case of services companies), revalued net assets (insurance companies) or net banking income (factoring companies).

Intangible assets: IT development costs

Coface capitalises IT development costs and amortises them over their estimated useful lives when it can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the current and future availability of adequate resources to complete the development; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Internally generated software is amortised over its useful life, which is capped at 15 years.

Property, plant and equipment: property assets

Property, plant and equipment are measured using the amortised cost model. Coface applies this model to measure its property, plant and equipment, including buildings used in the business. IFRS requires the breakdown of these buildings into components where the economic benefits provided by one or more components of a building reflect a pattern that differs from that of the building as a whole. These components are depreciated over their own useful life.

Coface has identified the following components of property assets:

LAND	NOT DEPRECIATED
Enclosed/covered structure	Depreciated over 30 years
Technical equipment	Depreciated over 15 years
Interior fixtures and fittings	Depreciated over 10 years

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities.

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership.

An impairment loss is recognised if the carrying amount of a building exceeds its market value.

◆ Financial assets

The Group classifies its financial assets into the following five categories: available-for-sale financial assets, financial assets held for trading, held-to-maturity investments, financial assets at fair value through income, and loans and receivables.

The date used by Coface for initially recognising a financial asset in its balance sheet corresponds to the asset's trade date.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributable to the acquisition (hereafter referred to as the purchase price). The difference between the fair value of the securities at year-end and their purchase price (less actuarial amortisation for debt instruments) is recorded under "Available-for-sale financial assets" with a corresponding adjustment to revaluation reserves (no impact on net income). Investments in non-consolidated companies are included in this category.

Financial assets held for trading

Financial assets held for trading are recorded at the fair value of the securities at year-end. Changes in fair value of securities held for trading during the accounting period are taken to the income statement.

Held-to-maturity investments (HTM)

Held-to-maturity investments are carried at amortised cost. Premiums and discounts are included in the calculation of amortised cost and are recognised over the useful life of the financial asset using the yield-to-maturity method.

Financial assets at fair value through profit or loss

Financial assets at fair value through income are accounted for in the same way as securities held for trading.

Loans and receivables

The "Loans and receivables" category includes cash deposits held by ceding insurers lodged as collateral for underwriting commitments. The amounts recognised in relation to these deposits correspond to the cash amount actually deposited.

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market are also included in this caption. These assets are recognised at amortised cost using the effective interest method.

Loans and receivables also include short-term deposits whose maturity at the date of purchase or deposit is more than three months but less than 12 months.

Fair value

The fair value of listed securities is their market price at the measurement date. For unlisted securities fair value is determined using the discounted cash flow method.

Impairment test

Available-for-sale financial assets are tested for impairment at each period-end. When there is objective evidence that such an asset is impaired and a decline in the fair value of that asset has previously been recognised directly in equity, the cumulative loss is reclassified from equity to income through "Investment income, net of management expenses".

A multi-criteria analysis is used to assess whether there is any objective indication of impairment. An independent expert is used for these analyses, particularly in the case of debt instruments.

Impairment indicators include the following:

- for debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty's financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method);
- for equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealised losses of over 30% or which have represented unrealised losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity instrument's market price over a given period, or information relating to the issuer's financial position. Where appropriate, an impairment loss is recognised based on the instrument's market price at the period-end. Independently of this analysis, an impairment loss is systematically recognised when an instrument represents an unrealised loss of over 50% at the period-end, or has represented an unrealised loss for more than 24 months;
- for investments in unlisted companies: an unrealised loss of over 20% over a period of more than 18 months, or the occurrence of significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer and indicate that the amount of the investment in the equity instrument will not be recovered.

If the fair value of an instrument classified as available-for-sale increases in a subsequent period, and the increase

can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed, with the amount of the reversal recognised in:

- equity, for equity instruments;
- income, for debt instruments, in an amount corresponding to the previously-recognised impairment loss.

In accordance with IFRIC 10, impairment losses recognised on equity instruments in an interim reporting period are not reversed from income until the securities concerned are divested.

Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

- whose value changes in response to the change in the interest rate or price of a product (known as the "underlying");
- that requires no or a very low initial net investment; and
- that is settled at a future date.

A derivative is a contract between two parties – a buyer and a seller – under which future cash flows between the parties are based on the changes in the value of the underlying asset.

In accordance with IAS 39, derivatives are measured at fair value through income, except in the case of effective hedges, for which gains and losses are recognised depending on the underlying hedging relationship.

Derivatives that qualify for hedge accounting are derivatives which, from their inception and throughout the hedging relationship, meet the criteria set out in IAS 39. These notably include a requirement for entities to formally document and designate the hedging relationship, including information demonstrating that the hedging relationship is effective, based on prospective and retrospective tests. A hedge is deemed to be effective when changes in the actual value of the hedge fall within a range of 80% and 125% of the change in value of the hedged item.

- For fair value hedges, gains or losses from remeasuring the hedging instrument at fair value are systematically recognised in income. These amounts are partially offset by symmetrical gains or losses on changes in the fair value of the hedged items, which are also recognised in income. The net impact on the income statement therefore solely corresponds to the ineffective portion of the hedge.
- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in income.

Coface's derivatives were used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the "Colombes" funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognised at fair value through income.

Financing liabilities

This item mainly includes the subordinated debt and liabilities relating to financing agreements (finance leases).

Borrowings are initially recognised at fair value after taking account of directly-attributable transaction costs.

They are subsequently measured at amortised cost using the effective interest rate method. Amortised cost corresponds to:

- the measurement of the financial liability on initial recognition; minus
- repayments of principal; plus or minus
- cumulative amortisation (calculated using the effective interest rate method) and any discounts or premiums between the initial amount and the maturity amount.

Premiums and discounts are not included in the initial cost of the financial liability. However, they are included in the calculation of amortised cost and are recognised over the life of the financial liability using the yield-to-maturity method. As and when they are amortised, premiums and discounts impact the amortised cost of the financial liability.

Accounting treatment of debt issuance costs

Transaction costs directly attributable to the issuance of financial liabilities are included in the initial fair value of the liability. Transaction costs are defined as incremental costs directly attributable to the issuance of the financial liability, *i.e.*, that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument.

Transaction costs include:

- fees and commissions paid to agents, advisers, brokers and other intermediaries;
- levies by regulatory agencies and securities exchanges;
- and transfer taxes and duties.

Transaction costs do not include:

- debt premiums or discounts;
- financing costs;
- internal administrative or holding costs.

Payables arising from banking sector activities

This item includes:

- amounts due to banking sector companies: corresponds to bank credit lines. They represent the refinancing of the credit extended to factoring clients;
- amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations. They include:
  - amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor, and
  - factoring contract guarantee deposits;

- debt securities. This item includes subordinated borrowings and non-subordinated bond issues. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business line.

All borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Receivables arising from factoring operations

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax. When it appears probable that all or part of the amount receivable will not be collected, a provision is recorded by way of a charge to the income statement (under "Cost of risk"). The receivables shown in the balance sheet are stated net of provisions.

The net carrying amount of receivables arising from factoring operations is included in the consolidated balance sheet under "Receivables arising from banking and other activities".

Cash and cash equivalents

Cash includes all bank accounts and demand deposits. Cash equivalents include units in money-market funds (SICAV) with maturities of less than three months.

Provisions for liabilities and charges

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", a provision is recorded at the reporting date if a present obligation towards a third party resulting from a past event exists at that date and it is probable or certain, as of the date when the financial statements are drawn up, that an outflow of resources embodying economic benefits to that third party will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions are discounted when the effect of the time value of money is material.

The provisions for liabilities and charges include the provisions for fiscal risks, for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

The provision for vacant premises is calculated taking into account the future rents that the Company committed to pay until the end of the lease, from which are deducted the future income expected from potential subleases.

Employee benefits

In certain countries in which Coface operates, employees are awarded short-term benefits (such as paid leave), long-term benefits (including "long-service awards") and post-employment benefits (such as statutory retirement benefits).

Short-term benefits are recognised as a liability in the accounts of the Coface companies that grant such benefits.

Other benefits, including long-term and post-employment benefits are subject to different coverage and are classified as follows:

- defined contribution plans: consequently, the Company's legal or constructive obligation is limited to the amount that it agrees to pay to the fund, which will pay due amounts to the employees. These plans are generally state pension plans, which is the case in France;
- defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to employees.

In accordance with IAS 19, Coface records a provision to cover its liability, regarding primarily:

- statutory retirement benefits and termination benefits;
- early retirement and supplementary pension payments;
- employer contributions to post-employment health insurance schemes;
- long-service awards.

Based on the regulations specific to the plan and country concerned, independent actuaries calculate:

- the actuarial value of future benefits, corresponding to the present value of all benefits to be paid. The measurement of this present value is essentially based on:
  - demographic assumptions,
  - future benefit levels (statutory retirement benefits, long service awards, etc.),
  - the probability that the specified event will occur,
  - an evaluation of each of the factors included in the calculation of the benefits, such as future salary increases,
  - the interest rate used to discount future benefits at the measurement date;
- the actuarial value of benefits related to service cost (including the impact of future salary increases), determined using the projected unit credit method which spreads the actuarial value of benefits evenly over the expected average remaining working lives of the employees participating in the plan.

Stock options

In accordance with IFRS 2 "Share-based payment", which defines the recognition and measurement rules concerning stock options, the options are measured at the grant date. The Group uses the Black and Scholes option pricing model for measuring stock options. Changes in fair value subsequent to the grant date do not impact their initial measurement.

The fair value of options takes into account their expected life, which the Group considers as corresponding to their compulsory holding period for tax purposes. This value is recorded in personnel costs on a straight-line basis from the grant date and over the vesting period of the options, with a corresponding adjustment directly in equity.

In connection with its stock market listing, the Coface Group awarded to certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (cf. Note 14).

In accordance with the IFRS 2 rules, only stock options granted under plans set up after November 7, 2002 and which had not vested at January 1, 2005 have been measured at fair value and recognised in personnel costs.

◆ Income tax

Income tax expense includes both current taxes and deferred taxes.

The tax expense is calculated on the basis of the latest known tax rules in force in each country where the results are taxable.

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly by more than 95% (Compagnie française d'assurance pour le commerce extérieure, Cofinpar, Cogeri and Fimipar).

Temporal differences between the values of assets and liabilities in the consolidated accounts, and those used to determine the taxable income, give rise to the recording of deferred taxes.

Deferred tax assets and liabilities are calculated for all temporary differences, based on the tax rate that will be in force when the differences are expected to reverse, if this is known, or, failing that, at the tax rate in force at the period-end.

Deferred tax assets are recorded only when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame.

◆ Receivables and payables denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into euros at the year-end exchange rate.

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur (formerly COFACE SA) and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

Exchange differences concerning receivables and payables denominated in a foreign currency and relating to a consolidated company are treated as part of Coface's net investment in that company. In accordance with IAS 21, these exchange differences are recorded in other comprehensive income until the disposal of the net investment.

◆ Segment information

Coface applies IFRS 8 for segment information reporting, which requires an entity's operating segments to be based on its internal organisation as used by management for the allocation of resources and the measurement of performance.

The segment information used by management corresponds to the following geographic regions:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

No operating segments have been aggregated for the purposes of published segment information.

The Group's geographic industry sector segmentation is based on the country of invoicing.

◆ Related parties

A related party is a person or entity that is related to the entity preparing its financial statements (referred to in IAS 24 as "the reporting entity").

Estimates

The main balance sheet items for which management is required to make estimates are presented in the table below:

ESTIMATES	NOTES	TYPE OF INFORMATION REQUIRED
Goodwill impairment	4	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss *ratio* assumptions.
Provision for earned premiums not yet written	19	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	19; 24	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	19; 25	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	19; 25; 44	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	19; 25; 44	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	17	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

The policies managed by the Coface Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on local GAAP pending the publication of an IFRS that deals with insurance liabilities.

The recognition of technical provisions requires the Group to carry out estimates, which are primarily based on assumptions concerning changes in events and circumstances related to the insured and their debtors as well as to their economic, financial, social, regulatory and political environment. These assumptions may differ from actual events and circumstances, particularly if they simultaneously affect the Group's main portfolios. The use of assumptions requires a high degree of judgement on the part of the Group, which may affect the level of provisions recognised and therefore have a material adverse effect on the Group's financial position, results, and solvency margin.

For certain financial assets held by the Group there is no active market, there are no observable inputs, or the observable inputs available are not representative. In such cases the assets' fair value is measured using valuation techniques which include methods or models that are based on assumptions or assessments requiring a high degree of judgement. The Group cannot guarantee that the fair value estimates obtained using these valuation techniques represent the price at which a security will ultimately be sold, or at which it could be sold at a given moment. The valuations and estimates are revised when circumstances change or when new information becomes available. Using this information, and respecting the objective principles and methods described in the consolidated and combined financial statements, the Group's management bodies regularly analyse, assess and discuss the reasons for any decline in the estimated fair value of securities, the likelihood of their value recovering in the short term, and the amount of any ensuing impairment losses that should be recognised. It cannot be guaranteed that any impairment losses or additional provisions recognised will not have a material adverse effect on the Group's results, financial position and solvency margin.

NOTE TO THE CONSOLIDATION BALANCE SHEET

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

/ NOTE 4 / Goodwill

In accordance with IAS 36, goodwill is not amortised but is systematically tested for impairment at the year-end or whenever there is an impairment indicator.

Breakdown of goodwill by region:

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,397	8,402
Mediterranean & Africa	22,371	22,050
North America	6,598	6,407
Latin America	1,117	939
TOTAL	**156,214**	**155,467**

The change in goodwill amounted to €747 thousand due to the fluctuation of the exchange rate.

◆ Impairment testing methods

In compliance with IAS 36 “Impairment of assets”, goodwill and other non-financial assets were tested for impairment losses at December 31, 2016. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU.

This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by Management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

The main assumptions used to determine the value in use of the groups of CGUs were a long-term growth rate of 1.5% for all entities and the weighted average cost of capital.

The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2016:

(in millions of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE	MEDITERRANEAN AND AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC
Cost of capital	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	490.9	658.0	171.8	160.6	45.9	49.4	152.5

The assumptions used in 2015 were as follows:

(in millions of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE	MEDITERRANEAN AND AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC
Cost of capital	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	480.8	861.7	158.2	75.8	55.9	54.0	129.3

The variation of the contribution to consolidated net assets per region between 2015 and 2016 is due to the new regional organisation:

- Spain and Portugal were part of the Western Europe region; these countries are part of the Mediterranean and Africa region as of December 31, 2016;
- Russia was part of the Northern Europe region; this country is part of the Central Europe region as of December 31, 2016.

Sensitivity of impairment tests

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

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2016;
- cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2016;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2020 and 2021): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have a significant impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2016.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table:

Outcome of impairment tests

(in millions of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE	MEDITERRANEAN AND AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC
Contribution to consolidated net assets	490.9	658.0	171.8	160.6	45.9	49.4	152.5
Sensitivity: Long-term growth rate -0.5 point	681.9	759.6	233.3	392.1	43.7	89.5	2.1
Sensitivity: WACC +0.5 point	673.9	747.9	230.0	386.2	42.0	87.7	2.2
Sensitivity: *Loss Ratio* 2020 +1 point	696.5	783.6	237.6	398.1	43.5	91.2	-1.5
Sensitivity: *Loss Ratio* 2020 +2 points	690.2	775.6	233.5	389.4	37.8	87.8	-5.6
Sensitivity: *Cost Ratio* 2020 +1 point	690.2	776.2	234.7	390.2	41.4	89.7	-4.9
Sensitivity: *Cost Ratio* 2020 +1 point	677.5	761.0	227.6	373.6	34.3	85.0	-12.5

The amounts presented in the table above represent the total amount after changes in assumptions.

/ NOTE 5 / Other intangible assets

	DEC. 31, 2016	DEC. 31, 2015
(in thousands of euros)	NET VALUE	NET VALUE
Development costs and software	56,336	65,270
Purchased goodwill	2,738	2,980
Other intangible assets	420	590
TOTAL	**59,494**	**68,840**

	DEC. 31, 2016		
(in thousands of euros)	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Development costs and software	183,821	-127,485	56,336
Purchased goodwill	8,608	-5,870	2,738
Other intangible assets	2,676	-2,256	420
TOTAL	**195,105**	**-135,611**	**59,494**

(in thousands of euros)	DEC. 31, 2015 COST	DEC. 31, 2015 ACCUMULATED AMORTISATION AND IMPAIRMENT	DEC. 31, 2015 NET VALUE
Development costs and software	184,790	-119,520	65,270
Purchased goodwill	8,367	-5,387	2,980
Other intangible assets	3,191	-2,601	590
TOTAL	**196,348**	**-127,508**	**68,840**

Change in the gross amount of intangible assets

(in thousands of euros)	DEC. 31, 2015	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Development costs and software	184,790	6,255	-8,383	1,159	183,821
Purchased goodwill	8,367			241	8,608
Other intangible assets	3,191	44	-177	-382	2,676
TOTAL	**196,348**	**6,299**	**-8,560**	**1,018**	**195,105**

(in thousands of euros)	DEC. 31,2014	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2015
Development costs and software	194,762	3,950	-15,337	1,415	184,790
Purchased goodwill	7,717			650	8,367
Other intangible assets	2,754	353	-25	109	3,191
TOTAL	**205,233**	**4,303**	**-15,362**	**2,174**	**196,348**

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Accumulated amortisation – development costs and software	-119,307	-10,192	6,490	-1,139	-124,148
Accumulated impairment – development costs and software	-213	-3,337		213	-3,337
Total amortisation and impairment – development costs and software	**-119,520**	**-13,529**	**6,490**	**-926**	**-127,485**
Accumulated amortisation – purchased goodwill	-5,387	-313		-170	-5,870
Accumulated impairment – purchased goodwill					
Total amortisation and impairment – purchased goodwill	**-5,387**	**-313**		**-170**	**-5,870**
Accumulated amortisation – other intangible assets	-2,581	-78	175	248	-2,236
Accumulated impairment – other intangible assets	-20				-20
Total amortisation and impairment – other intangible assets	**-2,601**	**-78**	**175**	**248**	**-2,256**
TOTAL	**-127,508**	**-13,920**	**6,665**	**-848**	**-135,611**

/ NOTE 6 / Insurance business investments

6.1 Analysis by category

At December 31, 2016, the carrying amount of available-for-sale (AFS) securities totaled €2,593,953 thousand, securities held for trading ("trading securities") came to €69,696 thousand and held-to-maturity (HTM) securities was €2,740 thousand.

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

The distribution of the bonds portfolio by rating at December 31, 2016 was as follows:

- Bonds rated "AAA" 20%;
- Bonds rated "AA" and "A" 37%;
- Bonds rated "BBB" 32%;
- Bonds rated "BB" and lower 11%.

(in thousands of euros)	DEC. 31, 2016					DEC. 31, 2015				
	AMORTISED COST	REVALUATION	NET VALUE	FAIR VALUE	UNREALISED GAINS AND LOSSES	AMORTISED COST	REVALUATION	NET VALUE	FAIR VALUE	UNREALISED GAINS AND LOSSES
AFS securities	**2,459,575**	**134,378**	**2,593,953**	**2,593,953**		**2,406,577**	**105,948**	**2,512,526**	**2,512,526**	
Equities and other variable-income securities	140,734	106,714	247,448	247,448		236,296	104,373	340,669	340,669	
Bonds and government securities	2,183,369	25,997	2,209,366	2,209,366		2,059,275	1,659	2,060,934	2,060,934	
o/w direct investments in securities	*1,768,986*	*24,414*	*1,793,400*	*1,793,400*		*1,675,626*	*4,595*	*1,680,221*	*1,680,221*	
o/w investments in UCITS	*414,383*	*1,583*	*415,966*	*415,966*		*383,649*	*-2,936*	*380,714*	*380,714*	
Shares in non-trading property companies	135,472	1,667	137,139	137,139		111,006	-84	110,922	110,922	
HTM securities										
Bonds	2,740		2,740	3,460	720	3,721		3,721	4,374	653
Fair value through income – trading securities										
Money market funds (UCITS)	69,696		69,696	69,696		55,468		55,468	55,468	
Derivatives (positive fair value)		**2,975**	**2,975**	**2,975**			**6,123**	**6,123**	**6,123**	
(derivatives negative fair value for information)		*-7,508*	*-7,508*	*-7,508*			*-6,752*	*-6,752*	*-6,752*	
Loans and receivables	**80,940**		**80,940**	**80,940**		**69,481**		**69,481**	**69,481**	
Investment property	**716**	**71**	**787**	**787**		**716**	**84**	**800**	**800**	
TOTAL	**2,613,667**	**137,424**	**2,751,091**	**2,751,811**	**720**	**2,535,964**	**112,155**	**2,648,119**	**2,648,772**	**653**

Amortised cost reflects the nominal value, i.e., historical cost, as well as other components such as accrued interest not yet due, premiums and discounts, net of impairment and excluding the revaluation reserve.

(in thousands of euros)	GROSS DEC. 31, 2016	IMPAIRMENT	NET DEC. 31, 2016	NET DEC. 31, 2015
AFS securities	**2,624,463**	**-30,510**	**2,593,953**	**2,512,526**
Equities and other variable-income securities	276,859	-29,411	247,448	340,669
Bonds and government securities	2,210,457	-1,091	2,209,366	2,060,934
o/w direct investments in securities	*1,793,400*		*1,793,400*	*1,680,221*
o/w investments in UCITS	*417,057*	*-1,091*	*415,966*	*380,714*
Shares in non-trading property companies	137,147	-8	137,139	110,922
HTM securities				
Bond	2,740		2,740	3,721
Fair value through income – trading securities				
Money market funds (UCITS)	69,696		69,696	55,468
Derivatives (positive fair value)	**2,975**		**2,975**	**6,123**
(for information, derivatives with a negative fair value)	*-7,508*		*-7,508*	*-6,752*
Loans and receivables	**80,940**		**80,940**	**69,481**
Investment property	**787**		**787**	**800**
TOTAL	**2,781,601**	**-30,510**	**2,751,091**	**2,648,119**

Impairments

(in thousands of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS	EXCHANGE RATE EFFECTS AND OTHER	DEC. 31, 2016
AFS securities	**29,696**	**3422**	**-2520**	**-88**	**30,510**
Equities and other variable-income securities	29,688	2,331	-2,520	-88	29,411
Bonds and government securities		1,091			1,091
Shares in non-trading property companies	8				8
TOTAL	**29,696**	**3,422**	**-2,520**	**-88**	**30,510**

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	DEC. 31, 2016						
	CARRYING AMOUNT	INCREASES	DECREASES	REVALUATION	IMPAIRMENT	OTHER MOVEMENTS	CARRYING AMOUNT
AFS securities	**2,512,526**	**899,171**	**-837,626**	**31,658**	**-902**	**-10,874**	**2,593,953**
Equities and other variable-income securities	340,669	42,920	-138,391	5,599	189	-3,538	247,448
Bonds and government securities	2,060,934	812,690	-682,177	24,309	-1091	-5,299	2,209,366
Shares in non-trading property companies	110,922	43,561	-17,058	1,751		-2,037	137,139
HTM securities							
Bonds	3,721		-981				2,740
Fair value through income – trading securities	**55,468**	**651,150**	**-636,922**	**0**		**0**	**69,696**
Loans, receivables and other financial investments	**76,404**	**53,567**	**-36,302**	**-7,863**		**-1,105**	**84,702**
TOTAL	**2,648,119**	**1,603,888**	**-1,511,831**	**23,796**	**-902**	**-11,979**	**2,751,091**

Derivatives

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

During 2016, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks *via* swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio that covers all of Coface's European entities (whose currency risks are systematically hedged).

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

Several one-off interest rate hedges were also set up during the year for money-market securities.

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

Derivatives also include, from the first quarter of 2016, the fair value of the contingent capital instrument. This fair value corresponds to the fees due. This asset is shown in level 3.

6.2 Financial instruments recognised at fair value

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

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

Securities classified as level 1 represent 87% of the Group's portfolio. They correspond to:

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

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

Securities classified as level 2 represent 3% of the Group's portfolio. This level is used for the following instruments:

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

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

Securities classified as level 3 represent 10% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Breakdown of financial instrument fair value measurements as at December 31, 2016 by level in the fair value hierarchy

(in thousands of euros)	CARRYING AMOUNT	FAIR VALUE	LEVEL 1 FAIR VALUE DETERMINED BASED ON QUOTED PRICES IN ACTIVE MARKETS	LEVEL 2 FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE OBSERVABLE INPUTS	LEVEL 3 FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE UNOBSERVABLE INPUTS
AFS securities	**2,593,953**	**2,593,953**	**2,324,335**	**23**	**269,595**
Equities and other variable-income securities	247,448	247,448	114,969	23	132,456
Bonds and government securities	2,209,366	2,209,366	2,209,366	0	
Shares in non-trading property companies	137,139	137,139			137,139
HTM securities					
Bonds	2,740	3,460	3,460		
Fair value through income – trading securities					
Money market funds (UCITS)	69,696	69,696	69,696		
Derivatives	**2,975**	**2,975**	**993**	**860**	**1,122**
Loans and receivables	**80,940**	**80,940**		**80,940**	
Investment property	**787**	**787**			**787**
TOTAL	**2,751,091**	**2,751,811**	**2,398,484**	**81,823**	**271,504**

The analysis of the breakdown of the portfolio by level allowed to detect that bonds and Government securities classified in level 2 on December 31, 2015 were under the definition of level 1.

This reclassification from level 2 to level 1 has been realised during the 1st half-year 2016.

Movements in Level 3 securities as at December 31, 2016

(in thousands of euros)	AT DEC. 31, 2015	GAINS AND LOSSES RECOGNISED IN THE PERIOD		TRANSACTIONS FOR THE PERIOD		EXCHANGE RATE EFFECTS	AT DEC. 31, 2016
		IN INCOME	DIRECTLY IN EQUITY	PUR-CHASES/ ISSUES	SALES/ REDEMPTIONS		
AFS securities	**240,219**	**445**	**5,178**	**46,411**	**-17,058**	**-5,600**	**269,595**
Equities and other variable-income securities	129,297	445	3,427	2,850		-3,563	132,456
Shares in non-trading property companies	110,922		1,751	43,561	-17,058	-2,037	137,139
Derivatives				1,122			1,122
Investment property	**800**	**-13**					**787**
TOTAL	**241,019**	**432**	**5,178**	**47,533**	**-17,058**	**-5,600**	**271,504**

Breakdown of financial instrument fair value measurements as at December 31, 2015 by level in the fair value hierarchy

(in thousands of euros)	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
			FAIR VALUE DETERMINED BASED ON QUOTED PRICES IN ACTIVE MARKETS	FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE OBSERVABLE INPUTS	FAIR VALUE DETERMINED BASED ON VALUATION TECHNIQUES THAT USE UNOBSERVABLE INPUTS
AFS securities	**2,512,526**	**2,512,526**	**2,096,980**	**175,326**	**240,219**
Equities and other variable-income securities	340,669	340,669	211,349	23	129,297
Bonds and government securities	2,060,934	2,060,934	1,885,631	175,303	
Shares in non-trading property companies	110,922	110,922			110,922
HTM securities					
Bonds	3,721	4,374	4,374		
Fair value through income – trading securities					
Money market funds (UCITS)	55,468	55,468	55,468		
Derivatives	**6,123**	**6,123**		**6,123**	
Loans and receivables	**69,481**	**69,481**		**69,481**	
Investment property	**800**	**800**			**800**
TOTAL	**2,648,119**	**2,648,772**	**2,156,822**	**250,930**	**241,019**

Movements in Level 3 securities as at December 31, 2015

(in thousands of euros)	AT DEC. 31, 2014	GAINS AND LOSSES RECOGNISED IN THE PERIOD		TRANSACTIONS FOR THE PERIOD		EXCHANGE RATE EFFECTS	AT DEC. 31, 2015
		IN INCOME	DIRECTLY IN EQUITY	PUR-CHASES/ ISSUES	SALES/ REDEMPTIONS		
AFS securities	**155,470**	**1,526**	**806**	**83,894**		**-1,478**	**240,219**
Equities and other variable-income securities	125,469	1,526	890	2,718		-1,307	129,297
Shares in non-trading property companies	30,001		-84	81,176		-171	110,922
Investment property	**923**	**-123**					**800**
TOTAL	**156,393**	**1,403**	**806**	**83,894**	**0**	**-1,478**	**241,019**

/ NOTE 7 / Receivables arising from banking and other activities

Breakdown by nature

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Receivables arising from banking and other activities	2,412,543	2,312,352
Non-performing receivables arising from banking and other activities	86,579	78,961
Allowances for receivables arising from banking and other activities	-17,597	-20,411
TOTAL	**2,481,525**	**2,370,902**

Breakdown by age

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.

They are recognised at cost within assets. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

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

	DEC. 31, 2016					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
Receivables arising from banking and other activities	1,895,174	517,369				2,412,543
Non-performing receivables arising from banking and other activities			10,285	64,474	11,820	86,579
Allowances for receivables arising from banking and other activities			-2,674	-3,165	-11,758	-17,597
Total receivables arising from banking and other activities	**1,895,174**	**517,369**	**7,611**	**61,309**	**62**	**2,481,525**
Claims reserves to cover factoring receivables			-7,611	-61,309	-62	-68,982
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,895,174**	**517,369**	**0**	**0**	**0**	**2,412,543**

	DEC. 31, 2015					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
Receivables arising from banking and other activities	1,781,588	530,764				2,312,352
Non-performing receivables arising from banking and other activities			5,004	57,350	16,607	78,961
Allowances for receivables arising from banking and other activities			-2,069	-10,645	-7,697	-20,411
Total receivables arising from banking and other activities	**1,781,588**	**530,764**	**2,935**	**46,705**	**8,910**	**2,370,902**
Claims reserves to cover factoring receivables			-1,732	-43,329	-7,670	-52,731
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,781,588**	**530,764**	**1,203**	**3,376**	**1,240**	**2,318,171**

/ NOTE 8 / Investments in associates

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Investments in associates at January 1	20,258	19,001
Dividends paid	-1,009	-900
Share in net income of associates	-5,838	2,157
TOTAL INVESTMENTS IN ASSOCIATES	**13,411**	**20,258**

The Company accounted for by the equity method is Cofacredit, entities owned for 36%. Investment in associates fell by €6,847 thousand during the year 2016. This amount corresponds to the share of income from Cofacredit net of dividend payments. The result of the Company is in sharp decline during the year 2016 because of a provision following the identification of significant risks.

/ NOTE 9 / Tangible assets

	DEC. 31, 2016	DEC. 31, 2015
(in thousands of euros)	NET VALUE	NET VALUE
Buildings used in the business	38,528	40,756
Other property, plant and equipment	18,956	24,351
TOTAL	**57,484**	**65,107**

The buildings used in the business are the head offices of Coface Deutschland and Coface Italia. The head office of Coface Deutschland was acquired under a finance lease.

	DEC. 31, 2016		
(in thousands of euros)	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Buildings used in the business	109,016	-70,488	38,528
Other property, plant and equipment	57,434	-38,478	18,956
TOTAL	**166,450**	**-108,966**	**57,484**

	DEC. 31, 2015		
(in thousands of euros)	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	NET VALUE
Buildings used in the business	108,988	-68,232	40,756
Other property, plant and equipment	59,377	-35,026	24,351
TOTAL	**168,365**	**-103,258**	**65,107**

Change in the gross amount of property, plant and equipment

(in thousands of euros)	DEC. 31, 2015	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Land used in the business	14,010				14,010
Buildings used in the business	94,978	28			95,006
Total buildings used in the business	**108,988**	**28**	**0**	**0**	**109,016**
Operating guarantees and deposits	5,202	19	-31	57	5,247
Other property, plant and equipment	54,175	1,864	-3,758	-94	52,187
Total other property, plant and equipment	**59,377**	**1,883**	**-3,789**	**-37**	**57,434**
TOTAL	**168,365**	**1,911**	**-3,789**	**-37**	**166,450**

(in thousands of euros)	DEC. 31, 2014	INCREASES	DECREASES	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2015
Land used in the business	14,010				14,010
Buildings used in the business	95,157		-1	-178	94,978
Total buildings used in the business	**109,167**	**0**	**-1**	**-178**	**108,988**
Operating guarantees and deposits	5,319	37	-256	102	5,202
Other property, plant and equipment	58,661	3,595	-9,154	1,073	54,175
Total other property, plant and equipment	**63,980**	**3,632**	**-9,410**	**1,175**	**59,377**
TOTAL	**173,147**	**3,632**	**-9,411**	**997**	**168,365**

Change in accumulated depreciation and impairment of property, plant and equipment

(in thousand of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2016
Accumulated depreciation – Buildings used in the business	-68,232	-2,256			-70,488
Accumulated impairment – Buildings used in the business					
Buildings used in the business	**-68,232**	**-2,256**	**0**	**0**	**-70,488**
Accumulated depreciation other property, plant & equipment	-34,858	-3,496	2,209	114	-36,031
Accumulated impairment other property, plant & equipment	-168	-2,233	-1	-45	-2,447
Other property, plant and equipment	**-35,026**	**-5,729**	**2,208**	**69**	**-38,478**
TOTAL	**-103,258**	**-7,985**	**2,208**	**69**	**-108,966**

(in thousand of euros)	DEC. 31, 2014	ADDITIONS	REVERSALS	EXCHANGE RATE AND OTHER EFFECTS	DEC. 31, 2015
Accumulated depreciation – Buildings used in the business	-66,153	-2,250		171	-68,232
Accumulated impairment – Buildings used in the business					
Buildings used in the business	**-66,153**	**-2,250**	**0**	**171**	**-68,232**
Accumulated depreciation other property, plant & equipment	-36,553	-3,870	9,226	-3,661	-34,858
Accumulated impairment other property, plant & equipment	-2,733	-20		2,585	-168
Other property, plant and equipment	**-39,286**	**-3,890**	**9,226**	**-1,076**	**-35,026**
TOTAL	**-105,439**	**-6,140**	**9,226**	**-905**	**-103,258**

Market value of buildings used in the business

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Carrying amount	38,528	40,756
Market value	60,383	73,095
UNREALISED GAIN	**21,855**	**32,339**

The buildings held by the Coface Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2016.

/ NOTE 10 / Receivables arising from insurance and reinsurance operations

Breakdown by nature

	DEC. 31, 2016			DEC. 31, 2015		
(in thousands of euros)	GROSS	PROVISION	NET	GROSS	PROVISION	NET
Receivables from policyholders and agents	323,460	-31,114	292,346	312,999	-30,298	282,701
Earned premiums not written	127,962		127,962	123,003		123,003
Receivables arising from reinsurance operations, net	111,133	-3,168	107,965	113,548	-282	113,266
TOTAL	**562,555**	**-34,282**	**528,273**	**549,550**	**-30,580**	**518,970**

Breakdown by age

	DEC. 31, 2016					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**385,919**	**68,846**	**55,268**	**12,035**	**6,205**	**528,273**

	DEC. 31, 2015					
		DUE				
(in thousands of euros)	NOT DUE	-3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	+5 YEARS	TOTAL
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**376,754**	**81,856**	**44,345**	**10,857**	**5,158**	**518,970**

The insurance business operates on a reverse production cycle: premiums are earned before claims are paid out. Furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to three months.

Consequently, the risk of liquidity linked to insurance receivables is considered to be marginal.

/ NOTE 11 / Other assets

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Deferred acquisition costs	46,393	44,043
Trade receivables arising from other activities	14,849	14,238
Current tax receivbales	69,126	68,937
Other receivables	138,246	125,288
TOTAL	**268,614**	**252,506**

/ NOTE 12 / Cash and cash equivalents

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Cash at bank and in hand	289,434	358,326
Cash equivalents	42,637	38,511
TOTAL	**332,071**	**396,837**

The management of the operational cash flow was optimised over the year 2016, leading to a decrease of the cash amounts and an increase in long term investments.

/ NOTE 13 / Share capital

ORDINARY SHARES	NUMBER OF SHARES	PAR VALUE	SHARE CAPITAL *(in €)*
At December 31, 2015	157,248,232	5	786,241,160
Nominal value decrease		-3	-471,744,696
At December 31, 2016	**157,248,232**	**2**	**314,496,464**
Treasury shares deducted	-334,010	2	-688,020
AT DECEMBER 31, 2016 (EXCLUDING TREASURY SHARES)	**156,904,222**	**2**	**313,808,444**

SHAREHOLDERS	DEC. 31, 2016		DEC. 31, 2015	
	NUMBER OF SHARES	%	NUMBER OF SHARES	%
Natixis	64,853,881	41.33%	64,853,870	41.32%
Public	92,050,341	58.67%	92,097,771	58.68%
TOTAL EXCLUDING TREASURY SHARES	**156,904,222**	**100.00%**	**156,951,641**	**100.00%**

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

Natixis holds, at the end of December 2016, 41.33% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

/ NOTE 14 / Share-based payments

Ongoing free share plans

Since its stock market listing in 2014, the Coface Group has awarded free shares to certain beneficiaries (corporate officers and employees of COFACE SA subsidiaries).

PLAN	ALLOCATION DATE	NUMBER OF SHARES GRANTED	ACQUISITION PERIOD	ACQUISITION DATE	AVAILABILITY DATE	FAIR VALUE OF THE SHARE AT THE ALLOCATION DATE	NET EXPENSE FOR THE YEAR *(in €k)*
Allocation of exceptional free shares	June 26, 2014	43,269	2 years	July 1, 2016	July 1, 2018	10.4	-320
Long-Term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 1, 2017	July 1, 2019	10.4	222
Long-Term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	347
Long-Term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2021	5.5	89

Change in the number of free shares

PLAN	NUMBER OF FREE SHARES AT DEC. 31, 2015	NUMBER OF NEW FREE SHARE GRANTS IN 2016	NUMBER OF FREE SHARES CANCELLED IN 2016	NUMBER OF FREE SHARES ACQUIRED IN 2016	NUMBER OF SHARES TO BE ACQUIRED AT DEC. 31, 2016
Allocation of exceptional free shares	43,269			-43,269	
Long-Term Incentive Plan 2014	78,842				78,842
Long-Term Incentive Plan 2015	106,800				106,800
Long-Term Incentive Plan 2016		302,196			302,196

The total number of shares allocated to the Long-Term Incentive Plan 2016 amounts to 399,932 shares; only 330,591 shares were allocated nominatively to beneficiaries including 302,196 shares and 28,395 performance units.

Performance units are awarded instead of free shares as soon as the free shares implementation appears complex or irrelevant in terms of the number of beneficiaries. These units are indexed on the share price and subject to the same conditions of presence and performance as free shares but are valued and paid in cash at the end of the vesting period.

The settlement of the exceptional bonus shares is contingent on a presence requirement.

Thereby, the effect of the settlement of the exceptional bonus shares following the departure of Mr. Jean-Marc Pillu amounts to €320 thousand in the income statement at December 31, 2016.

The vesting of free shares under the Long-Term Incentive Plan is contingent on a presence requirement and achieving of objectives.

Measurement of free shares

In accordance with IFRS 2 relating to "Share-based payment", the award of free shares to employees results in the recognition of an expense corresponding to the fair value of shares granted on the award date adjusted for unpaid dividends during the rights vesting period and transfer restrictions during the holding period, as well as the probability of the materialisation of the performance conditions.

The plans were measured on the assumptions below:

- discount rate corresponding to a risk-free rate on the plans' duration;
- income distribution rate set at 60%;
- the lock-in value, which is calculated in consideration of a risk-free interest rate and a two-year borrowing rate.

Based on these assumptions, a total of €338 thousand was expensed under the implemented plans at December 31, 2016.

/ NOTE 15 / Revaluation reserves

(in thousands of euros)	INVESTMENT INSTRUMENTS	RESERVES – GAINS AND LOSSES NOT RECLASSIFIABLE TO INCOME (IAS 19R)	INCOME TAX	REVALUATION RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	REVALUATION RESERVES
At January 1, 2016	**107,435**	**-25,294**	**-5,267**	**76,874**	**3,009**	**79,883**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,906		-1,328	578		578
Fair value adjustments on available-for-sale financial assets recognised in equity	30,345		-9,601	20,744	-594	20,150
Change in reserves – gains and losses not reclassifiable to income (IAS 19R)		-7,811	2,433	-5,378		-5,378
AT DECEMBER 31, 2016	**139,686**	**-33,105**	**-13,763**	**92,818**	**2,415**	**95,233**

(in thousands of euros)	INVESTMENT INSTRUMENTS	RESERVES – GAINS AND LOSSES NOT RECLASSIFIABLE TO INCOME (IAS 19R)	INCOME TAX	REVALUATION RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	REVALUATION RESERVES
At January 1, 2015	**120,329**	**-31,184**	**-3,409**	**85,736**	**3,924**	**89,660**
Fair value adjustments on available-for-sale financial assets reclassified to income	-4,347		1,525	-2,822	-144	-2,966
Fair value adjustments on available-for-sale financial assets recognised in equity	-8,693		-1,471	-10,164	-771	-10,935
Change in reserves – gains and losses not reclassifiable to income (IAS 19R)		5,890	-1,912	3,978		3,978
Transactions with shareholders	146			146		146
AT DECEMBER 31, 2015	**107,435**	**-25,294**	**-5,267**	**76,874**	**3,009**	**79,883**

/ NOTE 16 / Provisions for liabilities and charges

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Provisions for disputes	9,683	10,966
Provisions for pension and other post-employment benefit obligations	71,798	84,855
Other provisions for liabilities and charges	69,593	18,413
TOTAL	**151,074**	**114,234**

(in thousands of euros)	DEC. 31, 2015	ADDITIONS	REVERSALS (UTILISED)	REVERSALS (SURPLUS)	RECLASSI-FICATIONS	CHANGES IN OCI	EXCHANGE RATE EFFECTS	DEC. 31, 2016
Provisions for tax disputes	3,525			-177	-3,346		-2	
Provisions for employee	5,683	4,059	-2,334	-423			20	7,005
Provisions for other disputes	1,758	728	-200	-11	-1		404	2,678
Provisions for disputes	**10,966**	**4,787**	**-2,534**	**-611**	**-3,347**		**422**	**9,683**
Provisions for pension	**84,855**	**9,220**	**-4,736**	**-25,414**	**1**	**7,815**	**57**	**71,798**
Provisions for liabilities	13,999	1,596		-164			357	15,788
Provisions for restructuring	888	42,277	-220	-42			3	42,906
Provisions for taxes (excl. income taxes)		1,600			3,346		-15	4,931
Other provisions for liabilities	3,527	2,580			-125		-14	5,968
Other provisions for liabilities and charges	**18,413**	**48,053**	**-220**	**-206**	**3,221**		**332**	**69,593**
TOTAL	**114,234**	**62,060**	**-7,490**	**-26,231**	**-125**	**7,815**	**811**	**151,074**

(in thousands of euros)	DEC. 31, 2014	ADDITIONS	REVERSALS (UTILISED)	REVERSALS (SURPLUS)	RECLASSI-FICATIONS	CHANGES IN OCI	EXCHANGE RATE EFFECTS	DEC. 31, 2015
Provisions for tax disputes	361	3,200					-36	3,525
Provisions for employee	5,225	2,345	-483	-1,348	-10		-46	5,683
Provisions for other disputes	2,038	200			1		-481	1,758
Provisions for disputes	**7,624**	**5,745**	**-483**	**-1,348**	**-9**		**-563**	**10,966**
Provisions for pension	**93,752**	**6,169**	**-3,783**	**-1,034**	**-4,528**	**-5,893**	**172**	**84,855**
Provisions for liabilities	13,724	549		-1,248			974	13,999
Provisions for restructuring	1,263	236	-76	-535				888
Other provisions for liabilities	1,429	1,523		-3,625	4,202		-3	3,526
Other provisions for liabilities and charges	**16,416**	**2,308**	**-76**	**-5,408**	**4,202**		**971**	**18,413**
TOTAL	**117,792**	**14,222**	**-4,342**	**-7,790**	**-335**	**-5,893**	**580**	**114,234**

Provisions for liabilities and charges mainly includes provisions for pensions and other post-employment benefit obligations and provisions for restructuring.

The increase in the provisions for restructuring for €42.3 million relates to the implementation of *Fit to Win* strategic plan for €36.3 million and a provision for vacant properties following the transfer of the State export guarantees for €6.0 million.

Implementation of *Fit to Win* strategic plan

French entities recognised provisions for restructuring to €13.6 million:

- €7.2 million in provisions for the early retirement under a plan presented to the employees representative bodies on December 13, 2016 affecting 64 posts;
- €5.6 million in provisions for vacant properties and redevelopment of properties for €0.8 million.

German entities recognised provision for restructuring to €19.0 million for a voluntary redundancy plan affecting 84 posts. This plan was presented to the employees representative bodies on November 30, 2016.

The decrease in provisions for pension and other post-employment benefit obligation is mainly due to a recovery of €19.2 million caused by denunciation of Coface specific clauses in social agreements linked to alignment with market agreements.

/ NOTE 17 / Employee benefits

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Present value of benefit obligation at January 1	***86,784***	***95,449***
Current service cost *	-18,665	5,280
Interest cost	1,408	1,442
Actuarial (gains)/losses	9,219	-6,862
Benefits paid	-4,949	-4,974
Other	67	-3,551
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**73,864**	**86,784**
Change in plan assets		
Fair value of plan assets at January 1	***1,929***	***1,696***
Revaluation adjustments – Return on plan assets	135	42
Employee contributions	110	
Employer contributions	140	118
Benefits paid	-249	-158
Other		231
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**2,065**	**1,929**
Reconciliation		
Present value of benefit obligation at December 31	***73,864***	***86,784***
Fair value of plan assets	2,065	1,929
(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER 31	**-71,799**	**-84,855**
Income statement		
Current service cost	6,532	5,480
Past service cost		-198
Benefits paid including amounts paid in respect of settlements		
Interest cost	1,408	1,303
Interest income	-38	-32
Revaluation adjustments on other long-term benefits	1,306	-980
Other	13	598
EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT	**9,221**	**6,171**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	7,815	-5,890
REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME	**7,815**	**-5,890**

* *The reversal of provisions for retirement benefits and long-service awards related to the transfer of the staff assigned to the activity of State export guarantees amounted €4.8 million.*

(in thousands of euros)	DEC. 31, 2016					
	FRANCE	GERMANY	AUSTRIA	ITALY	OTHER	TOTAL
Present value of benefit obligation at January 1	***38,208***	***25,111***	***18,458***	***2,436***	***2,570***	***86,783***
Current service cost	-22,379	2,017	264	1,011	422	-18,665
Interest cost	570	459	339	41		1,408
Actuarial (gains)/losses	3,475	3,617	1,757	349	20	9,219
Benefits paid	-1,543	-2,103	-1,065	-171	-66	-4,949
Other	-2	-1	4		65	66
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**18,329**	**29,099**	**19,757**	**3,666**	**3,011**	**73,863**
Change in plan assets						
Fair value of plan assets at January 1		***1,201***	***909***		***-181***	***1,929***
Revaluation adjustments – Return on plan assets		128	7			135
Employee contributions		16	94			110
Employer contributions		139	1			140
Benefits paid		-145	-103			-249
Other						
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31		**1,339**	**907**		**-181**	**2,065**
Reconciliation						
Present value of benefit obligation at December 31	***18,329***	***29,099***	***19,757***	***3,666***	***3,011***	***73,862***
Fair value of plan assets		1,339	907		-181	2,065
(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER 31	**-18,329**	**-27,761**	**-18,850**	**-3,666**	**-3,192**	**-71,798**
Income statement						
Current service cost	2,818	2,017	264	1,011	422	6,532
Past service cost						
Benefits paid including amounts paid in respect of settlements						
Interest cost	570	459	339	41		1,408
Interest income		-20	-18			-38
Revaluation adjustments on other long-term benefits	-37	1,263	-12	91		1,306
Other			5		8	13
EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT	**3,351**	**3,718**	**578**	**1,143**	**430**	**9,220**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	3,511	2,247	1,780	258	19	7,815
REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME	**3,511**	**2,247**	**1,780**	**258**	**19**	**7,815**

(in thousands of euros)	DEC. 31, 2015					
	FRANCE	GERMANY	AUSTRIA	ITALY	OTHER	TOTAL
Present value of benefit obligation at January 1	***41,652***	***25,443***	***19,913***	***6,361***	***2,080***	***95,449***
Current service cost	1,736	2,151	309	649	435	5,280
Interest cost	620	440	347	35		1,442
Actuarial (gains)/losses	-4,429	-1,252	-786	-395		-6,862
Benefits paid	-1,355	-1,694	-1,236	-586	-103	-4,974
Other	-16	23	-89	-3,628	159	-3,551
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**38,208**	**25,111**	**18,458**	**2,436**	**2,571**	**86,784**
Change in plan assets						
Fair value of plan assets at January 1		***861***	***1,016***		***-181***	***1,696***
Revaluation adjustments – Return on plan assets		11	31			42
Employer contributions		26	92			118
Benefits paid		-34	-124			-158
Other		337	-106			231
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31		**1,201**	**909**		**-181**	**1,929**
Reconciliation						
Present value of benefit obligation at December 31	***38,208***	***25,111***	***18,458***	***2,436***	***2,571***	***86,784***
Fair value of plan assets		1,201	909		-181	1,929
(LIABILITY)/ASSET RECOGNISED IN THE BALANCE SHEET AT DECEMBER 31	**-38,208**	**-23,910**	**-17,549**	**-2,436**	**-2,752**	**-84,855**
Income statement						
Current service cost	1,736	2,354	290	665	435	5,480
Past service cost		-202	20	-16		-198
Benefits paid including amounts paid in respect of settlements						
Interest cost	620	433	215	35		1,303
Interest income		-15	-17			-32
Revaluation adjustments on other long-term benefits	-110	-858	-12			-980
Other	4	11	9	574		598
EXPENSE/(INCOME) RECORDED IN THE INCOME STATEMENT	**2,250**	**1,723**	**505**	**1,258**	**435**	**6,171**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	-4,317	-394	-784	-395		-5,890
REVALUATION ADJUSTMENTS RECOGNISED IN EQUITY NOT RECLASSIFIABLE TO INCOME	**-4,317**	**-394**	**-784**	**-395**		**-5,890**

Actuarial assumptions

The discount rate applied to the Group's employee benefit obligations is based on the Bloomberg Corporate AA curve for French entities and on a basket of international AA-rated corporate bonds for foreign entities.

	DEC. 31, 2016			
	FRANCE	GERMANY	AUSTRIA	ITALY
Inflation rate	1.60%	1.90%	1.90%	1.90%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*0.85%*	*0.85%*	*0.85%*
Statutory retirement benefits	*0.75%*	*N/A*	*0.85%*	*0.85%*
Long-service awards	*0.45%*	*0.85%*	*0.85%*	*N/A*
Other benefits	*1.55%*	*0.85%*	*N/A*	*0.85%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.90%
Rate of increase in medical costs (including inflation)	4.10%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*7.28*	*7.11*	*11.37*
Statutory retirement benefits	*15.68*	*N/A*	*8.42*	*13.37*
Long-service awards	*15.68*	*18.52*	*14.61*	*14.70*
Other benefits	*1.00*	*3.72*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.16*	*11.49*	*12.57*	*18.19*
Statutory retirement benefits	*10.40*	*N/A*	*8.31*	*9.98*
Long-service awards	*7.95*	*11.65*	*8.01*	*11.04*
Other benefits	*N/A*	*1.94*	*N/A*	*N/A*

	DEC. 31, 2015			
	FRANCE	GERMANY	AUSTRIA	ITALY
Inflation rate	1.70%	1.90%	1.90%	1.90%
Discount rate				
Supplementary retirement and other plans	0.45%	1.90%	1.90%	1.90%
Statutory retirement benefits	1.40%	N/A	1.90%	1.90%
Long-service awards	1.00%	1.90%	1.90%	N/A
Other benefits	2.15%	1.90%	N/A	1.90%
Rate of salary increases (including inflation)	2.00%	2.40%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	4.20%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	0.00	5.40	8.72	11.37
Statutory retirement benefits	15.60	N/A	9.97	13.37
Long-service awards	8.14	19.33	15.48	14.70
Other benefits	15.60	2.92	N/A	20.15
Term (years)				
Supplementary retirement and other plans	28.59	11.15	12.02	18.00
Statutory retirement benefits	10.64	N/A	8.79	9.88
Long-service awards	7.69	11.57	6.65	10.93
Other benefits	N/A	1.95	N/A	0.00

Sensitivity tests on the defined benefit obligation

	DEC. 31, 2016			
	POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS		OTHER LONG-TERM BENEFITS	
	SUPPLEMENTARY RETIREMENT AND OTHER PLANS	STATUTORY RETIREMENT BENEFITS	LONG-SERVICE AWARDS	OTHER BENEFITS
1% increase in the discount rate	-12.27%	-9.56%	-9.49%	-1.52%
-1% increase in the discount rate	15.20%	11.32%	11.17%	1.57%
1% increase in the inflation rate	1.30%	11.04%	11.53%	1.01%
-1% increase in the inflation rate	-1.17%	-9.49%	-10.31%	-1.00%
1% increase in rate of increase in medical costs	8.78%	8.52%	0.00%	1.01%
-1% increase in rate of increase in medical costs	-7.22%	-7.31%	0.00%	-1.00%
1% decrease in rate of salary increase (including inflation)	16.74%	0.00%	0.00%	0.00%
-1% decrease in rate of salary increase (including inflation)	-13.82%	0.00%	0.00%	0.00%

	DEC. 31, 2015			
	POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS		OTHER LONG-TERM BENEFITS	
	SUPPLEMENTARY RETIREMENT AND OTHER PLANS	STATUTORY RETIREMENT BENEFITS	LONG-SERVICE AWARDS	OTHER BENEFITS
1% increase in the discount rate	-16.18%	-8.98%	-9.01%	-1.66%
-1% increase in the discount rate	21.76%	10.60%	10.59%	1.71%
1% increase in the inflation rate	2.08%	10.37%	10.98%	1.16%
-1% increase in the inflation rate	-1.92%	-8.96%	-9.58%	-1.15%
1% increase in rate of increase in medical costs	17.61%	8.22%	0.00%	1.16%
-1% increase in rate of increase in medical costs	-12.97%	-7.09%	0.00%	-1.15%
1% decrease in rate of salary increase (including inflation)	32.44%	0.00%	0.00%	15.12%
-1% decrease in rate of salary increase (including inflation)	-23.17%	0.00%	0.00%	-11.90%

/ NOTE 18 / Financing liabilities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Subordinated debt	387,753	387,292
Obligations under finance leases	2,291	5,202
Bank overdrafts and other borrowings		100
TOTAL	**390,044**	**392,594**

Due dates of financing liabilities

(in thousands of euros)	DEC. 31, 2016	DEC. 31,2015
Due within one year		
Obligations under finance leases	2,291	3,010
Bank overdrafts and other borrowings		
TOTAL	**2,291**	**3,010**
Due between one and five years		
Obligations under finance leases		2,292
TOTAL		**2,292**
Due beyond five years		
Subordinated debt	387,753	387,292
TOTAL	**387,753**	**387,292**
TOTAL	**390,044**	**392,594**

On March 27, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

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

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

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

As at December 31, 2016, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €387,753 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €4,003 thousand;
- increased by accrued interest of €11,756 thousand.

The impact on consolidated income statement income at December 31, 2016 mainly includes the interest related to the period for €16,136 thousand.

/ NOTE 19 / Liabilities relating to insurance contracts

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Provisions for unearned premiums	275,860	285,410
Claims reserves	1,275,230	1,122,211
Provisions for premium refunds	127,159	107,241
Liabilities relating to insurance contracts	**1,678,249**	**1,514,862**
Provisions for unearned premiums	-47,986	-57,558
Claims reserves	-266,756	-247,147
Provisions for premium refunds	-26,605	-23,281
Reinsurers' share of technical insurance liabilities	**-341,347**	**-327,986**
Net technical provisions	**1,336,902**	**1,186,876**

/ NOTE 20 / Payables arising from banking sector activities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Amounts due to banking sector companies	452,144	352,379
Amounts due to customers of banking sector companies	366,363	404,218
Debt securities	1,591,184	1,613,065
TOTAL	**2,409,691**	**2,369,662**

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

/ NOTE 21 / Deferred tax

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Deferred tax assets	-71,973	-57,538
Deferred tax liabilities	104,500	144,266
NET DEFERRED TAX ASSETS – LIABILITIES	**32,527**	**86,728**
Temporary differences	-23,510	13,295
Provisions for pensions and other employment benefit obligations	-14,452	-17,367
Tax loss carry forwards	-9,348	-1,609
Cancellation of the claims equalisation provision	79,837	92,409
NET DEFERRED TAX ASSETS – LIABILITIES	**32,527**	**86,728**

The deferred tax rate retained is the one in force in each country. It is 34.43% for French entities.

In France, the Finance Act of 2017 provided for a lowering of the current tax rate from 34.43% to 28% progressively between 2017 and 2020 according to the size of the companies. This change of rate applies from 2020 for the French Coface Group entities. The Group continued the assessment of the taxes at the rate of 34.43% in France because they have mainly a maturity before 2020. The update of the taxes at the rate of 28% would have an impact of less than €100 thousand.

Each entity is compensating deferred tax assets and liabilities whenever it is legally authorised to compensate due tax assets and liabilities.

◆ Changes in deferred tax balances by region

Deferred tax with positive signs are deferred tax liabilities. On the other hand, those with negative signs are deferred tax assets.

(in thousands of euros)	DEC. 31, 2015 *	CHANGE THROUGH INCOME	REVALUATION ADJUSTMENT ON AFS INVESTMENTS	CHANGE IN CURRENCY IMPACT	OTHER MOVEMENTS	DEC. 31, 2016
Northern Europe	114,897	-46,115	44		-706	68,120
Western Europe	-16,193	-1,925	9,824	48	-1,210	-9,456
Central Europe	-480	1,002	-29	115	-445	164
Mediterranean & Africa	-5,587	-5,120		-23	-72	-10,802
North America	902	-3,625	-116	-40		-2,880
Latin America	803	-4,432	1,209	-1,422		-3,842
Asia-Pacific	-7,614	-674		-489		-8,777
TOTAL	**86,728**	**-60,889**	**10,932**	**-1,811**	**-2,433**	**32,527**

* *Restated according to the new regional organisation (see Note 1 "Significant events").*

(in thousands of euros)	DEC. 31, 2014	CHANGE THROUGH INCOME	REVALUATION ADJUSTMENT ON AFS INVESTMENTS	CHANGE IN CURRENCY IMPACT	OTHER MOVEMENTS	DEC. 31, 2015
Northern Europe	113,008	3,862	-2,358	216	124	114,852
Western Europe	2,189	-7,337	-5,320	369	1,298	-8,801
Central Europe	-361	-253		-19	197	-435
Mediterranean & Africa	-8,954	-4,192		59	108	-12,979
North America	225	739	-155	93		902
Latin America	-6,679	-1,229	7,787	924		803
Asia-Pacific	-4,905	-2,170	-11	-528		-7,614
TOTAL	**94,524**	**-10,580**	**-57**	**1,114**	**1,727**	**86,728**

The "Other movements" column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

/ NOTE 22 / Payables arising from insurance and reinsurance

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Guarantee deposits received from policyholders and other	3,461	3,376
Amounts due to policyholders and agents	112,786	125,008
Payables arising from insurance and inward reinsurance operations	**116,247**	**128,384**
Amounts due to reinsurers	71,350	94,065
Deposits received from reinsurers	4,314	18,890
Payable arising from ceded reinsurance operations	**75,664**	**112,955**
TOTAL	**191,911**	**241,339**

/ NOTE 23 / Other liabilities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Current tax payables	**110,847**	**111,527**
Derivatives and related liabilities	**7,508**	**6,752**
Accrued personnel costs	47,538	57,190
Sundry payables	171,023	135,550
Deferred income	7,908	7,740
Other accruals	30,537	19,787
Other payables	**257,006**	**220,267**
TOTAL	**375,361**	**338,546**

NOTE TO THE CONSOLIDATION PROFIT AND LOSS

/ NOTE 24 / Consolidated revenue

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
a) By business line		
Premiums – direct business	1,120,765	1,178,162
Premiums – inward reinsurance	81,675	90,920
Premium Refunds	-92,876	-81,497
Provisions for unearned premiums	5,576	-1,650
EARNED PREMIUMS NET OF CANCELLATIONS c)	**1,115,140**	**1,185,935**
FEES AND COMMISSION INCOME	**128,795**	**125,550**
NET INCOME FROM BANKING ACTIVITIES d)	**70,619**	**70,599**
Other insurance-related services	5,882	10,129
Remuneration of public procedures management services	53,361	59,969
Business information and other services	25,170	25,262
Receivables management	12,330	12,086
REVENUE OR INCOME FROM OTHER ACTIVITIES	**96,743**	**107,446**
CONSOLIDATED REVENUE	**1,411,297**	**1,489,530**

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015*
b) By region of invoicing		
Northern Europe	307,320	324,740
Western Europe	327,176	363,342
Central Europe	121,259	125,054
Mediterranean & Africa	331,864	340,253
North America	136,119	131,317
Latin America	77,743	83,484
Asia-Pacific	109,816	121,340
CONSOLIDATED REVENUE	**1,411,297**	**1,489,530**

* *The consolidated turnover at December 31, 2015 has been restated according to the new regional organisation (see Note 1 "Significant events").*

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

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
c) Insurance revenue by type of insurance		
Credit insurance	1,039,916	1,103,152
Guarantees	50,773	50,668
Single risk	24,451	32,115
TOTAL INSURANCE REVENUE	**1,115,140**	**1,185,935**

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
d) Net income from banking activities		
Financing fees	35,545	34,153
Factoring fees	35,557	36,831
Other	-483	-385
TOTAL NET INCOME FROM BANKING ACTIVITIES	**70,619**	**70,599**

/ NOTE 25 / Claim expenses

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Paid claims, net of recoveries	-535,995	-548,609
Claims handling expenses	-25,139	-26,460
Change in claims reserves	-144,521	-30,275
TOTAL	**-705,655**	**-605,344**

Claims expenses by period of occurrence

	DEC. 31, 2016			DEC. 31, 2015		
(in thousands of euros)	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET
Claims expenses – current year	-782,164	167,717	-614,447	-814,974	165,188	-649,786
Claims expenses – prior years	76,509	-23,514	52,995	209,630	-43,387	166,243
TOTAL	**-705,655**	**144,203**	**-561,452**	**-605,344**	**121,801**	**-483,543**

/ NOTE 26 / Expenses from banking activities

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Charges to allowances for receivables	-15,129	-1,845
Reversal of allowances for receivables	10,965	4,700
Losses on receivables not covered by allowances	-58	-2,851
Losses on receivables covered by allowances		-4,700
Cost of risk	**-4,222**	**-4,696**
Operating expenses	**-13,193**	**-14,094**
TOTAL EXPENSES FROM BANKING ACTIVITIES	**-17,415**	**-18,790**

"Cost of risk" corresponds to the risk-related expense on credit insurance operations conducted by factoring companies, which includes net additions to provisions, receivables written off during the year, and recoveries of amortised receivables.

/ NOTE 27 / Overheads by function

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Commissions	-153,357	-162,016
Other acquisition costs	-101,932	-112,032
TOTAL ACQUISITION COSTS	**-255,289**	**-274,048**
Administrative costs	**-275,095**	**-269,956**
Other current operating expenses	**-83,004**	**-81,652**
Investment management expenses	**-2,659**	**-2,124**
Claims handling expenses	**-25,139**	**-26,460**
TOTAL	**-641,186**	**-654,240**
of which employee profit-sharing	*-5,118*	*-7,439*

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Acquisition, administration costs and other current operating expenses	-641,186	-654,240
Expenses from banking activities, excluding cost of risk	-13,193	-14,094
Expenses from other activities	-44,379	-44,892
TOTAL	**-698,758**	**-713,226**

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. It came out at €698,758 thousand at December 31, 2016 versus €713,226 thousand at December 31, 2015.

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

/ NOTE 28 / Income and expenses from ceded reinsurance

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Ceded claims	124,553	123,389
Change in claims provisions net of recoveries	19,649	-1,588
Commissions paid by reinsurers	95,738	92,499
Income from ceded reinsurance	**239,940**	**214,300**
Ceded premiums	-249,702	-267,863
Change in unearned premiums provisions	-7,837	2,153
Expenses from ceded reinsurance	**-257,539**	**-265,710**
TOTAL	**-17,599**	**-51,410**

/ NOTE 29 / Investment income, net of management expenses (excluding finance costs)

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Investment income	43,780	51,421
Change in financial instruments at fair value though income	-7,850	-41,095
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds [(1)]	*-7,032*	*-40,158*
Net gains on disposals	1,105	2,846
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds [(1)]	*-63*	*-417*
Additions to/(reversals from) impairment	-2,294	54
Net foreign exchange gains	16,472	42,569
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*2,584*	*39,830*
Investment management expenses	-3,180	-2,704
TOTAL	**48,032**	**53,091**

(1) The change of the EUR/USD and the EUR/GBP caused significant impacts on the accounts, despite the hedge of investments by foreign exchange derivatives. The net impact after hedge was +€6,270 thousand.

◆ Investment income by class

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Property	4,424	2,265
Equities	1,610	14,240
Fixed income	37,462	33,435
Derivatives	-10,202	-43,730
Sub-total	**33,294**	**6,210**
Management expenses	-3,180	-2,704
Net foreign exchange gains/(losses)	16,472	42,569
Dividends	4,192	4,887
Additions to provisions for investments in non-consolidated companies	-2,662	975
Net gains/(losses) on investments in non-consolidated companies	-83	1,154
TOTAL	**48,032**	**53,091**

/ NOTE 30 / Other operating income and expenses

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
State export guarantees management transfer	-13,693	
Fit to Win restructuring charges	-38,626	
Provision for the compensation of American agents	-1,678	-1,889
Stamp duty – Coface Re		-326
Other operating expenses	-948	-3,275
Total other operating expenses	**-54,945**	**-5,490**
Gain on State export guarantees management transfer	77,200	
Transfer of liabilities related to State export guarantees management	11,450	
Gain linked to alignment of social benefits with market standards	19,209	
Other operating income	582	1,258
Total other operating income	**108,441**	**1,258**
TOTAL	**53,496**	**-4,232**

Other operating income and expenses include, over the year 2016, the transfer of the State export guarantees to BPI and other impacts which are mainly related to the strategic plan *Fit to Win*.

The transfer of State export guarantees generates a one-off gain of about €75 million before taxes, on the Group net income. It is divided into:

- compensation of €77.2 million and recovery of social liabilities to €11.4 million on transferred employees (reversal of provisions of retirement allowances, paid leave provisions); these amounts are classified as other operating income;
- expenses of €13.6 million caused by the activity transfer classified in other operating expenses. These expenses include depreciations of assets partially or totally dedicated to the activity and provisions on the vacant properties.

The other impacts are mainly related to the implementation of the strategic plan *Fit to Win*:

- reversal of €19.2 million of provisions caused by the denunciation of the Coface specific clause in social agreements linked to alignment with market agreements (including €14.1 million in gross impact and €5.1 million of variation of the actuarial rate);
- increase of other operating expenses of restructuring to €38.6 million mainly in France and in Germany.

French entities recognised provisions for restructuring to €13.6 million:

- €7.2 million in provisions for early retirement under a plan presented to the employee representative bodies on December 13, 2016 affecting 64 posts;
- €5.6 million in provisions for vacant properties and redevelopment of properties for €0.8 million.

German entities recognised provision for restructuring to €19.0 million for a voluntary redundancy plan affecting 84 posts. This plan was presented to the employee representative bodies on November 30, 2016.

The line *Fit to Win* restructuring charges is detailed as below:

(in thousands of euros)	EXPENSES - COST ALREADY INCURRED	EXPENSES - RESTRUCTURING PROVISIONS	TOTAL
France	-2,328	-13,583	-15,911
Germany		-18,968	-18,968
Austria		-1,418	-1,418
Italy		-806	-806
Other countries	-32	-1,491	-1,523
TOTAL *FIT TO WIN* RESTRUCTURING CHARGES	**-2,360**	**-36,266**	**-38,626**

The previous year, the other operating income and expenses concerned mainly the compensations paid to sales representatives within the framework of the plan of restructuration and densification of the distribution network led in the United States.

/ NOTE 31 / Share in net income of associates

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Cofacredit	-5,838	2,157
TOTAL	**-5,838**	**2,157**

The share of Coface in Cofacredit is a loss of €5,838 thousand. The decrease in the share in net income of associates in 2016 is due to a provision recorded following significant risks identification.

/ NOTE 32 / Income tax expense

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Income tax	-109,123	-59,762
Deferred tax	60,999	10,926
TOTAL	**-48,124**	**-48,836**

Tax proof

(in thousands of euros)	DEC. 31, 2016		DEC. 31, 2015	
Net income for the year	**41,531**		**126,239**	
Non-controlling interests	-523		-888	
Income tax expense for the year	-48,124		-48,836	
Share of net income of associates	-5,838		2,157	
Pre-tax income for the year and share in net income of associates	**96,016**		**173,806**	
Tax rate		34,43%		34,43%
Theoretical tax	-33,058		-59,841	
Income tax expense for the year	-48,124	50,12%	-48,836	28,10%
Difference	**15,066**	**15,69%**	**-11,005**	**-6,33%**
Impact of differences between Group tax rates and local tax rates	8,663	9,02%	11,601	6,67%
Specific local taxes	-3,167	-3,30%	-3,882	-2,23%
o/w French corporate value added tax (CVAE)	*-2,132*	*-2,22%*	*-1,996*	*-1,15%*
Tax reassessments	-14,065	-14,65%	-5,028	-2,89%
Tax losses for which no deferred tax assets have been recognised	681	0,71%	2,493	1,43%
Utilisation of previously unrecognised tax loss carryforwards	-466	-0,49%	-1,488	-0,86%
Dividends paid in France non deductible for tax purposes (5%)	-1,999	-2,08%		
Other differences	-4,713	-4,91%	7,309	4,21%

The effective income tax rate increased from 28.1% at December 31, 2015 to 50.1% at December 31, 2016.

This variation of 22% is mainly driven by:

- the increase of unrecognised potential deferred tax assets for 12.5 points;
- a one-off adjustment of the deferred tax assets in Italy in 2015 for 6.4 points;
- other items varying the rate of 3.1 points including a 3% tax on dividend distribution in 2016 in France for 2.1 points.

OTHER INFORMATION

/ NOTE 33 / Breakdown of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located. Geographic segmentation by billing location does not necessarily match the debtor's location.

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

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

Analysis of December 31, 2016 net income by segment

(in thousands of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE
Revenue	**303,075**	**330,682**	**124,228**
o/w earned premium	*196,940*	*235,849*	*95,820*
o/w factoring	*61,619*		*9,000*
o/w other insurance-related services	*44,516*	*94,833*	*19,408*
Claims-related expenses (including claims handling costs)	-115,260	-90,754	-48,175
Cost of risk	-4,040		-183
Commissions	-20,970	-34,469	-6,198
Other internal general expenses	-118,426	-134,123	-40,212
UNDERWRITING INCOME BEFORE REINSURANCE*	**44,379**	**71,337**	**29,459**
Income/(loss) on ceded reinsurance	5,479	-33,052	-2,860
Other operating income and expenses	-20,208	78,069	-1,718
Net financial income excluding finance costs	7,859	17,275	5,071
Finance costs	-458	555	-175
OPERATING INCOME INCLUDING FINANCE COSTS	**37,051**	**134,184**	**29,778**
Share in net income of associates		-5,838	
NET INCOME BEFORE TAX	**37,051**	**128,345**	**29,778**
Income tax expense	-12,212	-47,740	-5,848
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**24,839**	**80,605**	**23,930**
Non-controlling interests		-3	-474
NET INCOME FOR THE PERIOD	**24,838**	**80,602**	**23,456**

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

MEDITER-RANEAN & AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA - PACIFIC	GROUP REINSURANCE	COGERI	HOLDING COMPANY COSTS	INTER-ZONE	GROUP TOTAL
334,044	**136,119**	**77,743**	**109,801**	**955,662**	**27,421**		**-987,479**	**1,411,297**
282,146	*122,911*	*74,812*	*106,647*	*955,662*			*-955,647*	*1,115,140*
								70,619
51,899	*13,207*	*2,931*	*3,154*		*27,421*		*-31,832*	*225,538*
-140,409	-104,473	-45,067	-156,576	-660,657		-3,404	659,122	-705,655
								-4,222
-34,350	-30,423	-8,573	-22,755	-263,984			268,318	-153,404
-97,951	-30,553	-21,506	-31,964		-27,654	-45,359	30,192	-517,557
61,333	**-29,331**	**2,597**	**-101,495**	**31,020**	**-232**	**-48,763**	**-29,847**	**30,459**
-2,924	718	-3,109	17,512	-30,368			31,005	-17,599
-302	-1,678	-668						53,496
8,997	737	7,670	2,451		157	-1,043	-1,141	48,032
-407	-1,029	-337	-207		-162	-16,136	-17	-18,373
66,697	**-30,583**	**6,154**	**-81,739**	**653**	**-237**	**-65,942**		**96,014**
								-5,838
66,697	**-30,583**	**6,154**	**-81,739**	**653**	**-237**	**-65,940**		**90,178**
-20,985	10,086	725	3,803	-225	82	22,703	1,488	-48,124
45,712	**-20,497**	**6,878**	**-77,935**	**428**	**-155**	**-43,237**	**1,488**	**42,054**
-2	1	-47	4					-523
45,710	**-20,497**	**6,831**	**-77,933**	**428**	**-155**	**-43,237**	**1,488**	**41,531**

Analysis of December 31, 2015 net income by segment restated according to the new regional organisation

(in thousands of euros)	NORTHERN EUROPE	WESTERN EUROPE	CENTRAL EUROPE
Revenue	**319,888**	**367,181**	**130,592**
o/w earned premium	*212,864*	*265,193*	*99,257*
o/w factoring	*62,163*		*8,436*
o/w other insurance-related services	*44,861*	*101,988*	*22,899*
Claims-related expenses (including claims handling costs)	-84,790	-88,741	-56,987
Cost of risk	-4,480		-216
Commissions	-22,201	-40,771	-5,271
Other internal general expenses	-121,471	-143,038	-40,582
UNDERWRITING INCOME BEFORE REINSURANCE*	**86,946**	**94,631**	**27,536**
Income/(loss) on ceded reinsurance	-5,523	-20,283	-2,519
Other operating income and expenses	-24	-2,380	-239
Net financial income excluding finance costs	14,952	9,141	7,567
Finance costs	-642	1,658	-70
OPERATING INCOME INCLUDING FINANCE COSTS	**95,709**	**82,766**	**32,275**
Share in net income of associates		2,157	
NET INCOME BEFORE TAX	**95,709**	**84,923**	**32,275**
Income tax expense	-29,963	-27,942	-6,410
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**65,747**	**56,981**	**25,865**
Non-controlling interests	-3	1	-832
NET INCOME FOR THE PERIOD	**65,744**	**56,982**	**25,033**

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

	MEDITER-RANEAN & AFRICA	NORTH AMERICA	LATIN AMERICA	ASIA-PACIFIC	GROUP REINSURANCE	COGERI	HOLDING COMPANY COSTS	INTER-ZONE	GROUP TOTAL
	342,347	**131,317**	**83,481**	**121,130**	**738,935**	**27,877**		**-773,216**	**1,489,531**
	292,986	*116,915*	*80,210*	*118,643*	*738,935*			*-739,067*	*1,185,936*
									70,599
	49,360	*14,402*	*3,270*	*2,487*		*27,877*		*-34,149*	*232,997*
	-95,355	-65,800	-90,996	-119,341	-514,081		-3,779	514,525	-605,344
									-4,696
	-36,393	-28,943	-9,256	-24,473	-196,509			201,802	-162,016
	-99,428	-29,736	-22,966	-30,828		-27,343	-36,476	29,240	-522,627
	111,171	**6,838**	**-39,736**	**-53,512**	**28,344**	**534**	**-40,255**	**-27,649**	**194,848**
	-23,470	19	4,749	3,874	-36,601			28,344	-51,410
	-78	-1,886	558	9		-36		-156	-4,232
	12,004	2,225	13,130	-6,883		1,453	-1,148	648	53,091
	-488	-846	-212	-313		-273	-16,117	-1,187	-18,491
	99,139	**6,350**	**-21,511**	**-56,824**	**-8,256**	**1,678**	**-57,520**		**173,806**
									2,157
	99,139	**6,350**	**-21,511**	**-56,824**	**-8,256**	**1,678**	**-57,520**		**175,963**
	-19,179	-1,991	3,815	4,675	2,843	-578	19,804	6,090	-48,837
	79,960	**4,359**	**-17,697**	**-52,149**	**-5,414**	**1,100**	**-37,716**	**6,090**	**127,127**
	-4		-51	2					-888
	79,956	**4,359**	**-17,748**	**-52,147**	**-5,414**	**1,100**	**-37,716**	**6,090**	**126,239**

/ NOTE 34 / Earnings per share

	DEC. 31, 2016		
	AVERAGE NUMBER OF SHARES	NET INCOME FOR THE PERIOD *(in €k)*	EARNINGS PER SHARE *(in €)*
Basic earnings per share	156,927,932	41,531	0.26
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,927,932**	**41,531**	**0.26**

	DEC. 31, 2015		
	AVERAGE NUMBER OF SHARES	NET INCOME FOR THE PERIOD *(in €k)*	EARNINGS PER SHARE *(in €)*
Basic earnings per share	157,059,527	126,238	0.80
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**157,059,527**	**126,238**	**0.80**

/ NOTE 35 / Group's headcount

(in full time equivalent)	DEC. 31, 2016	DEC. 31, 2015*
Northern Europe	686	711
Western Europe	1,160	1,158
Central Europe	468	487
Mediterranean & Africa	607	593
North America	113	116
Latin America	217	229
Asia-Pacific	127	117
TOTAL	**3,378**	**3,410**

* *The Group's headcount per region at December 31, 2015 have been restated according to the new regional organisation (see Note 1 "Significant events").*

At December 31, 2016, the number of employees of fully consolidated companies was 3,378 full-time equivalents versus 3,410 at December 31, 2015, down -0.94% (-32 FTEs) year-on-year.

/ NOTE 36 / Related parties

Natixis holds, at the end of December 2016, 41.33% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

	NUMBER OF SHARES	%
Natixis	64,853,881	41.33%
Public	92,050,341	58.67%
TOTAL	**156,904,222**	**100.00%**

Relations between the Group's consolidated entities and related parties

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

The main related-party transactions are as follows:

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

These transactions are broken down below:

CURRENT OPERATING INCOME	DEC. 31, 2016		
(in thousands of euros)	NATIXIS SA	NATIXIS FACTOR	ELLISPHERE
Revenue (net banking income, after cost of risk)	-2,220		
Claims expenses		3	
Expenses from other activities			-175
Policy acquisition costs	1	25	
Administrative costs	-24	13	
Other current operating income and expenses		9	
OPERATING INCOME/(LOSS)	**-2,243**	**50**	**-175**

RELATED-PARTY RECEIVABLES AND PAYABLES	DEC. 31, 2016			
(in thousands of euros)	BPCE GROUP	NATIXIS SA	NATIXIS FACTOR	ELLISPHERE
Financial investments	**11,667**	**70,056**		
Other assets			**56**	
Cash and cash equivalents		**1,102**		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		127,014		
Other liabilities		**60**		**45**

The €127,014 thousand in financing liabilities due to banking sector companies, at the end of December 2016, corresponds to borrowings taken out with Natixis to finance the factoring business.

CURRENT OPERATING INCOME	DEC. 31, 2015			
(in thousands of euros)	NATIXIS GROUP	NATIXIS FACTOR	ELLISPHÈRE	ALTUS GTS INC.
Revenue (net banking income, after cost of risk)	-2,511	1	-2	
Claims expenses	-11	6	-16	-31
Expenses from other activities			-137	-4
Policy acquisition costs	-90	48	-125	
Administrative costs	-53	27	-112	114
Other current operating income and expenses	-29	15	-40	
CURRENT OPERATING INCOME/(LOSS)	**-2,694**	**97**	**-432**	**79**

RELATED-PARTY RECEIVABLES AND PAYABLES	DEC. 31, 2015					
(in thousands of euros)	BPCE GROUP	NATIXIS SA	NATIXIS FACTOR	ELLISPHERE	KOMPASS INTERNATIONAL	ALTUS GTS INC.
Financial investments	**34,757**	**20,576**				
Other assets			**56**		**175**	**82**
Cash and cash equivalents		**668**				
Liabilities relating to insurance contracts						**85**
Payables arising from banking sector activities		119,869				
Other liabilities		**60**		**93**		

The €119,869 thousand in financing liabilities due to banking sector companies, at the end of December 2015, corresponds to borrowings taken out with Natixis to finance the factoring business.

◆ Off balance sheet commitments – related parties

	DEC. 31, 2016	DEC. 31, 2015
(in thousands of euros)	NATIXIS GROUP	NATIXIS GROUP
Commitments given	**152,196**	**151,753**
Endorsements and letters of credit	152,196	151,753
Commitments received	**210,102**	**203,119**
Endorsements and letters of credit	66,660	55,507
Credit lines linked to commercial paper	143,442	147,612

/ NOTE 37 / Key management compensation

(in thousands of euros)	DEC. 31, 2016	DEC. 31, 2015
Short-term benefits	3,249	3,041
(gross salaries and wages, incentives, benefits in kind and annual bonus)		
Post-employment benefits		
Other long-term benefits	738	735
Statutory termination benefits	1,979	
Share-based payment	266	
TOTAL	**6,232**	**3,776**

The Group Management Committee is composed of seven members at December 31, 2016.

The line “Other long-term benefits” corresponds to the distribution of free performance shares to the seven members of the Group Management Committee at the allocation date (no pro-rata calculation).

The line “Statutory termination benefits” corresponds to the severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors on January 15, 2016.

A total of €241.8 thousand was paid out in directors’ fees to the members of the Board of Directors in 2016.

/ NOTE 38 / Breakdown of audit fees

	KPMG				DELOITTE				TOTAL			
	2016	%	2015	%	2016	%	2015	%	2016	%	2015	%
Auditor services												
■ COFACE SA	204	15%	239	18%	204	12%	239	14%	408	13%	478	16%
■ Subsidiaries	957	68%	980	74%	1,459	86%	1,137	67%	2,416	78%	2,117	70%
Services directly related to the Statutory Auditors' assignment												
■ COFACE SA	24	2%	38	3%					24	1%	38	1%
■ Subsidiaries			20	2%			314	19%			334	11%
TOTAL AUDIT FEES	**1,185**	**85%**	**1,277**	**96%**	**1,663**	**98%**	**1,690**	**100%**	**2,848**	**92%**	**2,967**	**98%**
Legal, tax, social advice												
■ COFACE SA												
■ Subsidiaries	175	12%	17	1%					175	6%	17	1%
Other services												
■ COFACE SA												
■ Subsidiaries	41	3%	32	2%	30	2%			71	2%	32	1%
TOTAL OTHER SERVICES AND ADVICE	**216**	**15%**	**49**	**4%**	**30**	**2%**			**246**	**8%**	**49**	**2%**
TOTAL	**1,401**	**100%**	**1,326**	**100%**	**1,693**	**100%**	**1,690**	**100%**	**3,094**	**100%**	**3,016**	**100%**

Other services and advice in 2016 are mainly related to the tax litigation services for German entity Coface Deutschland.

The important amount of services directly related to the Statutory Auditor's assignment in 2015 are mainly related to the independent review of the internal model for Solvency 2.

/ NOTE 39 / Off-balance sheet commitments

(in thousands of euros)	DEC. 31, 2016		
	TOTAL	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**955,126**	**944,303**	**10,823**
Endorsements and letters of credit	944,303	944,303	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	3,323		3,323
Commitments received	**1,370,697**	**886,936**	**383,761**
Endorsements and letters of credit	136,964		136,964
Guarantees	143,997		143,997
Credit lines linked to commercial paper	600,000	600,000	
Credit lines linked to factoring	286,936	286,936	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,800		2,800
Guarantees received	**302,893**		**302,893**
Securities lodged as collateral by reinsurers	302,893		302,893
Financial market transactions	**58,533**		**58,533**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of COFACE SA subordinated notes investors (10 year maturity);
- a joint guarantee of €554,762 thousand given to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €191,138 thousand and Compagnie française pour le commerce extérieur for €111,755 thousand.

(in thousands of euros)	DEC. 31, 2015			
	TOTAL	RELATED TO SCOPE OF ENTITIES	RELATED TO FINANCING	RELATED TO ACTIVITY
Commitments given	**924,417**	**5,569**	**911,348**	**7,500**
Endorsements and letters of credit	909,853		909,853	
Property guarantees	7,500			7,500
Financial commitments in respect of equity interests	5,569	5,569		
Obligations under finance leases	1,495		1,495	
Commitments received	**1,228,810**	**2,776**	**958,900**	**267,134**
Endorsements and letters of credit	121,146			121,146
Guarantees	145,989			145,989
Credit lines linked to commercial paper	600,000		600,000	
Credit lines linked to factoring	358,900		358,900	
Financial commitments in respect of equity interests	2,776	2,776		
Guarantees received	**409,216**			**409,216**
Securities lodged as collateral by reinsurers	409,216			409,216
Financial market transactions	**55,699**			**55,699**

/ NOTE 40 / Operating leases

Leases commitments given consist of non-cancellable lease agreements. They are broken down as follows:

(in thousands of euros)	DEC. 31, 2016
Less than 1 year	23,557
Between 1 and 5 years	75,724
More than 5 years	408
TOTAL	**99,689**

/ NOTE 41 / Relationship between parent company and subsidiaries

The main operational subsidiary of the Coface Group is the Compagnie française d'assurance pour le commerce extérieur. This subsidiary, which is wholly owned by the Company, is a public limited company *(société anonyme)* under French law, with share capital of €137,052,417.05, registered with the Nanterre Trade and Companies Registry under number 552 069 791.

The main flows between COFACE SA, the listed parent company, and Compagnie française d'assurance pour le commerce extérieur are as follows:

- Financing:
  - COFACE SA and Compagnie française d'assurance pour le commerce extérieur have granted each other two ten-year loans;
  - in net terms, COFACE SA finances Compagnie française d'assurance pour le commerce extérieur;
  - Compagnie française d'assurance pour le commerce extérieur stands as surety for the bond issue floated by COFACE SA;
  - a two-way cash flow agreement exists between COFACE SA and Compagnie française d'assurance pour le commerce extérieur;
  - COFACE SA delegates to Compagnie française d'assurance pour le commerce extérieur management of its commercial paper programme and of its cash management.
- Dividends:
  - Compagnie française d'assurance pour le commerce extérieur pays dividends to COFACE SA.
- Tax consolidation:
  - Compagnie française d'assurance pour le commerce extérieur forms part of the tax consolidation group headed by COFACE SA.

The table below summarises the interim balance of Compagnie française d'assurance pour le commerce extérieur and its principal financial flows at December 31, 2016:

(in thousands of euros)	LISTED COMPANY	COMPAGNIE FRANÇAISE POUR LE COMMERCE EXTÉRIEUR (INCLUDING BRANCHES)	OTHER ENTITIES	ELIMINATIONS	TOTAL
Revenue	1,549	1,459,919	952,056	-1,002,227	1,411,297
Total current income and expenses	11,076	42,277	59,026	-51,486	60,893
Net income	-8,342	1,697	48,176		41,531
Fixed assets	1,820,345	3,722,648	957,551	-3,476,261	3,024,283
Indebtedness outside the Group	387,753	-	2,291		390,044
Cash and cash equivalent	194	224,891	106,986		332,071
Net cash generated from operting activities	3,962	33,645	95,180		132,787
Dividends paid to the quoted company	-	87,020	-		87,020

/ NOTE 42 / Operations carried out on behalf of the French government

Some Coface operations are covered by a government guarantee pursuant to Article L.432-2 of the French Insurance Code *(Code des assurances)*.

Coface ceded its State export guarantees activity to the French public investment bank, Bpifrance on December 31, 2016 (see Note 1 "Significant events").

This essentially concerns the following activities, which are aimed at supporting and developing French export trade:

- credit insurance, providing coverage for an exporter or its bank against the risk of non-repayment of an export loan;
- foreign investment insurance, protecting against political risk, ownership risk and inability to collect the income generated by investments abroad;
- foreign exchange insurance, against the risk of depreciation in export billing currencies;
- prospecting insurance, which protects SMEs against the risk of their prospecting activities in foreign markets failing to produce results;
- exporter risk insurance, which protects banks against the insolvency of an exporter for which they have issued guarantees (such as for the reimbursement of advance payments) or to which they have granted a prefinancing loan.

The risks associated with these operations are fully and irrevocably covered by the French government.

Consequently:

- these operations do not have to be recognised in Coface's balance sheet or income statement: only the related management fees received are recognised in the income statement based on the volume of business and the quality of the services provided to both policyholders and the French government;
- Coface keeps separate accounting records for these operations, as provided for in Article 37 of the 1997 Amended French Finance Act. An agreement between Coface and the French government sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more Statutory Auditors;
- without prejudice to the rights of holders of receivables arising from government-guaranteed operations, no creditor of Coface other than the French government can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under (i) Act 85-98 of January 25, 1985 relating to the court-ordered sequestration and liquidation of companies, (ii) Act 84-148 of March 1, 1984 relating to the prevention and out-of-court settlement of companies' financial difficulties, or (iii) Articles L.310-25 and L.326-2 to L.327-6 of the French Insurance Code.

/ NOTE 43 / Events after the reporting period

Compagnie française d'assurance pour le commerce extérieur received a notice of a tax review, dated January 10, 2017 issued by the *Direction des vérifications nationales et internationales*. The review will cover fiscal years 2014 and 2015.

/ NOTE 44 / Risk management

The sections forming an integral part of the Group's financial statements that relate to risk management are presented in the sections in Chapter 2, paragraph 2.4.2.

4.3 Financial statements

4.3.1 BALANCE SHEET

Assets

(in euros)	RATING	DEC. 31, 2016	DEC. 31, 2015
Fixed Assets			
Intangible assets	4.1.1	2,843,111	3,980,355
Interests in related companies	4.1.2	1,487,744,457	1,487,744,457
Loans to affiliates and subsidiaries	4.1.3	324,074,167	324,074,167
		1,814,661,735	**1,815,798,979**
Current Assets			
French government and other authorities			
Current account Tax Consolidation		4,690,000	1,730,821
Current account Coface Finanz		439,977,531	418,324,299
Miscellaneous receivables		7,417,932	6,852,719
	4.1.4	**452,085,463**	**426,907,839**
Investment securities	4.1.5		618,354
Treasury shares	4.1.6	2,591,166	2,680,522
Cash at bank and in hand	4.1.7	194,203	80,044
Prepaid expenses	4.1.8	24,592	112,500
		454,895,424	**430,399,260**
Deferred charge	4.1.9	2,310,898	2,641,026
Loan reimbursement premiums	4.1.10	1,346,492	1,538,848
		3,657,390	**4,179,874**
TOTAL ASSETS		**2,273,214,549**	**2,250,378,113**

Equity and liabilities

(in euros)	RATING	DEC. 31, 2016	DEC. 31, 2015
Equity			
Capital		314,496,464	786,241,160
Share capital premiums		810,435,517	347,370,166
Other reserves		74,355,509	67,924,043
Income for the year		75,381,066	73,048,606
	4.2.1 4.2.2	**1,274,668,557**	**1,274,583,976**
Provisions for liabilities and charges			
Provision for charges	4.2.3	3,605,549	2,122,318
		3,605,549	**2,122,318**
Debts			
Bank borrowings and debts		440,035,994	418,065,103
Other bond issues		391,756,250	391,756,250
Sundry borrowings and debts		156,629,396	162,625,567
Trade notes and accounts payables		815,853	755,380
Tax and social liabilities		4,903,519	114,715
Other payables		799,431	354,804
	4.2.4	**994,940,443**	**973,671,819**
TOTAL EQUITY AND LIABILITIES		**2,273,214,549**	**2,250,378,113**

4.3.2 INCOME STATEMENT

(in euros)		DEC. 31, 2016	DEC. 31, 2015
Operating income		**2,269,291**	**992,028**
Operating expenses		**-6,767,050**	**-4,151,810**
Other purchases and external expenses		-3,135,440	-1,645,321
Income tax, taxes and similar payments		-402	-2,677
Employee-related expenses		-48,367	-42,567
Other expenses		-2,115,468	-993,872
Depreciations and amortisations		-1,467,373	-1,467,373
INCOME FROM OPERATIONS	**5.1**	**-4,497,759**	**-3,159,782**
Financial income		**102,343,772**	**96,028,145**
Investments income		87,019,539	80,007,634
Other financial income		15,323,781	16,019,355
Income from SICAV sales		452	1,157
Financial expenses		**-21,310,811**	**-21,684,711**
Interest and similar expenses		-21,118,455	-21,492,355
Depreciations and amortisations		-192,356	-192,356
FINANCIAL RESULT	**5.2**	**81,032,961**	**74,343,434**
Non-recurring income			**134,374**
On capital transactions			59,390
On management transactions			74,984
Non-recurring expenses		**-636,265**	**-241**
On capital transactions		-636,262	
On management transactions		-3	-241
NON-RECURRING INCOME	**5.3**	**-636,265**	**134,133**
Income tax	**5.4**	**-517,871**	**1,730,821**
NET INCOME FOR THE YEAR		**75,381,066**	**73,048,606**

4.4 Notes to the parent company financial statements

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/ NOTE 1 / Significant events

Changes in governance

The Board of Directors of COFACE SA held a meeting on January 15, 2016, under the chairmanship of Laurent Mignon, and appointed Xavier Durand as the Chief Executive Officer (CEO). This appointment became effective after the Board meeting of February 9, 2016, held to approve the 2015 financial statements. Jean-Marc Pillu continued to act as Coface CEO until that date.

Contingent equity

COFACE SA established with BNP Paribas Arbitrage on February 9, 2016, a contingent equity line of €100 million, for a period of three years (that can be reduced to two years at the discretion of COFACE SA), available in one tranche and that can be exercised in the event of the occurrence of certain extreme events.

The contingent equity line supplements the existing capital management and solvency tools by offering an effective and competitive solution in terms of costs (annual commission of 0.50%). It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to reinforce its financial strength to protect its business against extreme risks.

Capital reduction not motivated by losses

On May 19, 2016, the Combined Shareholders' Meeting of COFACE SA, in its fifteenth resolution, resolved to reduce the share capital by €471,744,696, bringing it down from €786,241,160 to €314,496,464 by lowering the par value of each share from €5 to €2.

The Board of Directors' meeting of July 27, 2016, pursuant to its delegation, duly noted the performance of this reduction. The amount of the capital reduction is allocated to a "share premium" sub-account and is unavailable. The number of shares comprising the share capital remains unchanged. The operation restores the value of the share to a level comparable to that of the large majority of companies in the market.

Events since the close of the year

No significant events have arisen since the close of the year.

/ NOTE 2 / Accounting principles, rules and policies

Accounting principles and policies

The financial statements for the year ended have been prepared in accordance with generally accepted accounting principles and the French Chart of Accounts.

(Regulation ANC no. 2014-03 of the Accounting Regulation Committee), in accordance with the principles of prudence and business continuity.

Financial assets

Investment securities are reported in the balance sheet at cost. A depreciation is recorded when the realisable value (determined according to the restated equity, income, future outlook and value in use for the Company) is less than the acquisition value.

Receivables and payables

Receivables and payables are valued at their face value. They are depreciated through a provision in an effort to account for potential collection difficulties.

Investment securities

Units in money-market funds (SICAV) are recorded at their acquisition price according to the FIFO (first-in first-out) method. Unrealised losses or gains resulting from an evaluation of the portfolio at the close of the financial year are reintegrated (or deducted) for calculating the tax income.

Start-up costs

According to Article 432-1 of the general accounting plan, the stock market listing costs incurred by the Company may be recorded as start-up costs.

These costs are amortised over five years, with the first and last year amortised *prorata temporis* in accordance with the general accounting plan (PCG) instructions (Article 361-3).

Issuing charges

According to the general accounting plan (Article 361-2) the costs linked to the hybrid debt issued must be in principle distributed according to the characteristics of the loan. These costs were recorded in deferred charges and amortised on a straight-line basis for the term of the loan, *i.e.* 10 years.

◆ Permanent nature of methods

The financial statements for the year are comparable to those of the previous year (consistency of accounting methods and time period principle).

The balance sheet, income statement and notes are expressed in euros.

/ NOTE 3 / Other disclosures

Consolidating entity

COFACE SA has been fully consolidated since 2007 by Natixis whose head office is located at

30, Avenue Pierre Mendès France 75013 Paris.

Tax consolidation group

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly by more than 95: Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Cogeri and Fimipar.

The tax consolidation agreements binding the parent company to its subsidiaries are all strictly identical and stipulate that:

- Each company shall calculate its tax as if there were no tax consolidation, and the parent company alone shall be liable for the payment of corporate income tax.
- The parent company shall recognise tax savings in income and shall not reallocate them to subsidiaries unless the subsidiary leaves the Group.

The option is valid for five years starting from January 1, 2015.

Staff and managers

COFACE SA has no staff on its payroll and has no pension commitment.

Off-balance sheet commitments

- Commitments received: €700 million

This entails six credit lines unused as at December 31, 2016 linked to the issue of commercial paper for an amount of €600 million (same amount as at December 31, 2015) taken from Natixis, Société Générale, BNP Paribas, CACIB, BRED and HSBC.

At January 1, 2016, COFACE SA received a share subscription commitment from BNP Paribas Arbitrage for a maximum amount of €100 million, in connection with the contingent capital, maturing on March 31, 2019.

- Commitments given: €1,023 million

On March 19, 2012, COFACE SA issued a joint surety bond in favour of Coface Finanz, a company held indirectly by COFACE SA, for the sums that will be due by Coface Factoring Poland as reimbursement for the loan granted to the latter, for a maximum amount that changed from €350 million to €500 million in April 2015.

This joint surety bond has not been exercised since 2012.

In April 2015, COFACE SA issued a joint surety bond to hedge the commitments of Coface Finanz and Coface Factoring Poland for the bilateral credit lines taken out from six banks and amounting to €523 million (€500 million as at December 31, 2015).

/ NOTE 4 / Analyses on the main balance sheet items *(in euros)*

◆ Assets

4.1.1 Intangible assets

	GROSS 2016	AMORTISATION	NET 2016
Set-up costs	5,696,410	2,853,300	2,843,111

Set-up costs include IPO (initial public offering) costs amortised over five years.

4.1.2 Interests in related companies and companies with capital ties

RELATED COMPANIES	DEC. 31, 2015	ACQUISITIONS	DISPOSALS	DEC. 31, 2016
Cie française d'assurance pour le commerce extérieur	1,337,719,300			1,337,719,300
Coface Ré	150,025,157			150,025,157
	1,487,744,457			**1,487,744,457**

4.1.3 Loans to affiliates and subsidiaries

RELATED COMPANIES	AMOUNT	INTERESTS	TOTAL
Compagnie française d'assurance pour le commerce extérieur	314,000,000	10,074,167	324,074,167

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

4.1.4 Other receivables

	DEC. 31, 2016	UP TO ONE YEAR	1-5 YEARS	DEC. 31, 2015
French government and other authorities				
Current account Tax Consolidation	4,690,000	4,690,000		1,730,821
Current account Coface Finanz	439,977,531	439,977,531		418,324,299
Miscellaneous receivables	7,417,932	3,812,384	3,605,548	6,852,719
Coface Factoring Poland	*145,506*	*145,506*		*104,615*
Natixis liquidity agreement	*3,573,114*	*3,573,114*		*4,510,423*
Other receivables	*3,699,312*	*93,764*	*3,605,548*	*2,237,682*
	452,085,463	**448,479,915**	**3,605,548**	**426,907,839**

The "Other receivables" item in miscellaneous receivables primarily consists of expenses to be recharged in connection with the award of bonus shares for €3,605,548 versus €2,122,318 at the end of 2015.

4.1.5 Investment securities

The units in money-market funds (SICAV) were sold at the end of December 2016.

4.1.6 Treasury shares

NUMBER OF SHARES HELD	DEC. 31, 2015	ACQUISITIONS	DISPOSALS	DEC. 31, 2016
Liquidity agreement	61,371	2,685,419	2,594,731	152,059
Bonus Share Awards	235,220		43,269	191,951
	296,591	**2,685,419**	**2,638,000**	**344,010**

Liquidity agreement

With effect from July 7, 2014, Coface appointed Natixis to implement a liquidity agreement for COFACE SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (Association française des marchés financiers – AMAFI) dated March 8, 2011, and approved by the AMF on March 21, 2011.

The Group allocated €5 million to the liquidity account for the purposes of the agreement, which is for a period of 12 months and was renewed by tacit agreement in July 2015 and July 2016. (see Note 4.1.4).

The liquidity agreement is part of the share buyback programme decided by the Board of Directors' meeting of June 26, 2014.

At December 31, 2016, the Group's own shares held in treasury had a gross and net value of €2,591,166, broken down as follows:

- Liquidity agreement: €859,251;
- Bonus Share Award: €1,731,915.

4.1.7 Cash at bank and in hand

	DEC. 31, 2016	DEC. 31, 2015
Natixis	194,203	80,044

4.1.8 Prepaid expenses

	DEC. 31, 2016	DEC. 31, 2015
Natixis: liquidity agreement	24,592	
Moody's: issuer rating and programme		112,500
	24,592	**112,500**

4.1.9 Deferred charges

	GROSS 2016	AMORTISATION	NET 2016
Expenses linked to subordinated debt	3,301,283	990,385	2,310,898

Deferred charges include costs linked to the issuance of the subordinated debt amortised over a period of 10 years.

4.1.10 Loan reimbursement premiums

	GROSS 2016	AMORTISATION	NET 2016
Premium linked to subordinated debt	1,923,560	577,068	1,346,492

The premium linked to the subordinated debt is amortised over 10 years.

◆ Liabilities

4.2.1 Changes in equity

	DEC. 31, 2015	APPROPRIATION OF EARNINGS	TRANSACTIONS FOR THE YEAR	DISTRIBUTION	INCOME FOR THE YEAR	DEC. 31, 2016
Share capital (NV*€5 -> €2)	**786,241,160**		**-471,744,696**			**314,496,464**
Number of shares	157,248,232					157,248,232
Share premium	**347,370,166**		**471,760,421**	**-8,695,070**		**810,435,517**
Legal reserve	**70,703,079**	**3,652,430**				**74,355,509**
Retained earnings	**-2,779,036**	**2,779,036**				**0**
Income for the year	**73,048,606**	**-6,431,466**		**-66,617,140**	**75,381,066**	**75,381,066**
TOTAL	**1,274,583,976**	**0**	**15,725**	**-75,312,210**	**75,381,066**	**1,274,668,557**

* *NV: Nominal Value.*

COFACE SA's total equity amounted to €1,274,668,557.

On February 10, 2016, 15,724,823 share issue warrants were issued for the benefit of BNP Paribas Arbitrage for a value of €15,725 and recognised in a premium sub-account linked to share capital.

In accordance with the decision taken by the Annual Shareholders' Meeting of May 19, 2016, the 2015 earnings were allocated to retained earnings and to the legal reserve. A dividend of €0.48 per share (excluding treasury shares) was paid at the end of May 2016, representing a total amount of €75,312,210.

4.2.2 Composition of capital

	DEC. 31, 2016		INCREASE/ DECREASE	DEC. 31, 2015	
Number of shares		**157,248,232**			**157,248,232**
Nominal value *(in euros)*		2			5
Shareholders					
Financial market and other	58.29%	91,666,723		58.33%	91,718,823
Natixis	41.24%	64,853,881	11	41.24%	64,853,870
Group Employee funds	0.24%	383,618	4,681	0.24%	378,937
Treasury shares	0.22%	344,010	47,419	0.19%	296,591
Directors' loaned shares:			-11		11
Individuals			*-11*		*11*

4.2.3 Provisions for liabilities and charges

	DEC. 31, 2015	ADDITIONS	REVERSALS	DEC. 31, 2016
Provision for bonus share award	2,122,318	1,873,634	390,403	3,605,549
	2,122,318	**1,873,634**	**390,403**	**3,605,549**

4.2.4 Debts

	UP TO ONE YEAR	1-5 YEARS	BEYOND 5 YEARS	DEC. 31, 2016	DEC. 31, 2015
Bank borrowings and debts	**440,035,994**			**440,035,994**	**418,065,103**
Commercial paper: discounted fixed rate	440,150,148			440,150,148	417,962,205
CP accrued interests	-114,154			-114,154	102,898
Other bond issues	**11,756,250**		**380,000,000**	**391,756,250**	**391,756,250**
Subordinated bonds			380,000,000	380,000,000	380,000,000
Accrued interests	11,756,250			11,756,250	11,756,250
Sundry borrowings and debts	**6,629,396**		**150,000,000**	**156,629,396**	**162,625,567**
Coface (Compagnie Française d'assurance pour le commerce extérieur) borrowing			150,000,000	150,000,000	150,000,000
Accrued interests on Coface borrowing	201,250			201,250	201,250
Cash advance Coface and accrued interest	6,428,146			6,428,146	12,424,317
Trade notes and accounts payables	**815,853**			**815,853**	**755,380**
Tax and social liabilities	**4,903,519**			**4,903,519**	**114,715**
Other debts	**799,431**			**799,431**	**354,804**
	464,940,443		**530,000,000**	**994,940,443**	**973,671,819**

After approval by the Banque de France on November 6, 2012, COFACE SA issued on November 13, 2012, commercial papers for €250 million (maturing one to three months). This programme, intended to refinance the factoring portfolio in Germany, was rated F1 and P2 by the Fitch and Moody's rating agencies.

The amount raised was fully loaned to Coface Finanz through a cash agreement and all fees incurred were recharged.

In October 2016, this programme, managed by Société Générale and through the intermediary of six banks, totalled €600 million. As at December 31, 2016, €440 million had been used. Since February 2016, the issuance rates on commercial paper are negative.

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with

a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

Fitch and Moody's reaffirmed the Group's insurer financial strength ratings (IFS) of AA- and A2 respectively (stable outlook in both cases), on September 29 and November 28, 2016.

In December 2014, COFACE SA borrowed €110 million at a rate of 2.30% over a period of ten years from Compagnie française d'assurance pour le commerce extérieur for the acquisition of Coface Ré, followed in June 2015 by a second tranche of €40 million for sending additional funds to Coface Ré (see Note 4.1.2).

The "Trade notes and accounts payable" item mainly consists of Statutory Auditors fees and employee rebillings that have not yet been billed.

Tax and social liabilities comprise €4,778,059 of a Group corporate income tax balance (nil in 2015).

The "Other debts" item mainly consists of expenses linked to the Group's strategy.

/ NOTE 5 / Analyses on main balance sheet items *(in euros)*

Operating income

	DEC. 31, 2016	DEC. 31, 2015
Operating income	**2,269,291**	**992,028**
Commercial paper structuring costs	395,657	210,469
Other income	1,873,634	781,559
Operating expenses	**-6,767,050**	**-4,151,810**
Other purchases and external expenses	**-3,135,440**	**-1,645,321**
Statutory Auditors' fees	-720,158	-655,020
Fees and Commissions linked to CP program	-197,100	-324,300
Fees linked to communication	-397,931	
Compagnie Française d'assurance pour le commerce extérieur fees: management mandates	-77,396	-91,608
Rebilling Group payroll costs and related expenses	-79,799	-75,540
Legal advertising costs	-11,235	-7,138
Natixis charges and commissions	-23,673	-56,092
Charges linked to stock market listing	-347,399	-352,479
Charges linked to the contingent capital	-626,000	
Charges linked to the Group's strategy	-563,971	
Charges linked to the issue of subordinated debt	-1,614	1,300
Licence fees	-83,156	-80,243
Sundry costs	-6,007	-4,201
Income tax, taxes and similar payments	**-402**	**-2,677**
Employee-related expenses	**-48,367**	**-42,567**
Social charges on directors' fees	-48,367	-42,567
Other expenses	**-2,115,468**	**-993,872**
Directors' fees	-241,834	-212,333
Expenses linked to the bonus share award	-1,873,634	-781,539
Depreciations and amortisations	**-1,467,373**	**-1,467,373**
Amortisation of set-up costs	-1,137,244	-1,137,244
Amortisation of costs linked to subordinated debt	-330,128	-330,128
	-4,497,759	**-3,159,784**

The entry "Commercial paper structuring costs" in the amount of €395,657 corresponds to the recharging of the costs of managing this commercial paper.

The "Other income" item for €1,873,634 corresponds to charges to be rebilled linked to the LTIP 2016 bonus share award plan.

Financial income

	DEC. 31, 2016	DEC. 31, 2015
Financial income	**102,343,772**	**96,028,145**
Investment income	**87,019,539**	**80,007,634**
Dividend	87,019,539	80,007,634
Other financial income	**15,323,781**	**16,019,355**
Sundry interests		50
Interests linked to the CP program	1,217,974	2,123,949
Income on guarantees	1,153,307	906,877
Loan interests	12,952,500	12,988,479
Income from sales	**452**	**1,157**
Income from SICAV sales	452	1,157
Financial expenses	**-21,310,811**	**-21,684,711**
Interest and similar expenses	**-21,118,455**	**-21,492,355**
Fees and Commissions linked to CP program	-1,216,985	-1,982,966
Interests on bond loan	-15,675,000	-15,675,000
Interests on borrowings	-3,450,000	-3,018,111
Interests on cash advance	-16,470	-68,944
Guarantees costs	-760,000	-747,333
Depreciations and amortisations	**-192,356**	**-192,356**
Reimbursement premium amortisation	-192,356	-192,356
	81,032,961	**74,343,434**

Financial income primarily consists of the €87 million dividend received from Compagnie française d'assurance pour le commerce extérieur and €314 million in interest on a loan granted to Compagnie française d'assurance pour le commerce extérieur.

Financial expenses primarily consist of €380 million in interest on the bond loan and the €150 million loan taken out at the end of 2014 from Compagnie française d'assurance pour le commerce extérieur.

Non-recurring result

	DEC. 31, 2016	DEC. 31, 2015
Non-recurring income		**134,374**
Gains on treasury share sales		59,390
On prior years		74,984
Non-recurring expenses	**-636,265**	**-241**
Losses on treasury share sales	-636,262	
Sundry	-3	-241
	-636,265	**134,133**

The non-recurring result mainly consists of income on disposals of treasury shares managed under the liquidity agreement.

Income tax

	DEC. 31, 2016	DEC. 31, 2015
Accounting income before CT	**75,898,937**	**71,317,785**
Deductions:	-88,893,184	-80,789,178
■ Dividend Compagnie française d'assurance pour le commerce extérieur (mother/daughter regime)	-87,019,539	-80,007,634
■ Bonus Share Awards to be rebilled	-1,873,634	-781,538
■ Unrealised capital gain Dec. 31, 2015 from units in money-market funds (SICAV)	-12	-7
Reintegrations:	2,743,829	4,781,931
■ Share of costs 1% on Group dividend (5% in 2015)	870,195	4,000,382
■ Bonus Share Award expenses	1,873,634	781,538
■ Unrealised capital gain Dec. 31, 2016 from units in money-market funds (SICAV)		12
Taxable income	**-10,250,417**	**-4,689,461**
Corporate tax (rates 33 1/3%)		
3% tax on dividends paid to external (outside the tax consolidation group)	-1,998,514	
Corporate Tax before tax consolidation	**-1,998,514**	
Net income from consolidated companies	1,480,643	1,730,821
Corporate income tax (income)	**-517,871**	**1,730,821**

The application of the tax consolidation agreement resulted in a consolidation gain of €1,480,643 for financial year 2016, compared to €1,730,821 in 2015.

The consolidation group's final tax loss carryforward for 2015 was used in 2016.

COFACE SA's tax loss carryforward prior to the tax consolidation was €2,788,100 for 2014.

/ NOTE 6 / Information regarding related companies

The table below presents all items regarding related companies:

	DEC. 31, 2016	DEC. 31, 2015
Balance Sheet – Assets		
Interests in related companies	1,487,744,457	1,487,744,457
Loans to affiliates and subsidiaries	324,074,167	324,074,167
Current account Tax Consolidation	4,690,000	1,730,821
Current account Coface Finanz	439,977,531	418,324,299
Miscellaneous receivables	3,718,620	4,615,038
Cash at bank and in hand	194,203	80,044
Balance Sheet – Equity & Liabilities		
Sundry borrowings and debts	156,629,396	162,625,567
Trade notes and accounts payables	184,279	75,540
Other payables	60,000	60,000
Income Statement		
Operating income	395,657	210,469
Operating expenses	-180,868	-175,240
Financial income	102,343,319	96,026,939
Financial expenses	-4,470,470	-4,035,325

/ NOTE 7 / Subsidiaries and Interests

		AS OF DEC. 31, 2016					
					VALUE OF SECURITIES HELD		
	CURRENCY	SHARE CAPITAL	RESERVES AND RETAINED EARNINGS	SHARE OF CAPITAL HELD	GROSS	NET	OUTSTANDING LOANS AND ADVANCES GRANTED BY THE COMPANY
		In foreign currency		*% (reported)*	*(in €)*		
Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	EUR	137,052,417	970,108,063	99.995%	1,337,719,300	1,337,719,300	156,629,396.00
Coface Ré SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	CHF	10,000,000	166,774,909	100%	150,025,157	150,025,157	-

	YEAR 2016			
	TURNOVER	NET EARNINGS OR LOSS	DIVIDENDS RECEIVED OR RECOGNISED BY THE COMPANY	EXCHANGE RATE DEC. 31, 2016
	(in €)			
Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	1,201,872,792	51,948,798	87,019,539	
Coface Ré SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	487,225,999	7,159,780	-	1.0739

4.5 Five-year summary of Company results

NATURE OF INDICATIONS *(in euros)*	YEAR 2012	YEAR 2013*	YEAR 2014	YEAR 2015*	YEAR 2016
I - Year-end Capital					
a) Share capital	784,206,535	784,206,535	786,241,160	786,241,160	314,496,464
b) Number of issued shares	156,841,307	156,841,307	157,248,232	157,248,232	157,248,232
c) Number of bonds convertible into shares	-	-	-	-	-
II - Operations and income for the year					
a) Revenue excluding tax	197,200	192,675	2,642,322	992,028	2,269,291
b) Income before tax, depreciation, amortisation and provisions	2,547,020	69,956,078	-1,677,741	72,977,514 (2)	77,558,666
c) Income tax	845,350	1,176,604		-1,730,821	-922,836 (4)
d) Income after tax, depreciation, amortisation and provisions	1,701,670	68,779,474	-2,779,036	73,048,606	76,821,773
e) Distributed profits	-	66,939,870	(1)	66,617,140 (3)	20,442,270 (5)
of which interim dividends		*65,089,142*			
III - Earnings per share					
a) Income after tax, but before depreciation, amortisation and provisions	0.01	0.44	-0.01	0.48	0.50
b) Income after tax, depreciation, amortisation and provisions	0.01	0.44	-0.02	0.46	0.49
c) Dividend paid to each share	-	0.43	0.00	0.42	0.13
IV - Staff					
a) Average number of employees in the year	-	-	-	-	-
b) Payroll amount	-	-	-	-	-
c) Amount of sums paid in employee benefits	-	-	-	-	-

* *Year 2013: A portion of the costs of structuring the commercial paper corresponding to commissions for non-use of lines of credit was reclassified under financial income for an amount of €1,188,000 raising revenue from €1,380,675 to €192,675.*
An extraordinary dividend of €227,000,000 was paid as voted by the Annual Shareholders' Meeting of April 14, 2014.

(1) *In 2014, an extraordinary dividend of €0.48 per share taken from the share premium, i.e., €75,479,151, was distributed as voted by the Annual Shareholders' Meeting of May 18, 2015 (including treasury shares). The effective amount paid was €75,460,456.*

(2) *The 2015 earnings of (€74,708,335) were corrected to include the tax consolidation income of €1,730,821.*

(3) *In 2015, an ordinary distribution of €0.42 per share, corresponding to €66,617,140 and an extraordinary distribution of €0.06 per share, corresponding to €8,862,011 (the total amount of which is deducted from the "Share premium" item) was awarded following the vote by the Annual Shareholders' Meeting of May 19, 2016 (including treasury shares). The effective amount paid was €75,312,210 (€66,617,140 + 8,695,070).*

(4) *In 2015 and 2016, the tax income comes from the income from tax-consolidated companies.*

(5) *In 2016, a motion will be put to the vote at the Annual Shareholders' Meeting of May 17, 2017 regarding the distribution of €0.13 per share, amounting to a total of €20,442,270 (including treasury shares).*

4.6 Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2016

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of COFACE SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matters:

- Your group set up technical reserves to cover its technical commitments. Paragraph 43.6 of Note 3 "Accounting Principles", as well as Note 44 "Risk Management" of the notes to the consolidated financial statements specify the estimation methodologies used. Based on the information available at the consolidated financial statements closing date, our assessment of technical reserves is based on the analysis of the calculation methodologies used as well as the assumptions made.
- The gross written premiums as well as premium refunds that represent the credit insurance revenue are determined based on the principles described in paragraph 43.6 of Note 3 "Accounting Principles" of the notes to the consolidated financial statements.

Those elements include estimated figures, in particular pipeline premiums and premium refunds to be paid. Based on the information available at the consolidated financial statements closing date, our assessment of premiums to be written and refunds to be paid is based on the analysis of the calculation methodology used as well as the assumptions made regarding Group past experience.

- The financial investments are recognised and valued using the methods described in paragraph 43.6 of Note 3 "Accounting Principles" and in Note 6 "Insurance Business Investments" of the notes to the consolidated financial statements. We checked that, on the basis of the documentation prepared by the Group, the valuation methods used had been correctly applied and then assessed, firstly, the data and assumptions used to value them and, secondly, the classification methods selected.
- The impairment tests are performed on goodwill using the methods described in paragraph 43.6 of Note 3 "Accounting Principles" and in Note 4 "Goodwill" of the notes to the consolidated financial statements. We examined, firstly, the methods used to perform those tests on the Cash Flow Units basis and, secondly, checked the consistency of assumptions made with the business plan set up under Group control.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements, it being specified that it is not our responsibility to assess the fair presentation and the consistency with the financial statements of the prudential information, in particular the SCR solvency ratio.

The statutory auditors French original signed by

Paris La Défense, April 10, 2017	Neuilly sur Seine, April 10, 2017
KPMG Audit	Deloitte & Associés
Department of KPMG S.A. *Francine Morelli* *Partner*	*Damien Leurent* *Partner*

4.7 Statutory Auditors' report on the Company's annual financial statements

Year ended December 31, 2016

Ladies and Gentlemen

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying financial statements of COFACE SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matters.

The assets of your company is mainly made up of "interests in related companies" for which the methods of valuation are set out in Note 2 "Accounting principles, rules and policies" of the notes to the annual financial statements.

We assessed the approaches and valuation methods of those assets used by the company, described in the annual financial statements and based on the information available to date, performed tests to check the implementation of these methods.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

4

The statutory auditors French original signed by

Paris La Défense, April 10, 2017	Neuilly sur Seine, April 10, 2017
KPMG Audit	Deloitte & Associés
Department of KPMG S.A. *Francine Morelli* *Partner*	*Damien Leurent* *Partner*

MAIN RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP

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5.1 Risk factors

Prior to making an investment decision in the shares of the Company, prospective investors should consider carefully all the information set out in this document, including in particular the risk factors detailed below. Such risks are, as of the date of this document, the risks that the Group believes, were they to occur, could have a material adverse effect on the Group, its business, its financial condition, its results of operations or prospects, and which are material in making an investment decision. Additional information concerning risk management is presented in Section 2.4.2 "Risk management and internal control procedures". Prospective investors should nonetheless note that the risks described in this Chapter 5 (and Section 2.4.2) may not be comprehensive, and that there may be additional risks that are not currently known, or whose occurrence as of the date hereof is not considered likely to have a material adverse effect on the Group, its business, its financial condition, its results of operations or prospects.

In addition to the risks inherent in the practice of its business lines, the Group operates in a constantly evolving environment with numerous related external risks. This Chapter looks at the significant risk factors which the Group includes in its risk exposure.

5.1.1 RISKS RELATED TO THE ECONOMIC, COMPETITIVE AND REGULATORY ENVIRONMENT OF THE GROUP'S BUSINESS SECTOR

5.1.1.1 Risks related to the macroeconomic situation

The Group is present in 66 countries and markets its services in nearly 100 countries and in the many sectors of the economy in which its policyholders operate. Given the nature of the Coface Group's business, its activity is directly influenced by the economic environment and by business activity at both a local level and a global level. Although the diversity of the sectors and regions in which the Group operates gives it some resistance to economic cycles, its business activity is sensitive to changes in general macroeconomic conditions, global trade, levels of investment and consumption and to potential changes in economic policies that affect its policyholders.

Risk regarding premiums collected

The premium for a credit insurance policy is assessed on the revenue earned by the policyholder during the period covered by the credit insurance policy, on insured client risk receivables or on a capped insured receivable, each of which is a function of the revenue realised by the policyholder during the coverage period under its credit insurance policy. The total volume of premiums collected by the Group thus depends on the revenues of its policyholders, namely the sales volume effectively realised by its policyholders during the coverage periods under each of their respective credit insurance policies and covered by their policies.

The credit insurance policies of the Group entail a minimum fixed premium, which is calculated based on an estimated volume of sales to be made by a policyholder during the period covered by the policies. This minimum is generally billed according to a quarterly schedule, with the first payment date being at the contract effective date. The volume of sales actually made by the policyholder, which allows the final premium to be determined, is only known at the end of the period covered by the policy. The amount of the final premium, assessed on the volume of sales made by the policyholder, is generally higher than the amount of the minimum fixed premium already billed. An adjustment premium, corresponding to the difference between the fixed premium already billed and the final premium, is thus charged to the policyholder. However, if the total premium calculated based on the volume of sales made by the policyholder is less than the amount of the fixed premium, the difference is retained by the Group.

Although a worsening of the economic environment could lead to an increase in the level of premiums received by the Group, resulting from the signing of new policies (either by new policyholders seeking coverage or by existing policyholders extending their coverage), or to an increase in the insurance premium rates, an economic slowdown, in particular within the eurozone where a large portion of the Group's policyholders are incorporated, could also result in reducing the volume of insurance premiums, due to an activity slowdown experienced by policyholders.

Risk regarding the level of loss

Difficult economic conditions, in particular in the eurozone where a large portion of policyholders are based, may cause an increase in payment delays and bankruptcies and thus in the frequency of claims. They could also lead to peak risks, in other words, abnormally high losses due to a single debtor or group of debtors, or even due to an accumulation of losses in a single country.

Although the Group's broad geographical spread and its diverse portfolio enhance its resistance to regional or segment-specific economic shocks, through a dilution effect across its entire business, the growing interconnection of economic sectors and financial mechanisms on a global

scale exposes it, like all credit insurers, to the risk of having to cope with a global-scale economic crisis, which would limit the benefit of this dilution factor.

Adverse changes in the economic and business environment could in the future have a material adverse effect on the Group's business, financial position, solvency margin, operating results or prospects.

5.1.1.2 Risks related to the competitive environment

The Group operates on a highly competitive credit insurance market (see also Section 1.4) with a large number of players of very different sizes and statures, including Export Credit Agencies (or ECAs) created by States to encourage their exports. The global market is nevertheless dominated by three major players, including the Group, who are the only ones to have a global network and a significant footprint. In certain markets the Group competes with export credit agencies, leading players in their market, who have very significant or even monopolistic market shares. Although it believes the credit insurance market to be characterised by strong entry barriers for new global players, the Group cannot rule out the possibility that new players, including those of significant size, will modify their strategy in order to enter certain markets on which it is present, thereby accentuating already intense competition. Likewise, in certain regions, it has to cope with competition from regional players that are smaller but benefit from a significant local presence.

There are also a number of alternative products to credit insurance, such as irrevocable and confirmed documentary credit, or stand-by letters of credit, or, in certain markets, factoring, which offer alternative coverage solutions to policyholders, who could decide to favour them over the services of the Group. In addition, an important source of competition comes from the companies themselves, which may opt to self-insure their credit risks, and to manage their receivables internally. An increase in credit insurance costs and in the conditions in which the Group proposes its other services, and more generally, unfavourable business practices in the credit insurance sector, could strengthen this trend and worsen the competitive environment.

Factoring, a market in which the Group is present in Germany and Poland, is a less concentrated market than credit insurance and is shared among banking players and non-banking players.

In recent years, the Group has experienced strong competitive pressure, particularly in terms of price in all its business segments and a broadening of the scope and nature of insurance coverage especially issued in Western Europe. Its competitors in its various sectors of business could, due to their size, have financial, commercial, technical and human resources, or innovative capacity greater than those of the Group. These competitors could in the future continue to adopt aggressive pricing policies, diversify or expand service offerings or their supply chains, develop strategic or contractual relationships in markets in which the Group is present or seeks to expand, and thus increase competitive pressure.

In this context, the Group may need to adapt its services and tariffs or its underwriting risk policy, which could affect its profitability and/or lead to a loss of market share. Similarly, in the face of such competition the Group may struggle to implement its strategy for sustainable and profitable growth if it fails to offer prices, innovative products, services or quality of service at least comparable to those of its competitors. The more intensive competition could have a material adverse effect on its business, financial position, operating results or prospects.

5.1.1.3 Risks related to the regulatory environment (legal and accounting)

Risks related to national and international policies and regulations applicable to the Group's activities

The Group operates in a strongly regulated environment, which differs according to the countries in which it performs its business. Its insurance business is subject to the control of local regulators, which can sometimes differ according to the country in which it is established.

The Group is headquartered in France; its activity is to a large extent governed by European directives and by French domestic regulations on non-life insurance. The supervisory and regulatory authority for its activities in France and in the European Union is the Prudential Supervisory and Resolution Authority (the *Autorité de contrôle prudentiel et de résolution*, or "ACPR").

Most countries, in which the Group operates, apply the laws and regulations which govern in particular solvency standards, the level of capital and reserves, the multiplicity and diversification of financial investment portfolios, business conduct (including, in particular, requirements to hold relevant licenses and approvals), distribution practices, anti-money laundering and terrorism financing rules and the Know Your Customer protection rules.

These various regulations and supervisory measures have been strengthened in the wake of the 2008 financial crisis, both at the European level and outside the European Union. Some States have adopted or are in the process of adopting measures that constitute significant changes to the current framework, notably to strengthen the solvency of insurance companies. In this context, the amendments to the regulations applicable to the Group's insurance activities since January 1, 2016 have led to new restrictions or conditions for carrying out its business. Notably by introducing stricter capital and liquidity requirements, they have increased its financing costs and operating expenses, which could restrict the scope of its activities or more generally, hamper its development (see Section 5.1.2.5 "Risks related to hedging the Group's solvency" – SCR ratio below).

The Group also has factoring activities in Germany, where it is subject to specific regulations, and in Poland. In each

of these two countries, a modification in the existing laws and regulations on factoring, in particular in terms of capital and liquidity requirements specific to non-banking factoring activities, could impact the course of these activities and the financial position of the Group.

A significant portion of the Group's business is subject to obtaining accreditation and licences issued by the public authorities in charge of supervising and controlling credit insurance and factoring activities. As part of its sustained and profitable growth strategy, the Group plans to continue establishing operations in new countries and will be required to obtain all the necessary approvals, licences and authorisations to carry out such activities. Any major difficulty encountered in obtaining such authorisations could delay or jeopardise its establishment in these new countries. In addition, the non-renewal, suspension or loss of any authorisations could have a material adverse effect on its business, operating results, financial position and prospects.

Lastly, due to the rapid changes to the regulatory environment and the strict interpretation and application of the regulations by the regulatory authorities, the Group has become particularly vigilant about compliance issues. Despite implementing measures to comply with applicable regulations, it may become subject to regulatory investigations and possible sanctions which could affect its activity, financial position, outlook and reputation.

More generally, the Group cannot guarantee that rapid and/or significant changes in the current regulations will not have an adverse effect on the future for its business, financial position, solvency margin, dividend policy, operating results or prospects.

Risks related to the tax regulation

As an international group operating its business in many countries, the Group is subject to multiple tax regulations, and conducts its business lines globally in light of the various regulatory requirements, and with regard to its sales, financial and tax objectives.

To the extent that the current tax regulations in the various countries where the Group operates its business lines do not provide clearer or definitive guidelines, the structure of the Group, performance of its business and the tax system may be based, in certain circumstances, on its interpretation of the applicable tax regulations. The Group cannot guarantee that these interpretations will not be challenged by the relevant tax authorities, or that the applicable regulations in some of these countries will not be subject to changes, fluctuating interpretations and contradictory applications. More generally, any breach in the tax regulations of countries in which the Group or its companies are located or operate, may result in adjustments, or the payment of late interest, fines and penalties. These elements could have a negative effect on the effective tax rate, cash and operating results of the Group.

Risks related to changes in accounting standards

The Group's consolidated financial statements are established in accordance with international standards, as adopted by the European Union. The international accounting standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) as well as their respective interpretations, as presented in Note 3 of the Group's consolidated financial statements.

IFRS 17 "Insurance Contracts" which deals with the recognition of insurance contracts should replace IFRS 4 phase 1 in 2021 (in force since the application of the International Financial Reporting Standards in 2005).

IFRS 9 "Financial Instruments" will become effective on or after January 1, 2018 for general law groups. Provided that certain conditions are met (almost exclusive predominance conditions of the insurance business), insurance groups may choose to wait until January 1, 2021 to apply IFRS 9, in such a way as to apply IFRS 17 and IFRS 9 concomitantly. In this case, they would still be required to produce a report on the classification of assets driven by the test on cash flow characteristics (required by IFRS 9) in the notes to the financial statements starting from January 1, 2018.

These two important standard projects could have a significant impact on the recognition of liabilities linked to insurance policies and the classification of financial assets.

5.1.1.4 Risks related to the occurrence of exceptional events (acts of terrorism, natural disasters, pandemics, etc.)

Unforeseen events such as acts of terrorism, conflicts, the spread of pandemics such as the Ebola virus, a serious natural disaster, the potential consequences of global warming, or any other emergency situation, could adversely affect the business and financial condition of the Group due to the economic and financial consequences of indemnifying the resulting claims.

These events could also cause a temporary disruption to the Group's business operations and result in significant losses to the extent they would not be, or would be insufficiently covered, by any relevant insurance policy, and if the Group's business continuity plans did not alleviate the consequences (see also Section 2.4.2.2.3.4 "Operational and non-compliance risk measures"). Such losses may relate to physical assets, financial assets, market positions or key employees. These events could likewise generate additional costs and an increase in expenses for the Group (in particular increased insurance and reinsurance premiums). Although it has not experienced such events in the past, it cannot be excluded that such events may occur in the future and have a material adverse effect on its business, financial position, operating results or prospects.

5.1.2 RISKS RELATING TO FINANCIAL MARKETS AND TO THE GROUP'S FINANCIAL STRENGTH

5.1.2.1 Risks related to world financial market conditions

The Group's business lines are sensitive to changes in the financial markets in France, Europe and the rest of the world. Numerous factors, including uncertainties about the solvency of certain sovereign issuers, the stability and solvency of financial institutions, the risk of future inflation or deflation in certain markets, as well as geopolitical tensions, have led to a liquidity shortage and increased the volatility of the financial markets. They could in the future continue to weigh on the markets and the overall economy, and thus on the business activities and the prospects of the Group. In addition, a liquidity shortage and the volatility of financial markets could have a material effect on the Group's investment portfolio, and more broadly, on its financial income, primarily due to the size of the investment portfolio, which mainly comprises financial instruments whose value depends on the performance of the financial markets (see also Sections 2.4.2.2.3.3 "Financial risk measures" and 5.1.2.3 "Risks related to the investment portfolio" below.

Adverse changes in the financial markets could, in the future, have a material adverse effect on the business, the Group's financial position, solvency margin, share price trends, operating results or prospects.

5.1.2.2 Risks related to exchange rate fluctuations

The Group distributes policies in nearly 100 countries. Due to the international nature of its activities, it distributes policies in currencies other than those of the accounts of the issuing entities (premiums collected and claims paid). Similarly, its credit insurance contracts may cover invoices in various currencies. Consequently, its entities which carry exchange rate risks on their balance sheets when they issue policies with premiums collected in a currency different from their accounting currency, record liabilities that are indexed to a currency other than the one used in the rest of their balance sheet.

Furthermore, the Group, which releases its financial statements in euros, could be exposed to exchange rate risks, mainly due to the activities of certain foreign subsidiaries that operate in foreign currencies. Its capital is hence subject to the fluctuations of these exchange rates when consolidating the net positions of the various entities of the Group.

Finally, financial assets in a foreign currency that are in the Group's investment portfolio may be affected by fluctuations in the exchange rates of the currencies in which they are denominated (see also Section 2.4.2.2.3.3 "Financial risk measures"). These fluctuations could significantly affect its financial income.

Although it can seek to reduce its exposure to foreign currency fluctuations through hedging activities, fluctuations in exchange rates and any related losses as part of its hedging activities could have a material adverse effect on its financial position, operating results and solvency margin.

5.1.2.3 Risks related to the investment portfolio

The Group holds an investment portfolio primarily comprised of financial instruments. The fair value of this investment portfolio as of December 31, 2016 totalled €2,631 million (excluding cash equivalents and investments in unconsolidated subsidiaries). The Group implements a diversification policy for its investment portfolio that aims to comply with the current legal and regulatory provisions, as well as obtain an optimal balance between risk and return (see also Section 2.4.2.2.3.3 "Financial risks measures" and Notes 6, 28, and 29 of the Group's consolidated financial statements). The occurrence of any risks described below could nevertheless have a material adverse effect on its current and future revenue, the net income, cash and financial position.

Interest rate risk

A significant portion of the Group's investment portfolio is invested in bonds. As of December 31, 2016, bonds represented 68.3% of the total fair value of its investment portfolio. The Coface Group is thus subject to interest rate risk, including both interest rate and spread risk which is particularly relevant to bonds. During a period when the rates drop, there is a risk that the average portfolio interest rate will drop (reinvestment occurring at lower rates), or that the duration of the portfolio will increase (making the portfolio more sensitive to a future rate change). Conversely, during a period when interest rates rise, there is a risk that the market value of the bond portfolio will drop, in which case the Group would have to record unrealised losses. Any significant variation in the value of its bond portfolio, as a result of a change in interest rates, could have a material adverse effect on its net income, cash, solvency margin and financial position.

Counterparty risk

As of December 31, 2016, more than 89% of the bonds held by the Group had a rating of BBB or higher, given by at least one internationally recognised rating agency. At the same date, the exposure of its investment portfolio was primarily geared towards countries in the eurozone, with the exception of Greece. Despite this risk selection policy, it cannot exclude that its investment portfolio might experience significant changes in value due to persistent current and potential future tensions on the financial markets, in particular with regards to sovereign debt. These defaults or feared defaults of public or private issuers, or of any other third party, other counterparties, financial institutions, clearing houses or stock markets, could disrupt the market, cause

increased volatility of financial instruments, result in a chain reaction of defaults, or even lead to general illiquidity, and could lead the Group to record losses or impairments of invested assets, or unrealised losses that are significant or make it unable to meet future funding needs to honour its commitments. Such losses or impairments could harm the value of its investments and reduce its profitability, having a material adverse effect on its current and future revenue, net income, cash, solvency margin and financial position.

Equities risk

As of December 31, 2016, 4.8% of the Group's investment portfolio was invested in equity mutual funds and stocks, exposing it to upward and downward changes in the stock market which in turn depend on many exogenous factors. In the event of a drop in the values to which its portfolio is exposed, it could be obligated to record unrealised losses, or even significant impairments of assets, which could have a material adverse effect on its current and future revenue, net income, cash and its financial position.

5.1.2.4 Risks related to the Group's financing needs

The liquidity needs of the Group correspond, on the one hand, to coverage of its operating expenses, the settlement of claims and financial expenses and, on the other hand, to the liquidity needs of the factoring business in Germany and Poland. The main sources of liquidity for the insurance business are the insurance premiums received and the net income from investments. Liquidity to cover the financing needs of the factoring business totalled €2.043 billion at December 31, 2016 and corresponded to drawdowns under bilateral credit lines of a maximum amount of €740.5 million, to issuances made under its commercial paper programme for a total maximum amount of €600 million and a factoring receivables securitisation programme in Germany for a total maximum amount of €1.195 billion. Any early termination of the securitisation programmes or related financing, in the event of a failure to comply with commitments or default could have a material adverse effect on its financial position (see also Section 2.4.2.2.3.3 "Financial risk measures" and Note 20 to the Group's consolidated financial statements).

As part of its financing policy, the Group accessed and should continue to access the capital and loan markets. To that end, it cannot guarantee that it will be able to have sufficient financing or that the capital or loan market conditions, particularly the interest rates, and the perception on these markets of its financial condition and prospects, will be favourable enough to access the funds (bank financing or fundraising on financial markets) necessary to develop its business, in particular to cover its operating expenses, claims settlement and financial expenses. The capital market has suffered, and could continue to suffer, from strong volatility or from disturbances limiting the availability of market financing. Such insufficient liquidity and/or prolonged access restrictions to these forms of funding could have a material adverse effect on its business, financial condition, results of operations or prospects.

5.1.2.5 Risks related to hedging the Group's solvency (SCR ratio)

Solvency II, which is applicable since January 1, 2016, seeks in particular a better understanding of insurers' risks. In this respect, this regulation includes Solvency Capital Requirements ("SCR") that sets capital adequacy requirements for insurers for the purpose of absorbing a major shock. These SCR may be calculated based on a standard formula set by the regulations or by a complete or partial internal model developed by the insurer and validated by the prudential regulator.

In preparation for Solvency II, the Group, like the majority of other European insurers, nevertheless had to make a certain number of strategic choices. In particular, considering that the standard formula does not adequately represent the credit insurance profile, it uses a proprietary model for strategic management and has decided to continue its efforts to develop an internal model that can be submitted to the ACPR.

At the date of this registration document, the Group can neither be sure of the outcome of these efforts nor that the ACPR will not impose significant changes to the final formula. In the event of changes imposed by the ACPR, the application of the standard formula defined by Solvency II may require strengthening the Group's equity and/or changing its dividend policy (see also Section 3.5.2 "Solvency of the Group").

Moreover, the implementation of Solvency II results in significant costs to the Group and could likewise lead to more significant costs and adaptation measures than anticipated. More generally, the implementation of Solvency II, due to the costs and uncertainties it involves, could thus have a material adverse effect on the financial position, solvency margin, dividend policy, income and thus the business and prospects of the Group.

5.1.2.6 Risks related to rating revision

The ratings on the ability to settle claims and of financial soundness are important elements in assessing the competitive position of insurance companies. The rating agencies regularly review their ratings and methodologies, and may consequently modify at any time the ratings that they have assigned. In the current economic environment, some rating agencies have downgraded their outlook for the insurance sector, and have downgraded the ratings of a growing number of companies. At the date of this registration document, the Group has maintained its ratings of AA- from Fitch and A2 from Moody's, which were confirmed in September and November 2016 respectively with stable outlooks.

However, even a potential downward revision of the outlook and/or of these ratings, could have negative effects for the Group, and cause: a deterioration in its competitive position; difficulties in distributing new credit insurance policies; the termination of certain existing credit insurance policies; an increase in reinsurance costs; significant financing difficulties or increasing financing costs, linked in particular to its securitisation programme and its related financing; the need to grant additional coverage for certain contracts; a negative effect on its relations with its creditors, commercial counterparties and distributor partners, in particular the fronters; a significant negative effect on public trust and on its reputation.

A downgrading in the outlook and/or ratings could consequently have a negative impact on its business, liquidity level, financial position, net income, solvency margin and prospects.

5.1.3 RISKS RELATED TO THE GROUP'S BUSINESS ACTIVITY

5.1.3.1 Risks related to the solvency of debtors and policyholders, its assessment and the reliability of information relating to this solvency

The core business of the Group is credit insurance. The Group also offers factoring solutions in Germany and Poland. Assessing the credit risks related to these activities is an essential element of its business.

The credit risk includes:

- for credit insurance, the underwriting risk, inherent in the insurance business (namely, short-term credit insurance, special risks including Single Risk and surety bonds) under the Solvency II Directive; in other words, the risk of losses or of an unfavourable change in the value of insurance commitments, due to inadequate assumptions in terms of pricing and provisioning; and
- for the factoring business pursuant to the regulation issued on November 3, 2014, *i.e.* the risk incurred in the event of default by a counterparty or counterparties considered to be a single beneficiary.

The quality and reliability of information regarding debtor solvency are essential for managing the pricing policy and the risk underwriters' decision process. The Group, as with other players in the market, cannot exclude that it will face, in certain markets, difficulties in obtaining reliable and accurate information or debtor solvency data from the service providers that it may use.

Any lack of information or use of unreliable information regarding a debtor or the environment in which it operates, or a delay in the provision of such information, is likely to distort the evaluations and assessments used by the Group, and therefore the estimate of the related potential claims risk. Such risks relating to solvency assessments could have a material adverse effect on its business, financial position, operating results, solvency margin and prospects.

Furthermore, if the credit insurance or factoring products that it develops and sells seek to meet the needs of policyholders (or customers in the case of factoring activities) and their evolution in terms of coverage, the Group must likewise control the risks in terms of exposure, and thus of profitability. A poor assessment of debtor solvency (and, in cases of factoring and guarantee activities, of the Group's customers) at underwriting, and for credit insurance during the lifetime of the product, or even at the time of its renewal, could result in poor compatibility between the premium, the commitments made and the Group's management, and thus bring about a potentially significant risk of loss.

5.1.3.2 Risks related to the establishment of insurance technical provisions, depreciations and the assumptions used

The insurance policies managed by the Group's insurance subsidiaries meet the definitions of insurance contracts provided by IFRS 4. These contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on French GAAP. A liability adequacy test is performed to verify that the insurance liabilities, as they appear in the consolidated financial statements, are sufficient to cover the future cash flows estimated at that date (see also Section 2.4.2.2.3.2 "Credit risk measures" and Note 15 of the Group's consolidated financial statements).

The Group makes estimates when establishing technical provisions which are primarily based on statistics and assumptions about changes in events and circumstances related to the policyholders and their debtors, as well as their economic, financial, social, regulatory and also political environment. These estimates may turn out to be different or insufficient when compared to the actual events and circumstances subsequently observed, especially if they simultaneously affect its main portfolios. The use of these assumptions requires a high degree of judgement by the Group's management bodies, which may affect the level of the provisions recognised and therefore may have a material adverse impact on the Group's financial position, operating results and solvency margin.

The Group holds financial investments for which there is no active market or the observable values are either limited or unrepresentative. Their fair value is then measured using valuation techniques based on assumptions that require a high degree of judgement. The valuations and estimates are revised when new information becomes available. In light of this information and in accordance with these accounting principles and methods, as described in Group's consolidated financial statements, its management bodies use their judgement to analyze the causes of any decrease in the estimated fair value of securities, its prospects of short-term recovery and the level of provisions that is considered

adequate for the resulting impairments. The impairments or additional provisions could have a material adverse effect on the Group's operating results, financial position and solvency margin.

5.1.3.3 Risks related to the geographical and sectorial distribution of debtors covered by the Group's insurance policies and its policyholders

The Group insures payment default risk for more than 40,000 policyholders in around 100 countries worldwide. The debtor risks covered by the Group's credit insurance policies are mainly located in Western Europe, notably in Germany, France, Italy and the United Kingdom. As at December 31, 2016, these four countries accounted for 40% of the Group's overall exposure from its credit insurance activities, with the whole of Western Europe representing 54.2% of the Group's total exposure. On the same date, debtors from non-OECD countries represented less than 20% of the Group's overall exposure. The Group is therefore particularly exposed to the risks and economic situation of countries in the eurozone and in Western Europe in general (for example, the Group is taking into consideration the consequences of Brexit, in particular to the trade agreement negotiation between the UK and the EU, and is adjusting its risk monitoring accordingly).

The persistence of a difficult economic situation, or the occurrence of new difficulties in these countries, and more generally in Western Europe, could increase the difficulties and worsen the financial position of the Group's debtors and policyholders operating in such countries. These factors could in return cause a considerable change in the Group's risk profile, and thus have a material adverse effect on its business, financial position, operating results or prospects.

In 2016, the Group maintained a selective risk underwriting policy and close monitoring owing to the persistently tense global economic situation observed in all so-called emerging countries. The Group's debtor receivables insurance portfolio covers a broad range of business sectors. However, as of December 31, 2016, the construction, agro-food and chemistry sectors represented 41.1% of the Group's total exposure. A presentation of a breakdown of the Group's guaranteed debtor receivables by business sector appears in Section 2.4.2.2.3.2 "Credit risk measures".

Similarly, the risks for some more sensitive sectors were revised in 2016 in the continuity of what has done in 2015, to anticipate the deterioration of the solvency of the most vulnerable players of these markets (metal industry, sectors linked to the oil industry, etc.). Despite the diversity of the business sectors of the Group's policyholders and debtors covered by its credit insurance policies, the Group cannot disregard the fact that a significant deterioration in the economic conditions in any given sector may impact its overall risk levels, as well as the volume of premiums received, and result in a material adverse effect on its business, financial position, operating results or prospects. This monitoring is permanent and allows adjustment to closely match anticipations.

5.1.3.4 Risks related to overexposure to debtors or dependence on major policyholders

As of December 31, 2016, no debtor represented more than 1% of the Group's exposure and no policyholder accounted for more than 1% of the total premiums collected. Although it considers that the level of risk exposure regarding a major debtor is fairly limited, given their number and the diversity of risks that they present and the reinsurance underwritten, the occurrence of any significant risks linked to certain important debtors could affect the amount of indemnifications that it may have to pay, and have a material adverse effect on its financial position and operating results.

5.1.3.5 Risks related to the Group's international activities

The Group markets its services in 100 countries located in Europe, North America, Latin America, Asia, and a number of African countries. The diversity of its geographical locations exposes it to various and sometimes unstable economic, financial, regulatory, commercial, social and political contexts that could have an influence on the solvency of its policyholders' debtors or, to a lesser extent, on the solvency of its policyholders themselves, its methods of intervention and marketing, as well as the management and monitoring of risks related to its credit insurance products.

It could be forced to face a number of external risk factors, such as: fluctuations in exchange rates and currency devaluations; capital transfer restrictions; imposed restrictions related to embargoes; changes in legal and tax systems, including the regulations regarding transfer pricing and withholding tax on payments made by the entities of the Group; increase in interest rates; inflation, potential recessions and financial market volatility; or even, political instability and the risk of terrorism and war.

In this context, the Group may face significant difficulties and its strategy may be affected by the environment in certain countries in which it operates, leading to a material adverse effect on its business, financial position, operating results or prospects. The Group is furthermore present in countries where the legal systems are very diverse, and where the legal and dispute resolution systems sometimes present characteristics or levels of maturity different from those of its most important markets in Europe. In this context, it could encounter difficulties with regard to taking legal action or enforcing rulings.

5.1.3.6 Risks related to intermediated distribution of the Group's credit insurance policies

Although the Group has various distribution channels for its credit insurance policies and also its own sales teams, around two thirds of its sales activity is brokered, and depends on the existence and quality of its relationships with various partners who distribute credit insurance policies on its behalf, especially in countries where it does not have a direct presence (fronting) or does not have its own licence. Its network of partners is composed of insurance brokers, financial institutions and non-specialised business facilitators, with whom it often maintains long-term relationships that are not exclusive (see paragraph 1.5.1.6, "A multi-channel sales network that has been strengthened by an important network of partners and business contributors").

Any significant difficulty encountered in the management of its partnerships or in their development could have a direct impact on its competitiveness and the implementation of its strategy for sustainable and profitable growth. The Group cannot, therefore, rule out a drop in its business related to the breach or a renewal under less favourable terms of a partnership contract with third parties such as brokers, banks and multiple line insurers, or the bankruptcy of these partners. These difficulties, if they occur to a large extent, could have a material adverse effect on its financial position, operating results or prospects.

5.1.3.7 Risks related to relations with reinsurers, the capacity of the reinsurance market and reinsurance costs

The theoretical level of exposure assessed by the Group is incompatible with the Group's available capital alone. This theoretical level of exposure is based primarily on the fact that a certain number of claims derived from this exposure will be passed on to reinsurers under a quota share treaty, bearing in mind that this transfer of risk to reinsurance companies does not exempt the Group from its commitments to pay its policyholders. Through non-proportional "excess claim and excess loss" cover, the Group has also implemented a reinsurance strategy against any potential extreme risks (see Section 2.4.2.2.3.5 "Reinsurance risk measures"). In terms of its relations with reinsurance companies, the Group is subject to the creditworthiness risks of its reinsurers and the risk that it might be unable to obtain reinsurance treaties or obtain them on acceptable pricing terms.

In spite of the financial crisis, no defaults among the Group's reinsurers were noted; one or more reinsurers of the Group could no longer be able to meet their financial obligations, which could lead to increased losses for the Group. Furthermore, the reinsurance capacities on the market and the prices of reinsurance treaties depend on the general economic situation and on many other factors, and could vary significantly. Therefore, even though such a situation has never occurred, the Group could have difficulties in obtaining reinsurance on commercially or financially acceptable terms, thereby increasing the risk of potential losses. In turn, this could lead the Group to change its pricing structures or its risk underwriting policy, which could negatively impact its profitability and competitiveness. The occurrence of any of these risks could have a material adverse effect on the Group's financial position, operating results, solvency margin, business and prospects.

5.1.3.8 Risks related to operational failures or inadequacies

The business of the Group relies very heavily on a set of complex processes, involving risks of operational malfunctions linked to many internal or external factors. These factors can be human, organisational, material, natural or environmental, including risks of inadequate procedures, errors, fraud or malicious acts by employees, policyholders or brokers, or non-compliance with internal and external regulations, intrusion or hacking. Although the Group pays particular attention to the quality of its services, the rigour of its internal processes and systems, and compliance with strict ethical values in the conduct of its business, it cannot exclude the occurrence of such failures (see Section 2.4.2.2.3.4 "Operational and non-compliance risk measures").

Potential plaintiffs could try to hold the Group's employees, officers or companies responsible for such occurrences. The Group could be forced to pay damages and interest or be subject to significant fines, and unfavourable media coverage. The occurrence of such events could affect the Group's reputation for reliability and integrity and thus affect its ability to retain the confidence of its policyholders and to attract new policyholders, causing a material adverse effect on its business, financial position, operating results and prospects.

5.1.3.9 Risks related to information systems

The Group's business relies very heavily on its information systems. The Group manages complex information systems (in particular for the collection and management of information on the creditworthiness of companies, management of product sales and services, centralisation of its risk (pricing, invoicing, debt collection, management of claims disputes) and for its bookkeeping and reporting), which are essential for conducting its credit insurance business and additional services related to business information, factoring and debt management.

IT tools and information systems are indeed essential components for all its business, in terms of the development and the quality of its commercial offers (business information, management and collection of debts, credit insurance offers, in particular pricing and underwriting decisions of the Group risk underwriters), as well as for management, back office, reporting and internal control procedures. Despite a policy to strengthen the back-up of its information systems and infrastructure, particularly in the context of Solvency II, and the availability of information systems back-up for all its databases and emergency plans

for its activities including priority information systems (see Section 1.8. "Information systems and processes"), it cannot be guaranteed that the tools, systems and the databases will not be destroyed or damaged as a result of an incident or failure of IT tools and information systems.

Any failure of IT tools or information systems, including as a result of hacking, could have a material adverse effect on the business, financial position, operating results or prospects of the Group.

In addition, in order to manage certain information systems that are essential to its business, the Group depends on a limited number of suppliers, particularly in regards to the databases related to its information systems. The contracts to supply these services are renewed or renegotiated periodically. An unfavourable change in the relationship with one of the suppliers, hardening of required conditions, a failure to comply with commitments specified in the contracts, non-renewal of these contracts, or a renewal under less favourable conditions than those previously applicable, a potential default by one of the suppliers or a potential increased concentration of providers, could bring about delays or significant costs, and generally have a material adverse impact on the business, financial position, operating results or prospects of the Group.

5.1.3.10 Risks related to cybersecurity

The Group may also be subject to targeted attacks on its IT networks. Techniques used to hack, disrupt (denial of service), degrade quality or sabotage the information systems are constantly evolving, and it is often impossible to identify them before an attack is launched. The Group could thus be unable to protect itself against such hacking techniques, or to quickly implement an appropriate and effective response system. It could be forced to face business interruptions, losses or damage to its databases, misappropriations of confidential information for which it could be held liable, particularly involving litigation or in a way that could negatively affect its reputation and image.

5.1.3.11 Risks related to the Group's factoring business

As part of its factoring activity, the Group finances the trade receivables of companies by acquiring their trade receivables, either insuring or not these receivables against the risk of debtor's insolvency, and collecting them on its own account. In some cases, the Group has a right of recourse against the ceding company. For the financial year ended December 31, 2016, the factoring business represented €70.62 million in net banking income and €2.4 billion in purchased receivables. Within this context, the Group could bear risks related to invoice quality (risk of invoice dilution [1] in the case of disputed or falsified invoices; client insolvency (*i.e.* ceding risk) where the client is unable to repay the cash advance made on outstanding invoices; or the solvency of buyers of products and services (see also Notes 7 and 25 to the Group's consolidated financial statements).

If these risks occur in any significant manner, they could have a material adverse effect on the financial position, solvency margin, operating results and thus prospects of the Group.

5.1.3.12 Risks related to relations with the French State

In application of the legal and regulatory provisions of the French Insurance Code *(Code des assurances),* Compagnie française d'assurance pour le commerce extérieur was responsible for managing the public export credit insurance service on behalf of the French State. The management procedures for this activity are specified in agreements signed with the French State. The risks linked to these operations are irrevocably guaranteed by the State (see also the following Sections 1.3.1.2, 1.5.1, 1.9.2 and 7.5 and Note 42 of the Group's consolidated financial statements).

The Group finally transferred this State export guarantees management business to Bpifrance on December 31, 2016. The IT teams and resources dedicated to this business were also transferred on January 1, 2017. As consideration for this transfer, Coface received compensation and cost support corresponding to a non-recurring net gain of €75 million before tax recognised in the accounts for the financial year ended December 31, 2016.

5.1.4 OTHER RISKS RELATED TO THE COMPANY

5.1.4.1 Risks related to the control of the Company and its relations with Natixis

The Company's main shareholder is Natixis, which holds 41.24% of the Company's capital and 41.33% of voting rights as of December 31, 2016. Consequently, Natixis could significantly influence the Group's strategic decisions, and/or have all resolutions that are submitted for the approval of the Company's shareholders at the Ordinary or Extraordinary Annual Shareholders' Meetings accepted or rejected, particularly in regards to the appointment of members of the Board of Directors, the approval of the annual financial statements and the distribution of dividends, as well as the authorisation to proceed with capital increases or other issues of securities, merger or contribution operations, or any other decision requiring the approval of the Company's shareholders.

The Company has in the past benefited from Natixis' financial support. Even though the Company considers itself to be financially independent, it cannot be guaranteed that the Company will not need additional support in the future, or that Natixis could continue to provide such financial support, given that Natixis has publicly announced its intention to reduce its shareholding in the Company.

(1) *Dilution translates the risk that the value of receivables transferred to the factoring company or the amount owed to the factoring company is lessened by any form of reduction or cancellation granted to the debtor.*

Furthermore, it cannot be excluded that Natixis could find itself in a situation where its own interests and those of the Group or of other shareholders are in conflict, particularly in the case of a liquidity contract.

5.1.4.2 Risks related to the Company's holding structure

The Company is a holding company which performs its activities indirectly through operating subsidiaries, Compagnie française d'assurance pour le commerce extérieur and its subsidiaries, and has no credit insurance business or service of its own. As a holding company, its main sources of funds come from dividends paid by its subsidiaries, and the proceeds of debt or equity issuances as well as amounts borrowed under bank or other loan facilities. The Group's operating subsidiaries hold its assets, and are at the source of almost all of its profits and cash flows. If the profits of these operating subsidiaries were to fall, its profits and cash flows would be affected by this, and the impacted subsidiaries could be unable to honour their obligations, or pay, in part or in full, the dividends expected by the Company.

The capacity of the Group's operating subsidiaries to make these payments depends on economic, commercial and contractual considerations, as well as on legal and regulatory constraints, which are linked to the solvency margin, thereby restricting the use of capital and in particular the distribution of dividends. It could also be affected by the various risk factors described in this paragraph. Were the equity of the Company and/or one of its subsidiaries to fall below the regulatory requirements, the insurance business regulators have significant means available to them to take action. For example, they may restrict or prohibit the signing of new contracts, prohibit the distribution of dividends and/or, in the most serious cases, require reorganisation or insolvency proceedings, in particular the opening of involuntary reorganisation or liquidation proceedings for such a subsidiary in France.

Moreover, if its subsidiaries were not able to maintain an adequate level of equity with regard to the regulatory requirements and/or their competitive positions, the Company could be forced to support them financially, which could have a significant impact on the status of its liquidity position, consolidated net income and financial position. Any drop in profits or impossibility or inability of its subsidiaries to make payments to other subsidiaries of the Group could have a material adverse effect on its ability to distribute dividends, repay debt and fulfil its other obligations, which could have a material adverse effect on its business lines, solvency margin, operating results, financial position and prospects.

5.1.4.3 Risks related to potential judicial, administrative or arbitral proceedings

In the normal course of business, the Group's entities could be involved in a number of judicial, administrative or arbitral proceedings, particularly following claims for compensation. Although, as of today, no procedures of this type are likely to affect its business, financial position or operating results, there is no guarantee that in the future new procedures might not be brought against the Company or its subsidiaries. If applicable, claims for a significant amount could be made against the Company or its subsidiaries, and the outcome of these procedures could result in a significant degree of liability for the Group. In such a case, although it maintains a prudent level of provisions to guard against the cost of litigation, these proceedings could have a material adverse effect on its business, reputation, financial position, operating results and prospects.

5.1.4.4 Risks related to deferred tax assets

The Group records deferred tax assets for future tax savings resulting from the differences between deficits carried forward and the timing differences between the values of asset items in the consolidated financial statements, and those allocated when the taxable income is established. The effective realisation of these assets in future years depends on the tax laws and regulations, the outcome of current or future controls and disputes, and the expected future operating results of the entities concerned (see Note 21 of the Group's consolidated financial statements).

5.1.4.5 Risks related to the evaluation of goodwill and intangible assets

The occurrence of future events having an adverse impact on the Group may cause an impairment of certain intangible assets and/or goodwill. Any substantial impairment may have an adverse impact on the Group's financial position and operating results for the year in which such expenses are recognised (see Note 4 of the Group's consolidated financial statements).

5.2 Insurance policy

Since January 2015, the Group has set up its own insurance programme offering levels of cover that it considers commensurate with the risks inherent in its business operations, with leading insurance companies to cover its general and specific risks (professional civil liability, civil operating liability, director civil liability, material damage to operating assets, business travel accidents, cyber risks, etc.). The Group supplements this insurance cover locally, according to its needs or the specific regulatory requirements of certain countries.

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Coface is aware of its responsibility and has made a commitment to corporate, environmental and societal issues for several years now. In 2003, it joined the United Nations Global Compact, which meant supporting in its sphere of influence the 10 principles of the Compact on human rights, international labour standards and the fight against corruption. Coface's Human Resources (HR) policy is a reflection of its economic and corporate plan. It accompanies and accelerates the Coface Group's strategic transformations, while ensuring the development and commitment of its employees. The activity of Coface, a service sector company, has a limited impact on the environment. Nonetheless, Coface is staunchly committed to environmental protection and to sustainable development issues.

Carrying these principles even further, in July 2015, Coface's general management created the function of Group Corporate Social Responsibility (CSR) manager, which is handled by the Corporate Secretary in order to ensure the monitoring of actions undertaken and those to be undertaken in this field by all Coface entities worldwide. Lastly, in 2015, Coface drew up a medium-term company-wide CSR plan under which it specifies the Group's corporate, environmental and societal values and makes a number of corresponding commitments to be implemented within the next three years.

6.1 Reporting standards and methods

The corporate, environmental and societal report was established to meet the obligations of Article 225 of the Grenelle II law of July 10, 2010 and its application decree No. 2012-557.

General organisation of the reporting

The information presented in this document was produced internally on the basis of information provided by the heads of each area concerned. The social information and indicators were supplied by the Human Resources Departments of the entities in the reporting scope and by the person in charge of Personnel Reporting, and was coordinated by the Group Human Resources (HR) Department. The environmental information comes from the departments in charge of facilities management in the reporting scope. The societal information was supplied by the Compliance Department and information on the socially responsible investment policy was supplied by the Group Investment, Financing and Treasury Department. These three latter categories of information were coordinated by the Group Legal, Compliance and Facilities Management Department.

Reporting period

Unless stated otherwise, all figures refer to financial year 2016, corresponding to calendar year 2016. Comparable data, on a like-for-like basis, is sometimes presented for previous years for the purposes of comparison.

Reporting scope

The information presented in this Document was produced for the first time for financial year 2014 and the figures contained therein concerned the French scope, except for the Group's workforce, with an illustration of the policies, processes, tools, initiatives and actions at Group level. The French scope concerns (i) COFACE SA and (ii) its subsidiary, Compagnie française d'assurance pour le commerce extérieur (iii) excluding its second subsidiary, Coface Re, which is not registered in France and has a total workforce of seven employees based in Switzerland.

Since 2014, the Group has extended its reporting scope during each new reporting year and plans to continue this extension gradually. To this end, for financial year 2015, the reporting scope was extended beyond France to include Germany. The German scope concerns the three German companies Coface Finanz GmbH, Coface Rating GmbH and Coface Debitorenmanagement GmbH as well as the German branch of Compagnie française d'assurance pour le commerce extérieur. For financial year 2016, Italy has been included in the reporting scope. Italy includes the insurance branch of Compagnie française d'assurance pour le commerce extérieur and a service company devoted to debt collection operations, Coface Italia SRL.

At December 31, 2014, the French scope represented 24% of the Group's workforce and 20% of its revenue. At December 31, 2015, the reporting scope corresponded to 40% of the Group's workforce and 36.3% of revenue. With the inclusion of Italy, at December 31, 2016, the reporting scope corresponded to 43% of the Group's workforce and 48.4% of its revenue.

Methodological details on the information communicated

Social

- The social indicators, excluding the Group's workforce, concern the French, German and Italian scope in 2016. However, as mentioned above, the description of policies, processes and HR tools are defined at Group level.
- All figures concerning the workforce, seniority, age and diversity were obtained from Group HRD reporting, an online internal tool.

- The workforce figures provided relate to employees as at December 31, 2016 on open-ended or fixed-term contracts, excluding interns, work-study placements, temporary workers, and sub-contractors.
- Employees leaving the Group are accounted during the financial year, whatever the reason for leaving, with respect to people on permanent contracts: resignation, dismissal, termination by mutual agreement, end of probation period, retirement, or death.
- Workplace accidents and data on disabilities are reported in accordance with local regulations.
- Training in France, Germany and Italy includes in-house and external training. The figures show the number of interns benefiting from training in 2016. The reported period for one training day corresponds to the legal working hours in each country concerned. E-learning language programmes are included in the training reporting. E-learning training programmes as well as training courses lasting less than one day are not yet included for Germany.

Environment

- The indicator figures are for:
  - France, and include the Coface head office and regional departments in France,
  - Germany, composed of eleven sites, the main office being located in Mainz, and the others in Hamburg, Berlin, Hanover, Nuremberg, Düsseldorf, Bielefeld, Frankfurt, Köln, Karsruhe, Stuttgart and Munich,
  - Italy, composed of two sites, the main office being located in Milan and the other in Rome.

The energy consumption scope includes the buildings open for the full year and not those opened or closed during the year.

- The greenhouse gas emissions have been calculated:
  - for energy consumption based, on emission factors reported by local suppliers – primarily for electricity – or the emission factors available in the French agency for sustainable development Base carbone® database;
  - for transport based, on emission factors reported by suppliers.
- Paper consumption includes the paper bought for the printers and the internal reprography service (mainly paper certified PEFC, FSC and FSCMX). It does not include external communication actions or envelopes or other paper types.
- Water consumption corresponds to the consumption of the Bois-Colombes head office (France), and the offices in Mainz (Germany) and Milan (Italy), as these three sites are the main buildings in the reporting scope; data on the other buildings are included in rental charges and are therefore not available. If the data for December are not available, the data are reported year on year from November N-1 to November N.

6.2 Social information

6.2.1 POLICY ON HUMAN RESOURCES AND PERFORMANCE DEVELOPMENT

Each year, the Group HR function reviews and shares with its contacts in the Coface regions and countries all its governance principles; these are presented together with the overall HR strategy. The goal is to adopt a common vision of the organisation of the function, its challenges and the application of its policies, in particular people reviews, succession plans in the compensation policy and HR assistance for business lines development.

6.2.1.1 General presentation of staff

In 2012, the Group built an HR reporting tool, which has been online since December 2013. The database is updated in real time, and receives a steady flow of data from local HR managers in the countries where the Company is present. Consolidation of this information occurs on the last business day of the month, which allows monthly trend reports to be produced. This reporting includes the individual data regarding contract, tool, activity and business, as well as length of service for each legal entity in the Group and information on the command structure between the different positions.

The tool also serves as a strategic planning tool for staff and skills, as it makes it possible to manage recruitment actions and internal mobility within the context of a reference budget. This broader perspective on local needs and the rapid determination of trends through dashboards has enabled HR reporting to gradually become an instrument for managing our effectiveness and talents.

At December 31, 2016, the Group employed 4,282 people based in 63 countries, compared to 4,578 based in 66 countries, at December 31, 2015. Among them, 1,308 were assigned to sales & marketing, 1,595 to support functions, 1,040 to information, disputes and debt collection and 339 to underwriting.

The table below presents the geographic breakdown of the Group's workforce at December 31, 2014, 2015 and 2016:

WORKFORCE	2016	2015	2014	% OF TOTAL 2016
Northern Europe	771	918	941	18%
Western Europe	1,175	1,485	1,501	27%
Central Europe	721	709	709	17%
Mediterranean & Africa	760	564	556	18%
North America	112	117	123	3%
Latin America	366	394	386	9%
Asia-Pacific	377	391	386	9%
TOTAL	**4,282**	**4,578**	**4,602**	**100%**

In 2016, Coface reorganised its global regions by putting Russia in the scope of the Central Europe region (it was previously part of Northern Europe), Spain and Portugal in Mediterranean & Africa (previously part of Western Europe), which resulted in changes in the payrolls of the regions concerned.

The table below presents the breakdown of the Group's workforce by activity type at December 31, 2014, 2015 and 2016:

WORKFORCE	2016	2015	2014	% OF TOTAL 2016	CHANGE 2016 *VS* 2015
Sales & Marketing	1,308	1,567	1,542	30.5%	-16.5%
Support	1,595	1,554	1,583	37.2%	2.6%
Information, disputes, debt collection	1,040	1,124	1,140	24.3%	-7.5%
Underwriting	339	333	337	7.9%	1.8%
TOTAL	**4,282**	**4,578**	**4,602**	**100.0%**	**-6.5%**

As part of the *Fit to Win* strategic plan drawn up in 2016, the Group decided to specifically strengthen its human resource capacities on core business functions, such as information and risk management. Accordingly, enhanced information is supposed to receive 25.5 new positions, 19 of which were already filled in 2016. Coface also set up a centralised risk management support team comprised of senior employees, by creating four positions at head office with the task of providing support to local risk underwriting teams.

In France, Germany and Italy, the total workforce at December 31, 2016 was 1,856 employees and breaks down as follows:

	ITALY	FRANCE			GERMANY	
	2016	2016	2015	2014	2016	2015
Open-ended contracts	99.0%	99.2%	99.6%	99%	99.7%	99.9%
Fixed-term contracts	1.0%	0.8%	0.4%	1%	0.3%	0.1%
Supervising managers	23.6%	18.5%	17.4%	17%	13.3%	12.7%

In 2016, the Company welcomed 80 new hires on permanent contracts in France, Germany and Italy, with 135 departures, including 58 resignations, 37 retirements and 10 dismissals.

◆ 6.2.1.2 Promoting diversity: fostering talent

Due to the nature of its business lines and their geographic coverage, the Group is a multicultural group with an extremely international focus. For the year ended December 31, 2016, more than 75 nationalities were represented in the Group; this diversity is strengthened by the frequent integration of employees from other countries into the teams; to date, 223 employees work outside their country of origin on a daily basis. This essential diversity guarantees that the Group reflects the diversity of the business communities and clients that it serves. For example, employees based in France have 25 different nationalities.

The male/female balance (54% of women throughout the Group), as with the cultural diversity within the Company and each Coface region, is an asset for the Group, which has for several years taken steps towards promoting the internal mobility and access of its employees to roles of responsibility.

For the year ended December 31, 2016, the gender distribution was 56% of women in France, 52% in Germany and 49% in Italy. Women hold nearly 42% of managerial positions in France, nearly 15% in Germany and 34% in Italy.

2016	ITALY	FRANCE	GERMANY
Women	48.7%	56.0%	52.2%
Female managers – compared to total workforce	34.0%	41.6%	14.9%
Men	51.3%	44.0%	47.8%

At December 31, 2016, female representation within the governance bodies was as follows:

- Board of Directors: six women out of eleven directors or 54.6%;
- Executive Committee/Management Committee: women represent nearly 1/3 of Executive Committee members and 42.9% of the Management Committee.

The Group has been cited several times for its exemplary conduct regarding the promotion of women in the workplace. In 2015, Coface ranked 18th in the 2015 ranking of female participation in the 120 companies included in the SBF120 stock market index. This ranking, established by Ethics & Boards, an international observatory of the governance of listed companies, ranks companies based on criteria such as female presence on the Board of Directors, number of women among executive managers and the implementation of proactive policies to promote gender equality. In 2016, Coface's female director in Brazil received an award in the category of "Female Entrepreneur on the Insurance Market" at the Brazilian insurance industry's major event "Premiação Gaivota de Ouro" in recognition of her credit insurance development work in Brazil and Coface Brazil's achievement in promoting gender equality in a predominantly masculine sector.

In Germany, Coface participated in 2015 in the "Girls' Day – Future Prospects for Girls" event by organising an open day for girls to find out about careers in credit insurance. This day was also an opportunity for these girls to meet influential women and potential role models to inspire them to pursue careers in businesses where they are under-represented.

In Italy, more than 50% of people in management and supervisory positions are women. Coface Italy supports equal treatment for men and women in access to training, positions of responsibility and internal career growth opportunities. Coface Italy has implemented several initiatives including offering flexible working hours, and the possibility of part-time work for women with children to allow them to combine personal life and professional development.

In early 2017, the Group also launched a Women to Win initiative with the goal of galvanising local teams around projects and programmes aimed at strengthening equal development opportunities in the Group between men and women.

Lastly, more emphasis has been placed on talents in the Group since 2016 with the creation of the CEO Growth Awards and the nomination of prize winners every quarter. This CEO award draws attention to the Group's employees and teams who, thanks to their outstanding contribution, manage to win contracts, protect the balance sheet or address customer expectations by embodying the Group's values.

6.2.1.3 Work organisation

Coface complies with local regulations and agreements regarding the organisation and duration of the working hours of its employees, and it does so in all countries where it is established, either directly or through subsidiaries or branches.

It should be noted that 12.3% of its employees in France, Germany and Italy choose to work part time for personal organisation reasons; furthermore, the Company offers employees the possibility, as part of its work time agreements, of organising their work time according to selected hours. No employee in France, Germany or Italy works according to staggered hours or at night.

In 2016, the absenteeism rate observed was 2.72% in France (compared to 3.3% in 2015), 6.53% in Germany and 5.3% in Italy. In each of the countries within the reporting scope, the absenteeism rate is information that is monitored according to their own calculation methods; therefore, communication of consolidated data for the whole of the reporting scope will be possible after homogenisation of the calculation methods for this rate.

6.2.1.4 Honing our skills to foster success

In addition to the leadership model, primarily intended for managers, Coface has defined four values, customer orientation, expertise, responsibility & courage, and collaboration built on integrity, which broadly express the fundamentals of its culture to all its employees. This grounding in skills underpins the Coface's ambition of expressing its expectations regarding required behaviour, in order to help its employees grow and become more responsible. Coface has adapted its HR processes, especially the annual performance assessment interview, to make these values key success factors for Coface.

These values have been defined with the assistance of more than 2,300 employees from 66 countries via an online survey. This contribution is the sign of an integrated group, concerned about involving its employees through a collective and participative process. These values are anchored in Coface's day-to-day actions and will thus help to promote cultural transformation which has already begun within the Group. They define the Company's identify and its genetic makeup. A global charter has also been developed to give more substance to these values.

Training

Training at Coface plays an important role with regard to the combined effect of the specific aspects of credit insurance and the regulatory obligations. It is a major tool for developing employees' technical and behavioural knowledge, which leads the Group to broaden the employability of its teams and integrate new needs expressed by its customers and the economic realities of its markets. Employees are in touch with their environment and are able to support the Group's business in line with strategic requirements and customer expectations. In addition to developing technical skills, more resources have been assigned to training in

skills associated with the Group's values. The goal is to help employees understand how these values translate into behaviour expected in the responsibilities linked to their job.

To continue modernising its training approach, Coface has signed a biannual contract to extend its relationship with the "360 Learning" platform. This technical solution corresponds to Coface's conviction that internal experts should be given the opportunity to transmit their knowledge. They are given complete freedom to formalise their knowledge by placing it on any medium at their convenience, publish it for a specific audience, follow and interact with interns via a collaborative feature. In this way, Coface is able to rapidly and efficiently address all Group employees, with content that perfectly meets its needs. The Solvency II programme (regulatory reform aimed at redefining the solvency margin of insurance companies according to their risk profile) is an example of this strategy. In 2015, the Risk Department teams designed an e-learning module addressed to all employees.

The solution selected by Coface works and is aimed at creating the conditions of a learning Coface, open to acquiring knowledge and constantly adapting to changes. In 2016, training programmes on the commercial (Asia), regulatory and managerial (Italy) areas were developed and published locally.

Developed by the Marketing Department, the Campus Programme, initially developed for Coface Partners, was disseminated to all Group employees. This allowed each employee to test and improve their knowledge about Coface operations and its range of commercial offers on sale.

Nearly 200 employees were immersed in this module, based on the principle of entertainment and gaming and 23 completed all the stages up to the highest level of expertise: Super-hero.

Continuing the effort started with the Sales Force 1 programme, an international project group made up of sales and human resource teams, produced a digital training programme for sales representatives. More than sixty modules have been combined within what will become the "Sales School" in the first weeks of 2017. Similarly, ten employees working as risk underwriters designed in 2016, twenty modules which will also be used as the foundation course for the "Underwriting School". In addition, the Purchasing and Human Resources Departments teamed up to launch a call for bids with the aim of strengthening managerial skills through an innovative solution. All these initiatives are specifically aimed at assisting employees through the radical transformations going on in Coface and symbolised by the *Fit to Win* strategic plan defined in 2016.

As part of the *Fit to Win* strategic plan defined in 2016, Coface has implemented a Lean management programme, which entails optimising its processes, tools and organisation to free up resources for more value added tasks in order to increase its operational efficiency and to better address business challenges and the needs of its customers.

To disseminate this new work culture within the Group, a Company in-house newsletter was created in 2016 to raise employee awareness, with the objective of subsequently offering broader training in the principles of Lean management in 2017. In November 2016, a training workshop was organised for members of the Management Committee at the Bois-Colombes head office. The workshop was organised over two sessions, one theoretical class to present the principles of Lean management, and another practical class with a case study.

In France, Germany and Italy, nearly €431,356 was spent on employee training and 16,241 training hours were delivered in 2016; 898 employees in France, Germany and Italy thus participated in at least one training course in 2016.

Performance management

Since 2013, an annual interview process was rolled out online in 22 languages in all of the countries where the Group is established, in order to determine the strategic priorities and share standardised criteria for employee performance assessment. With, from the start, nearly 100% of interviews completed and with 98.09% at the start of 2016, the campaign addresses a need of employees to exchange views with their manager and discuss clear, individual objectives for the year, based on a sharing of the major strategic priorities for each function. Furthermore, the annual interview process is used to manage the performance of each employee by their line manager and to address the Group's objective to strengthen the culture of performance. Since 2014, the managerial cycle also includes mid-year reviews of individual objectives. In August 2016, 56% of employees seized the opportunity to adjust the objectives set during annual interviews.

At the end of 2016, the new annual interviews campaign was launched, introducing five new Coface values into the behavioural assessment process. This was an opportunity for the Group to clearly express its vision on the appropriate behaviour to adopt in order to consolidate the performance of Coface. The assessment grid was modified to mark this change, improve oversight of the process and facilitate differentiation.

The results concerning performance and desired mobility served as a basis for the Group's people reviews, aimed at identifying key positions and employees with high potential, and experts, while preparing for succession plans for the 271 key positions. To improve the quality of information collected by regional correspondents and validated by functional managers, Coface has drafted rules that notably cover all the necessary clarifications concerning each one's role in this process as well as definitions, to ensure that each one shares the same principles.

6.2.1.5 Compensation policy: risk control, performance management and strategy support

Coface reviewed its compensation policy in 2016 to meet the regulatory requirements applicable in the insurance sector and to guarantee its coherence with the objectives of the *Fit to Win* strategic plan defined in 2016.

This policy, detailed in Chapter 2.2.1 of this document, is in line with the provisions of the Solvency II Directive which aimes at an effective risk control in the Company. As a key instrument in the implementation of Coface's strategy, the compensation policy also has the following objectives:

- to attract, motivate and retain the best talents;

  As such in 2016, the Group extended the award of free performance shares to a regulated target population in

the context of the Solvency II Directive (key functions and employees with significant influence on the Company's risk profile) for whom a portion of the variable compensation should be deferred and to certain employees as part of the retention policy. The vesting period for this plan is three years, in accordance with the *Fit to Win* strategic plan defined in 2016;

- to encourage individual and collective performance and seek to be competitive on the market while respecting the Group's financial balance;

  For several years now, the Group has been implementing a controlled wage increase policy, based primarily on the recognition of individual performance in a company undergoing significant change. In 2016, individual increase and premium measures represented 0.65% of total payroll in France (at December 31, 2016), with an average individual increase of 4.99% for persons with increases. In addition to individual compensation, a collective compensation is paid in France as profit sharing and participation;
- to comply with the regulations in force, guarantee internal equity and professional equality, particularly between men and women;

  In France, nearly 55% of the employees who benefited from the 2016 wage increase and premium award policy were women;
- lastly, the compensation seeks to match the Group's objectives and to support its development strategy in the long term.

  The bonus policy is reviewed every year in the light of the Group's priorities. In 2016, the objectives of each function were defined with regard to the *Fit to Win* strategic plan. A new objective, entailing compliance with the Group's rules and procedures was added to the criteria used to assess bonuses for all key managers as a way of underscoring integrity, one of the Company's fundamental values.

The Coface compensation policy is managed by the Group HR Department and passed along by the function in Coface regions and countries.

6.2.1.6 Employee opinion survey: a mechanism for listening and engaging

Coface strengthens employee satisfaction and commitment, notably through its opinion survey – Coface Opinions. Action plans have resulted in structural initiatives for the Group, such as, for example, the definition of a common standard for managerial skills. The next "Coface Opinions" survey will be carried out in 2017.

6.2.1.7 Mobility and international development

After a complete audit of its population and practices, the Group revised its international mobility policy in 2015 with the principal goals of controlling legal, social and tax risks, optimising costs, clarifying rules and guaranteeing equal treatment in all its entities worldwide.

In 2016, Coface introduced mandatory medical check-up into its employee international mobility management process to ensure the aptitude of employees under consideration.

These medical check-ups are managed externally by the Henner company to guarantee the confidentiality of employee medical data.

6.2.1.8 Social dialogue: defending the corporate plan

Bodies representing employees

The Group maintains high quality social dialogue with its European and national employee representative bodies. The implementation of this dialogue provides management and employee representatives with a forum for working towards the Group's success and sustainable development.

In each country within the reporting scope there are employee representation bodies. In France, there are three such bodies, which are elected: the works council, made up of nine full members and nine alternate members, the staff delegates, comprising 11 full members and 11 alternate members, and the hygiene, safety and working conditions committee (CHSCT), made up of nine members, with no alternate members.

In addition, within the Board of Directors of Compagnie française d'assurance pour le commerce extérieur, there are four directors representing the employees and one director representing the works council.

In addition, for all the countries in the reporting scope there exist trade union delegates or representative trade union organisations that take part in social dialogue within the company.

These different bodies meet regularly to discuss social matters such as compensation, working hours, management of leave and the employees' mutual fund.

Therefore, in France during 2016, 12 meetings of the works council, 11 meetings of the staff delegates, 3 CHSCT meetings and 9 meetings with union delegates took place. The works council and CHSCT meetings also dealt with subjects linked to the functioning of the company (consultation on the economic situation, on the strategic orientations and their social consequences, transfer of public credit insurance procedures, commercial restructuring, reorganisation of departments, evolution of staff, professional training).

The European Work Council, comprised of 14 members representing the employees of 23 European countries, meets at least once per year to set forth the activity and future strategic guidelines for the Group. Throughout the year, there are also discussions between management and the European Works Council restricted committee regarding projects pending and the development of the organisation.

The Group believes that social dialogue is an important driver for mobilising employee engagement. In an effort to create conditions for its sustainable development, it is working to reconcile the Company's performance with a process of social progress. Actions implemented to promote CSR were covered by a separate report at the European Works Council plenary meeting in 2016.

6.2.1.9 Collective bargaining and company level agreements

The Group conducts regular discussions with the European Works Council, and in 2013 signed an agreement regarding the rights to information and consultation of the body, creating a restricted committee within it. On May 19, 2015, the restricted committee approved its internal rules of procedure, thus strengthening the principles of its governance.

In France, the companies in the Group's scope of consolidation primarily fall under the National Collective Agreement for Insurance Companies. As concerns the collective agreements, in addition to the periodic agreements relating to negotiations on employment compensation and conditions, the Group in France signed a certain number of company-level agreements with its representatives during the 2011-2016 period, which notably include an agreement relating to the generation contract (2013), and another on professional equality (2012). Agreements concerning the employment of senior citizens and the Forward-Looking Management of Employment were also signed in 2014 in France. Locally, in accordance with each party's prerogatives, the employee-representative bodies are integrated into the processes of transforming organisations or establishing new processes, always striving to seek out agreements.

It is noteworthy that in 2014, in Germany, agreements regarding internal restructuring and a voluntary departure plan were negotiated; discussions leading to agreements on rolling out the online annual interview process were also conducted.

Furthermore, although an agreement on the monetisation of the time savings account and a rider to the incentive agreement were signed in 2016, some agreements on paid leave in France are currently being renegotiated after they were terminated in 2016 because they no longer corresponded to market practices.

6.2.1.10 Day-to-day health and safety

The Group ascribes significant importance to employee health and safety. There are medical monitoring mechanisms in compliance with local regulations and healthcare coverage is offered to employees in all the entities.

As concerns service-sector employment, the identified risks more specifically concern occupational environment and professional transportation. To that end, certain entities have now taken initiatives to prevent these risks, notably as concerns their employees (training for driving on slippery roads, nutrition day, medical, dental and eye check-ups, etc.).

In 2015, our entity based in the United Kingdom launched a series of initiatives to support its new workplace well-being policy. Employees were able to sign up for a fitness programme, attend yoga classes and obtain an annual health check-up. For a healthy working environment, fruit baskets are provided for free access by all employees and managers are invited to attend a stress management course. Similar practices were implemented in Brazil in 2016 where each Coface employee was given the opportunity to meet a nutritionist and a fitness coach.

Other Coface offices are also endeavouring to create pleasant work conditions based on the development of emotional intelligence. For example, to encourage the sharing of positive ideas and the feeling of gratitude, Coface Lithuania organised for its employees a competition of thank you panels known as "Kudos", which is ancient Greek for "recognition"; Coface offices in Spain and Portugal decided to celebrate "Friendship and affection day" with handwritten cards distributed to friends and colleagues.

Germany also organised Pilates classes and a Health Day to promote employee well-being at work.

In accordance with the local legislation in this respect, Coface Italy ensures that all its employees go for an annual medical check-up.

In France, Germany and Italy, employees are trained in first-aid and emergency building evacuation drills are organised to ensure employee safety.

In the wake of the Paris terror attacks in November 2015, a Vigipirate surveillance plan was activated on the Bois-Colombes site and security measures were reinforced (check-point at main entrance to the building). The Group has undertaken to intensify security measures in each of its entities to ensure that employees are protected as much as possible against terrorist threats.

Eight workplace accidents leading to days off were reported in France, Germany and Italy in 2016. No occupational illnesses were reported in France.

In conjunction with the occupational physician, the Occupational Health and Safety Committee (OHSC) and the commission for the prevention of psychosocial risks, a set of indicators is monitored to spot trends, learn lessons, and implement action. Hence in 2015, following these works, specific arrangements were made in the building to reduce noise generated by places where people meet (coffee or vending machines).

Based on regular dialogue with employee representative bodies, the Company has improved working conditions to address the daily concerns of employees. In this respect, the single document on risk prevention for employee health and safety was entirely renewed in 2016 with the cooperation of the OHSC.

6.2.1.11 Equal treatment and access to employment: anti-discrimination measures

Disability

The Group is centred on the consulting, analysis, and customer relations businesses, and is thus able to welcome employees with disabilities. The Group ensures that employees with disabilities are integrated into all its business lines and countries and applies existing local provisions.

The lines of action in France, Germany and Italy are presented and discussed with the employee representation bodies on a regular basis. Furthermore, Coface Germany has a specific representation body for employees with disabilities. Throughout 2016, Coface Germany conducted

negotiations on the arrangement of a professional reintegration programme. This negotiation should lead to an agreement in 2017.

Coface France is currently working in collaboration with the occupational physician and social services on a communication aimed at clarifying the implications and notably, the interests of the recognition process for the status of employee with disability under French law.

Lastly, the practices of Coface Italy reflect the legal framework which requires that a minimum number of jobs should be reserved for people with disabilities in the total workforce of an entity. For example, in 2015, Coface Italy had 156 employees. The legal requirement corresponding to this workforce is 10 jobs reserved for persons with disabilities. In 2016, Coface Italy welcomed eight people with disabilities to its total workforce of 199 employees and therefore paid a contribution to the government for the three vacant posts, while maintaining the goal of filling those vacancies as quickly as possible.

Employment of senior citizens

France and Germany have an age pyramid with a large portion of the workforce aged over 50 years. On Coface's historic markets, this demonstrates team loyalty and the Company's proactive policy to recognise and retain the expertise of its employees.

As of December 31, 2016, the age ranges of employees in France and Germany were as follows:

AGE RANGES	PERCENTAGE OF STAFF IN ITALY	PERCENTAGE OF STAFF IN FRANCE	PERCENTAGE OF STAFF IN GERMANY
< 30 years	4.5%	8.7%	4.4%
30 to 40 years	30.7%	19.9%	26.7%
40 to 50 years	47.7%	27.2%	32.1%
> 50 years	17.1%	44.2%	36.8%

In order to define suitable and innovative actions (transmission of knowledge, receiving and mentoring young people, career development of older employees, etc.), in December 2013 France signed an agreement relating to the generation contract (scheme implemented by the French State, aimed at encouraging the protection of employment for older employees, the sustainable insertion of young people and the transmission of skills within the Company).

Respect for the fundamental conventions of the International Labour Organisation

Since 2003, the Group has been a signatory of the United Nations Global Compact, which commits it to respecting the fundamental conventions of the ILO. Coface, therefore, ensures compliance with liberty of association and the right of collective bargaining, the elimination of professional and employment discrimination, elimination of forced or mandatory labour, and the effective abolition of child labour.

6.2.2 AGREEMENT PROVIDING FOR EMPLOYEE SHARE OWNERSHIP IN THE CAPITAL OF THE COMPANY

As part of its stock market listing, the Company proceeded with a share purchase offer in June 2014 reserved for employees. Nearly 50% of eligible employees participated in this offer and became shareholders, either directly or through the intermediary of the Coface Actionnariat mutual fund.

6.3 Environmental information

As a service company, Coface's CSR policy mainly entails making real estate choices that help to lower its environmental footprint by reducing its greenhouse gas emissions, and its energy and paper consumptions. Accordingly, it seeks to promote selective waste sorting and recycling, especially obsolete IT equipment components and to encourage its employees to adopt behaviours compliant with the commitments it has made in this field. Lastly, Coface measures the carbon footprint of its investment portfolio in the context of the implementation of its responsible investment policy, in order to participate in international environmental protection efforts linked to climate change and to the energy transition.

6.3.1 GENERAL ENVIRONMENTAL POLICY

The Company is fully committed to protecting the environment. Its approach to reducing its environmental footprint has significantly influenced its real estate choices, most specifically in the choice of its head office, and the efforts rolled out to reduce its greenhouse gas emissions, consumption of energy and paper, along with other initiatives established in France and abroad which encourage waste sorting and recycling, particularly for parts of obsolete IT equipment.

Moreover, within the context of the coverage provided on behalf of the French State, an activity managed by Coface until December 31, 2016, the Company makes credit insurance coverage and the investment of projects financed in the medium and long-term contingent upon compliance with environmental and corporate standards.

In compliance with the common approaches of the OECD on export credits benefiting from public support, and the duty of environmental and social due diligence, it is systematically evaluating the environmental and social impacts of projects of more than €10 million, or projects located in environmentally and socially sensitive areas. These projects must simultaneously meet the standards of the host country and the relevant international standards, in particular those of the World Bank. This concerns environmental protection in the broad sense: controlled waste, protection of communities, biodiversity, cultural heritage, etc., along with the consideration of social impacts (worker protection, population displacement, human rights, etc.). Until December 31, 2016, at least 30 days before making the decision to cover them, in an effort to inform all parties concerned and to allow them to make any comments, Coface published the most important projects on its website with the information regarding the environmental and social aspects. It then published the projects it covered, providing evidence that standards have been met.

Lastly, the Company is involved in the discussions held by OECD bodies to promote the financing of certain types of projects (for example, in renewable energies) and provide them with more favourable terms of coverage.

In 2015, the Company set up a medium-term CSR plan which was the outcome of a think tank launched at the end of 2014, involving all of the Company's regions, presented in Section 6.5 below. The objectives of this plan were partially achieved in 2016.

In 2016, there was no environmental litigation and no indemnity was paid in application of a legal decision rendered in that subject area. The Group has therefore not established any guarantee or provisions to cover that risk.

◆ 6.3.1.1 Actions to raise employee awareness

In order to fully associate employees with this process, various actions were conducted to raise employee awareness. Therefore, the Group's business review features each year a section devoted to raising Coface employee awareness about environmental challenges and the book of best practices, distributed to all employees during their arrival at the Bois-Colombes premises, notably emphasises the importance of daily gestures for sustainable development, and in particular of reducing the consumption of paper, and sorting waste. Other actions to raise employee awareness were developed at numerous establishments of the Company worldwide.

Other examples include the celebration of "Earth Day" on April 22 every year by Coface Slovenia to raise employee awareness about the impact of our daily actions on the environment and the campaign at Coface Romania to encourage its employees to reduce energy consumption in five areas of their day-to-day life (at work, leisure, travelling, at home and shopping) through a best ecological behaviour manual filled with ideas on saving energy. More broadly, the message of corporate environmental responsibility, and thus of each employee's responsibility, is disseminated by our teams worldwide, with countries such as Brazil being particularly active and innovative (use of products labelled as recyclable (pens, paper and cardboard), corporate gifts produced by companies committed to sustainable development, etc.).

A document on the legal obligations in CSR issues and the actions implemented inside the Group was presented to the European Works Council meeting in 2016. This was an opportunity to make the European employee representative body aware of CSR issues.

◆ 6.3.1.2 Environmental features of the Group's buildings

In France, environmental aspects were a determining factor for Coface in choosing the building that has housed its head office in Bois-Colombes since June 17, 2013. This building, which can host approximately 1,300 employees, is certified NF MQE (High Environmental Quality for Construction) and BREEAM (BRE Environmental Assessment Method). It thus incorporates current best practices in terms of the immediate environmental impact, construction materials and processes, and production of waste. This building has furthermore been certified "low consumption" (BBC); its standard energy consumption is thus limited. The building preserves natural resources, thanks to limited water needs for green areas due to rooftop water recovery, and low consumption exterior lighting.

In Germany, the main office located in Mainz is certified "Ökoprofit" for its sparing use of energy resources.

In compliance with European Regulations, Coface commissioned energy audits in France, Germany and Italy at the end of December 2015 and early 2016 for its buildings and vehicle fleets. The purpose of the audits was to study the energy use and greenhouse gas emissions of and from each building and vehicle fleet and draft recommendations for renovations to rationalise or reduce energy use. In France, the main energy saving measures recommended in the report were implemented in 2016.

6.3.2 WASTE MANAGEMENT AND THE FIGHT AGAINST FOOD WASTAGE

The Company's activity does not cause significant pollution. It has a very insignificant direct impact on the air, water and soil, and does not cause any significant noise pollution.

In Bois-Colombes, a local waste sorting policy, with dedicated waste containers for glass, paper and ordinary industrial waste (OIW), was established. A note was distributed to employees to raise awareness.

Several entities of the Company participate in programmes to recycle obsolete or out-of-use materials, and employees are called upon in some of them to participate by contributing materials to be recycled. This is how Coface US began participating in a programme to recycle obsolete computers. In 2014, more than 900 kg of hardware were thus provided for these purposes. The efforts were maintained by Coface US with 866 kg of hardware given for recycling in 2015 and despite the extensive renewal of IT tools the previous years, 278 kg of equipment were still recycled in 2016.

Since 2013, Coface Romania has taken part in a national scheme with the association Recolamp called the Green Corner, which brings together 8,600 companies with the aim of collecting spent electronic equipment, batteries, fluorescent lights and light bulbs for recycling. A partnership was also established by Coface Romania with the Foundation for the Promotion of Community Sanctions to recycle obsolete computer hardware.

Coface Chile joined an association (Sprapa) which promotes recycling.

Coface Romania also launched a forest protection initiative through a partnership with the Sistec association. As a result of this initiative, both confidential and non-confidential papers are stored and recycled, rather than thrown out. This initiative has already saved several dozen trees over the two years of its existence.

In Peru and Ecuador, only recycled paper is used.

Coface Austria established a certain number of measures to decrease the use of plastic (water is served in glass bottles, installation of a purified water cooler, to prevent employees from purchasing plastic bottles).

To ensure the sorting and recovery of organic waste from food products on the Bois-Colombes site, the Company naturally sought the assistance of its mass catering company, Sodexo. Sodexo is fully committed to promoting corporate social responsibility. The well-being and health of people, diversity and inclusion as well as the environment are central to its business lines and concerns. In this respect, Sodexo intends to fully participate in helping to achieve the 17 sustainable development goals set by the United Nations in September 2015. Reducing food waste is part of the three goals considered by Sodexo as a priority with the fight against hunger and gender equality. Under its Better Tomorrow Plan, Sodexo has set up a global programme known as WasteWatch, which has allowed it to identify the causes of waste and define action plans. In concrete terms, kitchen employees collect three types of food waste; waste from surplus production, preparation and expired products. This waste is then measured, tracked and recorded using a centralised reporting tool. The goal is to reduce food waste by up to 45% within two to six months. These techniques were presented to Coface which is currently reviewing the various possible options in order to implement actions in 2017.

Since the Company's business does not release waste into the soil, no specific action was taken in that area.

6.3.3 CONSIDERATION OF NOISE DISTURBANCES

Coface's business does not cause noise pollution to third parties. Moving the head office to premises with an open floor plan led the Company to adopt a certain number of measures to preserve the calm, in the interest of its employees and customers.

The premises include numerous conference rooms or "bubbles" intended for professional discussions between employees, in order to limit noise in the common spaces at all times. The best practices for life on an open floor plan are disseminated among employees, emphasising the various means which help limit noise disturbances: setting phones to go directly to messaging, adjustment or elimination of ring tones, favouring visual notifications, setting mobile phones to vibrate, and use of the bubbles.

6.3.4 SUSTAINABLE USE OF RESOURCES AND THE CIRCULAR ECONOMY

Water consumption

The Group only consumes water in the operation of its service-sector premises: air-conditioning, cooling of electronic equipment, cafeteria, maintenance, sanitary facilities and watering of green areas.

In 2016, water consumption totalled 28,587 m^3 versus 44,334 m^3 in 2015 for the entire reporting scope thanks to the efficient control of the water distribution network and of maintenance.

Paper consumption

Coface is committed to reducing its consumption of paper. It has established a printing policy for its reporting scope which includes the following measures: setting printers to copy both sides of the paper by default, elimination of

individual printers, encouraging staff to print only essential documents and to favour "economical" printing layouts. On the reporting scope, the Group also encourages the purchase of environmentally-friendly paper, certified FEFC or carrying an FSC label.

Campaigns were undertaken in several countries to reduce paper consumption. In France, an audit was performed on all printers in 2016 to analyze the total costs and uses of these machines and determine areas for optimisation according to the functional needs of Coface employees. The significant reduction in consumption for several years now and the precise mapping of the total number of machines have revealed, by comparison to user rates per machine, the need to reduce the number of printers by nearly 40%. This would consequently lead to a substantial reduction in the costs linked to the operation of these machines for the Company. This measure will be implemented in 2017.

In the same vein, in 2016, the Group Legal Department chose to opt for completely paperless legal information by cancelling its "paper" subscriptions to legal magazines and updates to specialised publications. To address its commitments to promote the circular economy, a large portion of its paper-based document library, now replaced by an online document library, will be recycled or where appropriate, offered to organisations that have shown an interest.

The Group has likewise engaged for several years in a policy to make its exchanges with its policyholders paperless, by using several tools, such as CofaNet, a secure tool that allows its customers to manage their policies online. CofaNet is available in 56 countries and a mobile app version of the tool known as "CofaMove" has been rolled out to allow policyholders to apply for approval or consult their client portfolio from their smartphones.

The dematerialisation of exchanges between Coface and its multinational customers also entails the use of "Dashboard", an exclusively online tool that offers policyholders a centralised monitoring of data for all trade receivables.

In 2016, Coface continued to innovate in the digital accessibility of its products for its customers, and will release a single electronic portal, the "Customer Portal", which will allow each customer to access the information disseminated by Coface and to centralise all Coface applications previously used by the customer separately.

Coface's total paper consumption in France has, therefore, reduced significantly in recent years thanks to the dematerialisation of exchanges with policyholders and also thanks to better monitoring of printing and the use of thinner paper. The drop was particularly significant in 2013, at 39 tons, a 28% drop compared to 2012, when it was 54 tons. Paper consumption in France amounted to 38 tons for 2014 and 42 tons for 2015; this increase can be explained by the fact that in 2015, as part of efforts to keep a tighter control on costs, Coface performed numerous reprography tasks in house, when such tasks were previously outsourced. Consumption fell by 36 tons, dropping to a new low in 2016.

Similarly in Germany, total paper consumption has fallen every year since 2012, from 48 tons, to 45 tons in 2013, 31 tons in 2014, 28 tons in 2015 and 24.8 tons in 2016, representing an overall reduction of 50% in five years.

Thanks to a strict implementation of the printing procedure described in the first paragraph of this section, Italy has a very low paper consumption rate.

On the reporting scope, paper consumption in 2016 therefore amounted to 65.8 tons.

	FRANCE		GERMANY		ITALY		TOTAL (REPORTING SCOPE)	
PAPER CONSUMPTION	*(in tons)*	CHANGE N/N-1 *(as a %)*	*(in tons)*	CHANGE N/N-1 *(as a %)*	*(in tons)*	VARIATION N/N-1 *(as a %)*	*(in tons)*	CHANGE N/N-1 *(as a %)*
2012	54		48		N/A	N/A	102	
2013	39	-28%	45	-6%	N/A	N/A	84	-18%
2014	38	-3%	31	-31%	N/A	N/A	69	-18%
2015	42	11%	28	-10%	N/A	N/A	70	1%
2016	36	-16.6%	24.8	-12.9%	5	N/A	65.8	-6.4%

Energy consumption

The Group's energy consumption concerns lighting, air-conditioning and heating of the premises.

The Group implements actions to reduce energy consumption, which translates to the environmental choices made in terms of real estate (see the features of the building housing the head office and the main office in Germany) which has allowed energy consumption to be significantly decreased.

REPORTED ENERGY CONSUMPTION SINCE 2014 FOR THE REPORTING SCOPE

	2016 REPORTING SCOPE		FRANCE AND GERMANY 2015		FRANCE 2014	
	CONSUMPTION	CO_2 EQUIV.	CONSUMPTION	CO_2 EQUIV.	CONSUMPTION	CO_2 EQUIV.
Electricity	6,360 Mwh	521 CO_2 T eq.	5,802 Mwh	71 CO_2 T eq.	3,779 Mwh	78 CO_2 T eq.
Gas	1,371 Mwh	297 CO_2 T eq.	692 Mwh	130 CO_2 T eq.	575 Mwh	116 CO_2 T eq.
Surface area	67,823 m^2	67,823 m^2	63,431 m^2	63,431 m^2	30,900 m^2	30,900 m^2

The increase in greenhouse gas emissions in 2016 compared to 2015 can be explained by the inclusion of Italy in the reporting scope. This is because the energy mix in Italy relies quite heavily on fossil fuels unlike the French energy mix.

The percentage of renewable energy used by Coface in France since 2015 corresponds to 13.6% of its total consumption. Furthermore, the roof of its Bois-Colombes head office in France is covered by some hundred square metres of solar cells which reduce its gas consumption by reheating the water supplied to sanitary facilities and to the restaurant. The cells, which have been operating since 2015, led to a 50% reduction in energy consumption over the April to October 2015 period compared to the same period in 2014 and a total reduction in gas consumption over the same period for 2016.

In Germany, electricity consumption does not generate any greenhouse gas emissions since Coface Germany has opted for an energy contract fully based on renewable energy sources with an offset system.

6.3.5 CLIMATE CHANGE

The Group has taken various initiatives to reduce its environmental footprint, in particular with regard to greenhouse gas emissions, thanks to the policies presented below and to its new socially responsible investment policy.

Travel policy

In 2014, the travel policy for Coface employees was modified as follows:

- in France, only train travel is authorised over certain distances, beyond which it may be preferable to travel by plane;
- generally, travelling is limited and replaced by telephone conversations or video conferencing. All of the main Coface sites worldwide are equipped with the appropriate means. At the head office, a remote attendance room was installed which allows effective, simultaneous discussions to take place between the Group's seven regions.

Other local initiatives can be highlighted: for example in Colombia, employees are recommended to use public transport, which has led to a reduction in the number of parking spaces.

TYPE OF TRAVEL	TONS EQUIVALENT IN GREENHOUSE GAS EMISSIONS FOR THE REPORTING SCOPE IN 2016	TONS EQUIVALENT IN GREENHOUSE GAS EMISSIONS FOR THE FRENCH AND GERMAN SCOPE IN 2015	TONS EQUIVALENT IN GREENHOUSE GAS EMISSIONS FOR THE FRENCH SCOPE IN 2014
Aeroplane	533	373	268
Train	4.35	3.05	3.48

In Germany, travel by train does not generate any greenhouse gases owing to the fact that Coface Germany agrees to pay a surcharge when purchasing train tickets from its travel agent. The surcharge offsets the consumptions generated by the journey (offset system).

Vehicle policy

Within the reporting scope, countries adopt initiatives to reduce fuel consumption, such as Coface in France which regularly renews its vehicles and which has implemented a vehicle policy comprising a limitation of CO_2 emissions to an average of 105g for each listed vehicle. Since the beginning of 2015, the new vehicles used consume less fuel since their CO_2 is, on average for the entire vehicle fleet, limited to 94g per kilometre per listed vehicle.

In Germany, the fuel consumption reduction policy is governed by specific clauses specified in the contract drawn up with the vehicle leasing agency, providing for maximum fuel consumption thresholds per vehicle.

TABLE OF 2014, 2015 AND 2016 CONSUMPTIONS

NATURE OF FUEL	2016 REPORTING SCOPE		2015 REPORTING SCOPE		FRANCE 2014	
	LITRES	CO_2 TONS EQUIV.	LITRES	CO_2 TONS EQUIV.	LITRES	CO_2 TONS EQUIV.
Diesel	707,869	1,682	691,119	1,741	230,913	635
4-star premium fuel	3,746	9.7	2,519	6.0	2,969	7.0
TOTAL	**-**	**1,783**	**-**	**1,747**	**-**	**642**

Other initiatives were implemented to reach this goal. In Austria, non-polluting printers use paper that is neutral with regard to carbon dioxide emissions.

To date, Coface's contribution to reducing greenhouse gas emissions has translated to limiting CO_2 emissions through the vehicle policy, and to limiting travel through the travel policy and in its new responsible investment policy implemented in 2016, which notably includes, as described below, taking regular measurements of greenhouse gas emissions from its financial investment portfolio.

6.3.6 PROTECTING BIODIVERSITY

The building that houses the Group's head office contributes to preserving biodiversity, to the extent that it has been established on a garden composed of plants from five continents. This garden, like the building itself, is respectful of the environment. Its plants promote the development of ecosystems and birdhouses facilitate the return of birds.

In addition, the Group's business lines have no impact on biodiversity.

6.4 Societal information

6.4.1 REGIONAL, ECONOMIC AND SOCIAL IMPACT

6.4.1.1 Support to customer development

The very nature of credit insurance contributes to the development of economic trade by offering companies safe commercial transactions. Coface, as a leading market player, strives to offer its customers products that are best suited to their needs, in support of their development. It has made innovation a strategic cornerstone of its development, as illustrated by the marketing since 2014 of the EasyLiner offer targeted at SMEs in France and abroad, and accessible for online subscription. It has also established a system throughout the Group allowing potential claims to be best identified and processed.

6.4.1.2 Creation of links with the social fabric and local economy

With teams located in 63 countries for maximum proximity to the economic and social fabric, the Group favours the hiring of local employees, trained in the credit insurance businesses, and who have detailed knowledge of the business environment. It thus contributes to strengthening its expertise, while developing local players in the countries.

In addition to hiring employees and developing partnerships, Coface readily participates in local inter-company initiatives to promote support for a number of social causes or proposes and supports initiatives intended for students, for example. This dialogue with universities and higher education takes various forms, such as courses taught by some of the Group's employees, the use of apprenticeship contracts and/or the establishment of partnerships.

In France, a specific partnership exists between Coface and the École supérieure du commerce extérieur business school (ESCE). For several years now, Coface has had a seat on the strategic orientation council of this school.

In partnership with the Université Paris-Dauphine (Master 218), Coface takes in final year students as interns each year, who can thus apply their education in a concrete way, and prepare themselves to take on a job within the Company, if the opportunity exists.

The links established with ESCE and Paris-Dauphine have likewise led several employees of the Company to teach in the context of the curricula. Lastly, these two institutions are beneficiaries of our apprenticeship tax payments.

Coface is also represented within Formatex, the organisation specialising in training companies in international business strategies and techniques, initially created by BUSINESSFRANCE and ESCE.

In the United States, an internship programme has been implemented to assist US students in getting to know the Company and to promote visibility of the brand. Close connections are established with student associations, meetings organised on campus, and internship offers disseminated online on the dedicated university sites. More than 350 students have applied. Since 2008, thirty students have taken part in this programme in the United States.

In 2016, Coface participated in an inter-company initiative alongside with the city of Bois-Colombes to promote support for the TÉLÉTHON, a charity created to finance research projects on neuromuscular genetic diseases. This event allowed numerous employees from the Coface head office and from other companies based in the area to meet around shared values of social cohesion and solidarity; all the funds collected were donated to the TÉLÉTHON association.

6.4.2 PARTNERSHIPS AND CORPORATE PHILANTHROPY

◆ 6.4.2.1 Academic relations: promoting careers at Coface

Each year, the Group strengthens its "academic relations" with a selection of universities. In 2015, for example, Coface participated in a workshop at the Duoc-UC university in Chile to present the basics of credit insurance to the students. In 2015, Coface also organised, with the French university Paris-Dauphine, a seminar in Hong Kong for a group of students enrolled on the "insurance and risk management" course, to introduce them to the specific features of the market in that region. Lastly, in Italy, three conferences were given in the universities of Sienna, LUISS in Rome and Carlo-Cattaneo-LIUCC in Castellanza, to introduce students, through different case studies, to the role of credit insurance in ensuring reliable commercial trade.

◆ 6.4.2.2 Coface Trade Aid

In 2004, Coface created a non-profit association, Coface Trade Aid, the aim of which is to promote solidarity actions consistent with Coface's values. They are proposed by employees, whether they are individual initiatives or cooperative actions carried out with charities. These targeted actions aim to facilitate economic exchange, in particular between developed countries and emerging countries, and include initiatives aimed at education or integration into the employment world. They should allow for assisting populations that, due to their economic or social position, are prevented from participating in these exchanges under normal conditions.

Coface Trade Aid targets specific, identified micro-projects, aiming to track them and be involved from start to finish. The projects, which are proposed by employees, are selected for their utility, effectiveness and ambition. Financial transparency, dynamism and the involvement of associations are likewise important criteria for selection.

Initially begun in France, Coface Trade Aid has been gradually extended to all countries of the Group, with the same aim of supporting local initiatives based on education, the learning of a profession, micro-financing or the facilitation of economic exchanges. In 2013, for the first time, Coface organised the "Coface Trade Aid Week", during which each Coface country was asked to mobilise its teams for the benefit of charities. This operation has since been renewed annually as a single day, with the participation of most countries, and now constitutes a common, positive approach in all entities.

The associations supported by Trade Aid include:

- APER – Pour les Enfants des Rizières (Vietnam)

  Purpose of the association: assist disadvantaged children, construct a protection centre for children's education.

- AVNES – Association Vietnam Entraide Solidarité (Vietnam)

  Purpose of the association: support local populations through projects based on sustainable development and micro-credit.

- Avenir et Partage (Burkina-Faso)

  Purpose of the association: provide educational assistance to children in difficulty, with adapted training curricula and support.

- Enfants du Mékong (Philippines)

  Purpose of the association: assist children in South-East Asia, establish development projects aimed at improving education and daily life.

- In Audio Veritas (France)

  Purpose of the association: re-educate profoundly deaf children with hearing aids and/or cochlear implants, with a view to their reinsertion into normal education.

- Les Amis de JNN (India)

  Purpose of the association: assist in the professional reinsertion of women from a slum in Mumbai.

- OSI – Orphelins Sida International (Benin and Côte d'Ivoire)

  Purpose of the association: assist the professional insertion of young AIDS orphans through the establishment of early childhood professional training.

- Pacha! (Bolivia)

  Purpose of the association: establish and support rural development projects in the Potosi region.

- Solidarité Technologique (Cameroon)

  Purpose of the association: promote work or self-employment for disadvantaged young people, thanks to the recovery of second-hand IT equipment.

Other solidarity or climate change defence initiatives were also started.

In Hong Kong, Coface participated in 2015 in the 22nd edition of the "Green Power Hike" to support renewable energy.

In 2016, the Coface branch in the Netherlands donated €7,500 to the Red Cross at an event organised by Dutch radio station 3FM Serious Request to raise awareness about the dangers of pneumonia for children.

In Poland in 2016, in collaboration with the Pożywienie – Darem Serca Foundation, Coface organised a school material and sports equipment collection campaign for underprivileged children in orphanages.

In South Africa, Coface supported "The Johannesburg Children's Home" which provides a home to abandoned or traumatised children, through donations of food, clothes, toys and other children's equipment.

In Austria, Coface also provided financial support to the Sterntalerhof orphanage by organising a collection of donations from employees.

Coface Spain supported the "Cooperación Internacional" NGO by participating in the 10th edition of the "Solidarity Day" in 2016 which brought together more than 6,500 volunteers from 134 companies, including Coface, around support activities for the most underserved communities.

Coface employees fund and monitor these actions, for which the Group matches donations. The amount of donations collected in France and paid to the associations was €44,000 in 2014, and €46,000 in 2015, more than half of which was paid by the Company. In 2016, although France's contribution to Coface Trade Aid, in the amount of €32,165, is less than in previous years, the participation of Coface employees in France in charitable initiatives did not fall, since – in addition to Coface Trade Aid – employees also contributed to other solidarity projects such as the inter-company support project for the TÉLÉTHON.

All regions now participate in this project through various initiatives, associating staff. The number of countries participating in at least one project in this framework rose from 45 in 2012 to 54 in 2014 and has remained relatively stable since.

6.4.3 SUBCONTRACTING AND SUPPLIERS

The outsourcing of important or critical activities is strictly regulated by the regulation applicable to insurance companies since the entry into force of the Solvency II Regulation. In this respect, in 2016, the Company issued a Group policy aimed at identifying "material or critical" activities and defining the fundamental principles of using subcontractors, the terms of any contract drafted for such outsourcing and the control procedures related to the outsourced activities and functions.

This policy was approved by the Company's Board of Directors at its 4th quarter 2016 meeting. Material or critical activities are defined as activities including (i) the following four key functions: the risk management function (especially the underwriting of credit insurance risk, the administrative processing of insurance operations, the issuance and custody of accreditations, the supply of information of any given company), the compliance verification function, the internal audit function and the actuarial function in addition to (ii) the other functions, whose interruption may have a significant impact on the Company's business or on its capacity to efficiently manage risks or whose interruption is likely to undermine the conditions of its accreditation.

Coface and all its subsidiaries have therefore pledged, when certain material or critical activities are outsourced, to select service providers who meet the high quality service standards and have the qualifications and skills necessary to efficiently handle the outsourced service, by avoiding any conflict of interest and guaranteeing data confidentiality. They also agreed to inform the ACPR of their intention to outsource services that fall under the scope of the procedure. Any outsourcing contract to be signed with any selected service provider should include certain mandatory clauses imposed by Coface and be approved by the Company's Board of Directors prior to signature.

Multi-level checks described in the procedure are in place within the Group to ensure compliance with these requirements.

To date, the principle material or critical activities outsourced by the Group concern information supply activities, the Company's financial investment management activity and risk underwriting activity in countries where Coface has no licence and acts through a locally accredited insurance company. They do not concern key functions.

Part of IT activities is also considered as material or critical. Although subcontracting was frequently used in this field, with less than 2/3 of the workforce concerned, the *Fit to Win* strategic plan defined in 2016 will gradually put an end to the use of outsourcing for these functions and have these activities dealt with internally, in order to ensure secured control of the IT systems and thereby help to anchor such skills within Coface.

With respect to activities that are neither material nor critical as defined by the French Insurance Code *(Code des assurances)*, the fields where cooperation with third parties is used concern in particular, Coface's commercial activity. Coface acts through a worldwide network of agents and partners who share the same goal of developing credit insurance solutions to facilitate domestic and export B to B trade on numerous markets by relying on its expertise and on its unique risk database. Selected for their competence and reliability, its agents and partners are required to follow

its commercial practices regarding product distribution; as such distribution must comply with the its defined rules and must be carried out under its control in accordance with its internal rules and procedures.

In the context of its relationships with suppliers in general, Coface established in 2015 an internal policy of best practices in the field of procurement and standardised its general terms for procuring supplies and services. These mostly include the best practices specified in its procurement policy and attached to contracts signed with suppliers. Conditions for issuing calls for tenders were also standardised in 2015 to now include applicant assessment criteria based on the values upheld by corporate social responsibility. Lastly, Coface has set up a charter regulating its relationships with its suppliers. This charter includes a certain number of ethical principles, in particular respect for commitments similar to those that it has committed to adopt and promote as part of the United Nations Global Compact.

6.4.4 SOCIALLY RESPONSIBLE INVESTMENT

In addition to the investment policy within the Group and in connection with Article 173 of the Law of August 17, 2015 on Energy Transition for Green Growth applicable to Coface, the Group defined in 2016 its responsible investment policy and the goals pursued in coherence with its role as credit insurer and protection of its reputational risk.

Being a Socially Responsible Investor for Coface primarily means including oversight and analysis measures in its investment policy in order to fulfil its corporate purpose [1] and integrating into its investment decisions, where appropriate, factors related to respect for the social, environmental and governance quality goals of the companies in which it invests (hereafter the “ESG” factors).

As the Group operates in an international environment with divergent socially responsible investment practices and standards, it sought to pay particular attention to dialogue practices with issuers in order to adopt a dynamic analytical position without seeking an approach that is exclusively geared towards a strictly positive selection or systematic exclusion of certain assets.

As an institutional investor, Coface’s second priority is to seek to take long-term measures within its investment policy for better recognition of the underlying risks linked to ESG factors and to measure over time, the concrete effects of a denser integration of these factors in its portfolio management.

The Socially Responsible Investor strategy is thus based on three pillars with each one being the subject of a dedicated quarterly or annual report. The Group has entrusted AMUNDI, its dedicated global manager with the production of reporting elements and the analysis of potential impacts on the management of its investments.

Thus, in partnership with Amundi, Coface set up in 2016, a mechanism to address the regulatory requirements and to measure the carbon footprint of its portfolios with a view to reducing it. Accordingly, calculating and disclosing information on Coface’s carbon exposure is the foundation of its commitment in this area.

1/ ESG factors: Integrate a sensitivity to these factors while maintaining a primary logic of risk and reputation management.

Amundi is supposed to produce a quarterly report on the average ESG rating of the Coface portfolio (A to G rating) and a breakdown of assets by ESG rating. The ratings will be provided in absolute terms and in relative terms with respect to the benchmark index of the assets concerned. Assessment based on ESG criteria will also be provided.

2/ Voting rights and Commitment: Taking part in voting at the Shareholders’ Meetings of companies held in the portfolio through the delegated managers and encouraging dialogue with their management on best practices by relying on the practices implemented on these topics through the managers selected by Coface.

The reporting is planned to be annual and contain the following information:

- overall voting statistics for each of the Coface dedicated funds (with a focus on geographic breakdown, opposition rates and opposition topics),
- the list of meetings at which voting rights are exercised and during which an opposition voting right was exercised.

Before these votes, and if necessary, Coface can initiate discussions with Amundi’s specialised teams to gather analyses on proposed resolutions and discuss the associated vote recommendations.

Amundi is supposed to update its voting policy annually to include the best corporate governance, social responsibility and environmental practices.

3/ Measuring carbon footprint: Protecting the Group against carbon risk and participating in international environmental protection and energy and ecological transition endeavours.

For this aspect, the policy requires quarterly reports to provide a breakdown of the carbon footprint and segment and geographic contributions to carbon emissions. The data provided should correspond to the annual emissions of the companies in the portfolio and be expressed in CO_2 tons equivalent. Including the six greenhouse gases defined in the Kyoto protocol whose greenhouse gas emissions are converted into global warming potential (GWP) in CO_2 equivalent, they will be presented in this report:

(1) Among the goals sought by the Group in its capital management, the priority for its investment management activity is to generate stable and recurring risk-weighted return, by protecting the value of the Group’s assets in order to ensure that it has the capacity to indemnify its policyholders at all times.

- by millions of euros invested, which allows monitoring of the indicator of emissions caused by the investment in that portfolio,
- by millions of euros in revenue, which allows monitoring of the carbon intensity indicator of the value chain of companies in the portfolio.

The carbon reserves by millions of euros invested will also be presented in the report, as they represent an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in this portfolio.

6.4.5 LOYALTY OF PRACTICES AND RESPECT FOR HUMAN RIGHTS

As part of the effort to control conflict of interests, the Group has drafted a code of business ethics for all Group employees, to promote the integrity values necessary for the proper implementation of their professional activities. This code notably emphasises the importance of treating customers fairly by avoiding conflicts of interest and not using information in an employee's possession against the interests of a customer, a potential customer, and co-contracting third parties.

The code of business ethics also draws employees' attention to the importance of avoiding any pressure that may come with expensive gifts, which should be reported to the Compliance Director.

With regard to lobbying, Coface does not habitually carry out any activity in this field and has no employee whose appointed duty or mission involves lobbying public or political entities. Nevertheless, any action undertaken in this respect should naturally be carried out in the context of the ethical rules laid down by Coface in the aforesaid code of business ethics, which includes a number of anti-corruption rules.

Within the context of combating money laundering and corruption, the Group strengthens every year the tools and roll-out of procedures that had been established since 2011, in order to best control all risks linked to financial security. These measures concern all entities, employees and customers of the Group.

An e-learning training programme was prepared in 2014 by the compliance and ethics teams in five languages and was rolled out in 2015 to employees with the aim of training them in detecting risks and attempts at fraud, fighting money laundering and acquiring the right reflexes when in doubt.

As concerns combating financial delinquency, the procedures that are regularly updated and locally transposed notably consist of a general procedure relating to the risk of money-laundering and to a KYC (Know Your Customer) procedure. These procedures are accompanied by several application sheets (sheet relating to the functioning of declarations of suspicion, sheet relating to the review of atypical transactions, procedure relating to the transfers of cash flows in case of an embargo, or within the context of anti-terrorism). In addition, specific anti-money laundering procedures have been established, notably as concerns sales and debt collection processes, as well as in terms of the archiving of files.

The procedures are implemented by the international network of correspondents in charge of compliance within the Group. To this end, they dispose of a secure intranet and a tool for identifying, classifying and monitoring the customer portfolio across all entities. In 2015, this intranet was enhanced with a feature allowing the control and update of client portfolios with respect to KYC procedures.

In its business lines, the systematic implementation of the diligence procedures described above allow Coface to avoid operations that are deemed suspect. Moreover, restrictions are applied in the area of arms trade guarantees, prohibiting coverage for companies active in the manufacturing of cluster bombs and/or anti-personnel mines.

Coface's B to B activity does not require specific measures regarding the health and safety of consumers.

However, Coface pays great attention to the security and confidentiality of data concerning policyholders and their clients. This is demonstrated through its choice of service providers, the conditions in which it stores data on policyholders and their clients, its implementation of and compliance with the regulation and industry data protection standards (active and passive protection measures such as firewalls, and business continuity plans), and through the addition of specific contract clauses during both the pre-contractual and contractual phases.

As a member of the United Nations Global Compact, Coface follows the principles stated therein relating to the protection of human rights:

- to promote and respect protection of international human rights law in its sphere of influence; and
- to ensure that it is never complicit in human rights violations.

6.5 CSR initiatives envisaged in the medium term by Coface

Thanks to a discussion launched in the last quarter of 2014, which involved the participation of all its regions of business, the Company developed all along 2015 a medium-term CSR plan examined by the Board of Directors in December 2015. This plan includes the follow up of initiatives already existing at Group level and the launch of a certain number of new initiatives.

These initiatives concern corporate governance, clients and prospects in all its geographic regions of business, the Group's employees, its environmental footprint and its societal environment.

In this respect, a decision was made to strengthen Coface's CSR reporting by setting up a dedicated CSR page on the Coface website, which was completed in 2016.

The Company also made a commitment to appoint CSR correspondents in each region charged with regularly collecting CSR data from each Coface entity and subsequently reporting the collected information to the Group level CSR officer, which was also completed in 2016.

The Company has made a commitment to raise the awareness of its policyholders and prospects about relevant environmental, social and governance issues through segment-specific economic studies on its website, some of which will refer to CSR issues.

The Company will pursue and step up its social initiatives with a particular focus on defining a diversity policy that includes, in particular, the employment of people with disabilities.

Environmental reporting are extended each year to new countries to improve the monitoring of the Group's carbon footprint and identify the investments required for better energy consumption.

Lastly, Coface Trade Aid will continue to benefit the Company's societal environment with its charity actions for economically underprivileged populations, with the determination to refocus its actions on local economic development through micro-financing and education for children.

6.6 Report of one of the Statutory Auditors, appointed as an independent third party, on the consolidated corporate, environmental and societal information presented in the management report

Year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditor appointed as independent third party of COFACE SA, accredited by the COFRAC under number 3-10491 (1), we hereby present to you our report on the consolidated corporate, environmental and societal information for the year ended December 31, 2016, presented in the management report (hereinafter the "CSR Information"), in accordance with the provisions of Article L.225-102-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

The Board is responsible for preparing the Company's management report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code and with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulations, the French code of ethics governing the audit profession and the provisions of Article L.822-11-3 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the Codes of Ethics and applicable law and regulations.

RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY

On the basis of our work, it is our responsibility to:

- attest that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is presented fairly, in all material respects, in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work involved the skills of five people and took place between December 2016 and March 2017, over a total of around four weeks. We were assisted in our work by our specialists in CSR.

We performed the procedures below in accordance with the decree dated May 13, 2013 determining the manner in which the independent third party should carry out its work, and with the professional guidance issued by the French National Auditing Body (Compagnie nationale des commissaires aux comptes) relating to this type of work and, with respect to the reasoned opinion on fair presentation, with the ISAE 3000 international standard (2)

1. Statement of completeness of CSR Information

Nature and scope of the work

On the basis of interviews with the individuals in charge of the relevant departments, we reviewed the Company's sustainable development strategy with respect to the social and environmental impact of the Company's activities and its societal commitments and, where applicable, any initiatives or programmes it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided in Article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the consolidation scope, namely the Company and its subsidiaries as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code, within the limitations set out in the methodological information presented in the Chapter "Methodological information on corporate, environmental and societal information" of the management report.

(1) *Details available on www.cofrac.fr.*

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial data.*

Conclusion

Based on these procedures and taking into account the limitations mentioned above, we attest that the management report includes the required CSR Information.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of the work

We conducted ten or more interviews with the people responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, with those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, impartiality and understandability, taking into account best practice, where appropriate;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the social and environmental impact of its activities, its sustainable development strategy and best industry practice.

With regard to the CSR Information that we considered to be the most important [(1)]:

- at the level of a representative sample of entities that we selected [(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to verify that the procedures were followed correctly and to identify any undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents between 28% and 65% of the workforce considered as a characteristic quantity of the social chapter, and between 62% and 100% of environmental data considered as a characteristic quantity [(3)] of the environmental chapter.

For the other consolidated CSR information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, were sufficient to enable us to provide limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of information and internal control systems, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Guidelines.

Paris-La Défense, on March 31, 2017

KPMG S.A.

Anne Garans	Francine Morelli
Partner Sustainability Services	*Partner*

(1) Social indicators: total headcount and distribution by age, by gender and by status (manager and non-manager), number of recruitments, number of dismissals, percentage of female managers, number of persons trained, number of training hours.
Environmental indicators: energy consumption, CO_2 emissions related to energy consumption (electricity, gas) and to transportation (air, rail and road), paper consumption.
Qualitative information: the organisation of social dialogue, particularly information and personnel consultation procedures and negotiation procedures with staff; Measures taken to promote equality between men and women; Organisation of the Company to take account of environmental issues and, where necessary, approaches to environmental assessment or certification; anti-corruption actions.

(2) Coface France, Coface Italy.

(3) Environmental indicators: Energy consumption, CO_2 emissions related to energy consumption (electricity, gas) and to transportation (air, rail and road), paper consumption.

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7.1 Memorandum and Articles of Association

7.1.1 CORPORATE NAME

The corporate name of the Company is "COFACE SA".

7.1.2 LOCATION AND REGISTRATION NUMBER

The Company is registered in the Nanterre Trade and Companies Register under number 432 413 599.

7.1.3 DATE OF FORMATION AND DURATION

The Company was formed on August 7, 2000 for a term of 99 years as of the date of its registration in the Trade and Companies Register, save for early dissolution or extension.

7.1.4 REGISTERED OFFICE, LEGAL FORM AND APPLICABLE LEGISLATION

Head office: 1, place Costes et Bellonte, 92270 Bois-Colombes, France.

Telephone number of head office: +33 (0)1 49 02 20 00.

Legal form and applicable legislation: public limited company *(société anonyme)* under French law with a Board of Directors.

7.1.5 ARTICLES OF ASSOCIATION

The Company's Articles of Association were prepared in compliance with the legal and regulatory provisions applicable to corporations with a Board of Directors.

7.1.5.1 Corporate purpose (Article 2 of the Articles of Association)

The Company's purpose is to perform any civil or commercial operations, operations involving moveable and real-estate property and financial operations, to take all direct or indirect shareholdings, and in general to perform any operations that are directly or indirectly linked to its corporate purpose.

7.1.5.2 Articles of Association relating to the management and administrative bodies – General by-laws of the Board of Directors

(a) Articles of Association

BOARD OF DIRECTORS

Composition of the Board of Directors (Article 12 of the Articles of Association)

The Company is administered by a Board of Directors consisting of at least three (3) and at most eighteen (18) members.

Term of functions – Age limit – Replacement (Article 12 of the Articles of Association)

The Board members serve for a term of four years. In case of a vacancy owing to the death or resignation of one or more directors representing the shareholders, the Board of Directors may temporarily replace these members between two Shareholders' Meetings, in compliance with the terms of Article L.225-24 of the French Commercial Code. The Board must imperatively proceed to make temporary appointments within three months following the date of the vacancy if the number of directors falls below the minimum required by the Articles of Association, without however being lower than the legal minimum.

The number of directors who are aged 70 or over cannot exceed one third of the total number of serving directors. Should this proportion be exceeded, the oldest director shall be deemed to have resigned pursuant to the next Ordinary Shareholders' Meeting.

The mandate of a director expires at the end of the Ordinary Shareholders' Meeting that rules on the accounts of the previous financial year and is held in the year during which the director's mandate is due to expire.

When a director is appointed to replace another director before the expiry of that director's mandate, his mandate shall only last for the remaining duration of the mandate of his predecessor.

Directors may be re-elected without limitation, subject to legal and statutory provisions, in particular with regards to their age.

Directors are personally liable for the performance of their mandate, in accordance with commercial laws.

Directors' shares (Article 12 of the Articles of Association)

Each director must hold at least 500 of the Company's shares.

The Chairman of the Board of Directors (Article 13 of the Articles of Association)

The Board appoints a Chairman from among the individuals serving as members for a period which cannot exceed his term of office as director.

The Chairman can be re-elected.

The age limit for performing the duties of Chairman is fixed at 65. When a serving Chairman reaches this age, he is considered to have resigned at the Ordinary Shareholders' Meeting which rules on the accounts of the financial year during which the said Chairman turned 65.

The Chairman of the Board of Directors organises and guides the Board of Directors' work and reports on it to the Shareholders' Meeting. He oversees the effective operation of the Company's corporate bodies and, in particular, ensures that the directors are in a position to fulfil their duties.

In the event of a temporary impediment or the death of the Chairman, the statutory and regulatory provisions are applicable.

Should it consider it necessary, the Board may appoint one or more Vice-Chairmen from the directors who will, in the order of their own appointment, chair Board meetings in the event that the Chairman is absent or indisposed.

In the event of the absence or indisposition of the Chairman or Vice-Chairmen, the Board appoints, for each meeting, a member among those present to preside over it.

The amount and procedures for the remuneration of the Chairman and the Vice-Chairmen are fixed by the Board of Directors.

EXERCISE OF THE GENERAL MANAGEMENT

General Management (Article 14 of the Articles of Association)

The general management of the Company is handled either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The Board appoints its Chairman and decides by a simple majority whether to grant him the powers of Chief Executive Officer (CEO) or whether to grant these powers to another person. This decision as to whether the mandates of Chairman and Chief Executive Officer (CEO) should be held by the same person or by two separate persons, as well as any subsequent change to this configuration, remains in force until a contrary decision is taken by the Board of Directors, which may then decide, by a simple majority, to opt for the other configuration of the powers of general management. The Board of Directors of the Company keeps the shareholders and third parties informed about this change in accordance with applicable law.

Where the general management is handled by the Chairman, legal and statutory provisions related to the Chief Executive Officer (CEO) apply to him.

Chief Executive Officer (CEO) (Article 15 of the Articles of Association)

The Board of Directors determines the duration of the Chief Executive Officer's (CEO) term and his remuneration.

The age limit for serving as Chief Executive Officer (CEO) is 65. Should a Chief Executive Officer (CEO) reach this age limit, he is deemed to have resigned pursuant to the Shareholders' Meeting that is held to rule on the accounts of the financial year during which he reached the age limit.

The Chief Executive Officer (CEO) is invested with the broadest powers to act under all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers that the law expressly grants to Shareholders' Meetings and to the Board of Directors.

He represents the Company in its dealings with third parties. The provisions of the Articles of Association or the decisions of the Board of Directors which limit the powers of the Chief Executive Officer (CEO) are unenforceable against third parties.

If the Chief Executive Officer (CEO) does not assume the duties of the Chairman of the Board of Directors and is not a director, then he attends Board meetings in a consultative capacity.

Deputy Chief Executive Officer (Article 16 of the Articles of Association)

At the request of the Chief Executive Officer (CEO), the Board of Directors can appoint a natural person to assist the Chief Executive Officer (CEO), with the title of Deputy Chief Executive Officer (Deputy CEO) *(directeur général délégué)*.

The Board of Directors determines the remuneration of the Deputy Chief Executive Officer (Deputy CEO).

The age limit for performing the duties of Deputy Chief Executive is 65. When a serving Deputy Chief Executive reaches this age, he is considered to have resigned at the Ordinary Shareholders' Meeting which rules on the accounts of the financial year during which he turned 65.

In collaboration with the Chief Executive Officer (CEO), the Board determines the scope and duration of the powers conferred upon the Deputy Chief Executive. The Deputy Chief Executive has the same powers *vis-à-vis* third parties as the Chief Executive Officer (CEO).

If the Deputy Chief Executive is not a director, then he attends Board meetings in a consultative capacity.

Operation of the Board of Directors (Article 18 of the Articles of Association)

The Board of Directors meets as often as it is required in the interests of the Company, and at least once per quarter.

Board meetings are convened by the Chairman. However, directors representing at least one third of the Board members may convene a meeting of the Board, detailing the agenda, if there has been no meeting for more than two months. Where the duties of the Chief Executive Officer (CEO) are not performed by the Chairman, the Chief Executive Officer (CEO) may also ask the Chairman to convene a Board meeting to consider a fixed agenda. Board meetings are held either at the registered office or any other location indicated in the convening notice. The convening notice to attend is in the form of a simple letter or e-mail addressed to the Board members. If there is a degree of

urgency, the convening notice may be given by any other appropriate means, including verbally.

Meetings of the Board of Directors are presided by the Chairman of the Board of Directors or, should the latter be absent, by the oldest director present, or by one of the vice-Chairmen, if there are any.

A director may appoint another director, by means of a letter, to represent him at a session of the Board of Directors.

Each director may, during a given meeting, only have one proxy vote by virtue of the foregoing paragraph.

The meeting can only validly deliberate if at least half of the serving directors are present.

Decisions are taken by means of majority voting by those directors present or represented.

In the event of a split vote, the director chairing the meeting has the casting vote.

In compliance with applicable statutory and regulatory provisions, the Board's internal rules may provide that directors who take part in a meeting via video conferencing or other telecommunication means that meet the technical requirements set by the prevailing statutory and regulatory provisions are deemed to be present for the purposes of the calculation of the quorum and the majority.

The Board may appoint a secretary who may but need not be one of its members.

Based on a proposal by its Chairman, the Board may decide to form among its members, or with the involvement of persons who are not directors, committees or commissions in charge of looking into matters that it or its Chairman shall refer to them for assessment; these committees or commissions exercise their powers under its responsibility.

The minutes of each session shall mention the names of the directors who are present or represented and the names of the directors who are absent, to act as evidence towards third parties.

Powers of the Board of Directors (Article 21 of the Articles of Association)

The Board of Directors determines the Company's business strategy and oversees its implementation. Subject to powers expressly assigned to the Shareholders' Meetings and within the limitations of the corporate purpose, the Board deliberates on all matters relating to the effective operation of the Company and rules on all matters concerning it. The Board of Directors carries out the inspections and verifications which it judges necessary. The Chairman or the Chief Executive Officer (CEO) must send to each director all the documents and information needed for the accomplishment of his duties.

The internal rules of the Board of Directors determine which decisions are to be submitted to the prior authorisation of the Board of Directors in addition to those which must be submitted to it in accordance with the law.

Directors' fees (Article 19 of the Articles of Association)

Independently of all reimbursement of costs or allocation for particular services which may be accorded, the directors may receive, in the form of directors' fees, remuneration recorded under overheads, the total amount of which is fixed by the Shareholders' Meeting. The Board of Directors divides the aforementioned remuneration among its members as it sees fit.

(b) Internal rules of the Board of Directors

The internal rules of the Board of Directors specify, on the one hand, the method of organisation and operation, the powers, rights and prerogatives of the Board and of the committees it has established (see Article 4, "Creation of committees – Joint provisions" and Article 1.2 "Operations subject to the prior authorisation of the Board of Directors" for a description of the various committees established and the limits on the powers of general management) and, on the other hand, the terms of control and evaluation of its operations.

The internal rules of the Board of Directors are partially included in this registration document and may be consulted online in the section entitled "Investors/Governance" of the corporate website at www.coface.com.

(c) Control and evaluation of the Board of Directors' operations (see Section 2.4.1.1)

Article 2 of the Board of Directors' internal rules provides for at least 1/3 of independent members, pursuant to the AFEP-MEDEF Code, within the Board of Directors.

Pursuant to Article 2.3.2 of the Board of Directors' internal rules, a director is considered to be independent if he does not maintain any relation of any kind whatsoever with the Company, management or the Coface Group, which could compromise the exercise of his free judgement or be of a nature to put him in a conflict of interest with management, the Company or the Coface Group.

The qualification of an independent member of the Board of Directors is discussed by the Appointments and Compensation Committee, which drafts a report on this subject for the Board. Each year the Board of Directors examines, in view of this report, before publication of the registration document, the status of each director with regard to the criteria of independence defined in Article 2.3.2 of the Board of Directors' internal rules. The Board of Directors must provide the findings from its examination to the shareholders in the annual report and at the Annual Shareholders' Meeting at which the directors are appointed.

In addition, in compliance with Article 3.5 of the Board of Directors' Articles of Association, at least once a year, an agenda is devoted to evaluating the operation of the Board, which is reported in the Company's annual report.

A formal evaluation of the Board of Directors is conducted every three years, and will be entrusted to the Appointments and Compensation Committee, potentially assisted by an outside consultant.

7.1.5.3 Rights, privileges and restrictions attached to the shares

Form of shares (Article 8 of the Articles of Association)

The Company's shares shall either be registered or bearer shares, at the discretion of each shareholder.

The ownership of the Company's shares shall result from their registration in an account in the name of their holder in the registers kept by the Company or by a duly authorised intermediary.

Voting rights (Article 11 of the Articles of Association)

Each share grants its holder the right to vote and be represented at Shareholders' Meetings, in accordance with the law and the Articles of Association.

As an exception to the allocation of a double voting right for any share that has been fully paid up, as proven by the registration by name of the bearer for two years, in the name of the same shareholder, provided for in Article L.225-123, paragraph 3 of the French Commercial Code, each shareholder is entitled to the same number of votes as the number of shares that he/she owns or represents.

Right to dividends and profits (Article 11 of the Articles of Association)

Each share grants its holder the right to a share in any distribution of the Company's earnings, assets and proceeds from liquidation.

The rights and obligations attached to the shares follow them when they change hands.

Ownership of a share implies, as of right, acceptance of the Articles of Association of the Company and the decisions that are duly taken by Shareholders' Meetings.

Shareholders shall only bear liability to the extent of the nominal value of each share that they hold.

Whenever it is necessary to hold several shares in order to exercise a particular right, in the event of an exchange, grouping or allocation of shares, or as a result of an increase or a reduction of the share capital, a merger or other corporate operation, the owners of single shares or of an insufficient number of shares may only exercise this right provided that they arrange to group together and to buy or sell any shares as may be required.

The joint owners of shares shall be represented at Shareholders' Meetings by one of their number or by a sole representative. Should the parties involved fail to agree over the appointment of their representative, the latter shall be appointed by a court order issued pursuant to a petition filed by the first joint owner to do so.

Unless otherwise agreed and notified to the Company, in the event of the division of ownership of a share, the voting right belongs to the beneficial owner *(usufruitier)* at Ordinary Shareholders' Meetings and by the bare owner *(nu-propriétaire)* at Extraordinary or Special Shareholders' Meetings. However, in any event, the bare owner has the right to take part in all Shareholders' Meetings.

Payment of the dividend in shares (Article 24 of the Articles of Association)

The Shareholders' Meeting ruling on the accounts for the financial year has the possibility to offer each shareholder, for all or part of the dividend payout, an option to receive the dividend in cash or in the form of shares. This option may also be granted in the case of interim dividends.

The procedures for dividend payments in cash are fixed by the Shareholders' Meeting or, alternatively, by the Board of Directors.

Preferential subscription right

The Company's shares benefit from a preferential subscription right under the terms provided for by the French Commercial Code.

Limit on voting rights

No statutory clause restricts the voting right attached to the shares.

7.1.5.4 Amendment of shareholders' rights (Article 23 of the Articles of Association)

The Extraordinary Shareholders' Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

7.1.5.5 Annual Shareholders' Meetings (Article 23 of the Articles of Association)

Powers

The shareholders take their decisions in Shareholders' Meetings which are designated as ordinary or extraordinary.

The Ordinary Shareholders' Meeting takes all decisions which do not entail modification to the Company's share capital or Articles of Association. In particular, it appoints, replaces, re-elects and dismisses directors. It also approves, rejects or corrects the accounts and rules on the breakdown and allocation of profits.

The Extraordinary Shareholders' Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

Convening notice and meeting location

Shareholders' Meetings are convened as per the terms and conditions set forth in the law.

Meetings take place at the registered office or any other location indicated in the convening notice.

Access to and conduct of the meetings

Any shareholder may take part in the Shareholders' Meetings in person or through a representative, in accordance with the prevailing regulations, upon presentation of suitable evidence of his identity and of his ownership of shares, by registering his shares in the form prescribed by prevailing statutory and regulatory provisions.

Shareholders who take part in a Shareholders' Meeting by video conferencing or other telecommunication means or by remote transmission, including over the Internet, which enable them to be identified in accordance with the prevailing regulations, are deemed to be present for the purposes of the calculation of the quorum and the majority, subject to a decision taken by the Board of Directors to make use of such means of telecommunication and said decision being mentioned in the announcement or convening notice to attend the Shareholders' Meeting.

Any shareholder may vote remotely or appoint a proxy in accordance with current rules and regulations, by means of a form drawn up by the Company and sent to the latter, including by electronic means or remote transmission, if this is permitted by the Board of Directors. This form must be received by the Company in accordance with regulatory requirements in order for it to be taken into consideration.

Chairmanship, committee, attendance sheet

Each Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed for that purpose by the Board.

Where the meeting is called by the Statutory Auditors or a legal officer, the meeting is chaired by the person or individuals issuing the notice to attend.

The duties of deputy returning officer *(scrutateur)* are performed by the two members present at the meeting who hold the largest number of shares and are willing to act in that capacity. The committee appoints the secretary; who is not necessarily a shareholder.

An attendance sheet is kept in accordance with statutory conditions.

Deliberations, minutes

The Shareholders' Meetings deliberate subject to the quorum and majority conditions prescribed by statutory provisions. Voting is on a one-share, one-vote basis.

The deliberations are recorded in minutes entered in a special register and signed by members of the committee.

Copies or extracts of the minutes are certified as valid by the Chairman of the Board of Directors, the Chief Executive Officer if he Is a director, or the Secretary of the meeting.

Shareholders' right to information

Each shareholder has the right to receive disclosure of the documents required to enable him to make an informed decision and to form an informed opinion on the management and the operation of the Company. The latter has the obligation to make these documents available to them or to send them to them.

The nature of these documents and the terms under which they must be sent or made available are set by law.

7.1.5.6 Statutory clauses likely to have an impact on a change in control

None.

7.1.5.7 Crossing of thresholds and identification of shareholders (Article 10 of the Articles of Association)

In compliance with prevailing laws and regulations, the Company may ask any duly empowered body or intermediary for information about the identity, nationality and address of the holders of any securities that confer an immediate or deferred right to vote in its Shareholders' Meetings, as well as the number of securities that they each hold and any restrictions applicable to these securities.

Any natural or legal person who directly or indirectly possesses, alone or in conjunction with others, 2% of the share capital or voting rights (calculated in accordance with the provisions of Articles L.233-7 and L.233-9 of the French Commercial Code and the provisions of the general rules of the AMF [French Financial Markets Authority]), or any multiple of this percentage, must notify to the Company the total number (i) of the shares and voting rights that he possesses directly or indirectly, alone or in conjunction with others, (ii) of the securities that provide deferred access to the share capital of the Company which he possesses directly or indirectly, alone or in conjunction with others, and the voting rights that are potentially attached to same, and (iii) of the shares that are already issued that this person may acquire by virtue of an agreement or a financial instrument mentioned in Article L.211-1 of the French Financial and Monetary Code. This notification must take place by means of a letter sent by registered post with acknowledgement of receipt within four stock market days after the relevant threshold has been exceeded.

The obligation to inform the Company shall also apply, within the same timescales and on the same terms, whenever the shareholder's shareholding or voting rights fall to a level that is lower than any of the abovementioned thresholds.

Should a shareholder fail to comply with the obligation to declare the fact that it has exceeded or fallen below the abovementioned thresholds, then at the request of one or more shareholders who account for at least 2% of the share capital or voting rights of the Company, recorded in the minutes of the Shareholders' Meeting, the shares which exceed the fraction that should have been declared are deprived of their voting rights for a period of two years from the date on which notification is effectively sent.

The Company is entitled to inform the public and bring to the attention of the shareholders either the information notified to it, or any failure to comply with the abovementioned obligation by the relevant person.

7.1.5.8 Specific clauses governing modifications to share capital

There is no specific stipulation in the Company's Articles of Association governing modifications to its capital.

Such capital may thus be increased, reduced or amortised in any manner authorised by law.

7.2 General information concerning the capital of COFACE SA

7.2.1 SHARE CAPITAL SUBSCRIBED AND SHARE CAPITAL AUTHORISED BUT NOT ISSUED

At the date of this registration document, the Company's share capital totals €314,496,464. It is divided into 157,248,232 shares with a par value of €2 (two), fully subscribed and paid-up, all of the same category.

In compliance with Article L.225-100, paragraph 7 of the French Commercial Code, the summary table below presents the delegations valid as of December 31, 2016 that have been granted by the Annual Shareholders' Meeting to the Board of Directors in the area of capital increases, by application of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.

The table below summarises the resolutions voted on during the Combined Shareholders' Meeting of the Company dated May 19, 2016, as concerns capital increases.

RESOLUTION	SUBJECT OF THE RESOLUTION	MAXIMUM FACE VALUE	DURATION OF AUTHORISATION	USE AS OF DECEMBER 31, 2016
16th	Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums, or any other sum that can be legally capitalised (1)	€80 million	26 months	No
17th	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which provide access to other equity securities and/or entitlement to the allocation of debt securities and/or transferrable securities providing access to equity securities to be issued with preferential subscription rights (1)	€120 million concerning capital increases €500 million concerning debt securities	26 months	No
18th	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which provide access to other equity securities and/or entitlement to the allocation of debt securities and/or transferrable securities providing access to equity securities to be issued, in the context of a public offer without preferential subscription rights (1)	€45 million concerning capital increases (1) €500 million concerning debt securities	26 months	No
19th	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which provide access to other equity securities and/or entitlement to the allocation of debt securities and/or transferrable securities providing access to equity securities to be issued, through the private placements specified in Article L.411.2 II of the French Monetary and Financial Code (1)	€30 million concerning capital increases (1) €500 million concerning debt securities	26 months	No
20th	Authorisation to the Board of Directors, within the limit of 10% of the capital per year, in the event of issue without preferential subscription rights, through public offers or private placements per Article L.411-2 II of the French Financial and Monetary Code, for the purpose of setting the issue price according to the terms established by the Shareholders' Meeting (2)	Up to a limit of 10% of the share capital per 12 month period	26 months	No

(1) The maximum overall face value of the capital increases likely to be made by virtue of this delegation are attributed to the total cap set on the amount of €120 million, as concerns immediate and/or future capital increases.

(2) The price setting methods are described in the 2015 registration document, filed on April 13, 2016 under number R.16-020 (page 279).

RESOLUTION	SUBJECT OF THE RESOLUTION	MAXIMUM FACE VALUE	DURATION OF AUTHORISATION	USE AS OF DECEMBER 31, 2016
21st	Authorisation given to the Board of Directors to increase the amount of issues with or without preferential subscription rights (1)	Limit prescribed by applicable regulations (to date, 15% of the initial issue) (1)	26 months	No
22nd	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which provide access to other equity securities and/or entitlement to the allocation of debt securities and/or transferrable securities providing access to equity securities to be issued as compensation for contributions in kind (1)	€30 million concerning capital increases (1) €200 million concerning debt securities	26 months	No
23rd	Delegation of authority to be given to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, sharves of the Company reserved for members of a company savings plan	€8 million (1)	26 months	No
24th	Delegation of authority to the Board of Directors to increase the share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries (2)	€8 million (1)	18 months	No

(1) The maximum overall face value of the capital increases likely to be made by virtue of this delegation are attributed to the total cap set on the amount of €120 million, as concerns immediate and/or future capital increases.

(2) The price setting methods are described in the 2015 registration document, filed on April 13, 2016 under number R.16-020 (page 279).

◆ 7.2.1.1 Shares not representing capital

None.

◆ 7.2.1.2 Independent control, holding and acquisition by the Company of treasury shares

(a) Description of the 2016-2017 Buyback Programme

A.1 INTRODUCTION

It is recalled that the Combined Shareholders' Meeting of May 18, 2015, in its eighth (8th) resolution, had previously authorised the Board of Directors to trade in the shares of COFACE SA (the Company), under the 2015-2016 Share Buyback Programme the main features of which were described in the description published on the Company's website and in the 2015 registration document.

The Company, listed on Euronext Paris – Compartment B –, wishes to continue with its Share Buyback Programme (the Programme), in accordance with the applicable regulation.

To this end, the Combined Shareholders' Meeting of May 19, 2016, again authorised, in its fifth (5th) resolution, the Board of Directors, with the ability to subdelegate, to implement of a new Programme concerning the Company's shares (ISIN code FR0010667147). This Programme would replace the existing programme set up by the Combined Shareholders' Meeting of May 18, 2015.

A.2 MAIN FEATURES OF THE 2016-2017 BUYBACK PROGRAMME

Date of the Annual Shareholders' Meeting that authorised the Programme

The 2016-2017 Programme was authorised by the Combined Shareholders' Meeting of May 19, 2016, in its fifth (5th) resolution.

The Board of Directors meeting of July 27, 2016, pursuant to the authority granted to it by the Combined Shareholders' Meeting of May 18, 2016, in its fifth (5th) resolution, authorised COFACE SA, with subdelegation to the Chief Executive Officer (CEO), to trade the Company's shares through the "2016-2017 Share Buyback Programme", the main features of which are described below.

Breakdown of equity securities held as of December 31, 2016 by objective

At December 31, 2016, COFACE SA held 0.22% of its own share capital, representing 344,010 ordinary shares. On that date, the number of shares held could be broken down by objective as follows:

OBJECTIVES	NUMBER OF SHARES HELD
a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity agreement, in compliance with the charter of ethics recognised by the French Financial Markets Authority.	152,059
b) allocate shares to corporate officers and to the employees of the Company and of other Group entities, and in particular as part of:	
(1) employee profit-sharing schemes;	0
(2) any stock options plan of the Company, pursuant to the provisions of Article L.225-177 et seq. of the French Commercial Code;	0
(3) any savings plan in accordance with Articles L.3331-1 et seq. of the French Labour Code; or	0
(4) any bonus share award plan pursuant to the provisions of Article L.225-197-1 et seq. of the French Commercial Code;	191,951
additionally, performing all hedge operations relating to these operations, under the conditions provided for by the market authorities, and at the times to be determined by the Board of Directors or person acting by delegation of the Board of Directors.	0
TOTAL	**344,010**

Objectives of the 2016-2017 Share Buyback Programme

The Company's shares may be purchased and sold, on the decision of the Board of Directors, in order to:

AUTHORISED OBJECTIVES
a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract, in compliance with the charter of ethics recognised by the French Financial Markets Authority;
b) allocate shares to corporate officers and to the employees of the Company, and in particular as part of:
(1) employee profit-sharing schemes,
(2) any stock options plan of the Company, pursuant to the provisions of Article L.225-177 et seq. of the French Commercial Code,
(3) any savings plan in accordance with Articles L.3331-1 et seq. of the French Labour Code; or
(4) any bonus share award plan pursuant to the provisions of Article L.225-197-1 et seq. of the French Commercial Code;
additionally, performing all hedge operations relating to these operations, under the conditions provided for by the market authorities, and at the times to be determined by the Board of Directors or person acting by delegation of the Board of Directors;
c) remit the Company's shares when exercising the rights attached to securities entitling bearers through reimbursement, conversion, trade, presentation of a warrant or in any other manner to the allocation of the Company's shares pursuant to the current regulations; additionally, performing all hedging operations relating to these operations, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;
d) keep the Company's shares and subsequently transfer them as payment or exchange within the context of any external growth operations, and in compliance with the French Financial Market Authority's accepted market practice;
e) cancel all or part of the stock thus purchased;
f) implement any market practice that may be authorised by the French Financial Markets Authority and, more generally, perform all operations in compliance with applicable regulations.

Maximum capital share, maximum number, maximum purchase price and characteristics of the securities that COFACE SA plans on acquiring

Securities concerned

The Company's ordinary shares admitted to trading on Euronext Paris:

STOCK MARKET PROFILE	
Trading	Euronext Paris (compartment B), eligible for deferred settlement service (SRD)
ISIN code	FR0010667147
Reuters code	COFA.PA
Bloomberg code	COFA FP

Maximum share of the capital

The Board of Directors may authorise the purchase of a number of shares of the Company, not exceeding 10% of the total number of shares composing the share capital, or 5% of the total number of shares subsequently composing the share capital if it concerns shares acquired by the Company in view of keeping them and transferring them as payment or exchange under a merger, spin-off or contribution operation; acquisitions made by the Company may under no circumstances result in it holding more than 10% of the ordinary shares comprising its share capital at any time.

Maximum number

COFACE SA undertakes, as required by law, not to exceed the holding limit of 10% of its capital, corresponding, for information, to 15,724,823 shares at December 31, 2016.

Maximum purchase price

In accordance with the fifth (5th) resolution proposed and accepted by the Combined Shareholders' Meeting of May 19, 2016, the maximum purchase price per unit cannot exceed €18 per share, excluding costs.

The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the impact of these operations on the value of the Company's stock.

Additional information

The acquisition, disposal or transfer of these shares may be completed and paid for by all methods authorised by the current regulations, on a regulated market, multilateral trading system, a systematic internaliser, or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine.

In accordance with legal and regulatory provisions, the Board of Directors shall have all powers, with the authority to subdelegate, in order to proceed with the permitted reallocation of repurchased shares in view of one of the programme's objectives, or one or more of its other objectives, or even in view of their disposal on or off the market.

Duration of the Buyback Programme

In accordance with the fifth (5th) resolution proposed and accepted by the Combined Shareholders' Meeting of May 19, 2016, this Programme will have a maximum duration of eighteen (18) months as from the said meeting and may therefore be continued up to November 18, 2017 (included) at the latest or until the date of its renewal by an Annual Shareholders' Meeting held before that date.

This authorisation ends the authorisation granted by the eighth (8th) resolution adopted by the Annual Shareholders' Meeting of May 18, 2015.

(b) Liquidity Agreement

Since July 2014, the Company has entrusted Natixis with the implementation of a liquidity agreement in accordance with the code of ethics established by AMAFI. The Group allocated five million euros (€5,000,000.000) to the liquidity account for the purposes of the agreement, which was valid for a period of twelve (12) months subject to tacit renewal.

Under this agreement, in financial year 2016 the Company purchased 2,685,419 treasury shares and sold 2,594,731 treasury shares. At December 31, 2016, the liquidity agreement comprised the following resources: 152,059 COFACE SA securities and €3,572,308.

The table below shows the changes in share purchases and sales in 2016:

DATE	LIQUIDITY AGREEMENT				
	NUMBER OF SHARES PURCHASED	AVERAGE PURCHASE PRICE *(in €)*	NUMBER OF SHARES SOLD	AVERAGE SALE PRICE *(in €)*	TOTAL
January	423,007	€8.47	228,260	€8.67	256,118
February	387,083	€6.75	322,745	€6.44	320,456
March	165,568	€7.18	263,718	€7.08	222,306
April	95,608	€7.18	136,587	€7.21	181,327
May	147,045	€6.82	219,389	€6.96	108,983
June	280,584	€6.59	131,593	€6.73	257,974
July	364,889	€4.75	212,326	€4.64	410,537
August	202,970	€4.58	180,028	€4.63	433,479
September	110,166	€5.63	440,695	€5.51	102,950
October	211,831	€6.24	84,776	€6.42	230,005
November	187,563	€5.47	189,750	€5.58	227,818
December	109,105	€5.98	184,864	€5.95	152,059
TOTAL	**2,685,419**	**€6.41**	**2,594,731**	**€6.27**	

(c) Treasury share transactions

The share purchase mandate from July 31, 2015 to September 15, 2015 was entered into with Natixis, to buy securities in view of their allocation under the Coface Group's *Long-Term Incentive Plan* (LTIP).

Under this agreement, the Company purchased in financial year 2015, 235,220 treasury shares corresponding to 0.15% of the Company's share capital. 43,269 shares were purchased by Jean-Marc Pillu, former Group executive officer, as part of an exceptional compensation linked to the initial public offer on July 1, 2016.

The Company did not trade in any treasury shares in 2016.

DATE	NUMBER OF SHARES PURCHASED	AVERAGE PURCHASE PRICE *(in €)*	TOTAL *(in €)*
Total December 31, 2015	235,220	8.981	2,112,468.45
TOTAL DECEMBER 31, 2016	**0**	**0**	**0**

The table below shows the change in treasury share distributions:

	LTIP			EXCEPTIONAL BONUS SHARES		
PLAN	2014	2015	2016	2014	2015	2016
Chief Executive Officer (CEO)	21,635	31,544	50,000	43,269	0	0
Executive Committee	57,207	75,256	141,977	0	0	0
Other beneficiaries	0	0	110,219	0	0	0
TOTAL NUMBER OF BONUS SHARES ALLOCATED	**78,842**	**106,800**	**302,196**	**43,269**	**0**	**0**
OVERALL SHARE PACKAGE	**78,842**	**113,109**	**399,932**	**43,269**	**0**	**0**
■ Non-distributed shares	0	6,309	69,341			
■ Performance units [1]	0	0	28,395			
Authorisation to award bonus shares						
Date of Shareholders' Meeting	Jun. 02, 2014	Jun. 02, 2014	May 19, 2016	Jun. 02, 2014	-	-
Date of the Board of Directors' meeting (delegation)	Jun. 26, 2014	Feb. 17, 2015	Nov. 03, 2016	Jun. 26, 2014	-	-
Allocation date	Jun. 26, 2014	Feb. 17, 2015	Nov. 03, 2016	Jun. 26, 2014	-	-
Share vesting date	Jul. 01, 2017	Feb. 18, 2018	Nov. 04, 2019	Jul. 01, 2016	-	-
End-date of the retention period (availability)	Jul. 01, 2019	Feb. 18, 2020	Nov. 04, 2019	Jul. 01, 2018	-	-
Buyback Programme						
Date of Shareholders' Meeting	Jun. 02, 2014	May 18, 2015	May 19, 2016	Jun. 02, 2014	-	-
Date of the Board of Directors' meeting (delegation)	Jun. 26, 2014	Jul. 29, 2015	Jul. 27, 2016	Jun. 26, 2014	-	-
Date of purchase mandate		Jul. 31, 2015				

(1) The Company awards performance units instead of bonus shares if the arrangement of bonus share awards appears too complex with regard to the applicable legislation in the beneficiary country. These units are indexed on the share price and subject to the same presence and performance conditions as the bonus shares but are valued and paid in cash at the end of the vesting period.

(d) Independent holding – Summary

The Shareholders' Meeting authorised the 2016-2017 share buyback programme on May 19, 2016 and the implementation was decided by the Board of Directors on July 27, 2016.

The treasury shares represent a total of 0.22% of the Company's capital, *i.e.,* 344,010 shares at December 31, 2016 versus 296,591 shares at December 31, 2015. The aggregate par value totalled €688,020 (the share has a par value of €2 – see Section 7.2.1.7).

			TOTAL TREASURY SHARES		
DATE	TOTAL LIQUIDITY AGREEMENT	TOTAL LTIP	TOTAL	% NUMBER OF CAPITAL SHARES*	VOTING RIGHTS*
As of December 31, 2016	152,059	191,951	344,010	0.22%	156,904,222

** Number of capital shares = 157,248,232.*

◆ 7.2.1.3 Other instruments providing access to capital

Issuance of share subscription warrants:

On February 9, 2016, by virtue of the use of the delegations of authority granted by the Shareholders' Meeting decided by the Board of Directors on December 15, 2015, Coface arranged with BNP Paribas Arbitrage a contingent capital line of €100 million, for a three-year term (which may be reduced to two years at the discretion of COFACE), available in one tranche and which can be exercised should certain extreme events occur.

The contingent capital line supplements the existing capital management and solvency tools by offering an effective and competitive solution in terms of costs (annual commission of 0.50%). It is part of a conservative capital management strategy in connection with pillar 2 of Solvency II and allows the Group to reinforce its financial strength to protect its business against extreme risks.

7.2.1.4 Conditions governing any right of acquisition and/or any obligation attached to the subscribed, but not paid-up capital

None.

7.2.1.5 Share capital of any company in the Group that is the subject of an option or agreement providing that it is placed under an option

None.

7.2.1.6 Pledge, guarantees and sureties granted on the Company's share capital

At the date of this registration document, the shares comprising the Company's capital are not the subject of any pledge, guarantee or surety.

7.2.1.7 History of capital

The changes below occurred in the Company's share capital in the last three years:

- in 2014, during the setup of an employee share ownership plan, the share capital was increased by €3,385,616, €2,034,625 of which was allocated to share capital and the balance to the "Share premium" account;
- in 2016, the share capital was reduced from €471,744,696 to €314,496,464 by lowering the par value of each share from €5 to €2. The sum of €471,744,696, corresponding to the amount of the capital reduction, was allocated to a non-distributable "share premium" sub-account.

7.2.2 TRANSACTIONS CARRIED OUT BY PERSONS WITH EXECUTIVE RESPONSIBILITIES

Executives, the persons acting on their behalf, and persons related to them, are required by the regulation to disclose to the AMF any transactions that they make involving COFACE SA shares and debt securities and financial instruments linked to them and to provide a copy of this disclosure to the Company.

The table below presents a summary of the transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out by Mr. Xavier Durand in 2016.

DATE OF THE TRANSACTION	NUMBER OF SHARES PURCHASED	UNIT PURCHASE PRICE OF THE SHARE *(in €)*	TOTAL AMOUNT *(in €)*
February 10	1,000	6.54	6,540.00
February 15	1,000	6.02	6,020.00
February 16	500	6.04	3,020.00
February 18	500	6.04	3,020.00
February 22	500	6.45	3,225.00
February 29	5	6.50	32.50
February 29	250	6.62	1,655.00
February 29	500	6.60	3,300.00
March 3	500	6.90	3,450.00
March 8	245	7.02	1,719.90
August 5	1,300	4.72	6,136.00
November 10	500	5.54	2,770.00
November 23	1,000	5.68	5,680.00
November 25	1,000	5.62	5,620.00
December 8	500	6.06	3,030.00
December 22	1,000	5.98	5,980.00
December 27	1,000	6.14	6,140.00
December 30	1,500	6.13	9,195.00
December 30	500	6.22	3,110.00
	13,300	**5.98823***	**79,643.40**

** Average purchase price in euros.*

7.3 Distribution of capital and voting rights

7.3.1 DISTRIBUTION OF CAPITAL

The table below breaks down the evolution of capital and voting rights of the Company over the last three years:

	AS OF DEC. 31, 2016				AS OF DEC. 31, 2015		AS OF DEC. 31, 2014	
	SHARES	%	VOTING RIGHTS	%	SHARES	VOTING RIGHTS	SHARES	VOTING RIGHTS
Natixis	64,853,881	41.24	64,853,881	41.33	64,853,870	64,853,870	64,853,869	64,853,869
Employees	383,618	0.24	383,618	0.24	378,937	378,937	390,959	390,959
Public	91,666,723	58.29	91,666,723	58.42	91,718,823	91,718,823	91,922,573	91,922,573
Independent holding (liquidity agreement and treasury share transactions)	344,010	0.22	0	0.00	296,591	0	80,819	0
Others	0	0.00	0	0.00	11	11	12	12
TOTAL	**157,248,232**	**100%**	**156,904,222**	**100%**	**157,248,232**	**156,951,641**	**157,248,232**	**157,167,413**

7.3.2 VOTING RIGHTS OF THE MAJORITY SHAREHOLDER

Natixis does not have any specific voting rights.

7.3.3 DECLARATION RELATING TO THE COMPANY'S CONTROL BY THE MAJORITY SHAREHOLDER

At the date of this registration document, the Company is controlled by Natixis.

In an effort to maintain transparency and inform the public, the Company established a set of measures which are in particular motivated by the recommendations of the AFEP-MEDEF Code. The Company in particular established an Audit Committee and an Appointments and Compensation Committee, mainly composed of independent directors, in order to prevent conflicts of interest and to ensure that control by the controlling shareholder is not abusive (see Section 2.4.1 "Corporate Governance").

7.3.4 CROSSING OF THRESHOLD

The Company presents below the declarations of threshold crossing reported in 2016 and as of the date of this document:

i) crossing of the statutory threshold, reported to the AMF (Articles L.233-7 of the French Commercial Code); and

ii) crossing of the statutory threshold, reported by registered letter by the main shareholders (Article 10 of the Articles of Association).

Coface is not responsible for checking the completeness of these declarations:

YEAR	DATE OF RECEIPT OF THE DECLARATION	DATE OF CROSSING	LEGAL OR STATUTORY THRESHOLD	ABOVE BELOW	INVESTOR	COUNTRY	NUMBER OF SHARES	% OF CAPITAL
2016	Jan. 26	Jan. 20	statutory	↑	DNCA Finance	France	3,184,000	2.02%
2016	Mar. 8	Mar. 2	legal (AMF)	↑	Wellington Management Group LLP	USA	8,059,856	5.13%
2016	Jun. 6	Jun. 1	statutory	↑	Norges Bank Investment Management	Norway	3,232,342	2.06%
2016	Jul. 6	N/A	statutory	↑	Silchester International Investor LLP	UK	3,507,687	2.23%
2016	Jul. 6	Jun. 30	statutory	↓	Allianz Global Investors GmbH	Germany	9,425,815	5.99%
2016	Aug. 11	Aug. 9	legal (AMF)	↑	Schroders plc	UK	8,093,086	5.15%
2016	Aug. 17	Aug. 15	statutory	↑	Silchester International Investor LLP	UK	6,886,728	4.38%
2016	Aug. 18	Aug. 15	legal (AMF)	↓	Wellington Management Group LLP	USA	7,356,309	4.68%
2016	Nov. 14	Nov. 10	legal (AMF)	↓	Allianz Global Investors GmbH	Germany	7,770,995	4.94%
2016	Nov. 14	Nov. 10	statutory	↑	Moneta Asset Management	France	3,328,613	2.12%
2016	Nov. 22	Nov. 21	statutory	↑	Schroders plc	UK	9,446,459	6.01%
2016	Dec. 6	Dec. 2	legal (AMF)	↑	Allianz Global Investors GmbH	Germany	7,875,295	5.01%
2016	Dec. 6	Dec. 5	statutory	↓	Aviva plc	UK	5,082,520	3.23%
2017	Jan. 25	Jan. 23	legal (AMF)	↓	Allianz Global Investors GmbH	Germany	7,814,867	4.97%
2017	Jan. 31	Jan. 30	statutory	↓	Norges Bank Investment Management	Norway	2,985,387	1.90%
2017	Feb. 2	Feb. 2	legal (AMF)	↑	Wellington Management Group LLP	USA	7,957,318	5.06%
2017	Mar. 30	Mar. 29	legal (AMF)	↑	Silchester International Investor LLP	UK	7,920,020	5.04%

7.3.5 EMPLOYEE PROFIT-SHARING

As of December 31, 2016, the Group's employees held 383,618 shares, 176,130 of which were held in France through the Coface Actionnariat mutual fund. In total, employees have a 0.24% interest in the Company's capital.

7.4 Factors that may have an impact in the event of a public offer

In application of Article L.225-100-3 of the French Commercial Code, we specify the following points to you, which are likely to have an impact on a public offer:

- the structure of the capital as well as the known direct or indirect interests of the Company and all of the corresponding information are described in paragraph 7.3;
- there is no statutory restriction on the exercise of voting rights, with the exception of the elimination of voting rights, as concerns shares which exceed the portion that should have been declared, which are likely to be requested by one or more shareholders holding an interest which is at least equal to 2% of the capital or voting rights, in the event of a failure to declare that the statutory limit was exceeded;
- to the Company's knowledge, there are no agreements or other commitments that have been signed between shareholders;
- there are no instruments entailing special control rights;
- the voting rights attached to the shares of the Company held by staff through the Company's Coface Actionnariat mutual fund are exercised by an authorised representative designated by the Supervisory Board of the fund to represent it at the Annual Shareholders' Meeting;
- the rules on appointment and revocation of members of the Board of Directors are the legal and statutory rules described in paragraph 7.1.5.2;
- the Company's Articles of Association are amended in compliance with the legal and regulatory provisions;
- there is no significant agreement entered into by the Company that would be amended or terminated in the event of a change in the Company's control;
- the transfer of guarantees (see Sections 1.5.1 "Transfer the State guarantees management activity to the BPIfrance group", 1.9.2.1 "Government control" and 5.1.3.12 "Risks related to relations with the French State") was ratified by law No. 2015-1786 of December 29, 2015 of the 2015 Amended Finance Act and completed by its implementation by Finance Law No. 2016-1917 of December 29, 2016 for 2017, and took place on December 31, 2016.

7.5 Important contracts

No contract (other than those entered into in the normal course of business) has been signed by any entity of the Group that contains a significant obligation or commitment for the Group as a whole.

The principle of transferring part of the State guarantees activity (see Sections 1.5.1 "Transfer of State guarantees management activity to the BPIfrance group", 1.9.2.1 "Government control" and 5.1.3.12 "Risks related to relations with the French State") was ratified by law No. 2015-1786 of December 29, 2015 of the 2015 Amended Finance Act and completed by its implementation by Finance Law No. 2016-1917 of December 29, 2016 for 2017. The transfer took place on December 31, 2016. The agreement signed between the French State and Coface on the public guarantees management procedures was extended until the effective date of the transfer.

7.6 Draft report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting

The purpose of the draft report is to present the resolutions submitted by the Board of Directors to your Combined Shareholders' Meeting of May 17, 2017.

The presentation of Coface's financial situation, activity and results for the year ended, in addition to the information required by current legislative and regulatory provisions, are set forth in this 2016 reference document, to which you are invited to refer (accessible via the Coface website: www.coface.com).

These resolutions can be broken down into two groups:

- the first nineteen resolutions (from the 1st to the 19th resolution) which fall under the authority of the Ordinary Shareholders' Meeting;
- the twentieth, twenty-first and twenty-second resolutions (20th, 21st and 22nd resolutions) fall under the authority of the Extraordinary Shareholders' Meeting.

7.6.1 ORDINARY RESOLUTIONS

Approval of the 2016 financial statements – *(1st and 2nd resolutions)*

In the first two resolutions, the Ordinary Shareholders' Meeting is asked to approve the Company financial statements (1st resolution), followed by the consolidated financial statements (2nd resolution) of COFACE SA for 2016.

Appropriation of results – *Dividend payment – (3rd resolution)*

The purpose of the third resolution is to allocate COFACE SA's corporate result and approve the payment of dividends.

The Company financial statements as of December 31, 2016 showed net income of €75,381,066.

Following the capital reduction resulting from the reduction of the share's par value in 2016, the amount in the legal reserve has increased above legal requirements. Therefore, there is no need for additional allocation to this account for the fiscal year. Furthermore, a proposal was submitted to the meeting to transfer the surplus of €42,905,862.40 on the legal reserve account to "Other reserves".

The distributable profit therefore amounts to €75,381,066.

The total distributed amount will be €20,442,270, comprised:

- of an amount of €11,007,000 corresponding to a distribution rate of 62% of the adjusted net income [(1)], *i.e.*, €17,705,00 (or €0.07 per share);
- and an amount of €9,434,000 (or €0.06 per share), as an exceptional dividend.

It is specified that the total payment per share will be €0.13 per share.

For beneficiaries who are private individuals residing in France for tax purposes, the fraction of this payment corresponding to the distributable profit shall be automatically taken into account to determine their overall income subject to the progressive income tax and will be eligible for a 40% abatement of the gross amount received (Article 158-3-2 of the French General Tax Code). With the exception of beneficiaries who are private individuals residing in France for tax purposes, who have applied for exoneration under the conditions of Article 242 *quater* of the French General Tax Code, the paying institution will deduct the flat rate withholding tax set out under Article 117 *quater* of the French General Tax Code. All of the Company's shares qualify for this tax treatment.

All shareholders, and in particular those domiciled or established outside of France, as concerns regulations applicable in the country of residence or establishment, are asked to contact their usual adviser to determine, through a detailed analysis, the tax consequences to be drawn in consideration of the amounts collected for this distribution.

In accordance with the legal provisions, we remind you that for the three financial periods prior to 2016, the following amounts were distributed:

YEAR	NUMBER OF REMUNERATION SHARES (1)	TOTAL AMOUNT *(in €)*
2013	156,841,307	293,939,870 (2)
2014	157,209,284	75,460,456 (3)
2015	156,900,438	75,312,210

(1) The number of remuneration shares does not include treasury shares.
(2) This amount includes an exceptional distribution of €227 million to Natixis, payment of which was made on May 13, 2014.
(3) It is recalled that this entire dividend was paid in the form of an exceptional distribution of cash sums deducted from the issue premium.

(1) "Adjusted net income" is calculated by excluding net income attributable to equity holders of the parent: an amount of €75 million corresponding to the income linked to the transfer of the public guarantees management business in France and restructuring expenses of €38.6 million, i.e., a total of €36.3 million before tax (see Note 30 of the consolidated financial statements). After tax (applied standardised rate of 34.43%, the adjustment applied to net income attributable to equity holders of the parent, is -€23.8 million, i.e., -€0.15 per share.

The ex-dividend date will be May 22, 2017. Payment will start on May 24, 2017.

Determination of the amount of directors' fees allocated to members of the Board of Directors – *(4th resolution)*

A proposal is submitted to the Shareholders' Meeting to maintain the amount of the fees allocated to directors in 2016, *i.e.,* €400,000.

Authorisation to the Board of Directors to trade its own shares – *(5th resolution for the ordinary session)*

In this fifth resolution, the Board of Directors requests the Shareholders' Meeting to authorise the purchase of a number of shares in the Company that may not exceed 10% of the total number of shares composing the share capital or 5% of the total number of shares subsequently composing the share capital in the case of shares acquired by the Company with a view to keeping them and transferring them as payment or exchange under a merger, spin-off or contribution operation, noting that the acquisitions made by the Company may under no circumstances result in it holding more than 10% of the ordinary shares comprising its share capital at any time.

Shares may be purchased in order to: a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract in compliance with the Charter of Ethics recognised by the French Financial Markets Authority, b) allot shares to corporate officers and to employees of the Company and other Group entities, and in particular within the context of (i) profit-sharing, (ii) any stock option plan of the Company, pursuant to the provisions of Article L.225-177 *et seq*. of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 *et seq*. of the French Labour Code or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 *et seq*. of the French Commercial Code, as well as performing all hedging operations relating thereto, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting upon its delegation, c) transfer the Company's shares when the rights attached to the securities are exercised, rights which entitle their bearers directly or indirectly through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to an allocation of shares of the Company within the context of the current regulations, as well as to perform all hedging operations relating thereto, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors, d) keep the Company's shares and transfer them subsequently as payment or exchange within the context of potential external growth operations, and in accordance with the market practices accepted by the French Financial Markets Authority, e) cancel all or part of the securities thus purchased or f) implement all market practices accepted by the French Financial Markets Authority and, more generally, perform all operations in compliance with current regulations.

The maximum purchase price per unit may not exceed €12 per share, excluding costs. The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the incidence of these operations on the value of the Company's stock.

The acquisition, disposal or transfer of these shares may be completed and paid for by all methods authorised by current regulations, on a regulated market, multilateral trading system, a systematic internaliser, or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at times to be determined by the Board of Directors.

In accordance with legal and regulatory provisions, the Board of Directors, if your Shareholders' Meeting so authorises it, shall have all powers, with the authority to subdelegate, in order to proceed with the allocation and, if necessary, permitted reallocation of repurchased shares in view of one of the programme's objectives, or one or more of its other objectives, or even in view of their disposal on or off the market.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the fifth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

Ratification of the co-opting of three directors – *(6th, 7th and 8th resolutions)*

In the sixth, seventh and eighth resolutions, a proposal is submitted to the Shareholders' Meeting to ratify the cooptation of Ms. Anne Sallé Mongauze, voted by the Board on November 3, 2016, to replace Mr. Laurent Roubin, who has resigned, the cooptation of Ms. Isabelle Rodney, to replace Mr. Pascal Marchetti, who has resigned, voted by the same Board on November 3, 2016, and lastly, the cooptation of Mr. Daniel Karyotis, voted by the Board on February 8, 2017 to replace BCPE, who has resigned.

These three directorships expire at the end of this Shareholders' Meeting.

Renewal of eight directorships – *(9th to 16th resolutions)*

In the ninth to sixteenth resolutions, a proposal is submitted to the Shareholders' Meeting to renew the terms of eight directors expiring on the date of the Shareholders' Meeting convened to approve the 2016 financial statements. Mr. Laurent Mignon, Ms. Anne Sallé Mongauze, Ms. Isabelle Rodney, Ms. Linda Jackson, Ms. Martine Odillard, Mr. Jean-Paul Dumortier, Mr. Jean Arondel and Mr. Daniel Karyotis.

The terms of these directors would be renewed for four (4) years and would end at the end of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

These appointments have been approved by the Appointments and Compensation Committee.

Regulated commitments and agreements – *(17th resolution)*

The seventeenth resolution concerns the approval of regulated commitments and agreements, in application of Article L.225-38 *et seq*. of the Commercial Code, authorised by the Board of Directors in financial year 2016 and subsequent to this date until the Board meeting of February 8, 2017. These commitments and agreements are presented in the Statutory Auditors' special report, in addition to those previously concluded in 2016 which remain valid and which do not require further approval by the Shareholders' Meeting (see Section 7.2.1 of the 2016 registration document).

Opinion on components of the compensation due or allocated for the year ended December 31, 2016 to Mr. Xavier Durand, Chief Executive Officer (CEO) – *(18th resolution)*

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code revised in November 2016 and referred to by COFACE SA, the eighteenth resolution seeks to submit to the Shareholders' Meeting for its opinion, the components of compensation due or allocated to Mr. Xavier Durand in respect of the financial year ended.

The components of compensation were set by the Board of Directors at its meetings of January 15, 2016 and May 4, 2016.

For details about this compensation, which is subject to the advisory vote of shareholders, you are kindly requested to refer to Chapter 2 of this registration document and specifically to Section 2.2.

Approval of the principles and criteria for determining, distributing and allotting the components of compensation of Xavier Durand, Chief Executive Officer for financial year 2017 – *(19th resolution)*

Under the nineteenth resolution, you are asked for the first time, in accordance with the Sapin 2 law, to approve the principles and criteria used to determine, distribute and allot the fixed, variable, long-term and exceptional components of the total compensation and all fringe benefits, awarded to Xavier Durand as the Chief Executive Officer as described in the appendix to this report.

It is specified that pursuant to the provisions of the Sapin 2 law, the compensation due or allocated for the financial year ended December 31, 2017 will be subject to the approval of your Shareholders' Meeting in 2018.

7.6.2 EXTRAORDINARY RESOLUTIONS

Capital increases reserved for employees – *(20th and 21st resolutions)*

We propose, under the twentieth resolution, that you delegate to the Board of Directors, for a period of 18 months, with the ability to subdelegate under the conditions provided for by law, your authority to make one or several capital increase(s) reserved for (i) the employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office based outside France; or (ii) one or several mutual funds or other entity, having a legal personality or not, subscribing on behalf of the persons described in paragraph (i) above, and (iii) one or several financial establishments mandated by the Company to propose to the persons described in paragraph (i) above a savings or shareholding scheme comparable to those proposed to the Company's employees in France.

This decision would cancel shareholders' preferential subscription right to the shares issued within the context of this twentieth resolution, for the benefit of the category of beneficiary defined above.

Such a capital increase would have the aim of allowing employees, former employees, and corporate officers of the Group who reside in various countries, to benefit, taking into account the regulatory or tax restrictions that could exist locally, from conditions that are as close as possible, in terms of economic profile, to those that would be offered to the other employees of the Group within the context of the use of the twentieth resolution.

The nominal amount of the capital increase likely to be issued in the context of this delegation would be limited to a nominal amount of €8 million (€8,000,000) on the understanding that the nominal amount of any capital increase carried out in application of this delegation would be factored into the total nominal cap specified for capital increases described in paragraph 2 of the seventeenth resolution of your Shareholders' Meeting of May 19, 2016, and that the cap for this resolution would be the same as that of the twenty-first resolution.

The subscription price of the shares issued in application of this delegation may not fall more than 20% below the average price of the listed share during the 20 trading sessions preceding the decision determining the opening date of the subscription, nor may it exceed this average, and the Board of Directors may reduce or eliminate the 20% discount noted above if it deems it appropriate in order to, in particular, take into account the legal, accounting, tax and corporate schemes applicable in the countries of residence of some beneficiaries. Furthermore, in the event of an operation carried out in the context of this resolution at the same time as an operation carried out in application of the twenty-first resolution, the subscription price of the shares issued in the context of this resolution may be identical to the subscription price of the shares issued on the basis of the twenty-first resolution.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-fourth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

As a continuation of the twentieth resolution, we propose, under the twenty-first resolution, that you delegate to the Board of Directors, for a period of twenty-six (26) months, with the ability to subdelegate, your authority for the purpose of increasing the share capital by issuing the Company's shares reserved to the members of a company savings plan, within the limit of a maximum nominal amount of €8 million (€8,000,000) on the understanding that the nominal amount for any capital increase carried out in application of this delegation would be factored into the total nominal cap specified for capital increases set out in the seventeenth resolution of the Shareholders' Meeting of May 19, 2016 and that the cap for this delegation would be the same as that of the twentieth resolution.

This decision would cancel the preferential subscription right of shareholders in favour of the said employees, former employees and corporate officers eligible for the shares thus issued, allocated free of charge, as appropriate.

The subscription price of the issued shares shall be determined under the conditions specified by the provisions of Article L.3332-19 of the French Labour Code, on the understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last twenty sessions preceding the decision setting the opening date of the subscription, may not exceed 20%. The Board of Directors may reduce or cancel the aforementioned discount, if it considers it necessary, in order to take account of the legal, accounting, tax and social treatments applicable in the country of residence of some beneficiaries. The Board of Directors may likewise decide to allot bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer matching contribution.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-third resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Powers – *(22nd resolution)*

This resolution is intended to grant the powers required to complete the formalities consecutive to your Shareholders' Meeting.

7.6.3 APPENDIX TO THE 19th RESOLUTION

◆ Principles and components of compensation of the Chief Executive Officer (CEO)

This appendix takes into account the recommendations of the Appointments and Compensation Committee on January 30, 2017, concerning the compensation of Mr. Xavier Durand, Chief Executive Officer (CEO).

a) Principles of the compensation of the Chief Executive Officer (CEO)

The Appointments and Compensation Committee proposes the compensation policy for the Chief Executive Officer (CEO) with regard to the provisions of the AFEP-MEDEF Code and in compliance with the rules laid down within the Solvency II Directive.

Thus, it guarantees respect of the principles of balance, external competitiveness, consistency, and internal equity in determining the elements comprising the compensation of the Chief Executive Officer (CEO). It ensures the correlation between the responsibilities exercised, the results obtained, and the level of compensation over a performance year.

It also ensures that the practices in terms of compensation contribute to effective risk management within the company and particularly to:

- strict compliance with legal and regulatory provisions applicable to insurance companies,
- prevention of conflicts of interest and the management of risk taking within the limits of risk tolerance for the company,
- consistency with the strategy, interests, and long-term results of the company.

In order to do this, the objectives, practices, and governance in terms of compensation are clearly established and communicated within the company and the elements of the compensation for the Chief Executive Officer (CEO) are reported in a transparent manner.

b) Components of the compensation of Xavier Durand – Chief Executive Officer (CEO)

For 2017, on the proposal of the Appointments and Compensation Committee, after agreement from the Board of Directors and subject to approval by the Shareholders' Meeting, the compensation from Mr. Xavier Durand will comprise the following elements:

- Fixed compensation: it is proposed to maintain the gross annual compensation at €575,000, as set on February 9, 2016, the date Mr. Xavier Durand took office.
- Total variable compensation, which includes:
  - **Annual variable compensation** (bonus): The target variable compensation is set at 100% of the fixed compensation, i.e. €575,000 if all objectives are achieved. It comprises 60% financial objectives and 40% strategic and managerial objectives. The criteria proposed for the assessment of the 2017 bonus are as follows:

	OBJECTIVES	WEIGHTING
Financial objectives (60%)	Revenue (in €m)	20%
	General internal expenses, excluding exceptional expenses (in €m)	10%
	Gross loss ratio excluding claims handling expenses	10%
	Net income (in €m)	20%

	OBJECTIVES	WEIGHTING
Strategic and managerial objectives (40%)	*Fit to Win* strategic plan	20%
	Talent management	10%
	Solvency 2 projects	5%
	Recovery plan	5%

- The Long Term Incentive Plan: the Appointments and Compensation Committee, in compliance with market practices [(1)] and in order to guarantee the balance of the long-term and short-term components of variable compensation, proposes allocating 60,000 performance bonus shares to the Chief Executive Officer as part of the Long Term Incentive Plan 2017 (LTIP 2017). The final vesting will be subject to achieving the following performance conditions:
  - 50% of shares allocated are vested under the condition of achieving COFACE SA's RoATE (Return on Average Tangible Equity) level for the financial year ending December 31, 2019.
  - 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the Total Shareholder Return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period.

  The vesting period for the shares is set at three years. The plan does not include a holding period.

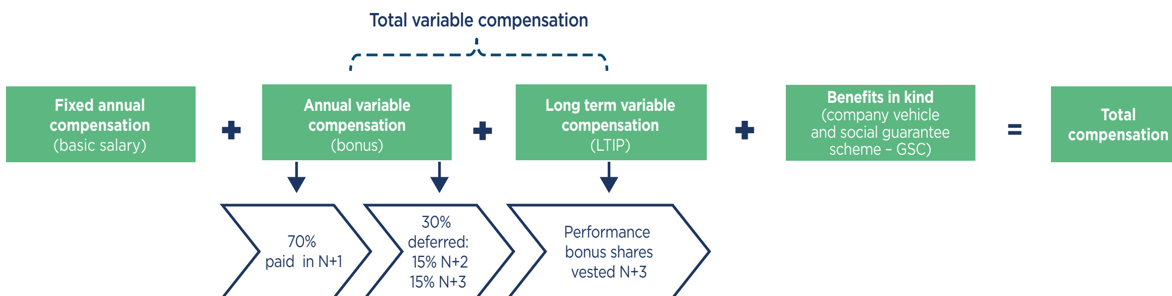
  It was decided that 30% of the CEO's shares vested under the LTIP 2017 Plan should be retained until the end of his corporate term or of any other function that he might hold within Coface.

  The global rate of deferred variable compensation will therefore represent more than 55% of the global variable compensation.

  All risk hedging transactions are prohibited.
- Other benefits: Mr. Xavier Durand benefits from a company vehicle and the payment of 62.5% of contributions due to the business managers and corporate officers social guarantee scheme (GSC).

  He benefits from the collective healthcare and pensions schemes in force for all employees and has no additional pension scheme.

VARIABLE COMPENSATION PACKAGE



c) Severance pay

Mr. Xavier Durand benefits, in the event his corporate term ends, from severance pay in an amount equal to two years' (fixed and variable) salary. The reference salary used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference salary for the variable portion will be the averavge of the variable portions received for the three years preceding the termination date of his duties (or of one of the two years concerned since he came into office in the event of departure before December 31, 2018).

This severance pay shall be due if the following performance criteria have been met:

- achievement of at least 75% of the average annual objectives during the three years preceding the departure date; and
- the Company's combined ratio after reinsurance is at most 95% on average for the three financial years preceding the departure date.

If just one of the two conditions above has been fulfilled, 50% of the compensation shall be due. If none of the conditions above has been met, no indemnity shall be due. No compensation shall be paid by the Company if the corporate term is ended at Mr. Xavier Durand's initiative or in the event of termination for serious misconduct or gross negligence. The compensation components and corporate benefits governed by the regulated agreements procedure in accordance with the provisions of the French Commercial Code shall be subject to the approval of the Company's Shareholders' Meeting.

Mr. Xavier Durand does not have an employment contract and does not benefit from any compensation relating to a non-compete clause.

(1) Note: The Chief Executive Officer's compensation has been subject to a comparative analysis of the market by a compensation consultancy firm in January 2017 in order to guarantee its competitiveness on the market, its internal consistency, and the structural balance.

7.7 Resolutions subject to the approval of the Combined Shareholders' Meeting of May 17, 2017

7.7.1 DRAFT AGENDA

For details of this draft, we urge you to refer to paragraph 7.6 "Draft Board of Directors' report on the draft resolutions submitted to the Combined Shareholders' Meeting" of this registration document.

Within the authority of the Ordinary Shareholders' Meeting

- Report of the Board of Directors and report of the Statutory Auditors on the Company's operations during the year ended December 31, 2016.
- Report of the Chairman of the Board of Directors.
- Approval of the parent company financial statements for 2016.
- Approval of the consolidated financial statements for 2016.
- Appropriation of earnings and dividend payment.
- Determination of the annual directors' fees package allocated to members of the Board of Directors.
- Authorisation of the Board of Directors to trade the Company's shares.
- Ratification of the cooptation of three directors.
- Renewal of eight directorships.
- Special report of the Statutory Auditors and approval of the agreements and commitments mentioned in Article L.225-38 *et seq.* of the French Commercial Code.
- Advisory opinion on components of the compensation due or allocated to Mr. Xavier Durand, Chief Executive Officer (CEO), for the year ended December 31, 2016.
- Approval of the principles and criteria for determining, distributing and allotting the components of compensation of the Chief Executive Officer for financial year 2017.

Within the authority of the Extraordinary Shareholders' Meeting:

- Delegation of authority to be given to the Board of Directors to increase the share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries.
- Delegation of authority to be given to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan.
- Powers to carry out formalities.

7.7.2 DRAFT RESOLUTIONS TO BE SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING

Within the authority of the Ordinary Shareholders' Meeting

First resolution – *(Approval of the financial statements for 2016)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, after having taken due note of the report of the Chairman of the Board of Directors relating to the composition, conditions for preparing and organising the work of the Board of Directors, as well as the internal control and risk management procedures established by the Company, the Board's report on the Company financial statements and the management report relating thereto, and the Statutory Auditors' report relating to the parent company financial statements for 2016, approves said statements as they were presented for that year, which consisted of the balance sheet, income statement and notes, as well as the operations reflected in these Company financial statements and summarised in these reports.

Second resolution – *(Approval of the consolidated financial statements for 2016)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, after having taken due note of the report of the Chairman of the Board of Directors relating to the composition, conditions for preparing and organising the work of the Board of Directors, as well as the internal control and risk management procedures established by the Company, the Board's report on the consolidated financial statements and the management report relating thereto, and the Statutory Auditors' report relating to the consolidated financial statements for 2016, approves said statements as they were presented for that year, which consisted of the balance sheet, income statement and notes, as well as the operations reflected in these consolidated financial statements and summarised in these reports.

Third resolution – *(Appropriation of earnings and dividend payment)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings:

- duly notes that the Company financial statements for the year ending December 31, 2016 show a net profit of €75,381,066;
- duly notes that the legal reserve, in the amount of €74,355,509 as of December 31, 2016 presents a surplus with respect to the applicable legal provisions and decides to transfer this surplus of €42,905,862.40 to the "Other reserves" account;
- duly notes, in the absence of retained earnings as of December 31, 2015, that the distributable profit amounts to €75,381,066;
- decides to allocate to the payment of shareholders, a total amount of €20,442,270, which represents a payment of €0.13 per share [(1)].

After distribution, the retained earnings account will stand at €54,938,796.

For beneficiaries who are private individuals residing in France for tax purposes, this dividend shall be automatically taken into account to determine their overall income subject to the progressive income tax scale and will be eligible for a 40% abatement on the gross amount received (Article 158-3-2° of the French General Tax Code). The paying institution will deduct the flat rate withholding tax set out under Article 117 *quater* of the French General Tax Code, except for beneficiaries who are private individuals residing in France for tax purposes, who have applied for exoneration under the conditions of Article 242 *quater* of the French General Tax Code.

The Shareholders' Meeting recalls, in compliance with the legal provisions, that the dividends, distributed for the three preceding years were as follows:

YEAR	NUMBER OF REMUNERATION SHARES [(1)]	TOTAL AMOUNT *(in €)*
2013	156,841,307	293,939,870 [(2)]
2014	157,209,284	75,460,456 [(3)]
2015	156,900,438	75,312,210

(1) The number of remuneration shares does not include treasury shares.
(2) This amount includes an exceptional distribution of €227 million to Natixis, payment of which was made on May 13, 2014.
(3) It is recalled that this entire dividend was paid in the form of an exceptional distribution of cash sums deducted from the issue premium.

The ex-dividend date shall be May 22, 2017 and payment will occur on May 24, 2017. The shares held by the Company on May 22 are not entitled to dividends.

The Shareholders' Meeting grants full authority to the Board of Directors to determine the final overall amount of the distributed sums according to the number of treasury shares held by the Company as at May 22, 2017, to proceed with the necessary adjustments, based on the dividends actually paid out and, more generally, take all necessary steps to ensure successful completion of the operations included in this resolution.

Fourth resolution – *(Directors' fees)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meeting, has decided to set the amount of directors' fees to be allocated to the Board of Directors at €400,000, and entrusts the Board with distributing this amount among its members.

Fifth resolution – *(Authorisation to the Board of Directors to trade the Company's shares)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report:

1. authorises the Board of Directors, with the power to subdelegate under the legal and regulatory conditions, in compliance with the provisions of Article L.225-209 *et seq*. of the French Commercial Code, to purchase, in one or more instances and at the times to be determined by it, a number of the Company's shares that may not exceed:

   i. 10% of the total number of shares composing the share capital; at any time whatsoever; or

   ii. 5% of the total number of shares composing the share capital, if they are shares acquired by the Company with a view to keeping them and subsequently transferring them as payment or exchange within the context of a merger, spin-off or contribution.

These percentages apply to a number of shares adjusted, where appropriate, according to the operations that could impact the share capital subsequent to the Shareholders' Meeting.

The acquisitions made by the Company may, under no circumstances, lead it to hold more than 10% of the shares composing its share capital at any time;

2. decides that this authorisation may be used to:

   i. ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract, in compliance with the charter of ethics recognised by the French Financial Markets Authority,

(1) *This amount is calculated on the basis of the total number of shares comprising the Company's share capital, including treasury shares, and will be adjusted to reflect the number of shares held by the Company on May 22.*

ii. allocate shares to the corporate officers and employees of the Company and of other Group entities, in particular within the context (i) of employee profit sharing, (ii) any stock option plan of the Company, pursuant to Article L.225-177 *et seq*. of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 *et seq*. of the French Labour Code, or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 *et seq*. of the French Commercial Code, as well as performing all hedging operations relating to these operations, under the conditions provided for by the market authorities, and at the times to be determined by the Board of Directors or the person acting by delegation thereof,

iii. transfer the Company's shares when the rights attached to securities entitling their bearers, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations are exercised, additionally, performing all hedging operations relating to these operations, under the conditions provided by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors,

iv. keep the Company's shares and subsequently remit them as payment or trade within the context of any external growth operations,

v. cancel all or part of the stock thus purchased,

vi implement any market practice that may be authorised by the French Financial Markets Authority and, more generally, perform all operations in compliance with applicable regulations.

3. decides that the maximum purchase price per unit may not exceed €12 per share, excluding fees. The Board of Directors may nevertheless, for operations involving the Company's capital, in particular a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the impact of these operations on the value of the Company's stock;

4. decides that the acquisition, disposal or transfer of these shares may be completed and paid for by all methods authorised by the current regulations, on a regulated market, multilateral trading system, a systematic internaliser, or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments, or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine;

5. decides that the Board of Directors shall have all powers, with the power to subdelegate in compliance with legislative and regulatory conditions, in order to, in accordance with applicable legislative and regulatory provisions, proceed with the permitted reallocation of repurchased shares in view of one of the objectives of the programme, to one or more of its other objectives, or even their disposal, on or off the market.

All powers are consequently granted to the Board of Directors, with the power to subdelegate in accordance with legislative and regulatory provisions, to implement this authorisation and specify, if necessary, the conditions and set the procedures in compliance with legislative conditions and pursuant to this resolution, and in particular to issue all stock market orders, enter into all agreements, in particular for maintaining registers of purchases and sales of shares, completing all declarations with the French Financial Markets Authority or any other competent authority, preparing all documents, for example informational documentation, completing all formalities and, generally, doing whatever is necessary.

The Board of Directors must inform the Shareholders' Meeting, in accordance with legal conditions, of the operations performed by virtue of this authorisation;

6. decides that this authorisation, which supersedes the authorisation granted by the fifth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of eighteen (18) months as from the Shareholders' Meeting.

Sixth resolution – *(Ratification of the cooptation of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the cooptation of Ms. Anne Sallé Mongauze on November 3, 2016, to replace Mr. Laurent Roubin, who has resigned, until the expiry of the directorship of the latter, *i.e.,* until this Shareholders' Meeting.

Seventh resolution – *(Ratification of the cooptation of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the cooptation of Ms. Isabelle Rodney on November 3, 2016, to replace Mr. Pascal Marchetti, who has resigned, until the expiry of the directorship of the latter, *i.e.,* until this Shareholders' Meeting.

Eighth resolution – *(Ratification of the cooptation of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the cooptation of Mr. Daniel Karyotis on February 8, 2017, to replace BPCE, which has resigned, until the expiry of the directorship of the latter*, i.e.,* until this Shareholders' Meeting.

Ninth resolution – *(Renewal of the directorship of Mr. Laurent Mignon)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Mr. Laurent Mignon,

for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Tenth resolution – *(Renewal of the directorship of Ms. Anne Sallé Mongauze)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Ms. Anne Sallé Mongauze, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Eleventh resolution – *(Renewal of the directorship of Ms. Isabelle Rodney)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Ms. Isabelle Rodney, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Twelfth resolution – *(Renewal of the directorship of Ms. Linda Jackson)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Ms. Linda Jackson, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Thirteenth resolution – *(Renewal of the directorship of Ms. Martine Odillard)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Ms. Martine Odillard, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Fourteenth resolution – *(Renewal of the directorship of Mr. Jean-Paul Dumortier)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Mr. Jean-Paul Dumortier, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Fifteenth resolution – *(Renewal of the directorship of Mr. Jean Arondel)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Mr. Jean Arondel, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Sixteenth resolution – *(Renewal of the directorship of Mr. Daniel Karyotis)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Mr. Daniel Karyotis, for a period of four years expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

◆ Seventeenth resolution – *(Approval of agreements and commitments specified by Article L.225-38 et seq. of the French Commercial Code)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the special report of the Statutory Auditors on the agreements and commitments subject to the provisions of Article L.225-38 and L.225-40 to L.225-42 of the French Commercial Code, approves this report in all its provisions as well as the new agreements mentioned therein, having been authorised by the Board of Directors during the financial year ended December 31, 2016 (other than those approved by the Board of Directors of February 9, 2016, which have already been approved by the Shareholders' Meeting of May 19, 2016).

◆ Eighteenth resolution – *(Advisory opinion on the components of the compensation due or allocated to Mr. Xavier Durand, Chief Executive Officer (CEO), for the year ended December 31, 2016)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, consulted in application of recommendation 26 of the AFEP-MEDEF Corporate Governance Code for listed companies of November 2015, issues a favourable opinion as to the components of the compensation due or allocated, for the year ended December 31, 2016, to Mr. Xavier Durand, Chief Executive Officer (CEO), as presented in point 1.2.3 of the management report on the consolidated financial statements incorporated into Section 2.2. of the registration document.

◆ Nineteenth resolution – *(Approval of the principles and criteria for determining, distributing and allotting the components of compensation of the Chief Executive Officer (CEO) for financial year 2017)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, after reviewing the report attached to the report mentioned in Articles L.225-100 and L.225-102 of the French Commercial Code, approves the principles and criteria for determining, distributing and allotting the components of all kinds of fixed, variable and exceptional compensation, awarded to Mr. Xavier Durand as the Chief Executive Officer as described in the appendix to the Board of Directors' report on the draft resolutions presented for the approval of the Shareholders' Meeting.

Within the authority of the Extraordinary Shareholders' Meeting:

Twentieth resolution – *(Delegation of authority to the Board of Directors to increase the share capital by issuing shares, without preferential subscription rights, to a specific category of beneficiaries)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of Articles L.225-129 *et seq*. and L.225-138 of the French Commercial Code:

1. delegates, with the power to subdelegate in accordance with legislative and regulatory provisions, its authority to issue, in one or several instances, at its sole discretion, in the proportions and the times that it shall determine, both in France and abroad, new shares reserved for one or several categories of beneficiaries corresponding to the characteristics below; (i) the employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office based outside France; or (ii) one or several mutual funds or other entity, having a legal personality or not, subscribing on behalf of the persons designated in paragraph (i) above, and (iii) one or several financial establishments mandated by the Company to propose to the persons described in paragraph (i) above a savings or shareholding scheme comparable to those proposed to the Company's employees in France;

2. cancels, in favour of said beneficiaries, the preferential subscription right of shareholders to the shares issued by virtue of this authorisation;

3. decides that the nominal amount of the capital increase likely to be carried out pursuant to this delegation may not exceed €8 million (€8,000,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that the nominal amount of any capital increase carried out in application of this delegation shall be factored into the total nominal cap provided for capital increases in paragraph 2 of the seventeenth resolution of the Shareholders' Meeting of May 19, 2016 and that the cap of this resolution shall be the same as that of the twenty-first resolution of that Shareholders' Meeting. This cap shall be increased, where applicable, by the par value of the shares to be issued in order to preserve, in compliance with legislative and regulatory provisions and, where applicable, contractual stipulations, the rights of bearers of securities or other rights entitling their bearers to access the Company's capital;

4. decides that the price of the securities issued in application of this delegation may not be more than 20% lower than the average price of the listed share in the last 20 trading sessions preceding the decision establishing the opening date of subscription, nor may it exceed that average. However, when this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in a given country where the Group entities participating in the capital increases are established. Furthermore, in the event of an operation carried out in the context of this resolution at the same time as an operation carried out in application of the twenty-first resolution, the subscription price of the shares issued in the context of this resolution of this Shareholders' Meeting may be identical to the subscription price of the shares issued on the basis of this twenty-first resolution;

5. decides that the Board of Directors shall have all powers, with the ability to subdelegate in accordance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular, in order to:

i. set the list of beneficiaries, within the categories of beneficiaries defined above, of each issue and the number of shares to be subscribed by each of them, pursuant to this delegation of authority,

ii. set the amounts of these issues and determine the subscription prices and dates, periods, methods for each issue and the conditions for subscription, payment and delivery of the shares issued by virtue of this delegation of authority, as well as the date, even if retroactive, from which the new shares will be entitled to dividends,

iii. set the period granted to subscribers for full payment of their securities,

iv. duly note, or have another party note the completion of the capital increase in the amount of the shares to be effectively subscribed,

v. at its sole initiative, allot the costs of the increase(s) in share capital to the premiums relating to these increases, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,

vi. generally, take any and all measures and perform any and all formalities that are useful for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation;

6. decides that this authorisation, which supersedes the authorisation granted by the twenty-fourth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

◆ Twenty-first resolution – *(Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of Articles L.225-129-2, L.225-129-6, L.225-138 and L.225-138-1 of the French Commercial Code and those of Article L.3332-18 *et seq.* of the French Labour Code:

1. delegates, with the ability to subdelegate in accordance with legal and regulatory provisions, its authority to issue, in one or more instances, at its sole discretion, in the proportions and at the times determined by it, both in France and abroad, new shares reserved for employees and former employees and eligible corporate officers of the Company and/or companies related to the Company within the meaning of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code, who are members of a company saving plan;
2. cancels, for the benefit of the said members, the preferential subscription right of shareholders to any shares that may be issued by virtue of this authorisation and waives any rights to any bonus shares that may be allocated based on this resolution;
3. decides that the nominal amount of the capital increase likely to be carried out pursuant to this delegation may not exceed €8 million (€8,000,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that the nominal amount of any capital increase carried out in application of this delegation shall be factored into the total nominal cap provided for capital increases in paragraph 2 of the seventeenth resolution of the Shareholders' Meeting of May 19, 2016 and that the cap of this resolution shall be the same as that of the twentieth resolution of that Shareholders' Meeting. This cap shall be increased, where applicable, by the par value of the shares to be issued in order to preserve, in compliance with legislative and regulatory provisions and, where applicable, contractual stipulations, the rights of bearers of securities or other rights entitling their bearers to access the Company's capital;
4. decides that the price of the shares issued in application of this delegation shall be determined under the conditions specified in Article L.3332-19 of the French Labour Code, on the understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last 20 trading sessions preceding the decision setting the opening date of the subscription may not exceed 20%. However, where this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in a given country where the Group entities participating in the capital increases are established. The Board of Directors may likewise decide to allot bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer matching contribution;
5. decides that the Board of Directors shall have all powers, with the ability to subdelegate in accordance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular, in order to:
   i. compile the list of companies including employees, former employees and eligible corporate officers who may benefit from the issuance, set the conditions to be fulfilled by the beneficiaries, in order to subscribe, directly or via a mutual investment fund, to the shares issued based on this delegation of authority,
   ii. set the amounts of these issues and determine the prices, dates, periods, methods for each issue and the conditions for subscription, payment and delivery of the shares issued by virtue of this delegation of authority, as well as the date, even if retroactive, from which the new shares will be entitled to dividends,
   iii. decide, in application of Article L.3332-21 of the French Labour Code, on the allocation, free of charge, of shares to be issued or already issued, as an employer matching contribution and/or, as applicable, for the discount, provided that the recognition of their equivalent pecuniary value, valued at the subscription price, does not result in exceeding the limits specified in Article L.3332-11 of the French Labour Code,
   iv. set the period granted to subscribers for full payment of their securities,
   v. duly note, or have another party note the completion of the capital increase in the amount of the shares to be effectively subscribed,
   vi. at its sole initiative, allot the costs of the increase(s) in share capital to the premiums relating to these increases, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,
   vii. generally, take any and all measures and perform any and all formalities that are useful for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation;
6. decides that this authorisation, which supersedes the authorisation granted by the twenty-third resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Twenty-second resolution – *(Powers to carry out formalities)*

The Annual Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary and Extraordinary Shareholders' Meetings, gives full powers to the bearer of copies or extracts of these minutes to fulfil any and all formalities required by law.

7.8 Special report of the Statutory Auditors on the regulated agreements and commitments

Annual Shareholders' Meeting to approve the financial statements for the year ended December 31, 2016

Dear Madam, Sir,

In our capacity as Statutory Auditors of your Company, we hereby present our report on the regulated agreements and commitments.

Our responsibility is to report to shareholders, based on the information provided to us, the main terms and conditions as well as the reasons justifying the appropriateness for your company of the agreements and commitments that have been disclosed to us or that we have identified while carrying out our work. We are neither required to comment on whether they are relevant or justified nor to seek to identify any undisclosed agreements or commitments. According to the provisions of Article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

It is also our responsibility to report to you, where applicable, the information required by Article L.225-31 of the French Commercial Code relating to the performance, during the year under review, of agreements and commitments already approved by the Shareholders' Meeting.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted of verifying that the information provided to us was consistent with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

Agreements and commitments authorised during the year

In accordance with Article L.225-40 of the French Commercial Code, we were advised of the following agreements and commitments which received the prior authorisation of your Board of Directors.

Renewal of the liquidity agreement with Natixis

Nature and purpose:

Under the authorisation given to it by the General Shareholders' Meeting of June 2, 2014, renewed on May 18, 2015 and the on May 19, 2016, for consecutive 18-month periods, the Board of Directors of COFACE SA has decided to authorise the company to buy back its own shares.

Terms:

In this perspective, a liquidity agreement was signed on June 26, 2014 with Natixis, authorising it to purchase up to €5 million worth of COFACE SA securities in return for payment of an annual remuneration of €40,000 excluding VAT.

This agreement was signed for a renewable one-year term starting from the publication day of the implementation statement. The COFACE SA Board of Directors meeting of July 27, 2016, authorised the renewal of this contract for one year.

Reasons justifying its appropriateness for the company:

The purpose of this agreement is to boost the market and ensure the liquidity of the security and/or allot the shares to its employees in particular.

Persons concerned:

Natixis is a shareholder of COFACE SA and holder of 41.24% of the Company's capital at December 31, 2016.

In addition, Natixis and COFACE SA have a common corporate officer in the person of Laurent Mignon (Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis).

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

Agreements and commitments approved during the year

We have been advised of execution, during the year ended, of the following agreements and commitments, already approved by the Shareholders' Meeting of May 19, 2016, in a special report of the Statutory Auditors of April 11, 2016.

- **Joint guarantees issued on April 30, 2015 by COFACE SA for Natixis, one for €50 million and the other for €100 million**

Nature and purpose:

Hence the bilateral credit lines concluded with a certain number of banks including Natixis, for a total amount of €500 million. These loans mature between one to three years.

Accordingly, the credit lines negotiated with Natixis have been reduced to €50 million and €100 million. They were signed under market conditions.

In response to requests from banks, COFACE SA guaranteed the reimbursement of the bilateral credit lines by its two factoring subsidiaries.

Terms:

These surety bonds bear interest from subsidiaries at a per annum rate of 0.2%. This commitment in itself does not result in any financial flow between COFACE SA and Natixis.

Reasons justifying its appropriateness for the company:

In order to be independent from Natixis and diversify financing sources for the factoring business in Germany and Poland, COFACE sought to replace the two financing lines historically provided by Natixis with other bilateral lines.

Persons concerned:

Natixis is a shareholder of COFACE SA and holder of 41.24% of the Company's capital at December 31, 2016.

In addition, Natixis and COFACE SA have a common corporate officer in the person of Laurent Mignon (Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis).

- **Agreement to arrange a backup line by Natixis, signed on October 3, 2015**

Nature, purpose and reasons justifying its appropriateness for the company:

To guarantee the financing autonomy of the factoring business line, COFACE SA implemented in 2012 a commercial paper programme to finance the factoring business line of its subsidiaries based in Germany and Poland.

The original programme for an initial amount of €250 million was raised to €500 million in 2013, underwritten by various banks including Natixis. As this programme was entirely used, it was renewed in 2015 and raised to €600 million.

In this framework, Natixis's credit line was raised in due proportion from €100 million to €120 million and extended for a period of two years, under market conditions.

Terms:

The ensuing annual financial expense from this credit line has an impact of less than €250,000 in the COFACE SA consolidated financial statements for financial year 2016.

Persons concerned:

Natixis is a shareholder of COFACE SA and holder of 41.24% of the Company's capital at December 31, 2016.

In addition, Natixis and COFACE SA have a common corporate officer in the person of Laurent Mignon (Chairman of the COFACE SA Board of Directors and Chief Executive Officer (CEO) of Natixis).

- **Tax consolidation agreement**

Nature and purpose:

On December 29, 2015, COFACE SA signed a tax consolidation agreement with its French subsidiaries, following the exit of COFACE SA from the Natixis tax consolidation group.

COFACE SA opted for the tax consolidation scheme, as from the financial year starting from January 1, 2015, pursuant to Articles 223 A et seq. of the French General Tax Code.

Compagnie française d'assurance pour le commerce extérieur companies, and each of the other French subsidiaries, agreed to become members of the consolidation group thus established with COFACE SA.

Terms:

The purpose of this agreement is to set forth, as from the period starting on or after January 1, 2015, the breakdown of tax expenses within the consolidation group formed by COFACE SA and its French subsidiaries. Each subsidiary is liable for the amount of tax it would have paid if it had not become a member of the consolidation group.

The Company reported a tax consolidation gain of €1.48 million for 2016.

Reasons justifying its appropriateness for the company:

This agreement contains favourable mechanisms for the Group: payment of corporate income tax on comprehensive income obtained by adding together the positive and negative earnings of the companies in the consolidation group and neutralising the Group's internal transactions.

Persons concerned:

COFACE SA owned 99.99% of the capital of Compagnie française d'assurance pour le commerce extérieur at December 31, 2016.

In addition, COFACE SA and Compagnie française d'assurance pour le commerce extérieur have a common corporate officer in the person of Xavier Durand (Chief Executive Officer (CEO) of COFACE SA and Chairman and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur).

- **Compagnie française d'assurance pour le commerce extérieur's guarantee for COFACE SA of payment of the subordinated debt**

Nature, purpose and reasons justifying its appropriateness for the company:

On March 27, 2014, COFACE SA issued subordinated debt in the form of bonds for a nominal amount of €380 million.

In order to improve the rating of the issue of the subordinated debt by COFACE SA and therefore its price, Compagnie française d'assurance pour le commerce extérieur issued a guarantee that allowed it to improve the issue rating by two notches (the issue was rated Baa1/ A by Moody's and Fitch, without the guarantee it would have been Baa3 /BBB).

Terms:

The price of the guarantee was fixed at 0.2% for the total amount, which corresponded to a financial expense of €760,000 for financial year 2016 for COFACE SA.

Persons concerned:

COFACE SA owned 99.99% of the capital of Compagnie française d'assurance pour le commerce extérieur at December 31, 2016.

In addition, COFACE SA and Compagnie française d'assurance pour le commerce extérieur have a common corporate officer in the person of Xavier Durand (Chief Executive Officer (CEO) of COFACE SA and Chairman and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur).

- **COFACE SA loan to Compagnie française d'assurance pour le commerce extérieur**

Nature, purpose and reasons justifying its appropriateness for the company:

Compagnie française d'assurance pour le commerce extérieur is the principal operating entity of the Coface Group. It benefits from a significant portion of the funds raised from the subordinated debt issue by COFACE SA. (€314 million out of €380 million)

This loan allows it to strengthen its regulatory equity, not only at Group level but also for Compagnie française d'assurance pour le commerce extérieur which should be able to respond individually to the requirements of Solvency II from January 1, 2016.

Terms:

The intergroup subordinated loan bears interest at the same rate as the subordinated bonds issued by COFACE SA, i.e., at an annual rate of 4.125% corresponding to a financial income of €12.95 million for financial year 2016 for COFACE SA.

Persons concerned:

COFACE SA owned 99.99% of the capital of Compagnie française d'assurance pour le commerce extérieur at December 31, 2016.

In addition, COFACE SA and Compagnie française d'assurance pour le commerce extérieur have a common corporate officer in the person of Xavier Durand (Chief Executive Officer (CEO) of COFACE SA and Chairman and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur).

- **Exceptional remuneration granted to Mr. Jean-Marc Pillu, in connection with the stock market listing and concerning the award of 43,269 bonus shares, deliverable on July 1, 2016 subject to his continued employment in the Group.**

Nature and purpose:

Under the Long Term Incentive Plan, Mr. Jean-Marc Pillu was awarded 43,269 bonus shares, deliverable on July 1, 2016 subject to his continued employment in the Group on that date.

Terms:

The Board of Directors authorised the payment of this exceptional remuneration at its January 15, 2016 meeting, in application of the commitment granted by the Board of Directors' meeting of May 13, 2014.

Since the Board decided that the continued employment condition would be automatically waived during the vesting period, Mr. Pillu retains the right to receive his shares on July 1, 2016 on the understanding that the two-year retention period would still apply.

A decision was made to carry on with this exceptional compensation in the form of shares in order to align the interests of the Chief Executive Officer (CEO) with those of shareholders and of the Company.

The impact of this commitment implemented during 2016 was €390,000.

Reasons justifying its appropriateness for the company:

Pursuant to the law, we draw your attention to the fact that the prior authorisation given by the Board of Directors does not include the reasons justifying the appropriateness of the commitment for the company as required by Article L.225-38.

Persons concerned:

Jean-Marc Pillu, corporate officer and Chief Executive Officer (CEO) of COFACE SA until February 9, 2016.

Severance pay for Mr. Xavier Durand

Nature and purpose:

In the event his corporate term ends, Mr. Xavier Durand shall receive a severance pay corresponding to two years' (fixed and variable) salary.

The reference salary used for the fixed portion shall be the salary for the current financial year at the date he ends his duties.

The reference salary for the variable portion will be the average of the variable portions received for the three years preceding the termination date of his duties (or of one of the two years concerned since he came into office in the event of departure before December 31, 2018).

Terms:

This severance pay shall be due if the following performance criteria have been met:

1. Achievement of at least 75% of the average annual objectives during the three years preceding the departure date, and
2. The Company's combined ratio after reinsurance is at most 95% on average for the three financial years preceding the departure date.

If just one of the two conditions above has been fulfilled, 50% of the compensation shall be due. If none of the conditions above have been met, no compensation shall be due.

No compensation shall be paid by the Company if the corporate term is ended at Mr. Xavier Durand's initiative or in the event of termination for serious misconduct or gross negligence.

Reasons justifying its appropriateness for the company:

Pursuant to the law, we draw your attention to the fact that the prior authorisation given by the Board of Directors does not include the reasons justifying the appropriateness of the commitment for the company as required by Article L.225-38.

Persons concerned:

Mr. Xavier Durand Chief Executive Officer of COFACE SA.

Commitment taken in favour of Mr. Xavier Durand and linked to his new appointment

Nature and purpose:

Given the arrival of Mr. Durand during the financial year in the COFACE Group, it is proposed that the variable compensation awarded to Xavier Durand for 2016 be guaranteed for up to 80% of the target variable remuneration (€575,000) provided that Xavier Durand continues to be the Company's Chief Executive Officer (CEO) on the date of the Board meeting convened to approve the financial statements for 2016.

Terms:

It was specified that this amount would be included in the 2016 variable compensation of Xavier Durand if the latter were to exceed 80% of his target variable compensation (€575,000) and that this amount would be paid according to the terms comprising a portion of deferred compensation, pursuant to the Solvency II regulation, according to the terms to be defined at a subsequent Board meeting.

The commitment was implemented to determine the variable compensation due to Mr. Xavier Durand for 2016. With the achievement rate having been slightly below 80%, the financial impact on the company is €12,592 for financial year 2016.

Reasons justifying its appropriateness for the company:

Pursuant to the law, we draw your attention to the fact that the prior authorisation given by the Board of Directors does not include the reasons justifying the appropriateness of the commitment for the company as required by Article L.225-38.

Persons concerned:

Mr. Xavier Durand Chief Executive Officer of COFACE SA.

The statutory auditors

Paris-La Défense, April 10, 2017	Neuilly-sur-Seine, April 10, 2017
KPMG Audit	Deloitte & Associés
Department of KPMG S.A. *Francine Morelli* *Partner*	*Damien Leurent* *Partner*

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8.1 Person responsible for the registration document and statement of the person responsible for the registration document

8.1.1 NAME AND TITLE OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Xavier Durand, Chief Executive Officer of COFACE SA.

8.1.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

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

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the assets, financial position and results of the Company and all consolidated companies, and that the management report in this registration document presents an accurate picture of events, results, and the financial position of the Company and all consolidated companies, and describes the principal risks and uncertainties that they face.

I have received a work completion letter from the Statutory Auditors indicating that they have verified the information about the financial position and the financial statements provided in this registration document as well as a reading of the full document.

Paris, on April 12, 2017

Mr. Xavier Durand

Chief Executive Officer

8.2 Name of the person responsible for the financial information and name of the person responsible for financial communication

8.2.1 NAME OF THE PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Carine Pichon
Chief Financial Officer

8.2.2 NAME OF THE PERSON RESPONSIBLE FOR FINANCIAL COMMUNICATION

Thomas Jacquet
Head of Group Financial Communication

8.3 Statutory Auditors

8.3.1 PRINCIPAL STATUTORY AUDITORS

Deloitte & Associés
185 avenue Charles de Gaulle
92200 Neuilly-sur-Seine France

Represented by Damien Leurent

Deloitte & Associés was appointed by the Company's Annual Shareholders' Meeting of May 14, 2013 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2018.

Deloitte & Associés is a member of Compagnie régionale des commissaires aux comptes de Versailles.

KPMG S.A.
Tour EQHO
2 avenue Gambetta
CS 60055
92066 Paris La Défense Cedex

Represented by Francine Morelli

KPMG S.A. was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2019.

KPMG S.A. is a member of Compagnie régionale des commissaires aux comptes de Versailles.

8.3.2 ALTERNATE STATUTORY AUDITORS

BEAS
195, avenue Charles de Gaulle
92200 Neuilly-sur-Seine France

Represented by Mireille Berthelot

BEAS was appointed by the Company's Annual Shareholders' Meeting of May 14, 2013 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2018.

BEAS is a member of Compagnie régionale des commissaires aux comptes de Versailles.

KPMG AUDIT FS I
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris La Défense Cedex

Represented by Isabelle Goalec

KPMG AUDIT FS I was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for year ended December 31, 2019.

KPMG AUDIT FS I is a member of Compagnie régionale des commissaires aux comptes de Versailles.

8.4 Documents accessible to the public

The documents relating to the Coface Group (constituent documents, Articles of Association, charter, Chairman's report, financial report, Board of Directors' reports, thresholds crossed, letters and other documents, individual and consolidated historical financial information for each of the two financial years preceding publication of this document) are partly included in this document and can be freely consulted at its head office, preferably by appointment.

In addition, as part of Solvency II, the first RSR narrative reports (report to the supervisor) and SFCR (Solvency and Financial Condition Report) will be produced for the first time in 2017, based on financial year 2016. The SFCR, which is aimed at the public, will be filed with the ACPR on May 19, 2017 and published on the Investor page of the company website www.coface.com.

This registration document is available in the "Investors" section of the corporate website www.coface.com.

Copies of this document are available free of charge at the Company's head office.

Pursuant to Article 221-3 of the General Regulation of the AMF, regulated information (defined in Article 221-1 of the General Regulation of the AMF) is published on the Company's website at www.coface.com.

Any person wishing to obtain additional information on the Group may request the documents without appointment and free of change:

- by post:

Coface
Communication financière – Relations investisseurs
1, place Costes et Bellonte, 92270 Bois-Colombes, France

- by e-mail: investors@coface.com

Thomas Jacquet/Head of Financial Communication

Cécile Combeau/Investor Relations

8.5 Cross-reference table for the registration document

In order to facilitate reading of this document, the following cross-reference table refers to the main sections required by Annex 1 of EC Regulation No. 809/2004 of April 29, 2004 applied from the "Prospectus" Directive.

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8.6 Cross-reference table for the annual financial report

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8.7 Cross-reference table for the management report

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8.9 Cross-reference table on corporate, environmental and societal information (Chapter 6 of the registration document)

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2 - ENVIRONMENTAL INFORMATION		
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REFERENCE GRENELLE II LAW	NAME	PAGE NUMBER OF THE REGISTRATION DOCUMENT
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8.10 Incorporation by reference

The 2016 registration document, by reference to the 2015 registration document registered by the Autorité des marchés financiers (French securities regulator) on April 13, 2016 under number R.16-020, incorporates the following items:

- "Overview of Coface" (all): pages 2 to 9;
- Chapter 3 (all): pages 103 to 128;
- Chapter 4 (all): pages 129 to 215.

By reference to the 2014 registration document registered by the Autorité des marchés financiers (French securities regulator) on April 13, 2015 under number R.15019, it also incorporates the following items:

- "Overview of Coface" (all): pages 2 to 8;
- Chapter 3 (all): pages 99 to 125;
- Chapter 4 (all): pages 127 to 212.

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