REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

2017

AFR The elements of the Annual Financial Report are clearly identified in this content using pictograms.

CONTENT

This registration document was filed with the French Financial Markets Authority on April 5th 2018, in accordance with Article 212-13 of the general regulations of the French Financial Markets Authority. This document may only be used in support of a financial transaction if it is supplemented by a transaction note approved by the French Financial Markets Authority. This document has been prepared by the issuer and its signatories assume responsibility for it.

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).

REGISTRATION
DOCUMENT
2017

OVERVIEW OF COFACE

Discover the main information about COFACE in just a few minutes

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 D.18-0267 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. The original language version of the document in French prevails over the translation.

A **promise** that underpins our new ambition

coface

FOR TRADE

TO EXPRESS Coface's new culture in the best way we can, we have changed our tag line. We are proud to assert our identity with this new tagline, which we wanted to be clearer, more committed and with a greater impact, in line with our values and our new ambition for Coface.

Coface: for trade reflects our ambition and our purpose. We are in direct contact with the economy, and our approach to trade is as a positive value that needs to be shared within a global world. Our purpose? Be committed to helping companies make the right decisions and grow. Through our business activity, we promote international trade relations. In other words, we are *for trade,* which is a powerful driver to create wealth and stability. At the heart of a human-scale multinational company such as ours, the contribution of each and every person makes the difference.

OUR VISION

Become the most agile international credit insurance partner in the sector

Each year, over six million new companies are launched, and millions of others are developing. With 4,100 experts in 100 countries serving some 50,000 [(1)] companies, Coface guides and assists businesses to explore development opportunities as well as to export throughout the world. We assist our clients in their transformation.

(1) Including all companies with at least one active contract with Coface in our various business lines.

Our four **values**

1

CLIENT FOCUS

WE LISTEN TO OUR CLIENTS

The digital revolution has created a new type of relationship with our clients. In a global and connected world, we keep a close eye on economic cycles to provide our clients with the highest possible level of understanding of their risks and opportunities. And since we are partners, when we have to make difficult decisions, we make them together.

2

EXPERTISE

OUR EXPERTISE DEFINES US

The expertise of Coface is built on over 70 years of experience in credit insurance and risk management. It is an expertise driven by an active community of 4,100 specialists in 100 countries, covering the risks of some 50,000 (1) companies. The Group uses its world-class expertise to continue to create the best financial solutions for its clients.

3

COLLABORATION

COLLABORATION IS AT THE HEART OF OUR ORGANISATION

More than just a method, for us collaboration is a model, a state of mind and a condition for our success. It is how we envisage the relationship with our clients: a relationship built on listening, sharing, trust and the building of veritable partnerships that enable us to come together to make the best decisions.

4

COURAGE AND ACCOUNTABILITY

OUR BUSINESS IS ONE BASED ON CONVICTION

In a constantly changing and volatile economic world, our experts are the compass that guides our clients, at all times and everywhere in the world. That is why courage and responsibility are the cornerstone of our success. You need courage to make decisions in an uncertain world, because in all situations there is an element of risk. But you also need responsibility to accept the risk of failure and to continue to learn.

(1) *Including all companies with at least one active contract with Coface in our various business lines.*

2018 opens a new year of **transformation**

XAVIER DURAND, CHIEF EXECUTIVE OFFICER

In 2017, we continued the Group's transformation in a more favourable economic environment.

The application of the Fit to Win plan has yielded its first effects: revenue has stabilised. At the end of the year, our loss ratio dropped for the fifth quarter running, and our combined ratio improved by 14 percentage points (to 86.6%) compared with the previous year. Our net income doubled to €83.2 million.

This strong operational improvement is sustained by a strengthened balance sheet, since our solvency ratio stands at 166%.

In 2018, we will continue with our investments and the Group's transformation to bring our clients a better quality of service. That is why today we would like to express our commitment to our clients, partners and colleagues all across the world.

This transformation is on the right track and will be deepened, widened and accelerated. This transformation is underpinned by the daily implementation of our values: client focus, expertise, collaboration, and courage and accountability.

"Coface is well-positioned to continue its transition towards a **long-term value creation model**. It is investing in the acceleration of its transformation by setting itself the priority of better serving its clients."

Fit to Win
a key word: the client

In September 2016, **COFACE** launched a new three-year strategic plan, called Fit to Win. This ambitious plan was created through in-depth consultations that involved 31 countries in which the Group is present, as well as all its main functions.

25
new analysts specialising in corporate information

150
total risk levels for more refined management

€19m
savings made in 2017. Confirmation of the €30m target in 2018

BECOME. THE MOST AGILE GLOBAL TRADE-CREDIT PARTNER IN THE SECTOR

To achieve this goal, the Group continues to:

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

140-160%
target solvency ratio

A
preservation of a minimum financial rating

DEVELOP. ITS CAPITAL MANAGEMENT MODEL

The capital management policy addresses two key objectives:

- maintain financial soundness; and
- finance its profitable growth.

A vision based on unifying values

/

Client focus

Expertise

Collaboration

Courage and accountability

The Group strategy is described in Section 1.6 "Strategy of the Group"

Global **expertise** at the service of all businesses

THE COFACE GROUP is a global leader in credit-insurance and a recognised expert in commercial risks.
It provides businesses worldwide with solutions to protect them against the risk of debtor insolvency on their domestic and export markets.

AA- ratings, stable outlook by **Fitch**

A2 ratings, stable outlook by **Moody's**

4,078
employees (1)

100
countries in which we operate either directly or indirectly

50,000
companies with at least one active contract, in our various business lines

€1,355m
in revenue

€154m
in operating income

€83m
net income

86.6%
combined ratio after reinsurance (2)

166%
solvency ratio (3)

5.3%
RoATE (4)

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

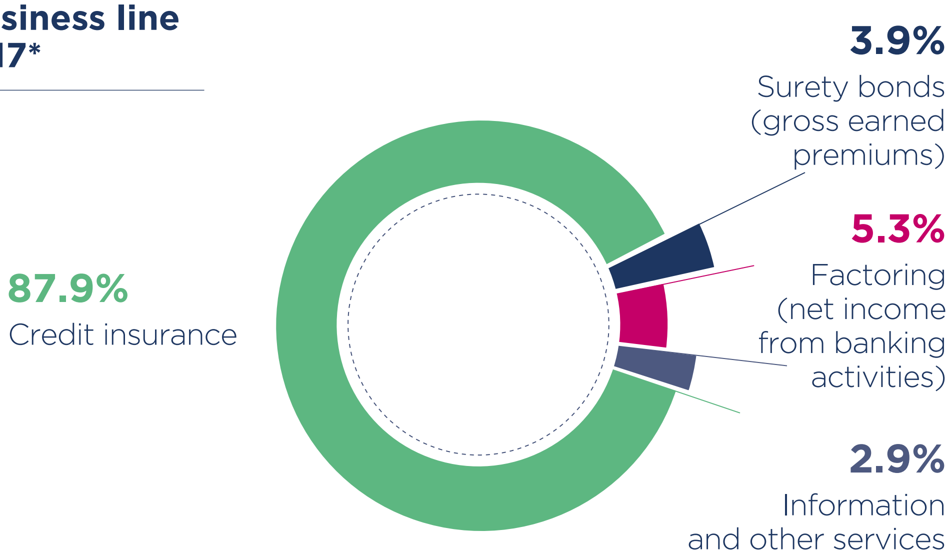
(2) 35.2% cost ratio; 51.4% loss ratio. The two ratios are net of reinsurance.

(3) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency II regulation. The result of the final calculation could differ from this preliminary calculation. The estimated Solvency ratio is not audited.

(4) Return on average tangible equity.

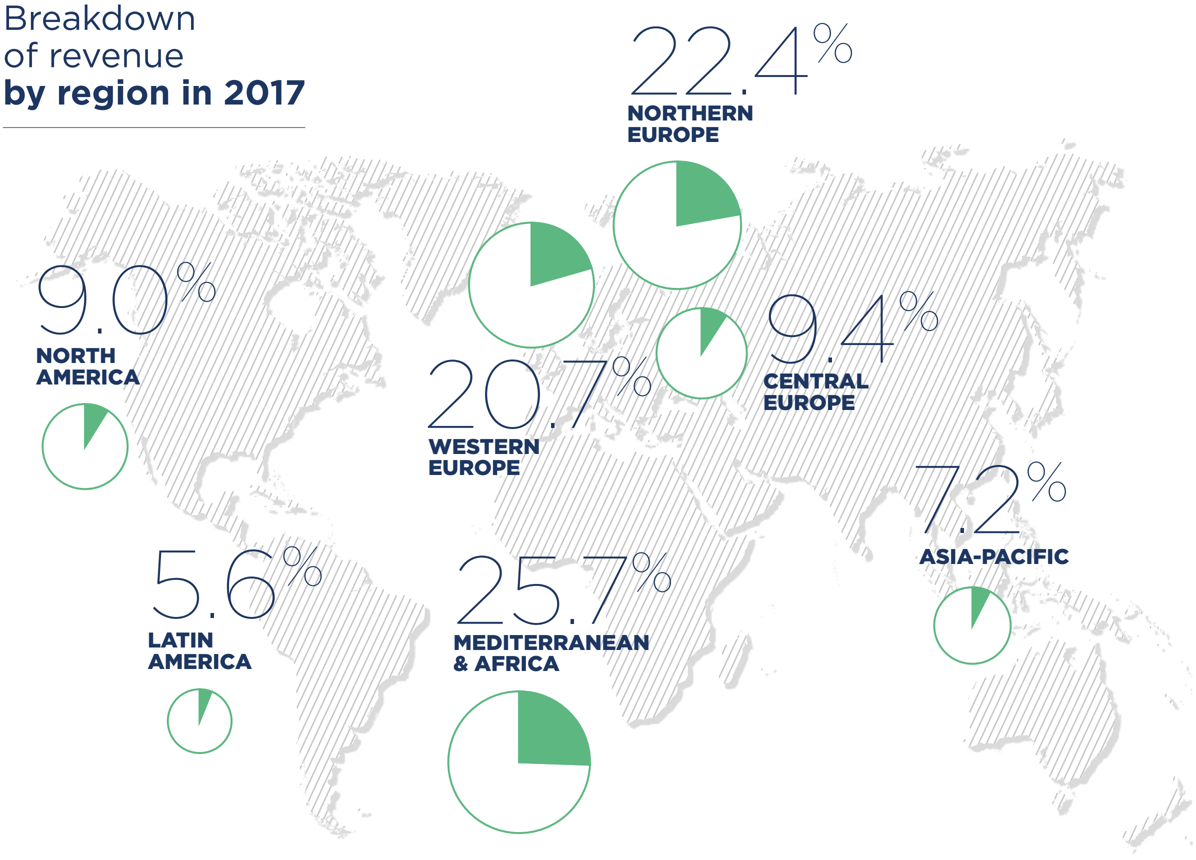
The 2017 results are commented on in Chapter 3 "Comments on the financial year".

Breakdown of revenue **by business line in 2017***



* *To ensure greater consistency between the financial statements and the aggregates published and commented on in the financial disclosures, the Group has changed the presentation structure of the consolidated income statement. See the detailed explanation in the notes to the consolidated financial statements "Accounting principles and policies" and Note 21.*

Breakdown of revenue **by region in 2017**



A leading **international network**

In most of its largest markets, the Group has a portfolio of licences that enables it to directly issue insurance contracts.

Indirectly, the Group uses:

i) **freedom of services** within the EU, to issue contracts from another European country where it has the licence.

ii) the occasional issue of contracts from abroad, depending on the terms of the country concerned – **off-shore**

iii) an insurer that has the 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 – **Coface Partner**

NORTHERN EUROPE

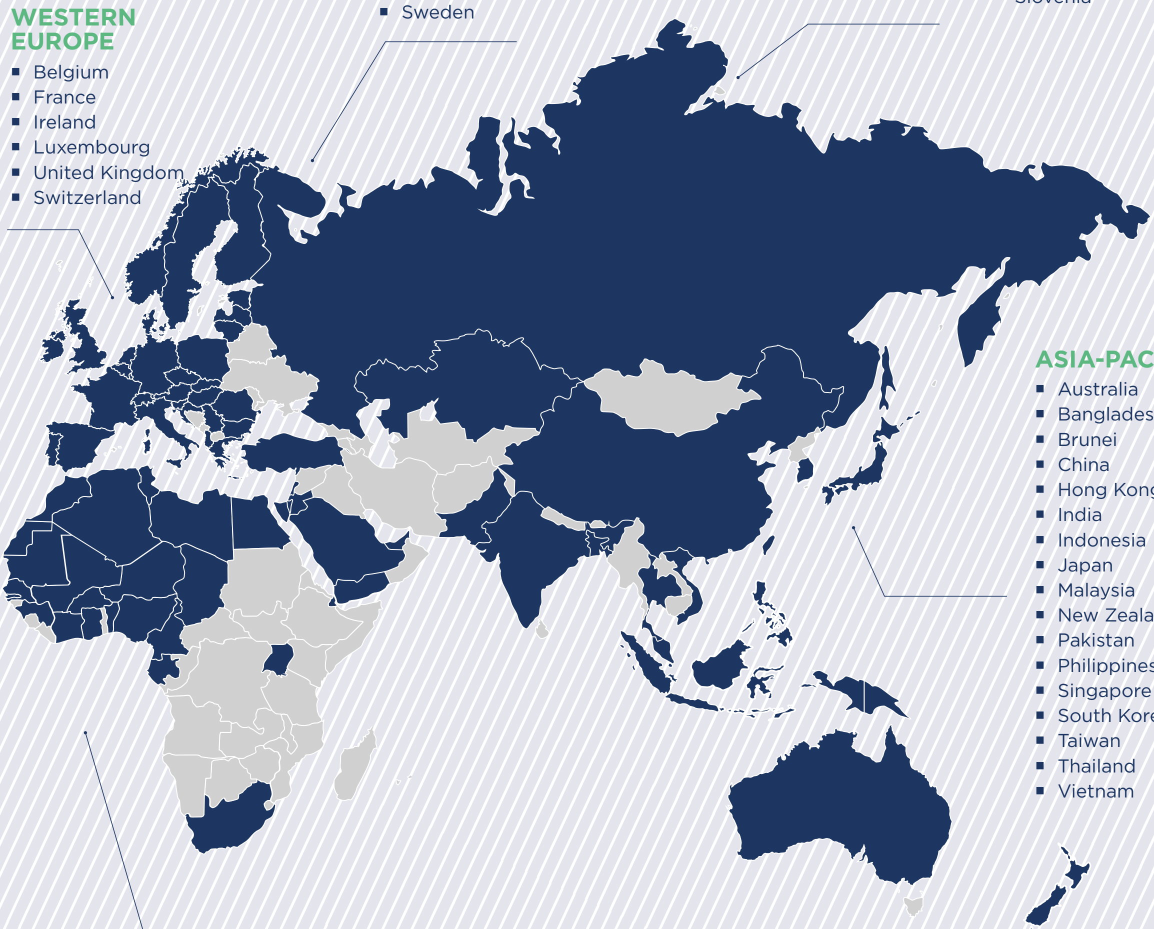
- Denmark
- Finland
- Germany
- Iceland
- Liechtenstein
- Netherlands
- Norway
- Sweden

CENTRAL EUROPE

- Austria
- Bulgaria
- Croatia
- Czech Republic
- Estonia
- Hungary
- Kazakhstan
- Latvia
- Lithuania
- Poland
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia

WESTERN EUROPE

- Belgium
- France
- Ireland
- Luxembourg
- United Kingdom
- Switzerland



ASIA-PACIFIC

- Australia
- Bangladesh
- Brunei
- China
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- New Zealand
- Pakistan
- Philippines
- Singapore
- South Korea
- Taiwan
- Thailand
- Vietnam

MEDITERRANEAN AND 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

Governance fuelled by a long-term vision

The increasingly uncertain **SITUATIONS** call for a more efficient method of governance that is more highly sophisticated and ever more adapted to the environment. Coface's governance enables it to define and implement Group strategy in compliance with the highest principles of ethics and compliance and in accordance with the new regulations and commitments taken with respect to social and environmental responsibility.

Shareholders' meeting
Appoints and dismisses

Board of Directors
Proposes appointments and dismissals

Chief Executive Officer
Chairs the three specialised committees of the General Management

BOARD OF DIRECTORS

2017 Activities

- Closing of the 2016 annual financial statements (individual and consolidated)
- Review of quarterly and half-yearly financial statements
- 2017 audit plan
- Solvency II and regulatory reports (RSR and SFCR)
- Risk mapping, a system for reinforcing Level 1 controls, compliance action plan
- Partial internal model project
- Progress reviews of the Fit to Win strategic plan
- Three-yearly assessment of the work of the Board

Highlights

6 meetings

Chairman of the Board ≠ Chief Executive Officer

11 members

- **46%** women
- **46%** independent members [(1)]
- **9%** non-French
- **9 out of 11** are under 60 years

Audit Committee

83%
participation rate

2 out of 3 members, including the Chairman, are independent

6 meetings in 2017

Appointments and Compensation Committee

100%
participation rate

2 out of 3 members, including the Chairman, are independent

3 meetings in 2017

Corporate governance is discussed in Chapter 2 "Corporate governance".

(1) 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").

MEMBERS OF THE BOARD OF DIRECTORS

Chairman

Laurent Mignon
CEO [2] Natixis

Non-independent directors

Daniel Karyotis
Banque Populaire AURA

Jean Arondel
Caisse d'Épargne Loire - Centre

Jean-Paul Dumortier
Banque Populaire Rives de Paris

Anne Sallé-Mongauze
CEGC

Isabelle Rodney
Caisse d'Épargne Côte d'Azur

Independent directors

Sharon MacBeath [1]
Tarkett

Olivier Zarrouati [1]
Fondation ISAE-SUPAERO

Eric Hémar [1]
ID Logistics

Nathalie Lomon
Ingenico

Isabelle Laforgue
Econocom

EXECUTIVE MANAGEMENT SPECIALISED COMMITTEES

Group General Executive Committee (GEC)

1. **Xavier Durand**
   CEO [2]
2. **Valérie Brami**
   Chief Operating Officer
3. **Nicolas de Buttet**
   Deputy Director in charge of Risk Underwriting & Information
4. **Cyrille Charbonnel**
   Underwriting and Claims Director
5. **Nicolas Garcia**
   Commercial Director
6. **Carole Lytton**
   General Secretary
7. **Carine Pichon**
   Chief Financial and Risk Officer
8. **Thibault Surer**
   Strategy and Business Development Director

Executive Committee

Members of the GEC

9. **Declan Daly**
   CEO Central & Eastern Europe region
10. **Bhupesh Gupta**
    CEO Asia-Pacific region
11. **Katarzyna Kompowska**
    CEO Northern Europe region
12. **Antonio Marchitelli**
    CEO Western Europe region
13. **Fredrik Murer**
    CEO North America region
14. **Cécile Paillard**
    CEO Mediterranean & Africa region
15. **Bart A. Pattyn**
    CEO Latin America region

Extended GEC

Members of the General Executive Committee

Heads of certain critical support functions:

- Information Systems Director
- Organisation Director
- Transformation and Process Director
- Marketing Director
- Risk Director
- Human Resources Director
- Communication Director
- Compliance Director
- Economic Research Director

(1) Renewal of mandate (Shareholders' Meeting of May 16, 2018).
(2) CEO = Chief Executive Officer.

A more dynamic and adapted **risk management**

THE GROUP has established a risk management structure that aims to ensure the proper functioning of all its internal processes, in compliance with the laws and regulations in all the countries where it is present. It also controls the compliance of all operating entities with the Group rules enacted in view of better monitoring the risks related to operations and optimising efficiency.

5 five main types of risks

- STRATEGIC
- FINANCIAL
- CREDIT
- REINSURANCE
- OPERATIONAL AND NON-COMPLIANCE

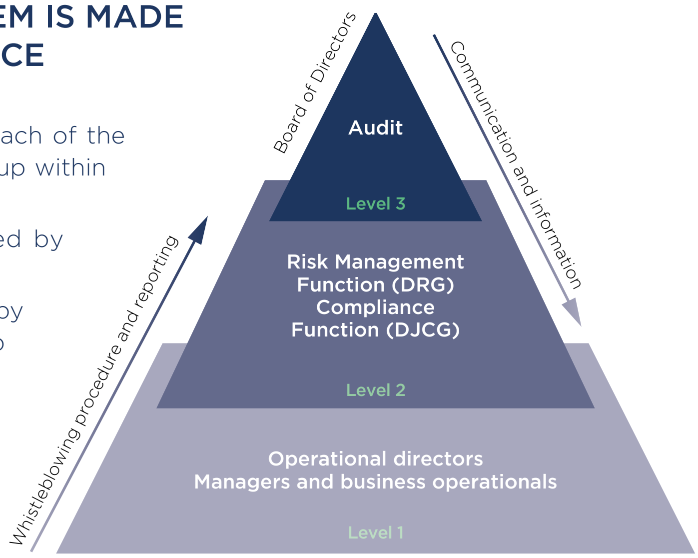
4 key functions

- RISK MANAGEMENT
- COMPLIANCE
- INTERNAL AUDIT
- ACTUARIAL

THE RISK MANAGEMENT SYSTEM IS MADE UP OF THREE LINES OF DEFENCE

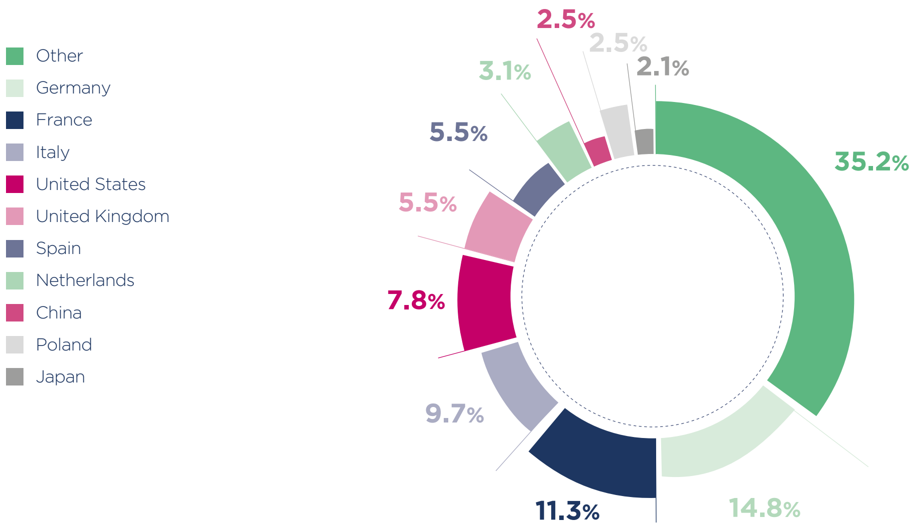
With well-defined players for each level. Each of the lines of defence exercises the controls set up within the Group :

- level one operational controls managed by businesses;
- permanent level two controls managed by the Group Risk Department and Group Compliance Department; and
- periodic level three controls managed by the Group Audit Department.

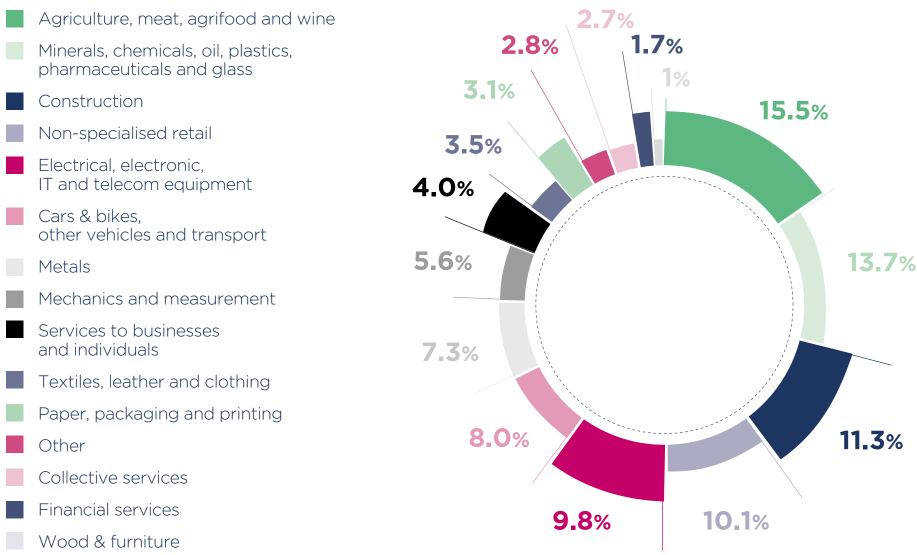


Risk management is described in Chapter 5 "Main risk factors and their management within the Group".

2017 total exposure (1) the 10 most significant countries



2017 total exposure (1) by debtor's business sector

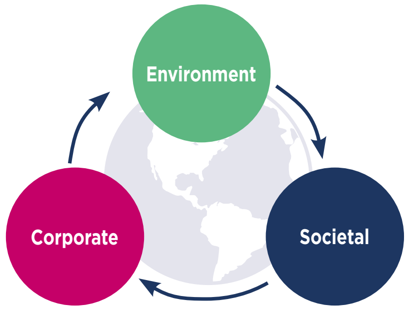


€512.6 billion of debtor credit risk outstanding (1) in 2017 (*vs.* €492.4 billion in 2016)

(1) *The exposures presented above are gross of reinsurance (direct business and accepted business) and correspond to the maximum covered amounts on debtor clients authorised by the Group for its policyholders. They do not correspond to the effective use made of these by policyholders and do not take into account the risk retention clauses provided in their contracts, such as the guarantee quota or a possible deductible.*

A constantly evolving corporate **social responsibility (CSR)** strategy

OVER AND ABOVE regulatory and ethical reasons, for Coface, CSR is a veritable opportunity for value creation. Having supported the United Nations Global Compact since 2003, in 2017 Coface again illustrated its ability to respond to corporate, societal and environmental challenges.



Our medium-term objectives

Raise the awareness of policyholders and prospects to environmental, social and governance (ESG) issues through sector studies published on the website www.coface.com.

Improve employee commitment and talent retention as well as our gender diversity policy.

Continue our support to associations through Coface Trade Aid.

Improve monitoring of the ESG rating of our investment portfolio. Monitoring of carbon emissions.

Extend our reporting scope each year by integrating one new country per year.

2017 INDICATORS [5]

Diversity

53%
women

77
nationalities

12 hours per employee
training

~35%
- than 40 years

Women to Win
Initiative

Environment

HQE
French and German head offices certified

8,289 Mwh
Energy used

2,467 T.eq. CO_2
Air + Train + Fuel

36.9 t
Paper used
Coface encourages the purchase of PEFC or FSC certified paper

27,081 m^3
Water used

INTEGRATION OF ESG ISSUES

Compliance

- Fight against money laundering, corruption and financial crime
  - reinforcement of IT tools and controls
  - e-learning training for employees
  - establishment of a Code of Conduct and an Anti-corruption Code
- Conflicts of interest
  - update of the Coface Code of Conduct
- Strengthening of KYC procedures

Risks related to climate change

- In 2017, there was no environmental litigation and no indemnity was paid in application of a legal decision
- Initiatives to reduce greenhouse gas emissions: travel and car policy
- Contribution to the protection of biodiversity: a garden of plants from five continents at the head office
- Implementation of a socially responsible investment policy for the portfolio

Data security and confidentiality

- Launch of audits for the implementation of the GDPR [1]
- Insourcing of certain IT activities to ensure secure control of IT systems
- Choice of suppliers and data storage
- Implementation of IT security procedures, firewalls, passwords, business continuity plan (BCP [2]), etc.

AN SRI INVESTMENT PORTFOLIO [5]

ESG factors

Target #1 : risk management

- preservation of the value of assets in the long term
- exclusion of controversial companies, lists of international economic and financial sanctions (FATF, EU/US embargo, etc.), APM or CB [3]

Target #2: support our reputation

- nine out of ten managers have signed the PRIs[4]
- dialogue between Coface and its managers

80.4% of the monitored portfolio is rated

An ESG rating is given by Amundi every quarter

Voting rights and commitments

Monitoring of the voting right policy of Amundi, the dedicated global manager

- dialogue with Amundi, beforehand, and if necessary dialogue with shareholders
- participation in Shareholders' Meetings
- annual reporting on votes

Monitoring of the voting rights policies of all equity UCITS

Carbon footprint

Monitor the carbon risk

Contribute actively to sustainable development

Quarterly reporting (*via* Amundi)

- presentation of carbon emissions and reserves
- sector and geographical contributions
- analysis by millions of euros invested
- analysis by millions of euros of revenue
- three scope levels

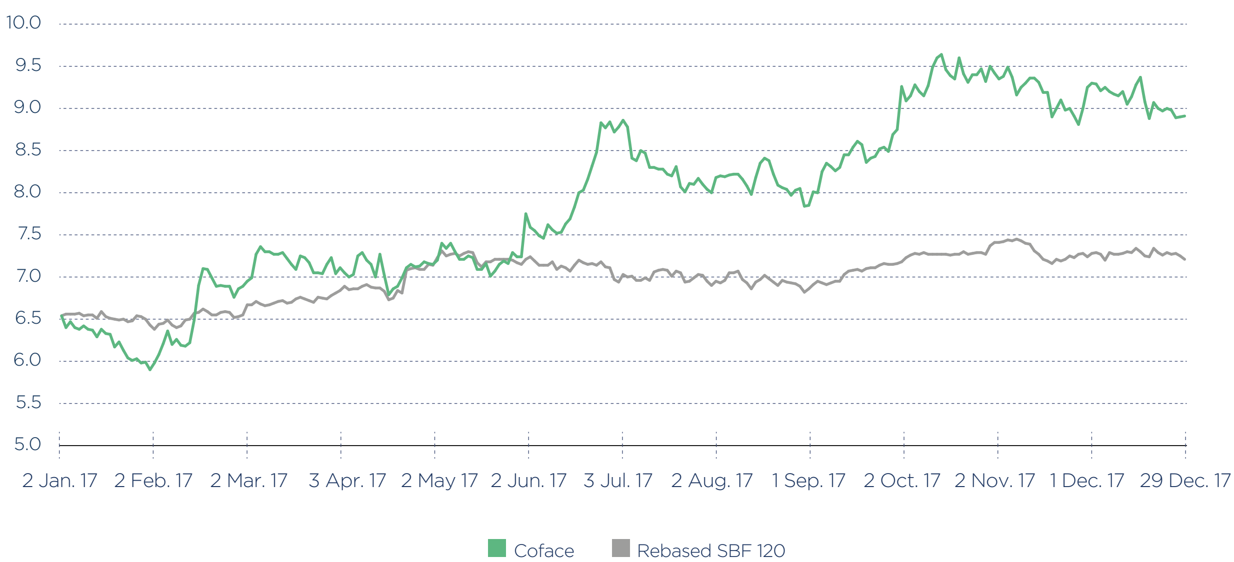
(1) General Data Protection Regulation (European Union regulation No. 2016/679).
(2) Business continuity plan – see Section 1.8. "Information Systems".
(3) APM = Anti-personnel mines; CB = cluster bombs.
(4) PRI = Principles for Responsible Investment.
(5) Comments on CSR as well as the reporting methodology are presented in Chapter 6 "Corporate, Environmental and Societal Information".

The **Coface** share

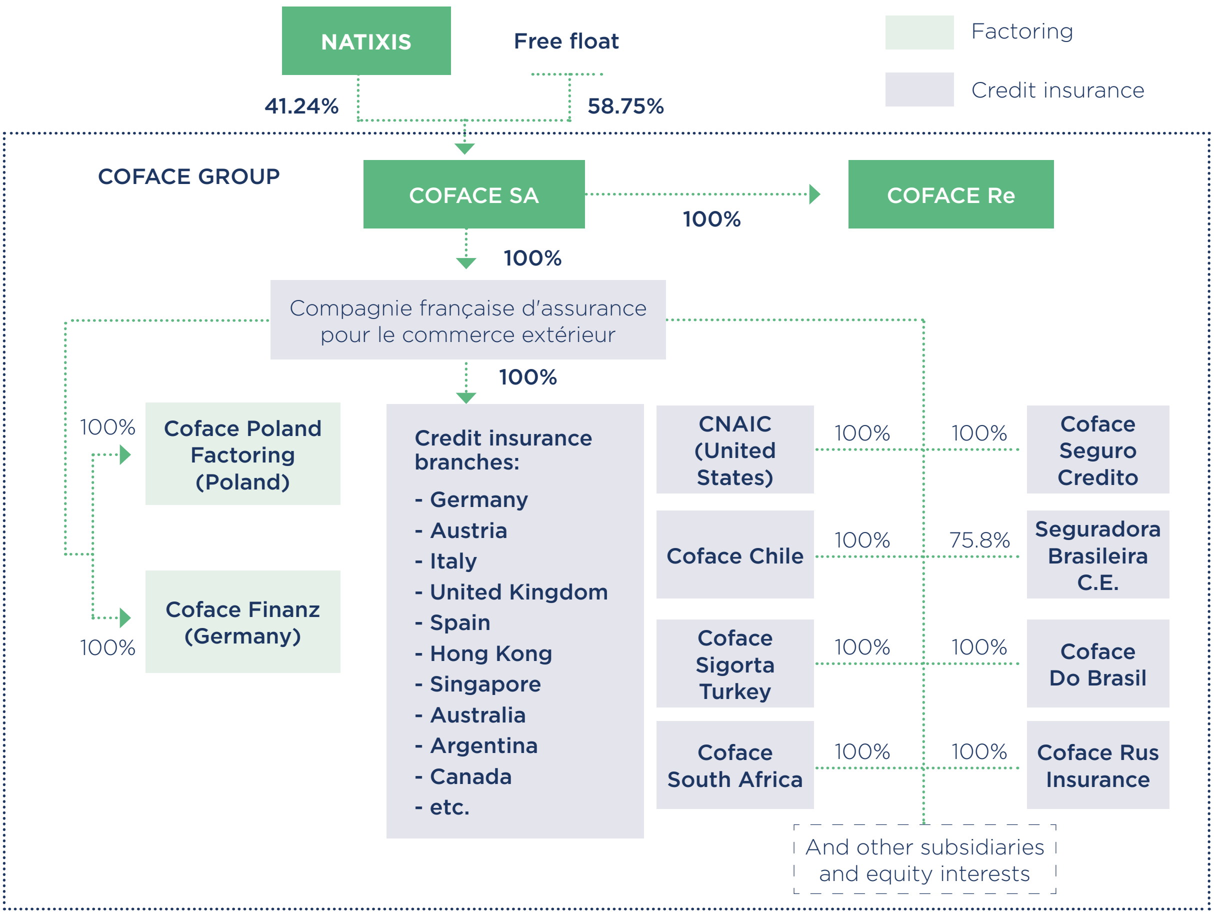
STOCK MARKET PROFILE	2017
Negotiation	Euronext Paris (compartment A), eligible for deferred settlement service (SRD)
ISIN Code	FR0010667147
Reuters code	COFA.PA
Bloomberg code	COFA FP
Stock Market Indexes	CAC Mid and Small, CAC All-tradable, CAC Small, CAC All shares, Euronext 150, Euronext CAC Financial
Capital	€314,496,464
Number of shares	157,248,232
Market capitalisation (price used on December 29, 2017: €8.914)	€1,401,710,740.05
Earnings per share	€0.53
Dividend per share [1]	€0.34
Highest price (2017)	€9.64 (Oct. 11, 2017)
Lowest price (2017)	€5.90 (Jan. 30, 2017)

(1) The proposal to distribute €0.34 per share is subject to the approval of the Annual Shareholders' Meeting of May 16, 2018 (see Section 7.7).

SHARE PRICE

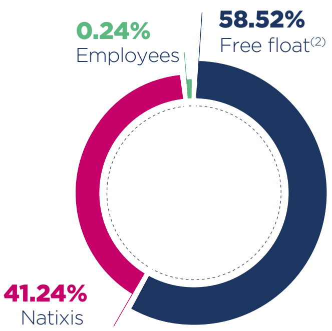


Simplified **organisational chart** (1)



(1) *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 €45.6 million for the year ended December 31, 2017. This subsidiary, which is wholly owned by the Company, is a French société anonyme, with share capital of €137,052,417.05, and registered with the Nanterre Trade and Companies Register under company number 552 069 791.
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 owns the two Group companies authorised to engage in the factoring business: Coface Finanz in Germany and Coface Factoring Poland in Poland (see the list of entities in the "Scope of consolidation" of the Group's consolidated financial statements – Chapter 4. The relationship between the parent company and subsidiaries is presented in detail in Note 38).

Shareholding structure as at December 31, 2017



(2) *Including 522,829 treasury shares under the share buyback programme, i.e. 0.33% (of which 126,429 shares of the Liquidity Agreement (0.08%) and 396,400 shares from transactions on treasury shares - LTIP (0.25%) – see Section 7.2.3 "Independent control, holding and acquisition of treasury shares by the Company".*

Financial press releases published in 2017

DATE OF PUBLICATION	PURPOSE
January 2, 2017	Coface has transferred French State export guarantees activity to Bpifrance
February 3, 2017	Appointments to the COFACE Group Executive Committee
February 8, 2017	Coface results at 31 December 2016: Operating performance and progression of Fit to Win in line with plan, confirming our ambition to become the most agile global credit insurer in the industry
April 12, 2017	COFACE SA: Combined Shareholders' Meeting on May 17, 2017 at 9am (CET)
April 13, 2017	COFACE SA: Disclosure of total number of voting rights and number of shares in the capital as at April 12th, 2017
April 13, 2017	Coface announces the publication of its 2016 Registration Document
April 26, 2017	Coface results for Q1-2017: Net income at €7.3m driven by an improvement in net loss ratio Fit to Win progressing as planned
May 15, 2017	COFACE SA: Disclosure of total number of voting rights and number of shares in the capital as at May 12th, 2017
May 17, 2017	COFACE SA: Combined Shareholders' Meeting of May 17th 2017 adopted all the proposed resolutions
May 19, 2017	COFACE SA: Publication of SFCR Group and Standalone as at 31st December 2016
July 5, 2017	COFACE SA: Half-year statement of the liquidity contract between COFACE SA and Natixis
July 28, 2017	Communication setting out the arrangements for the supplying of the Interim Financial Report for the first half of 2017
July 28, 2017	Coface H1-2017 Results: Operating income up 17.5% and net income at €20.2m Improving guidance for 2017: net loss ratio 3pts better, at below 58%
July 28, 2017	Isabelle Laforgue and Nathalie Lomon join COFACE SA's Board of Directors
August 4, 2017	COFACE SA signs €700m syndicated loan agreement
September 8, 2017	Fitch affirms Coface AA- rating, with an outlook "stable"
September 28, 2017	Coface improves its full-year guidance: loss ratio net of reinsurance now seenbelow 54%, a 4ppts improvement
September 29, 2017	Coface appoints two new regional CEOs to lead Central & Eastern Europe and Northern Europe, effective November 1st 2017
October 25, 2017	Coface 9M-2017 Results: Net income at €55.0m driven by loss ratio improvement, in line with new guidance
November 6, 2017	Evolution on the resources allocated to the liquidity agreement

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

2018 FINANCIAL CALENDAR (SUBJECT TO MODIFICATION)

- 2017 results: February 12, 2018, after market close
- Q1-2018 results: April 24, 2018, after market close
- Publication of 2017 SFCR (Group and Standalone): May 4, 2018
- 2017 Shareholders' Meeting: May 16, 2018
- Ex-dividend date: May 24, 2018
- Payment of dividend: May 28, 2018
- H1-2018 results: July 26, 2018, before the market opens
- 9M-2018 results: October 24 ,2018, after market close

1. PRESENTATION OF THE COFACE GROUP

1.1 / MESSAGE FROM XAVIER DURAND, CHIEF EXECUTIVE OFFICER (CEO)

A strategic plan on the right track

After launching our Fit to Win strategic plan at the end of 2016, 2017 was a true test for the Group, as it began to roll out its new roadmap to become the most agile global credit insurance partner in the sector. This initial test has been passed with flying colours and is promising: we have bolstered our risk management and the quality of our information, begun to improve our operational efficiency and our customer service, and are gradually implementing a selective and profitable growth strategy.

These actions are increasingly bearing fruit and are already reflected in our 2017 results, sharply up compared with the previous year. In a favourable economic climate, the actions implemented under the Fit to Win plan have allowed us to reduce our net loss ratio over five consecutive quarters (51.4% in 2017). We ended the financial year with a twofold increase in net income to €83.2 million and strengthened solvency (~166%). Our revenue has grown to €1,354.9 million, up by 0.3% compared with 2016, and growth in Q4 2017 was 2.3%. In line with our capital management policy, we raised our distribution rate to 100% for the financial year, proposing a dividend of €0.34 per share, and are considering a first share buyback programme for an amount €30 million.

We continued to invest in business information in emerging countries, and in the recruitment of field credit analysts. Our risk-centric organisation model has been consolidated, and our risk underwriting processes optimised in business segments with the highest risks. The €19 million of cost savings already made in 2017 largely confirm the relevance of our objective to save €30 million by 2018. At the end of 2017, the Group organised Fit to Win Days worldwide, to make sure that all its teams are perfectly aware of the Fit to Win goals, the progress made and the remaining actions to be taken. These days dedicated to the strategic plan were warmly welcomed by employees, who learned a great deal about optimum ways of meeting the challenges expected in the next two years. In the same perspective, at the end of 2017 we also organised a vast Group-wide employee commitment survey, called My Voice, which had a particularly high respondent rate of 92%. Thanks to the comments collected from this survey, projects have been launched to strengthen this commitment to allow each employee to become even more involved in achieving the Fit to Win goals. Other similar surveys will be organised from time to time to evaluate the progress made.

As such, in 2018, we are well positioned to continue our transformation towards a long-term value creating model. We assert our ambition with a simplified, clearer, more committed and high-impact tag line: for trade. We will continue to develop our strategic plan while adapting to changes in the economic and risk environment. Above all, we shall doggedly pursue our efforts to improve the quality of our customer service while continuing to innovate. We plan to invest €19 million in undertaking significant actions especially concerning customer service quality, digital transformation and stimulating the commercial momentum. With the entry into application of Solvency II, we are strengthening our focus on more effective capital management, and we are relaunching works to develop a partial internal model. The transformation of the Group's culture, geared towards increased focus on clients, expertise, collaboration, audacity and responsibility, will be intensified and accelerated to support this change. Fit to Win is on the right track.

Xavier Durand,
Chief Executive Officer (CEO)

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, and its subsidiaries.

The key dates of its history are described below.

1.2.1 CREATION AND CHANGES TO THE SHAREHOLDING STRUCTURE

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.

1994

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

2000

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

2002

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 Compagnie francaise d'assurance pour le commerce exterieur's share capital from SCOR 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 margin within the context of the sharp economic slowdown at that time.

2014

On June 27, the Company launched an IPO on Compartment A [(1)] 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.

2017

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 free float representing 58.52% (including 522,829 treasury shares, *i.e.* 0.33% of the share capital, of which 0.08% in liquidity agreement and 0.25% in treasury share transactions).

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.

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.

2002

The Group takes an equity interest in the portfolio of Continental in the United States.

2014

As part of its sales 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.

(1) *The average market capitalisation for 2017 was €1,243,583,151.*

1.2.3 STRATEGY AND INTERNATIONALISATION

2002

Until 2010, the Group was positioned as a multi-service player specialised in trade receivables management for companies.

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.

2015

- On July 29, 2015, the French State announced its decision to transfer the State guarantees management activity, carried out by Coface, to the Bpifrance group, and agreed with Compagnie française d'assurance pour le commerce extérieur on the financial terms of such transfer. Management of State export guarantees was a services business that Coface carried out on behalf of the French State.
- 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 December 29, 2016 Finance Act (No. 2016-1917, Articles 47 and 127) set the effective date of the transfer at January 1, 2017.

2016

In the first half of 2016, the Group had to cope with declining profitability. 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 trade-credit partner and steer its management model towards a more efficient capital model (see Section 1.6 "Strategy of the Group")

2017

The first effects of the Fit to Win strategic plan, which is unfolding according to schedule, are visible. In 2017, Coface improved its guidance for loss ratio after reinsurance (below 54%), and the cost savings are used to finance investments under the plan (the €30 million objective for 2018 is confirmed). Restructuring expenses are less than initially expected, which gives the Group leeway for stepping up the transformation of its operational model and investing in digital infrastructure.

1.3 / DESCRIPTION OF THE PRINCIPAL ACTIVITIES

The Group's activity line is mainly focused on credit insurance, which represents 87.9% of its revenue in 2017. It entails providing businesses with solutions to protect them against the risk of client debtor 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 in Central Europe and Israel, the Group sells information and debt collection 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 2015-2017 period:

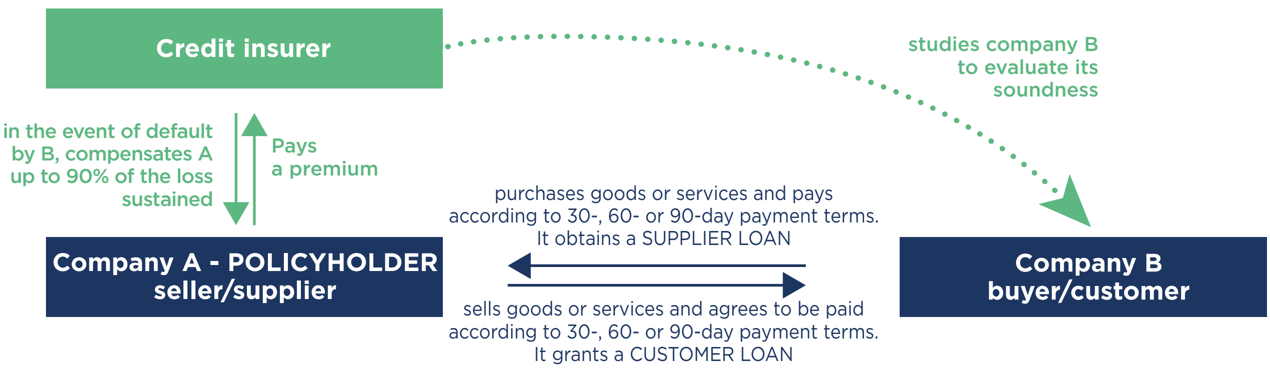
Consolidated revenue by activity *(in thousands of euros and as a % of the Group total)*	(see also paragraph)	Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Earned premiums – Credit		1,029,499	76.0%	1,039,916	73.7%	1,103,152	74.1%
Earned premiums – Single Risk		27,190	2.0%	24,451	1.7%	32,115	2.2%
Earned premiums – Credit insurance		**1,056,689**	**78.0%**	**1,064,367**	**75.4%**	**1,135,267**	**76.2%**
Fee and commission income [(1)]		**128,914**	**9.5%**	**128,795**	**9.1%**	**125,550**	**8.4%**
Other insurance-related services [(2)]		**4,382**	**0.3%**	**5,882**	**0.4%**	**10,129**	**0.7%**
Compensation for public procedures management services		**574**	**0.0%**	**53,361**	**3.8%**	**59,969**	**4.0%**
Revenue from the credit insurance business line	**1.3.1/1.5.1**	**1,190,559**	**87.9%**	**1,252,405**	**88.7%**	**1,330,915**	**89.4%**
Earned premiums – Surety bonds	**1.3.3/1.5.3**	**53,008**	**3.9%**	**50,773**	**3.6%**	**50,668**	**3.4%**
Financing fees		39,472	2.9%	35,545	2.5%	34,153	2.3%
Factoring fees		33,884	2.5%	35,557	2.5%	36,831	2.5%
Other		(1,314)	(0.1)%	(483)	0.0%	(385)	0.0%
Net income from banking activities (factoring)	**1.3.2/1.5.2**	**72,043**	**5.3%**	**70,619**	**5.0%**	**70,599**	**4.7%**
Information and other services		27,436	2.0%	25,170	1.8%	25,262	1.7%
Receivables management		11,886	0.9%	12,330	0.9%	12,086	0.8%
Revenue from information and other services	**1.5.4**	**39,322**	**2.9%**	**37,500**	**2.7%**	**37,348**	**2.5%**
CONSOLIDATED REVENUE	**NOTE 21**	**1,354,933**	**100.0%**	**1,411,297**	**100.0%**	**1,489,531**	**100.0%**

For more consistency between the financial statements and the aggregates published and commented upon in the financial statements, the Group has changed the presentation structure for the consolidated income statement. See detailed explanations in the notes to the consolidated financial statements "Accounting principles and policies".
(1) Policy management costs.
(2) IPP commission – International policies commission; business contributors' commission.

1.3.1 DESCRIPTION OF THE CREDIT INSURANCE BUSINESS LINE

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 also 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 offerings. It is factored into decisions taken regarding the coverage granted daily by its risk underwriters (see Section 1.5.1 below "Credit insurance and related services").

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. In certain offerings, the Group may give its 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 receivable 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. As such, the latter preserves, as much as possible, its commercial relations with its debtor. The Group leads the negotiations and, if necessary, the litigation proceedings, to recover the amounts owed (see Section 1.5.1 "Credit insurance and related services").

By using credit insurance, companies secure their margins while insuring themselves against the financial impacts of an unpaid receivable, while benefiting from prevention tools and information regarding the solvency of their debtors and the collection of unpaid receivables. They also benefit from regular exchanges with the Group's sector and country specialists.

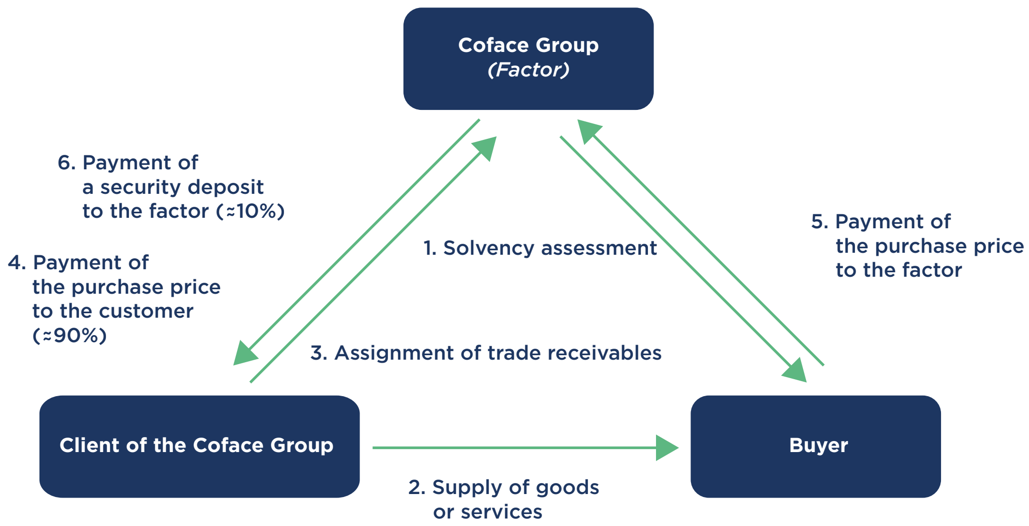
1.3.2 DESCRIPTION OF THE FACTORING BUSINESS LINE

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. Depending on the type of factoring, in the event of an unpaid receivable, the loss may either remain at the expense of the factor, or it may be recovered from the Company.

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

- by having immediate access to cash upon sale of their receivables (subject to the deposit of a security retention);
- by reducing their client risk, 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 trade 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, particularly in the case of a payment default, notably to preserve its commercial relationship;
- reverse factoring: the Group's client in this case is the buyer, who proposes a payment through the factoring company to its supplier;
- maturity factoring: a full factoring derivative, for which financing only occurs at the invoice due date (late payment protection).

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 in France, Italy, Germany and Austria) to address the specific needs of companies in certain markets.

A surety bond consists of a commitment to pay 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 bond 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 bond is an obligation needed to run a business or access specific markets.

The surety bonds issued by the Group 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, having 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 bond (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 bonds:** 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 the collection of unpaid receivables. In the classic form of the product, these two services are the main hallmarks of the expertise of sector players.

The Group's principal activity 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 2017, the Single Risk business line represented around 2% of the Group's consolidated revenue.

The Group considers that the credit insurance sector has a significant growth potential. The credit insurance penetration rate in the total volume of trade receivables worldwide remains very low, estimated at around 5% [1], which means that there is a genuine opportunity for conquering new markets. However, although the sector grew by around 5% *per annum* between 2005 and 2009, this rate has since dropped to around 3% and down to nearly zero growth in 2016, under the effect of pressure on prices.

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

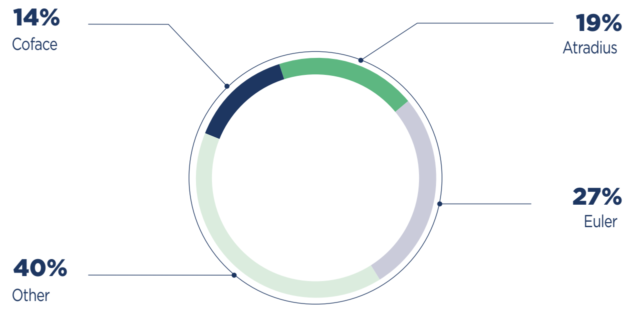
- the commercial conquest of the sector's players (and conversely, the potential loss of clients);
- the organic growth of the revenue of credit insurance clients;
- price changes, up or down;
- the risk selection policy by players, up or down.

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 players and niche players.

There are three global insurers: Coface, Euler-Hermes (a company under Belgian law, a subsidiary of the Allianz group) and Atradius (an unlisted company under Dutch law which belongs to Grupo Catalana Occidente, which is traded on the Madrid Stock Exchange). In 2016, the three insurers still shared around 60% of the global market [2].

2016 credit insurance market share



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

(2) *Global market shares are calculated on the basis of short-term credit insurance gross premiums; including markets under State monopoly in 2016. Sources: i) official market sources, official consolidated financial statements of companies and internal Coface estimates; ii) the global footprint includes direct presence and partners; iii) Euler-Hermes 2016 registration document – pages 20 and 21 "International presence"; and iv) Atradius 2016 Annual Report – pages 17-18 "The global footprint".*

The national or regional players 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.

Lastly, a growing number of players tackle credit insurance with a niche strategy. This strategy allows them to partly bypass the high cost that represents the establishment 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 €1,355 million from nearly 50,000 [1] 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, 2017, 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, 2017, credit insurance products and related services generated revenue of €1,191 million, or 87.9% 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 2015-2017 period (in thousands of euros and as a percentage of the Group's total):

Share of consolidated revenue Credit insurance *(in thousands of euros and as a % of the Group total)*	(see also paragraph)	Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Earned premiums – Credit		1,029,499	76.0%	1,039,916	73.7%	1,103,152	74.1%
Earned premiums – Single Risk		27,190	2.0%	24,451	1.7%	32,115	2.2%
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Fee and commission income (1)		**128,914**	**9.5%**	**128,795**	**9.1%**	**125,550**	**8.4%**
Other insurance-related services (2)		**4,382**	**0.3%**	**5,882**	**0.4%**	**10,129**	**0.7%**
Compensation for public procedures management services		**574**	**0.0%**	**53,361**	**3.8%**	**59,969**	**4.0%**
REVENUE FROM THE CREDIT INSURANCE BUSINESS LINE	**NOTE 21**	**1,190,559**	**87.9%**	**1,252,405**	**88.7%**	**1,330,915**	**89.4%**

For more consistency between the financial statements and the aggregates published and commented upon in the financial statements, the Group has changed the presentation structure for the consolidated income statement. See detailed explanations in the notes to the consolidated financial statements "Accounting principles and policies".
(1) Policy management costs.
(2) IPP commission – International policies commission; business contributors' commission.

/ 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 "Presentation of the credit insurance market and the competitive environment").

(1) Including all companies with at least one active contract with Coface in our various business lines.

/ State guarantees management

Between 1946 and 2016, the Group managed, on behalf of and with the guarantee of the French State, export guarantees concerning risks that are uninsurable by the private market.

In 2016, this business represented nearly 4% of its consolidated revenue. Since then, it no longer has an impact on the Group (little or no impact in 2017).

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 distributor partners.

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

Product	Description
TradeLiner	This 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 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.
Coface Global Solutions	Coface Global Solutions is an offering dedicated to the management of large international policyholders (the "CGS Offering"). This offering relies on a global organisational structure which offers to 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 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 app) and by a system-to-system automatic link (CofaServe web services *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 a particular investment or 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 a series of more modest (up to €5 million) transactions, 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).

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 compensation 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 and pertinent underwriting in the different markets.

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

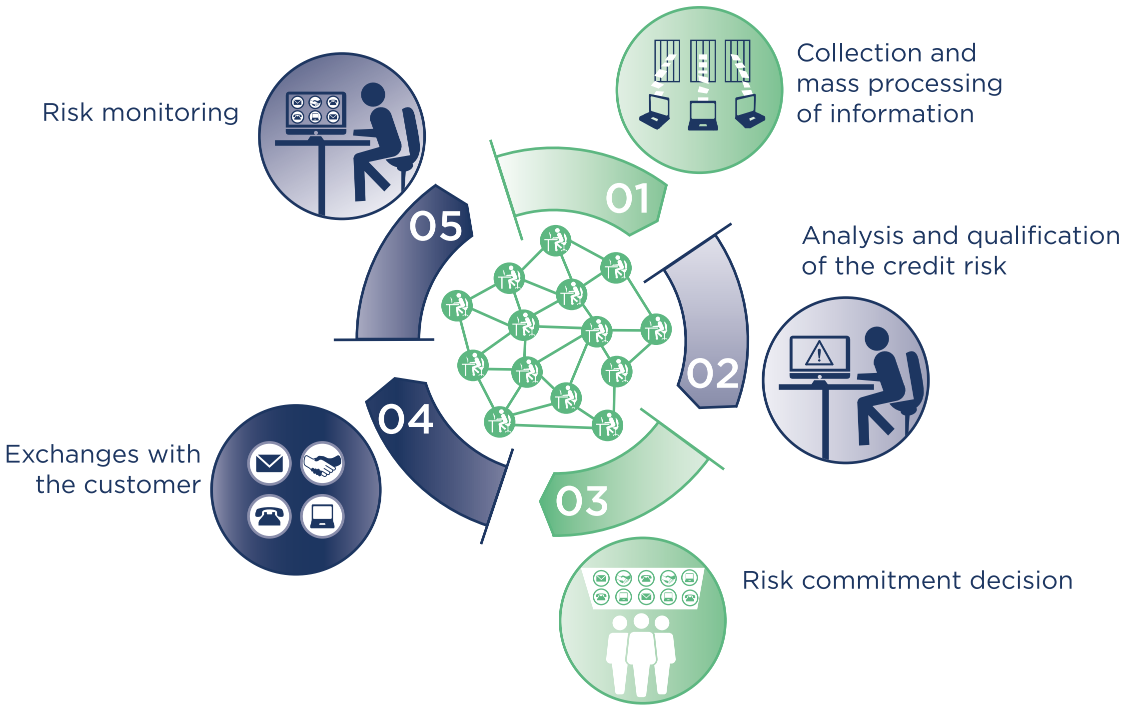
Information regarding the solvency of debtors at the core of the Group's business

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 runs a network of 50 centres dedicated to collecting, processing and analysing the financial and solvency information on all of the Group's debtor risks worldwide.

Information is key to every stage of the Group's risk monitoring process, and is compiled within its ATLAS database (see Section 1.8.2 – "Group applications and tools"). It is first collected, particularly from external service providers, for initial administrative processing. It is then analysed by the team of 340 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. Moreover, all of the Group's businesses rely on EASY, its unique debtor identification database, which facilitates communication between the Group and its partners and clients (see Section 1.8.2 – "Group applications and tools").

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

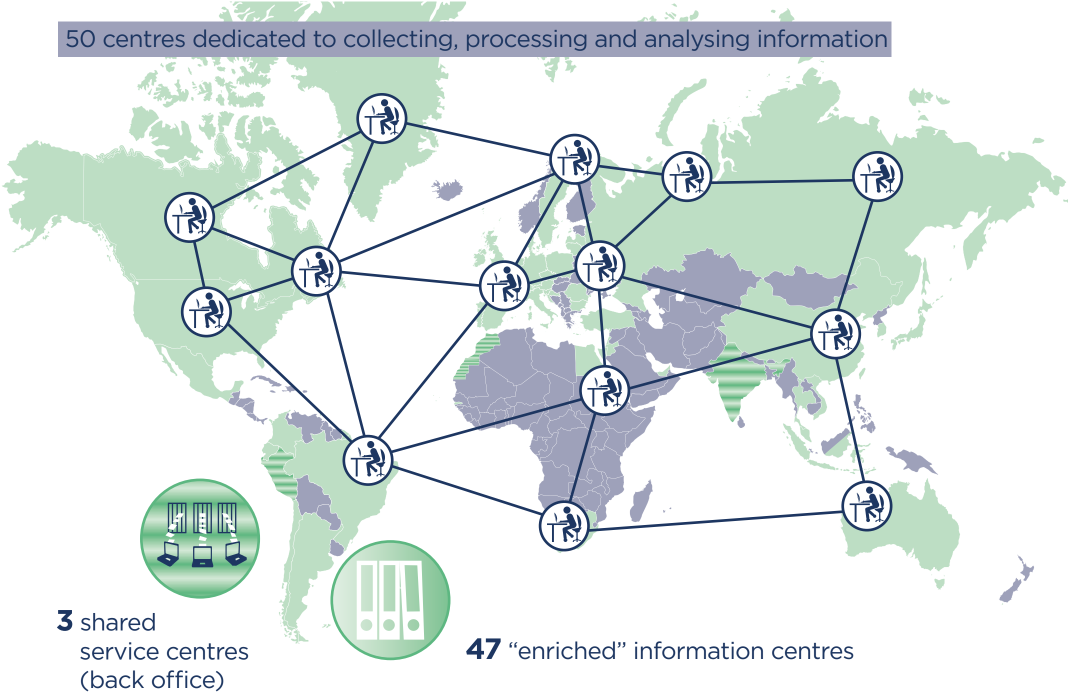


The collection, operation and preservation of reliable, updated and secure information constitutes a major issue for the Group, in order to:

- 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. These teams consist of twelve economists, seven of whom are based in the Western Europe region (Paris) and five in regions where the Group is present, to ensure local coverage. These economists conduct studies internally for the Group's businesses, and externally for policyholders and for the public (journalists, academics, prospective clients, banks, brokers, partners and so on). External production essentially takes the form of "panoramas" (country risks, 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 has allocated substantial investments to information in order to improve risk management. Additional financial information and payment records have been purchased in 18 countries, and more than 18 additional senior risk analysts have been hired to improve credit analyses and raise the number of contacts with debtors.

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 assessment), 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 – "Group applications and tools");
- 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 (up 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.

Enhanced commercial underwriting

Commercial underwriting is an activity that consists of determining pricing components (premium, bonus and penalty rates), technical parameters (maximum credit term, limit of cash outflows) and the appropriate clauses to match the needs of a policyholder. Commercial underwriting focuses on the contract, whilst risk underwriting deals with the guarantees on the buyers of the entity to be insured; guarantees with scopes linked to the validated clauses. The two activities are therefore complementary. For this reason, a decision was made in 2017 to attach commercial underwriting to a new Underwriting Department where both commercial and risk underwriting are combined. Furthermore, this Underwriting Department covers all other activities related to risk management, such as information, claims & collections and recovery.

Thanks to this change, we have strengthened the quality of our risk management, become more selective in the quality of underwritten businesses because we verify their expected profitability and ensure that technical expertise is better shared among the Group's underwriting centres.

This activity is governed by the Group's rules which allocate delegation levels on the basis of the seniority and the experience of the employees concerned. Beyond certain risk levels and according to the nature of the request, decisions are taken at the Group's headquarters, either by the commercial Underwriting Department or by the Group Underwriting Committee.

Commercial underwriters are not driven by new production or retention objectives and can therefore make unbiased decisions.

The Group Underwriting Committee consists in particular of Group commercial underwriting, risk underwriting and commercial underwriting directors. The committee meets every day to review all commercial proposals relating to new businesses or policies to be renewed insofar as these proposals exceed local delegations.

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, Coface intervenes to track, manage and recover the unpaid trade receivable, either before indemnification by means of the "claims mandate" (which is provided by the policyholder as part of its credit insurance policy), or after indemnification through the subrogation mechanism, whereby the insurer is 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 efficiency of debt collection has a direct impact on the Group's loss ratio.

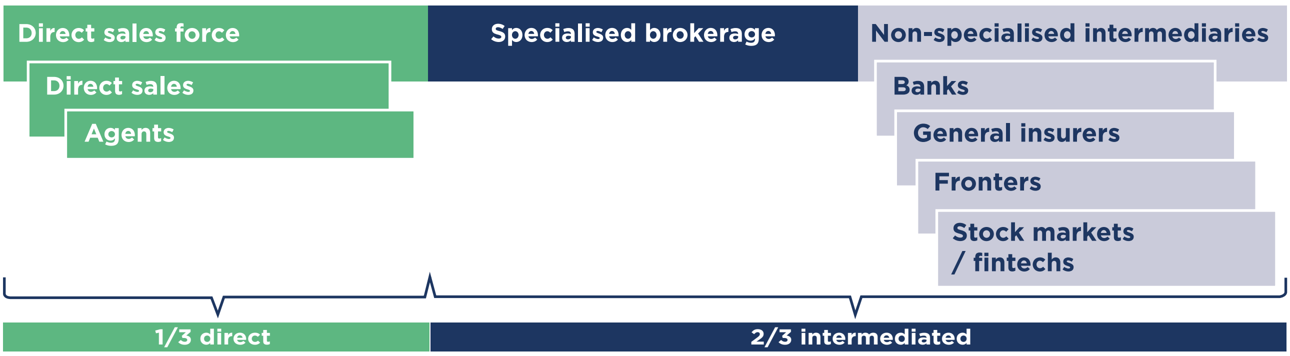
The Group has established a standardised system of monthly indicators on the recovery rate, which allows it to standardise the practices of its indemnification and recovery network, and to track the overall performance of this activity in each country.

The indemnification and recovery network, responsible for covering more than 200 countries, comprises teams specialised in analysing indemnification requests and employees dedicated to debt collection. These teams rely on a Group-wide shared IT tool to enter and collect all unpaid invoices reported by its policyholders (see Section 1.8.2).

This powerful network is completed by a group of 32 collection companies and 185 law firms 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.

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 multichannel 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, a significant portion of which belongs to the Coface Partner network, the Group thus provides assistance to its policyholders in around forty countries in which it has no direct commercial presence or specific licence.

In the category of non-specialised business, banks now represent a key distribution channel, providing access to new segments and increasing the equipment of the existing portfolio, by completing the Group's service offering. Noteworthy success stories in 2017 include in particular the new partnerships signed with the BPCE group in France and Unicredit bank in Italy with, for each of them, a promising equipment rate.

1.5.2 FACTORING [1]

The Group is active on the German and Polish markets.

In Germany, the factoring market continued to grow by 3.8% in 2016 to reach €217 billion in factored receivables for the year. The Group expects growth to continue on the factoring market in 2017 in an increasingly competitive environment.

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, Deutsche Factoring Bank AG, BNP Paribas Factor GmbH and Coface Finanz GmbH, which holds 13.5% of market shares.

In Poland, the factoring market is still growing: 20% in 2016, much higher than the 2.7% of GDP growth. The Polish factoring market is led by the following six players, which share (according to the estimates of the COFACE Group and the association of Polish factors) approximately 65% of the market: ING CF, BZ WBK Faktor, Raiffeisen Polbank, Bank Millennium, Pekao Faktoring, as well as Coface Poland Factoring, which holds around 8% of market shares. The Group expects growth on the factoring market in 2017 to be similar to the level recorded in 2016.

For the financial year ended December 31, 2017, factoring represented €72 million, or 5.3% of the Group's consolidated revenue.

Share of consolidated revenue Factoring *(in thousands of euros and as a % of the Group total)*	See also paragraph	Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Financing fees		39,472	2.9%	35,545	2.5%	34,153	2.3%
Factoring fees		33,884	2.5%	35,557	2.5%	36,831	2.5%
Other		(1,314)	(0.1)%	(483)	0.0%	(385)	0.0%
REVENUE FROM THE FACTORING BUSINESS LINE	**NOTE 21**	**72,043**	**5.3%**	**70,619**	**5.0%**	**70,599**	**4.7%**

For more consistency between the financial statements and the aggregates published and commented upon in the financial statements, the Group has changed the presentation structure for the consolidated income statement. See detailed explanations in the notes to the consolidated financial statements "Accounting principles and policies".

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, 2017, surety bonds represented €53 million in net banking income, or 3.9% of the Group's consolidated revenue.

Share of consolidated revenue Surety bonds *(in thousands of euros and as a % of the Group total)*	See also paragraph	Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
EARNED PREMIUMS – SURETY BONDS	**NOTE 21**	**53,008**	**3.9%**	**50,773**	**3.6%**	**50,668**	**3.4%**

For more consistency between the financial statements and the aggregates published and commented upon in the financial statements, the Group has changed the presentation structure for the consolidated income statement. See detailed explanations in the notes to the consolidated financial statements "Accounting principles and policies".

(1) *Sources: i) Deutsche Factoring Verband. Website: http://www.factoring.de/german-factoring-market-2016-0; and ii) Polish Factors Association. Website: http://www.faktoring.pl/eng/.*

1.5.4 INFORMATION AND OTHER SERVICES

In some countries, essentially in Central Europe, the Group sells information and recovery products to businesses that have no credit insurance. As of December 31, 2017, this activity represented consolidated revenue of €39 million.

Share of consolidated revenue Information and other services *(in thousands of euros and as a % of the Group total)*	See also paragraph	Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015	
		(in €k)	*(in %)*	*(in €k)*	*(in %)*	*(in €k)*	*(in %)*
Information and other services		27,436	2.0%	25,170	1.8%	25,262	1.7%
Receivables management		11,886	0.9%	12,330	0.9%	12,086	0.8%
REVENUE FROM INFORMATION AND OTHER SERVICES	**NOTE 21**	**39,322**	**2.9%**	**37,500**	**2.7%**	**37,348**	**2.5%**

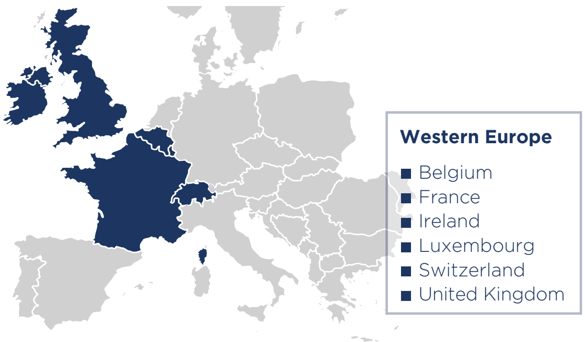
For more consistency between the financial statements and the aggregates published and commented upon in the financial statements, the Group has changed the presentation structure for the consolidated income statement. See detailed explanations in the notes to the consolidated financial statements "Accounting principles and policies".

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

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 – "Comments on income at December 31, 2017")

The Group's activities in the Western Europe region

Availability of the Group's offering



/ Key figures

The Group, which currently employs approximately 974 people in the Western Europe region, earned revenue of €280.8 million in the region, or 20.7% of its total revenue for the financial year ended December 31, 2017.

/ 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.

The products range was extended in 2017 in France and in the UK with the launch of an information offering for credit insurance clients only. This option provides clients with access to two levels of information: financial elements about their clients, prospects or partners, in addition to risk analysis made by Coface on these companies.

/ Marketing and strategy

In 2017, the region was very active in setting up and implementing numerous projects to promote client loyalty and improve service quality. This strategy is bearing fruit since the satisfaction and retention rates on the region have increased significantly.

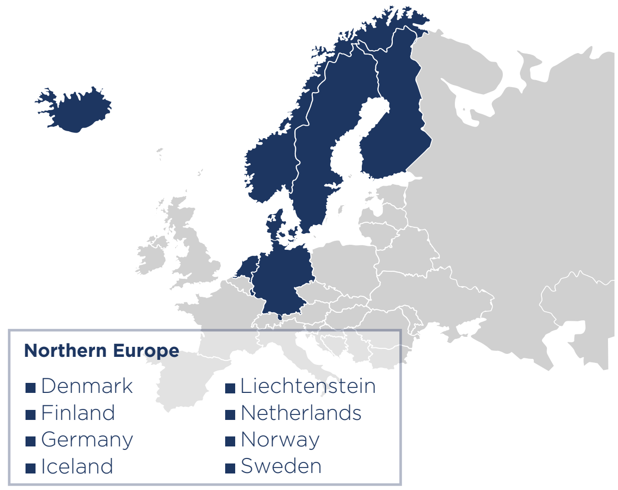
In France, after the commercial reorganisation in 2016, a vast sales cycle optimisation project has resulted in the development of a new tool, Autonomy, which leads to shorter underwriting times. Since offerings are mostly distributed through brokerage firms, this new tool has also resulted in more satisfied brokers because of the improvement in the quality of commercial proposals and optimised deadlines.

2017 was also marked by the operational rollout of the partnership with the BPCE group, whose corporate policy officers now sell Coface offerings to their own corporate clients. The relationship with partner banks has been strengthened to transform banks into a new full-fledged distribution channel.

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

The Group's activities in the Northern Europe region

Availability of the Group's offering



/ Key figures

The Group, which currently employs approximately 713 people in this region, earned revenue of €303.9 million in the region, or 22.4% of its revenue for the financial year ended December 31, 2017.

/ 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.

In this respect, the successful launch of a new information product has improved the multi-product strategy on the German market. The differentiated-growth strategy based on a multi-product offering constitutes a unique competitive advantage for Coface in Germany and allows it to better address the needs of its clients while aiming at the development of new markets in 2018.

/ Marketing and strategy

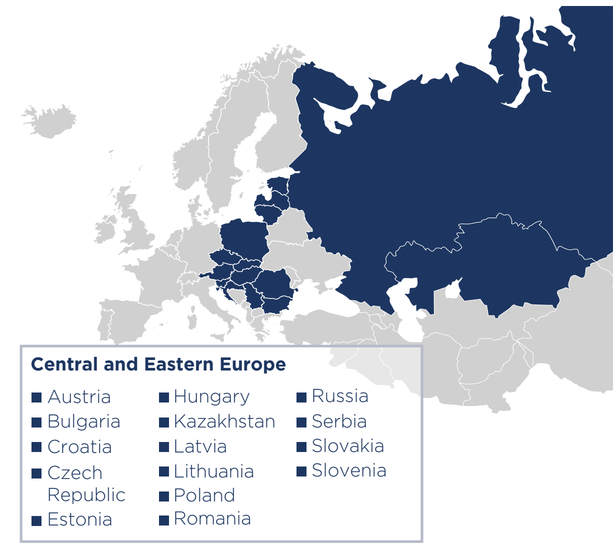
The Group's offering in this region is marketed through a combination of direct sale by its own sales teams and sale through its partners (brokers and banking institutions).

In 2017, the Group inaugurated "Coface Nordics", a new expertise centre for clients residing in Nordic countries. This new role allows the teams to pool their resources to strengthen the presence of Coface on the market and improve service rendered to clients in the region. The geographic extensions recently created in Norway and in Finland are also conducive to the development of the Scandinavian market and to strengthening the presence of Coface in the Nordic region.

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 2017 the region launched a reinforced commercial organisation on the intermediary market segment in order to offer better quality service to its clients.

The Group's activities in the Central Europe region

Availability of the Group's offering



/ Key figures

The Group, which currently employs approximately 715 people in the Central Europe region, earned revenue of €127.7 million in this region (with the largest contributions from Austria, Poland, Romania and Russia), or 9.4% of its total revenue for the financial year ended December 31, 2017.

/ Typologies of countries and offering

In this region, the Group is 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

The Group has the most extensive network in Central Europe and the largest local footprint, offering services to 15 countries, in direct or indirect presence.

The Group's strategy in this region is built on the cornerstone of supporting the development of distribution, and growing while keeping risks under control.

The Group's commercial strategy for emerging markets with stable credit insurance activity, as defined in its Fit to Win strategic plan, is to achieve healthy growth in a context of controlled risk.

The market strategy for CER entails developing the activity while paying close attention to revenue and profitability, and increasing the sale rate by offering commercial information as a standard for all credit insurance clients.

The Group's activities in the Mediterranean & Africa region

Availability of the Group's offering

Mediterranean & Africa

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

/ Key figures

The Group, which currently employs approximately 763 people in the Mediterranean & Africa region, earned revenue of €348.0 million in this region, or 25.7% of its revenue for the financial year ended December 31, 2017.

/ Typologies of countries and offering

In credit insurance terms, the countries of the region primarily represent emerging markets, apart from Italy, Spain or Portugal, which are in the mature markets category. 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, which are 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 debt collection services and information on debtors.

/ Marketing and strategy

According to the size and configuration of the markets in the region, the Group alternates between (i) sales through partners such as brokers, agents or banks and (ii) direct sales. It uses these two distribution channels in Italy, Spain, Turkey, 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.

In the three mature credit insurance markets of Italy, Spain and Portugal, the Group reported another substantial production and an exceptionally high level of client loyalty, while gradually adapting its premium rates to the actual risk situation. This performance is the result of a commercial strategy launched in 2015, organised around multichannel distribution thanks in particular to agents and a detailed client segmentation. Starting from 2016, the Group has particularly developed partnerships with banks, general insurers and professional associations.

The Group's activities in the North America region

Availability of the Group's offering

/ Key figures

The Group, which currently employs approximately 125 people in the North America region, earned revenue of €121.9 million in this region, or 9.0% of its total revenue for the financial year ended December 31, 2017.

/ 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 policyholders 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 42 exclusive agents, while the rest of the portfolio is acquired 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 profitable market segments. 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 also endeavours to develop additional distribution through non-specialised channels.

The Group's activities in the Latin America region

Availability of the Group's offering

/ Key figures

The Group, which currently employs approximately 388 people in the Latin America region, earned revenue of €75.7 million in this region, or 5.6% of its total revenue for the financial year ended December 31, 2017.

/ Typologies of countries and offering

In terms of credit insurance, the Group considers that the countries of the region represent high-risk markets, with volatile economies. Most of these countries are in the expansion phase, but are confronted with a high level of political uncertainty, given the numerous upcoming presidential elections in 2018.

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 around ten countries, the main ones being Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru in direct credit insurance and other countries in which contracts are signed through partners.

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 "Credit insurance and related services"). Debt collection services are managed in seven dedicated centres, located throughout the region.

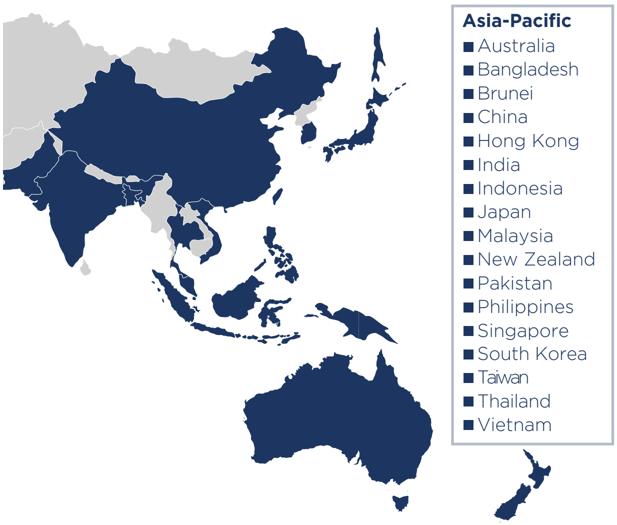
/ Marketing and strategy

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.

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 and with pricing adjusted to the realities of the risk profiles. In 2017, it strengthened its relations with specialised brokers in order to supplement its direct sales force.

The Group's activities in the Asia-Pacific region

Availability of the Group's offering



/ Key figures

The Group, which currently employs approximately 400 people in the Asia-Pacific region, earned revenue of €96.9 million in this region, or 7.2% of its total revenue for the financial year ended December 31, 2017.

/ 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 and Australia, which are economically mature markets, with a particularly low penetration rate in Japan.

The bulk of the Group's activities in the Asia-Pacific region comes from the direct or indirect sale of credit insurance contracts, which are marketed in all countries in the region.

The region also proposes business information and debt collection services. In addition, it owns one of the three back office centres in India used by the Group to process the debtor information that it receives (see Section 1.5.1 "Credit insurance and related services").

/ 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 latter comprises 38 partners, including two new arrivals in 2017: Taiping Insurance in Singapore, and Bangkok Insurance in Thailand. Furthermore, pursuant to the Group's multichannel 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, Collaboration, and Courage & Accountability. These values guide the operational principles and conduct 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 objective is based on a combined ratio of 83% through the cycle and cost savings of €30 million in 2018, to compensate the loss of the State 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 position characterised by (i) a solvency ratio between 140% -160%; and, (ii) a minimum A rating by 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 is also based on the Group's capacity to innovate by offering new products and services, by using digital distribution to reach its clients or new clients more effectively, and by continuously enhancing information on companies by using Big Data-type techniques.

To achieve this goal, the Group continues to:

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

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 on the expertise developed over the last 70 years, but has also decided to reinvest in its risk management platform to better address the changes and specific developments on different markets. In concrete terms, multiple projects have been launched, focusing on information and tools, underwriting processes and skills building.

/ 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 of the existing information. In this respect, the Group has already recruited 25 analysts in charge of enhancing information in the most sensitive countries (South Africa, Turkey, Brazil, Russia, etc.). Other recruitments are in progress to complete the system (in North America, China and the United Arab Emirates).

/ 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. To this end, the Group has decided to create a single Underwriting Department to handle both credit risk underwriting and commercial underwriting. This single department has a comprehensive view of all underwriting operations.

The Group has also developed finer and more differentiated underwriting rules tailored to specific clients and sectors: underwriting and drafting of specific contracts, from risk appetite levels to variable risks, risk monitoring and exposures adjusted to the level of risk taken. 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). Beyond the obvious impact on monitoring quality, this approach helps to better anticipate risk trends, focus on coverage reductions on terminations and improve client satisfaction.

/ 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. This team has already made it possible to support the activity of local teams during peak activity periods and to take over in the event of a serious incident, as was the case last September during the earthquake in Mexico.

To ensure the continued improvement of underwriting practices, Coface has created schools specialising in risk underwriting and commercial underwriting. These Coface schools promote a faster and more effective induction of new arrivals into the Group, the transmission and sharing of best practices and expertise; they also offer continuing training to existing teams and ensure optimal career growth.

Improve Group operational efficiency while strengthening the 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 transformation 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 clients.

The investments required for implementing this ambition are financed by the exceptional gain recorded by Coface in 2016 following the transfer of the State exports guarantees business to Bpifrance.

Coface has already saved €19.0 million in costs in 2017, much quicker than expected. This allows the Group to confirm its objective of €30 million of savings in 2018. To achieve this objective and adjust its cost structure to the reality of different markets, Coface has taken four main actions:

/ Simplify and automate processes

The selected approach combines the implementation of a series of IT projects and the centralisation of functions in operational excellence centres, in order to pool and automate tasks whenever possible, with a lean management 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.

In respect of major IT projects, the Group plans to (i) streamline and integrate IT applications on which the main business processes are based, (ii) update some of its core tools (accounting, billing, commercial processes), or again (iii) use new technologies for the automation and enhancement of information sources.

The major projects will be implemented and the lean management programme rolled out over the next two years. Significant progress has already been made in these fields.

- With respect to lean management, nearly 21 projects were launched throughout the Group (in France, Germany, Italy and the United States in particular) in 2017 and have already allowed the release of efficiency margins, thereby sparing numerous teams from having to perform repetitive or low added value tasks and allowing them to devote their time to service quality actions; new lean projects have already been planned for 2018.
- With respect to digital transformation, a 100% online interface ("Autonomy") was launched in France and now enables field sales forces to perform the entire client acquisition process online, from the credit insurance questionnaire to the issue of the offering.
- Numerous major IT projects were started in 2017: (i) the modernisation of a number of core tools (such as the debt collection tool), (ii) revamping of the accounting tools in different Group regions, launch of a common billing tool project, and so on.
- Large-scale works were also conducted in the field of data science.

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

The Group has set up an IT excellence centre in Romania, specialised in development functions. This centre was inaugurated in June 2017 and is now fully operational. At the end of 2017, it consisted of nearly fifty employees in charge of studies and developments on part of Coface's range of applications. The development tasks will be entirely transferred at the end of 2018.

The Group also plans to redefine the activity of the three shared regional services centres located in India, Morocco and Peru. Part of the activities has already been pooled and transferred to Morocco (from France and Italy). The Group wishes to go even further by studying the possibility of combining more functions in these centres in order to benefit from economies of scale and to allow the sharing of expertise and best practices for the benefit of all Group countries, in particular small-sized ones.

Lastly, the Group has finalised the set-up of its "close to the risk" underwriting model, by completing its roll-out in Germany and in France.

/ Reviewing the purchasing and real estate portfolio management policy

Coface optimises its purchases and harmonises its policies and expenditure procedures throughout countries where the Group is located.

The partnership relationships developed with its strategic suppliers make it possible to obtain offers more suited to needs and on better terms.

A new travel policy has been implemented to:

- ensure the fairness and safety of travellers worldwide; and
- optimise travelling costs.

The real estate portfolio has been streamlined within different Group locations; it resulted in the following actions depending on the countries:

- moving to more suitable, modern and often cheaper premises; or
- staying in the same premises, renegotiating the annual lease cost and extending the latter in anticipation;
- remodelling the premises in line with the Fit to Win strategy of the country or region.

The impact of these actions has reduced the costs of the Business Premises/FM line item by 2.4% (at constant exchange rate) to date. This performance includes, of course, all costs linked to the strategic decisions taken (moving costs, upgrade and installation works, IT costs, and so on).

/ 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 help to improve the clarity and stability of the Group's organisation. These simplifications have already allowed the creation of three regional platforms, one in Lithuania for the Baltic countries, another in Croatia for the Adriatic, and another in Denmark for the Nordic countries. These platforms give the countries concerned a structure with pooled resources at contained cost.

Lastly, a certain number of employee agreements were renegotiated in France and in Germany offering greater flexibility in the organisation of work and more in line with market standards.

Furthermore, Coface also confirmed the €30 million worth of investments planned for the 2017-2019 period. Restructuring expenses will be less than initially expected, which will enable it to step up its digital transformation and invest in its digital infrastructure.

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:

/ Tailor its commercial ambitions to specific markets

On so-called "mature" markets, characterised by a high 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 operational efficiency of its sales forces. On its 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 major groups 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 risk" 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.

/ 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 an essential part of the Group's business in 2017. Coface continues to develop on these two segments by constantly improving its service, its responsiveness and by investing in the systems required to monitor major international programmes. As such, the Coface consolidation tools now allow large account clients with access to an international program, as well as brokers access to a comprehensive view of their programmes and of the performance of each of their policies to manage the profitability of the programme.

The Group also intends to develop its market share with financial institutions. In this respect, the partnership signed between Coface and the BPCE group is an important step. It makes it easier for French companies to access protection offers for their trade transactions by offering them credit insurance solutions tailored to their profile and to their needs. Banques Populaires and Caisses d'Epargne now sell these solutions to their corporate clients. Similarly, the partnership signed in Italy with Unicredit allows the corporate clients of the banking group to access the entire range of trade receivables protection policies at favourable conditions, by relying on its network of specialised professionals.

The Group also continues 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 management model. Adequate capital compensation 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 clients 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 optimise the cost of its solvency margin. The Group also seeks to raise the fungibility of its share capital (create branches, use Coface Re)

The Group considers that the use of a partial internal model in the context of Solvency II is a significant strategic option. Nevertheless, the timetable and any conditions for implementing and obtaining the necessary authorisations is too uncertain for it to be included in the timeline of its strategic plan (see Section 5.2.2 “Risks linked to financial markets and the financial strength of the Group”). In the shorter term, more intensive use of reinsurance is a genuine alternative, since it allows the Group to diversify its profits through the balance sheet of reinsurers. The cost/profit ratio of such an option, although attractive on average cycle, should be assessed on the basis of the reinsurance price cycle. The major claims in 2017 resulted in a “tough” market, where short-term opportunities have become limited. The Group’s reinsurance policy seeks to establish sustainable, long-term relations with its reinsurers.

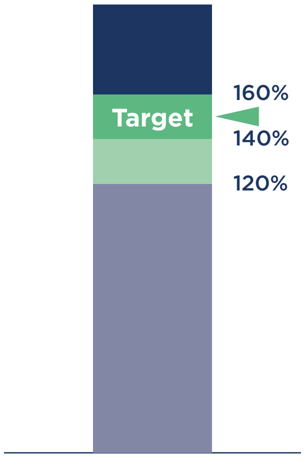
Furthermore, Coface reasserted its desire to pay a dividend equal to or higher than 60% of its normalised net income, provided that its solvency remains in the target zone.

- Increase in the risk appetite (investments)
- Possibility of additional investment in the growth of the business
- Flexibility with regard to the dividend distribution rate

- Distribution policies based on a rate of 60%
- Selective investment in the growth of the business
- Maintenance of the investment risk appetite

- Increased requirements regarding growth initiatives
- Possibility of seeing a decrease in the dividend distribution rate

- Reduction in growth initiatives
- Reduction in the dividend distribution rate



Coface comfort scale

1.7 / GROUP ORGANISATION

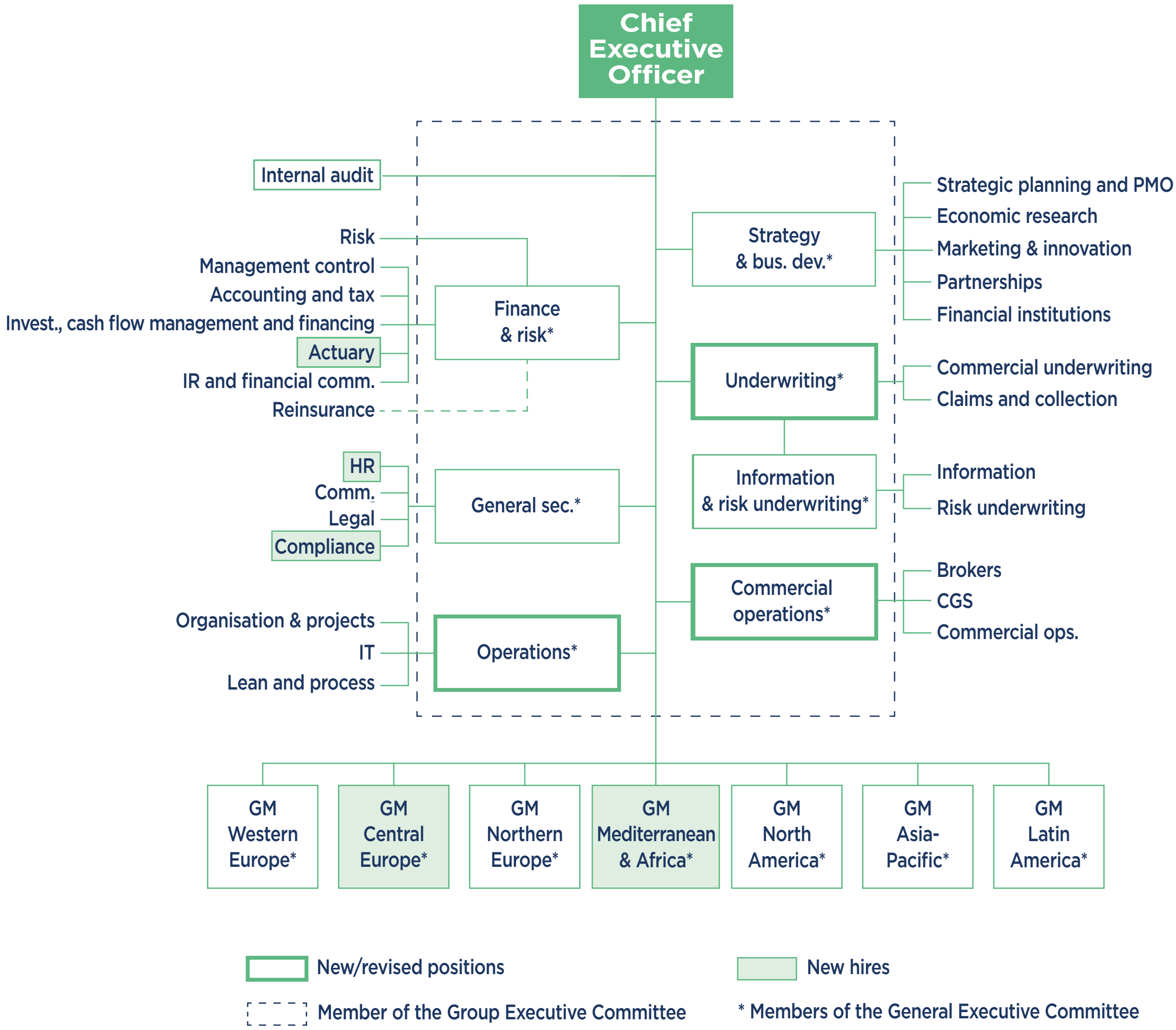
While rolling out its new strategy, Coface has strengthened its teams and is continuously updating its organisation to improve efficiency, speed and customer service, while strengthening control. These developments were completed at the beginning of 2017.

The Group’s organisation relies on seven regions and functional departments. 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 Fit to Win strategic plan, the Group has reorganised the Company’s organisational structure, to allow each head office function to fully perform its role and responsibilities. This entails in particular:

- a Strategy and Business Development Department, headed by Thibault Surer (see Section 1.7.1);
- an Operations Department, headed by Valérie Brami (see Section 1.7.2);
- an Underwriting Department, headed by Cyrille Charbonnel (since April 2017). This department comprises the Risk Underwriting, Information, Claims & Collections and Recovery, and Commercial Underwriting Departments (see Section 1.7.3);
- the 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 to 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,
  - in October 2017, Declan Daly joined the COFACE Group to replace Katarzyna Kompovska as Head of the Central Europe region, as the latter had been appointed Head of the Northern Europe region;
- an enhanced Finance and Risk Department, headed by Carine Pichon (see Section 1.7.6);
- the strengthening of the general secretariat, headed by Carole Lytton with the arrival of Franck Marzilli at the head of the compliance function and Pierre Bévierre at the Group human resources function, since January 2017 (see Section 1.7.7);
- stronger links between Group functions and corresponding regional functions. A hierarchy has now been created between key functions (risks, actuarial, compliance and audit, see Section 5.1.2 “Organisation”). For the other functions, the functional ties are organised according to the principle of a strong matrix organisation.

This organisation, built on precisely defined responsibilities, transparent governance and a direct presence in 63 countries, aims to facilitate implementation of the Group's strategic guidelines. The organisational structure below shows the executive organisation of Coface at December 31, 2017:



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, in addition to the Group's development through external growth;
- marketing & innovation, a department which analyses the competition (market studies), client segmentation, the Group's product and service offering, pricing, etc.;
- partnerships, in charge of developing and setting up new distribution and fronting agreements;
- financial institutions, intended to strengthen our offering for financial institutions;
- economic research.

1.7.2 OPERATIONS DEPARTMENT

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

- organising and applying all IT 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 IT projects, handling the maintenance and configuration of the tools, user assistance and impact studies on the IT system;

- 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;
- transformation of processes, aimed at identifying and implementing simplifications, optimisation and modernisation of operational processes and steering the lean management projects in process.

1.7.3 UNDERWRITING DEPARTMENT

Under the leadership of Cyrille Charbonnel, this department combines under the same responsibility (i) commercial underwriting, claims & collections and recovery and (ii) risk underwriting and information:

- commercial underwriting, which examines commercial decisions requiring head office approval and sets underwriting standards; the Underwriting Department is supplemented by two departments in charge of specific risk monitoring: the single & political risk activity on one hand, and the activity carried out with financial institutions on the other hand;
- claims & collections and recovery, which is in charge of indemnification and debt collection procedures;
- 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 at risk, and analyses the monthly reports on credit risk activity for the Group as a whole. In addition, it underwrites major risks and coordinates the risk underwriting centres. It oversees the risk underwriting centres within the Group's seven regions, and specifically the factoring, surety bonds and Single Risk businesses;
- information, tasked primarily with selecting and coordinating information suppliers and the enhanced information centres, which provide risk underwriting with the information needed for accurate 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 sales development of the CGS Offering and oversees the relationship with the policyholders of this market segment.

1.7.5 AUDIT DEPARTMENT

Headed by Nicolas Stachowiak, this department is in charge of internal auditing. In particular, it performs 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 AND RISKS DEPARTMENT

Headed by Carine Pichon, the Company's effective manager under Solvency II since November 2, 2015, this department is tasked, together with all of the Group's operational departments and entities, with steering and monitoring the Group's financial performance in all the countries where it is present.

Its tasks, therefore, consist in (i) management control and purchasing, (ii) accounting and taxation, (iii) publication of regulatory statements, (iv) financial communication and relations with investors and rating agencies, and (v) the set-up of balance sheet protection 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 has been separated from the Risk Department and reports directly to Carine Pichon since July 1, 2016:

- The Risks 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.
- The Actuarial Department is tasked, among other duties, with analysing and processing the financial impacts of the risk and works 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 litigation;
- compliance which is in charge of overseeing the Group's compliance with all the rules governing its activities;
- human resources which is in charge of providing change management support to general management and to all employees. The function manages human resource procedures and policies, and implements numerous 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.

1.8 / 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; the digital experience provided to its clients through its offerings is an important development thrust. 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 5.1.3 "Defining and measuring risks", subheading "Operational and non-compliance risks").

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 process based on the ITIL and CMMI standards, and an active certification process. As such, the COFACE Group's information systems are ISO 9001 certified since 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 €71 million, *i.e.* 5.2% of consolidated revenue, for the year ended December 31, 2017.

(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 best 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 indemnification of its unpaid receivables. The platform offers key services for the Group's various business lines. It went through a major upgrade at the end of 2017 and is now part of a client portal.
Other Group tools	The Group also provides other IT tools used for its various businesses, such as NAVIGA for surety bond management, SONATA *for Single* Risk management, and MAGELLAN for factoring. INVOICING, an invoicing tool, and iNCA, a litigation 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.

1.9.1 CREDIT INSURANCE ACTIVITIES

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

The French Insurance Code *(Code des assurances)*, 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 European Union Regulation, in particular Solvency II. Compagnie française d'assurance pour le commerce extérieur and its branches in the European Union are placed under the control of the ACPR, the French prudential control and resolution authority, an independent administrative authority tasked with ensuring, in particular, that insurance companies are always capable of meeting their commitments to their policyholders, by the application of appropriate internal policies and a sufficient level of equity capital. 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 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 5.2.2 "Risks linked to financial markets and to the Group's financial strength").

In accordance with Articles L.322-4 and R.322-11-1 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 and obtain its approval prior to its completion.

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.

Owing to the entry into force in 2017 of the December 9, 2016 law on transparency, anti-corruption and the modernisation of economic life, known as "Sapin II", the Group has reviewed its internal procedures in order to verify their legal and regulatory compliance. Furthermore, in the last quarter of 2017, anti-corruption training was given to all Group employees (see Section 6.3.5 "Loyalty of practices and respect for human rights").

Prudential regime for insurance companies

The prudential regime for insurance companies, to which the Company is subject as an insurance group as defined in 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.

/ 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 5.2.2 "Risks linked to financial markets and to the Group's financial strength").

In this context, Solvency II lays down the rules relating to the valuation of assets and liabilities, technical provisions, equity, solvency capital requirement, minimum capital requirement and the investment rules to be applied by insurance companies.

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.

Solvency II is applicable since January 1, 2016. At this stage, there are uncertainties regarding certain application methods which should be adopted (for a detailed description of the risks attached to these uncertainties, see Section 5.2.2 "Risks linked to financial markets and to the Group's financial strength").

/ Accounting aspect 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 including IFRS 4, phase 1. This standard requires that the references used for the insurance contracts within the meaning of IFRS be a recognised set of accounting 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. Furthermore, the Group must apply IFRS 4, paragraph 14 and in particular proceed to conduct liability adequacy tests.

It should be noted that IFRS 4, which specifically deals with insurance contracts, is being revised and will be replaced by IFRS 17, which will come into force on January 1, 2021. For this reason and in order to avoid a competitive imbalance between insurance companies that belong to a financial conglomerate and others, IFRS 9, concerning financial instruments negotiated on cash or derivative markets entering into force in 2018, will be applicable to insurance holdings at January 1, 2021.

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.112-2 (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 freedom 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 FACTORING ACTIVITIES IN GERMANY AND POLAND

Factoring is regulated by the German banking law *(Kreditwesen-gesetz)* as a financial service (and not as a 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),* as defined in German banking law, the factoring business 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.

2. CORPORATE GOVERNANCE

2.1 / COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS AND ITS SPECIALISED COMMITTEES

2.1.1 MAPPING OF THE CHARACTERISTICS OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2017 [(1)]

								Membership of a committee	
Name	Age	Start of term	End [(1)]	Shares	Gender	Nationality	Status	Audit	Appointments and compensation
Laurent Mignon	54	Nov. 21, 2012	2020	500	♂	French	Non-independent		○
Jean Arondel	67	Nov. 21, 2012	2020	1,000	♂	French	Non-independent		
Jean-Paul Dumortier	69	Jul. 26, 2013	2020	550	♂	French	Non-independent		
Éric Hémar	54	Jul. 1, 2014	2017	892	♂	French	Independent	●	
Sharon MacBeath	48	Jul. 1, 2014	2017	500	♀	British	Independent		○
Isabelle Rodney	52	Nov. 3, 2016	2020	500	♀	French	Non-independent		
Anne Sallé-Mongauze	52	Nov. 3, 2016	2020	500	♀	French	Non-independent	○	
Olivier Zarrouati	59	Jul. 1, 2014	2017	500	♂	French	Independent		●
Resignation – Cooptation									
BPCE, represented by Marguerite Bérard-Andrieu Resignation on Feb. 8, 2017	40	Nov. 21, 2012	2016	500	♀	French	Non-independent		
Daniel Karyotis Cooptation on Feb. 8, 2017	57	Feb. 8, 2017	2020	1,000	♂	French	Non-independent		
Resignation – Cooptation									
Linda Jackson Resignation on Jun. 28, 2017	59	May 5, 2015	2016	550	♀	British	Independent		
Isabelle Laforgue Cooptation on Jul. 27, 2017	37	Jul. 27, 2017	2020	500	♀	French	Independent		
Resignation – Cooptation									
Martine Odillard Resignation on Jul. 1, 2017	63	May 5, 2015	2016	500	♀	Belgian	Independent	○	
Nathalie Lomon Cooptation on Jul. 27, 2017	46	Jul. 27, 2017	2020	500	♀	French	Independent	○	
Average	**54 [(2)]**		**3-year term**		**45.5% [(3)]**	**9% [(4)]**	**45.5% [(5)]**	**83.4% [(6)]**	**100% [(6)]**

Average attendance rate at Board meetings: 83.3%

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

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

(2) Average at December 31, 2017

(3) Percentage of women at December 31, 2017.

(4) Percentage of foreign national directors at December 31, 2017.

(5) Percentage of independent directors at December 31, 2017. 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").

(6) Average attendance rate.

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

(1) In the interests of transparency, members whose terms of office expired during the financial year are also indicated.

2.1.2 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

54 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

CURRICULUM VITAE

Laurent Mignon is Chief Executive Officer (CEO) of Natixis and a member of the BPCE Management Board. Graduate of 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 2017

- Chief Executive Officer (CEO) of Natixis (1)
- Member of the Management Board of BPCE
- Chairman of the Board of Directors of Natixis Global Asset Management
- Chairman of the Board of Directors of Natixis Assurances
- 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.

Jean ARONDEL

Director

since November 21, 2012

FRENCH NATIONALITY

67 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

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

During financial year 2017

- Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
- Chairman of the Board of Directors of Société Locale d'Épargne Pays Chartrain et Drouais
- Director of CE Holding Participations of the BPCE group
- Non-voting member of the BPCE Supervisory Board
- Chairman of the Board of Directors 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'Histoire 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

69 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

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 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 2017

- 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 Crédit Foncier de France

During the past five years and which are no longer held

- Director of SOVAFIM

Éric HÉMAR

Independent director

since July 1, 2014

FRENCH NATIONALITY

54 years

ATTENDANCE RATE

50%

EXPIRATION DATE OF THE TERM (1)

Ordinary 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 (2) since 2010.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2017

- Chairman and Chief Executive Officer (CEO) of ID Logistics group (2)
- Chief Executive Officer: 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, Les Parcs du Lubéron Holding, IDL Bucharest
- Chairman of the Board of Directors: France Paquets, ID Logistics (Nanjing) Business Consultation, ID Logistics Nanjing, ID Logistics Taiwan,
- 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 ID Logistics France 9, SAS ID Logistics France 10, SAS IDL Logistics Selective 6, SAS ID Logistics Selective 7, SAS ID Logistics France 13, SAS ID Logistics France 14, SAS ID Logistics France 15
- Permanent representative of ID Projets to the Board of Directors of Froid Combi
- Manager: FC Logistique R&D, ID Logistics Maroc, ID Logistics Training

During the past five years and which are no longer held

- Chief Executive Officer: IDL Logistics (Mauritius)
- Director: ID Logistics, ID Logistics La Réunion, ID Logistics (Mauritius)

(1) Proposal to renew his term at the Shareholders' Meeting of May 16, 2018 (see Section 7.7 "Resolutions submitted to the Combined Shareholders' Meeting of May 16, 2018").
(2) Listed company.

Sharon MACBEATH

Independent director

since July 1, 2014

BRITISH NATIONALITY

48 years

ATTENDANCE RATE

83.3%

EXPIRATION DATE OF THE TERM (1)

Ordinary 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, holds a Master's Degree in Human Resources from the Sorbonne, and has 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 2017

- Member of the Management Board and Executive Committee, Director of Human Resources and Communication for the Tarkett group (2) (since January 3, 2017)
- Director on the Supervisory Board of Hermes International (2)
- Member of the Hermes International Audit Committee (2)

During the past five years and which are no longer held

- Director of Group Human Resources, member of the Executive Committee of Rexel (2)
- Director of Human Resources and Communication, member of the Executive Committee of Redcats

(1) Proposal to renew his term at the Shareholders' Meeting of May 16, 2018 (see Section 7.7 "Resolutions submitted to the Combined Shareholders' Meeting of May 16, 2018").
(2) Listed company.

Isabelle RODNEY

Director

since November 3, 2016

FRENCH NATIONALITY

52 years

ATTENDANCE RATE

66.7%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

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. A graduate of the Paris École supérieure de commerce and the Stanford Executive Program, 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 2017

- Chairman 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 Ecureuil
- Chairman of the Board of Directors of MURACEF SA

During the past five years and which are no longer held

- None

Anne SALLÉ-MONGAUZE

Director

since November 3, 2016

FRENCH NATIONALITY

52 years

ATTENDANCE RATE

83.3%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

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 2017

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

During 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

Olivier ZARROUATI

Independent director

since July 1, 2014

FRENCH NATIONALITY

59 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM (1)

Ordinary 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 beginning 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 CEO of aeronautical activities. From 2007 to 2017, he was 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. In 2017 he founded his own company, Thélème.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2017

- Chairman of Thélème SASU

During the past five years and which are no longer held

- Chairman of: Zodiac Aerotechnics, GEAD
- Director: Icore GmbH (Germany), HeathTechna (United States) and Chairman of the Management Board and member of the Executive Committee of Zodiac Aerospace (2)
- 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

(1) Proposal to renew his term at the Shareholders' Meeting of May 16, 2018 (see Section 7.7 "Resolutions submitted to the Combined Shareholders' Meeting of May 16, 2018")

(2) Listed company.

During 2017, three new directors – Daniel Karyotis, Isabelle Laforgue and Nathalie Lomon – were coopted for the remaining terms of BPCE, represented by Marguerite Bérard-Andrieu, Linda Jackson and Martine Odillard, following their resignation, as follows:

BPCE, represented by Marguerite BÉRARD-ANDRIEU

Resignation on February 8, 2017 (2)

Director

since November 21, 2012

FRENCH NATIONALITY

40 years

ATTENDANCE RATE

0%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016 (2)

CURRICULUM VITAE

Marguerite Bérard-Andrieu (representative of BPCE) is Deputy CEO – Strategy, Legal Affairs, General Secretariat and Compliance for the BPCE group, and a member of its General Management Committee. A graduate of 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 2017

- Member of the BPCE Management Board and CEO in charge of Group Finances, Strategy, Legal Affairs and General Secretariat for the management bodies
- Permanent BPCE representative: to the Board of Directors of Natixis and to the Board of Directors of Crédit Foncier de France
- Deputy CEO and permanent BPCE representative to the Board of Directors of CE Holding Participations
- 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 CE Holding Promotion to the Board of Directors of Nexity (1)
- Director of: Maisons France Confort (1), Natixis Coficiné, BPCE International et Outre-Mer
- Permanent representative of GCE Participations on the Board of Directors of Demain
- Deputy CEO – Strategy, Legal Affairs, General Secretariat and Compliance for the BPCE group
- Chairman of the Board of Directors of S-Money

(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. During the Combined Shareholders' Meeting of May 17, 2017, the directorship of Mr. Daniel Karyotis was renewed 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.*

Daniel KARYOTIS

Coopted on February 8, 2017

Director

since February 8, 2017

FRENCH NATIONALITY

57 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

CURRICULUM VITAE

Daniel Karyotis is Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes. He graduated from Sciences Po Paris with a Master's degree in econometrics and also has a degree from Sorbonne University's Centre de Perfectionnement d'Analyse Financière in Paris. Daniel Karyotis is also a member of the Société française des analystes financiers (SFAF). After commencing his career with Société Générale in the financial markets from 1985 to 1987, he went on to hold financial analyst positions at Standard & Poor's. He then joined Caisse d'Epargne Champagne Ardennes (CECA), where he occupied various senior management positions from 1992 to 1997. He sat on the Management Board of Caisse d'Epargne du Pas de Calais from 1998 to 2001 and was Chairman of the Management Board of CECA from 2002 to 2007. In 2007, he was appointed Chief Executive Officer of Banque Palatine until 2012, when he was appointed member of the Management Board of BPCE in charge of Finance, Risks and Operations, a position he occupied until 2016.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2017

- Chief Executive Officer (CEO) of Banque Populaire Auvergne Rhône Alpes
- Non-voting member of the BPCE Supervisory Board
- Member of the Board of Directors, Chairman of Banque de Savoie
- Permanent representative of Banque Populaire Auvergne Rhône Alpes, director: i-BP, Pramex International
- Permanent representative of Banque Populaire Auvergne Rhône Alpes, non-voting member: Siparex
- Permanent representative of Banque Populaire Auvergne Rhône Alpes, Chairman: Garibaldi Capital Développement and SAS Sociétariat

During the past five years and which are no longer held

- Permanent representative of Banque Populaire Auvergne Rhône Alpes, director: Compagnie des Alpes (1)
- Permanent representative of BPCE, director of Natixis (1), Crédit Foncier de France, CE Holding Promotion
- Member of the Board of Directors of Nexity (1)

(1) Listed company.

Linda JACKSON

Resignation on June 28, 2017 (1)

Independent director

since May 5, 2015

BRITISH NATIONALITY

59 years

ATTENDANCE RATE

0%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016 (1)

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 2017

- 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
- Chairman of Citroën Italia Spa
- Director of Dongfeng Peugeot Citroën Sales Company Ltd
- Director of Dongfeng Peugeot Citroën Automobiles Company Ltd
- Director of Peugeot Citroën Automobiles UK Limited

During the past five years and which are no longer held

- Director of Citroën Motors Ireland Limited
- Director of Peugeot Citroën Retail UK Limited
- Director of Peugeot Citroën Ukraine

(1) *Linda Jackson resigned on June 28, 2017. In light of this, at the meeting of July 27, 2017, Ms Isabelle Laforgue, Director of Transformation at Econocom, was coopted as director by the Board of Directors.*

Isabelle LAFORGUE

Coopted on July 27, 2017

Independent director

since July 27, 2017

FRENCH NATIONALITY

37 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

CURRICULUM VITAE

After graduating from École polytechnique and École des mines de Paris, Isabelle Laforgue commenced her career at SFR in 2006, where she occupied various roles in the Strategy and Finance Departments. She was appointed Director of Central Finance in 2011, in charge of management control, accounting, financial communication and consolidation. In 2012, she was appointed Chief of Staff to the Chairman and Chief Executive Officer of SFR, advising, analysing and supporting the decision-making processes during a period of change and market consolidation. In 2015, she joined Econocom, a European company specializing in the digital transformation of businesses, as Chief Transformation Officer. Since 2017 she has been Deputy CEO for France in charge of Finance and Strategy.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2017

- Chief Transformation Officer, Econocom (1)
- Deputy CEO for France in charge of Finance and Strategy, Econocom (1)

During the past five years and which are no longer held

- None

(1) Listed company.

Martine ODILLARD

Resignation on July 1, 2017 (1)

Independent director

since May 5, 2015

BELGIAN NATIONALITY

63 years

ATTENDANCE RATE

50%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016 (1)

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 2017

- 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

During 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 (2)
- 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) Martine Odillard resigned on July 1, 2017. In light of this, at the meeting of July 27, 2017, Ms Nathalie Lomon, Group Chief Financial Officer and member of the Executive Committee of Ingénico, was coopted as director by the Board of Directors.

(2) Listed company.

Nathalie LOMON

Coopted on July 27, 2017

Independent director

since July 27, 2017

FRENCH NATIONALITY

46 years

ATTENDANCE RATE

100%

EXPIRATION DATE OF THE TERM

Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020

CURRICULUM VITAE

Nathalie Lomon has been EVP Finance, Legal & Governance of the Ingenico group since early 2017. She joined the Ingenico group in 2010 as Director of Management Control and was appointed Finance Director for the Europe-SEPA region in 2014, then Chief Financial Officer in 2015, in charge of the Group financial function. Previously, she worked as an auditor at Mazars in 1995 before joining General Inspection at BNP Paribas in 1999. In 2002, she joined Pechiney, where she occupied several positions, including that of Finance Director of the Aeronautical, Transport and Industry division of Rio Tinto Alcan. Nathalie Lomon is a graduate of the NEOMA business school.

PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

During financial year 2017

- EVP Finance, Legal & Governance, Ingenico group SA (1)
- Director, Ingenico Holdings Asia Limited (HK)
- Director, Fujian Landi Commercial Equipment Co., Ltd.
- Managing Director, Ingenico e-Commerce Solutions BVBA/SPRL (BE)
- Director, Ingenico Financial Solutions NV/SA (BE)
- Director, Ingenico do Brasil Ltda.
- Director, Ingenico Holdings Asia II Limited (HK)
- Director, Ingenico Japan Co. Ltd.
- Director, Stichting Beheer Derdengelden Ingenico Financial Solutions (IFS Fondation)
- Member of the Supervisory Board and Audit Committee, Global Collect Services B.V.
- Director, Ingenico International (Singapore) Pte. Ltd.
- Director, Fixed & Mobile Pte. Ltd.
- Director, Ingenico Corp.
- Chairman, Ingenico Business Support S.A.S.
- Chairman, Ingenico 5 S.A.S.
- Director, Bambora Top Holding AB

During the past five years and which are no longer held

- Director, Ingenico Inc. (Oct. 13, 2015 – Dec. 31, 2017)
- Chairman, Ingenico France S.A.S. (Dec. 13, 2011 – May 31, 2016)
- Chairman, Ingenico Terminals S.A.S. (Dec. 13, 2011 – May 31, 2016)
- Director, Ingenico México, S.A. de C.V. (Jun. 03, 2015 – Oct. 24, 2017)
- Director, Ingenico (Latin America) Inc. Jun. 8, 2015 – May 19, 2017)
- Director, GCS Holding BV (Jan. 25, 2016 – Oct. 25, 2017)

(1) Listed company.

2.1.3 OPERATION OF THE BOARD OF DIRECTORS

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 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 head office or any other location indicated in the convening notice. The convening notice is in the form of a 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 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:

- first sent notice to the directors providing the basis for the Urgency per the definition above; and
- sent all directors, with the convening notice for said Board meeting, all items 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, 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 Directors' 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 all directors all the documents and information needed for the accomplishment of their duty.

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 following key functions: risk management, verification of compliance, internal audit and actuarial functions (see Section 5.1.2 "Organisation"). Each key function operates under the ultimate responsibility of the Board of Directors, to which it reports.

- Information at the initiative of the Board of Directors.

  The Board of Directors consults key function managers, directly and at its own initiative, each time it deems this necessary and at least once a year. This consultation 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 consultation to a specialised Board committee.
- Information at the initiative of a key function manager.

  Key function managers may inform the Board of Directors, directly and at their own initiative, of the occurrence of certain events that warrant this action. 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.

2.1.4 ACTIVITIES OF THE BOARD OF DIRECTORS IN 2017

The Board of Directors met six times in 2017.

The average participation rate was 83.3%.

The main subjects reviewed by the Board of Directors in 2017 included the following in particular:

Financial position, cash and commitment of the Company	◆ Approval of the 2016 annual financial statements (parent company and consolidated) ◆ Review of quarterly and half-yearly financial statements
Internal control/Risks	◆ 2017 audit plan ◆ Solvency II: modification of the ORSA policy, approval of the *Risk appetite statement*, presentation of the actuarial report, approval of all written policies as drafted or revised in 2017 ◆ Regulatory reports: RSR (report to the supervisor) and SFCR (solvency and financial condition report) ◆ Risk mapping, mechanism to reinforce level 1 controls, compliance action plan ◆ Partial internal model project
Corporate governance	◆ Three-year assessment of the Board's work by an independent consultant ◆ Cooptation of three directors
Compensation	◆ Directors' fees allocation principles ◆ Compensation of the Chief Executive Officer, Xavier Durand ◆ Approval of *the 2017 Long-Term Incentive* Plan
Financial operations	◆ Authorisation to issue guarantees as part of its factoring business ◆ Renewal of the share buyback programme ◆ Approval of regulated agreements
Corporate strategy	◆ Progress on the Fit to Win strategic plan

2.1.5 DIVERSITY POLICY APPLIED TO MEMBERS OF THE BOARD OF DIRECTORS

The Company is vigilant with regard to the diversity of the members of its Board of Directors, in order to ensure that the latter operates in a manner appropriate to the Company's business and development, in compliance with applicable regulations. The Company also refers to the provisions of the AFEP-MEDEF Code in implementing its diversity policy. Several criteria are applied:

◆ Number of directors

The number must reflect the size of the Company and the aforementioned diversity. In 2017, there were 11 directors.

◆ Seniority and age of directors

The Company complies with the regulations as concerns the term of corporate offices, and strives to have a wide range of ages represented on its Board. In 2017, the average age of directors was 54 years.

◆ Proportion of independent and non-independent members

The Company complies with the rules applicable to narrowly held and controlled companies. 45% of the members of the Board of Directors are independent directors. Two-thirds of the members sitting on the Audit and Appointments and Compensation Committees are independent directors.

◆ International diversity

The Company takes into account international diversity, which stood at 9% in 2017.

◆ Gender equality

The Company strives to maintain a gender balance on its Board of Directors. In 2017, the proportion of women on the Board was higher than that required by the legislation: 45.45%

◆ Skills and expertise

The Company ensures its directors possess specific skills in certain fields, in order to ensure that the Board has the requisite expertise in terms of financial skills, insurance regulations, human resources and digital technology.

2.1.6 ASSESSMENT OF THE BOARD'S WORK

Coface assessed the work of the Board and of the specialised committees for the third time in 2017. In accordance with the recommendations of the AFEP-MEDEF Code, this assessment was conducted by an external firm. COFACE SA conducted assessments internally for the 2015 and 2016 financial years, based on a questionnaire.

The external assessment was based on six themes:

- the composition of the Board;
- the role and work of the Board;
- the organisation and operation of the Board;
- relations and interaction within the Board;
- the specialised committees;
- the individual contributions of directors.

Each member of the Board answered a questionnaire prepared by the firm during an individual interview. The results of these interviews led to preparation of a detailed report, the summary of which was presented to the Board of Directors on February 12, 2018.

This report showed that the directors deem the Board's performance very satisfactory. Over 80% of directors found the Board's performance equal to that of other Boards. All members of the Board present at the time of the previous assessment found that the performance had further improved since that time.

A certain number of suggestions were put forward.

Regarding the composition of the Board, certain members suggested including more directors with technical knowledge, due to the increasing complexity of the regulations applicable to the credit insurance business.

Regarding matters addressed by the Board, members wished more time to be given over to strategy and human resources.

As regards the organisation and operation of the Board, directors expressed a desire to see more presentations by business line managers.

Lastly, it was deemed necessary to increase the number or duration of Audit Committee meetings given the extent of the work required, and to consider the possibility of creating a Risks Committee to handle certain matters currently covered by the Audit Committee.

Training

The Company has set up a training programme for new directors joining the Company. This training is provided over one 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.

2.1.7 ANALYSIS OF THE INDEPENDENCE OF MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to the AFEP-MEDEF Code, the Board of Directors must review the status of independent directors every year. At its meeting of February 12, 2018, the COFACE SA Board of Directors reviewed the situation of each director with respect to the 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 December 2016.

In order to evaluate the independence of directors and in the absence of any other dependency criteria, Coface attaches particular importance to any business relationship with a company in which the directors hold senior management positions.

In the event of the existence of any such relationship, Coface assesses any impact it could have on the independent judgement of the director. In order to do this, Coface analyses a body of evidence and parameters, including in particular the nature of the activity, the place of credit insurance in the strategy of the Company, the importance of the contract with regard to the Company's turnover and the existence of an alternative offering at comparable conditions on the market. Comparable criteria are applied for relationships in which there is a contract for the supply of goods or services.

Three directors do not meet any dependency criteria: Éric Hémar, Olivier Zarrouati and Nathalie Lomon. One director holds a senior management position in a company that has taken out a credit insurance policy with Coface. This is Sharon MacBeath, who holds a senior management position at Tarkett.

Given the extremely competitive nature of the market, the analysis of the policy taken out by Tarkett concluded that this company would have no difficulty in obtaining cover under equivalent terms from our main competitors.

Furthermore, the amount of premiums paid for this period represented less than 0.040% of Coface's revenue.

The existence of this policy does not therefore affect the independence of Sharon MacBeath.

Coface has a business relationship with the company Econocom, in which Isabelle Laforgue holds a senior management position. These services concern products that Coface could easily obtain elsewhere on the market and represent less than 0.2% of Econocom's revenue. The existence of this relationship does not therefore affect the independence of Isabelle Laforgue.

Criteria to be assessed	Éric Hémar	Nathalie Lomon	Sharon MacBeath	Isabelle Laforgue	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 a 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.	✔	✔	✔	✔	✔

The percentage of independent directors on the Board is 45.5% to date.

2.1.8 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 Anne Sallé-Mongauze and Ms Nathalie Lomon since July 27, 2017 (replacing Ms Martine Odillard).

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)

- Members

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

  At least two-thirds of the Audit Committee will be independent members, chosen from among the members of the Board of Directors.

- Chairman

  The Chairman of the Audit Committee will be one of the members nominated by the Board of Directors from among 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 Directors' duties of control and verification.

Accordingly, the Audit Committee will in particular exercise the following principal functions:

- 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 the level of technical provisions and all situations that could create a significant risk for the Group, 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, 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.

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

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

- Monitoring of the legal control of the parent company 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.

- 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 their networks, would not impair the independence of the Statutory Auditors.

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

To this end, the Audit Committee must, 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.

- 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)

- 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 mission and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

  - Ordinary convening of meetings:

    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 meetings:

    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 meetings:

    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 case of emergency, 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 as long as the emergency is 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.

- 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 to any of its meetings any executive of the Company (including an executive of any of the principal subsidiaries) capable of having a bearing upon the work of the Audit Committee, as well as the Statutory Auditors of the Company.

- 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.

- 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 six times in 2017. The average participation rate was 83.4%.

The main work notably addressed:

- approval of the annual financial statements for the year 2016;
- examination of the quarterly and half-yearly financial statements for the year 2017;
- examination and approval of the 2017 audit plan;
- the Solvency II Directive: modification of the ORSA policy, approval of the Risk appetite statement, presentation of the actuarial report, approval of all written policies as drafted or revised in 2017;

- regulatory reports: RSR (report to the supervisor) and SFCR (solvency and financial condition report);
- risk mapping, mechanism to reinforce level 1 controls, compliance action plan;
- partial internal model project.

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 complied with.

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

- 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 analyse compensation-related policies and practices.

- 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 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 them, and ensure the continuity of the preparation and due process of the work of the Appointments and Compensation Committee between each of its meetings.

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

- 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:

  - 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.

  - Appointment conditions

    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 evolution 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.

- Resources and prerogatives of the Appointments and Compensation Committee

  The Appointments and Compensation Committee leaves at the disposal 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.

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

- 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 mission and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

  - Ordinary convening of meetings:

    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 meetings:

  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 meetings:

  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 case of emergency, 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 as long as the emergency is 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.

- 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.

- Quorum and majority rule

  The Appointments and Compensation Committee cannot validly express its opinions and proposals unless at least 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.

- 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 written in a report, one 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.

Activity of the Appointments and Compensation Committee

The committee met three times in 2017. The average participation rate was 100%.

It examined and/or set:

- compensation of the Chief Executive Officer;
- a Long-Term Incentive Plan for the Chief Executive Officer and certain employees;
- examination of a succession plan;
- talent review; and
- the cooptation of two new directors to the Board of Directors, one of which sits on the Audit Committee.

2.1.9 FITNESS AND PROBITY POLICY

Fitness

All persons that perform functions as director, effective manager, head of key functions, general manager of a branch, or who have 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. In assessing each person, the evaluation also takes into account 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 and 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 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;
- a final measure of personal bankruptcy or any other final prohibition measure.

Persons performing the functions of director, effective manager, head of key functions, general manager of a branch, or who have 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 that, an equivalent document issued by a competent judicial or administrative authority of the original Member State or origin of these foreign citizens.

This fitness and probity policy will be applied by all direct or indirect subsidiaries of Coface and may be adapted in line with any stricter local regulations in this area.

2.1.10 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 winding-up proceedings in which he/she may have been involved.

2.1.11 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 are 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 winding-up proceedings during the last 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 last 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 any executive officer 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.

2.1.12 CORPORATE GOVERNANCE CODE

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 makes copies of the AFEP-MEDEF Code available for the members of its corporate bodies at all times.

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 comply with 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 of 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.

2.1.13 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.

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) *http://www.afep.com/wp-content/uploads/2016/11/Code_de_gouvernement_d_entreprise_des_societes_cotees_novembre_2016.pdf.*

2.2 / CHIEF EXECUTIVE OFFICER AND GROUP GENERAL MANAGEMENT SPECIALISED COMMITTEES

At the meeting of 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.

2.2.1 EXPERIENCE AND TERMS OF OFFICE OF THE CHIEF EXECUTIVE OFFICER (CEO)

For the purposes of the table below, the Chief Executive Officer (CEO) is domiciled at the Company's head office.

Xavier **DURAND**

Chief Executive Officer

since February 9, 2016

54 years

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

25,900 bearer shares

(see Section 7.2.9 "Transactions carried out by persons with executive responsibilities")

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, 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 2017

- 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: ALD Automotive

During 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, Axa France Vie, Axa France Iard, Wizink Bank (Madrid, formerly BancoPopular-e)

2.2.2 COMPOSITION AND EXPERIENCE OF THE MEMBERS OF THE GROUP GENERAL EXECUTIVE COMMITTEE

The Chief Executive Officer of the Company created a Group General Executive Committee (GEC). It is comprised of seven members: the Chief Operating Officer; the Strategy and Business Development Director; the Underwriting and Claims Director; the Chief Financial and Risk Officer; the General Secretary; the Risk Underwriting and Information Director; and the Commercial Director (see also Section 1.7 "Group organisation").

The GEC 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.

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, 50 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 on June 28, 2016 as Group Chief Operating Officer, encompassing the activities of projects, transformation of processes and IT.

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, 55 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 Eurosuez-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 debtor and client risk is fundamental to the Fit to Win plan. The newly created Underwriting and Claims Department will therefore be in charge of both commercial underwriting and litigation as well as of the Risk Underwriting and Information Department.

CURRICULUM VITAE

Cyrille Charbonnel, 53 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 Group Chief 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, 45 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 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, the Legal Department as well as the Compliance Department, which represents a newly created department.

CURRICULUM VITAE

Carole Lytton, 61 years old, graduated from the Institut d'études politiques de Paris and holds 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 and Information Director

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

CURRICULUM VITAE

Nicolas de Buttet, 44 years old, 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 Director of Risk Underwriting, Information and Litigation for the Group 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, 45 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.

2.2.3 GENERAL MANAGEMENT SPECIALISED COMMITTEES

In addition to the Group General Executive Committee, Xavier Durand also chairs two specialised committees:

Executive Committee

This is composed of the GEC and the regional directors (see also Section 1.7 "Group organisation").

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

Just like the GEC, the Executive Committee pays particular attention to monitoring the efficiency of internal control, internal audit and risk management systems that are 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.

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

Enlarged General Executive Committee

This is composed of members of the GEC and the heads of certain support functions critical to 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 enlarged GEC is primarily centered 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.

2.3 / 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 French Commercial Code, by the Company in which the mandate is performed, (iii) controlled companies, pursuant to Article L.233-16 of the French Commercial Code, by the Company or companies that control the Company in which the mandate is performed and (iv) the Company or companies that, pursuant to the same article, control 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, 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 2.3.2 and 2.3.3).

Mr Xavier Durand was compensated by the Company for his term as Chief Executive Officer as described in Sections 2.3.2 and 2.3.3 below.

2.3.1 COMPENSATION POLICY

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 the 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.

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 equity 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 intended to be adapted to the Group's objectives and to assist it in its long-term development strategy:

- **fixed compensation:** this is the principal component of individual compensation and depends on 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 function, 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 stock market listing, 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 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 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 wholly-owned subsidiary of the Group). The incentive scheme is calculated based on five cumulative criteria linked to the evolution of certain financial indicators. By virtue of the agreement signed for one year in 2017, 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.

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 revenue exceeds a threshold determined each year with respect to the Company's overall revenue.

For 2017, 27 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 therefore 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.
- 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 malus system is introduced in case of observed losses on the payment date.

The overall rate for deferred compensation thus represents more than 55% of the variable remuneration package.

Under the 2017 LTIP, free shares will be definitively vested on February 9, 2020, subject to presence and performance conditions measured over the term of the plan as follows:

- 50% of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2019;
- 50% 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) of COFACE SA compared to the growth of the TSR of institutions in the Euro Stoxx Insurance index over the same period.

Any individual coverage or insurance strategy is forbidden.

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.

2.3.2 RULES FOR DETERMINING THE COMPENSATION OF CORPORATE OFFICERS

The compensation policy for the Company's corporate officers complies with standard practices in the market.

Members of the Board of Directors

The amount allocated to the Board of Directors is €400,000 for 2017.

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;

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;

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.

On an annual basis of six Board meetings; six Audit Committee meetings; three Appointments and Compensation Committee meetings	2017 – Maximum gross amounts of directors' fees: Amount of directors' fees	Fixed portion *(in %)*	Variable portion *(in %)*
Member of the Board of Directors	€20,000	40	60
Member of the Board of Directors + Chairman of the Audit Committee	€49,000	51	49
Member of the Board of Directors + member of the Audit Committee	€31,000	42	58
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	58

Chief Executive Officer

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 portion, an annual variable portion (bonus) and a long-term variable portion (free performance shares). The variable compensation includes a deferred compensation component, according to the terms set by the Board of Directors (see Section 2.3.3).

2.3.3 SUMMARY OF COMPENSATION OF MANAGING CORPORATE OFFICERS FOR 2016 AND 2017

In order to comply with the regulations, the tables below present a summary of compensation and stock options and shares allocated during the financial years ended December 31, 2016 and 2017 to Mr Laurent Mignon, Chairman of the Board of Directors, and Mr Xavier Durand, Chief Executive Officer.

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.

AMF nomenclature – Table 1 – Table summarising the compensation and stock options and shares allocated to each managing corporate officer

	Fiscal year 2017 (1)	Fiscal year 2016 (1)
Laurent Mignon, Chairman of the COFACE SA Board and Natixis CEO (2)		
Compensation due for the year (3)	2,623,242	1,754,761
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)	192,000	160,000
TOTAL	**2,815,242**	**1,914,761**
Xavier Durand, Chief Executive Officer		
Compensation due for the year (5) (presented in detail in Section 2.3.4 below)	1,463,606	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 (presented in detail in Section 2.3.8 below)	370,080	312,553
TOTAL	**1,833,686**	**1,298,348**

(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 97 of the 2017 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 23rd, 2018 and are available on the website: www.natixis.com.
(3) Including €2,969 of family supplement for 2016 and €2,379 of family supplement for 2017.
(4) Corresponding to their value on the date they were awarded, for a fair value of €99,305 in 2017.
(5) On a gross basis before social contributions and income tax.

2.3.4 COMPENSATION OF MANAGING CORPORATE OFFICERS FOR FINANCIAL YEARS 2016 AND 2017

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, 2016 and 2017 to Mr Laurent Mignon, Chairman of the Board of Directors, and to Mr Xavier Durand, Chief Executive Officer.

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.

Compensation due or allocated for the year ended December 31, 2017, to Mr Laurent Mignon, Chairman of the COFACE SA Board of Directors

AMF nomenclature – Table 2 – Summary of compensation of each managing corporate officer

	2017 (1)		2016 (1)	
	Amounts due (2)	Amounts paid	Amounts due	Amounts paid
Laurent Mignon, Chairman of the COFACE SA Board and Natixis CEO (3)				
Fixed compensation for corporate office (4)	960,000	960,000	800,000	800,000
Annual variable compensation	1,660,863	1,125,926	951,792	984,113 (5)
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	2,379	2,379	2,969 (6)	2,969 (6)
TOTAL	**2,623,242**	**2,088,305**	**1,754,761**	**1,787,082**

(1) In euros.
(2) Mr Laurent Mignon also benefited at the Board meetings of July 28, 2016 from a free allocation of 47,463 performance shares valued at €160,000 and of May 23, 2017 from a free allocation of 29,911 performance shares valued at €192,000.
(3) 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 97 of the 2017 Natixis registration document registered with the Autorité des marchés financiers (French Financial Markets Authority) on March 23, 2018 and are available on the website: www.natixis.com.
(4) On a gross basis before social contributions and income tax.
(5) This amount includes payment relating to the variable remuneration deferred from previous years.
(6) Including €2,969 of family supplement for 2016 and €2,379 of family supplement for 2017.

Compensation due or allocated for the year ended December 31, 2017, to Mr Xavier Durand, Chief Executive Officer (CEO) of COFACE SA

AMF nomenclature – Table 2 – Summary of compensation of each managing corporate officer

	2017 (1)		2016 (1)	
	Amounts due (3)	Amounts paid (4)	Amounts due (3)	Amounts paid (4)
Xavier Durand, Chief Executive Officer				
Fixed compensation (2)	575,000	575,000	513,865	513,865
Annual variable compensation (2) (6)	874,058	322,000	460,000	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation (2)	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind (5)	14,548	14,548	11,930	11,930
TOTAL (7)	**1,463,606**	**911,548**	**985,795**	**525,795**

(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 financial year excluding long-term variable compensation.
(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 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 (portion paid in N+1).
(7) For the history of allocation of bonus shares, see Section 2.3.12.

Breakdown of the components of the compensation of Mr Xavier Durand, Chief Executive Officer (CEO) of COFACE SA for the year ended December 31, 2017

(see also Section 7.6.3 on the principles and components of the Chief Executive Officer's compensation)

<table>
<tr><th>Compensation components</th><th>Amount</th><th>Comments</th></tr>
<tr><td>Fixed compensation</td><td>€575,000</td><td>Gross annual compensation set at €575,000 since the start of his term on February 9, 2016.</td></tr>
<tr><td>Annual variable compensation ("bonus")</td><td>€874,058</td><td>Variable compensation is set at €575,000.
It comprises 60% financial objectives and 40% 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 2017 objectives proposed by the Appointments and Compensation Committee at its meeting on February 6, 2018, approved by the Board of Directors at its meeting on February 12, 2018 and submitted for approval by the Annual Shareholders' Meeting called to approve the accounts for the 2017 financial year is 152.01%, broken down as follows:
<table>
<tr><th>Financial objectives</th><th>Allocation key</th><th>Achievement rate</th><th>Amount of variable compensation</th></tr>
<tr><td>Revenue</td><td>20%</td><td>85.0%</td><td>97,750</td></tr>
<tr><td>Net income for the period</td><td>20%</td><td>250.0%</td><td>287,500</td></tr>
<tr><td>Internal general overheads excluding exceptional items</td><td>10%</td><td>131.1%</td><td>75,383</td></tr>
<tr><td>Gross loss ratio excluding claims handling expenses</td><td>10%</td><td>244.0%</td><td>140,300</td></tr>
<tr><td>TOTAL (A)</td><td></td><td>104.51%</td><td>600,933</td></tr>
</table>
<table>
<tr><th>Strategic and managerial objectives</th><th>Allocation key</th><th>Achievement rate</th><th>Amount of variable compensation</th></tr>
<tr><td>Fit to Win strategic plan</td><td>20%</td><td>125%</td><td>143,750</td></tr>
<tr><td>Talent management</td><td>10%</td><td>125%</td><td>71,875</td></tr>
<tr><td>Solvency II projects</td><td>5%</td><td>125%</td><td>35,938</td></tr>
<tr><td>Recovery plan</td><td>5%</td><td>75%</td><td>21,563</td></tr>
<tr><td>TOTAL (B)</td><td></td><td>47.50%</td><td>273,125</td></tr>
<tr><td>TOTAL (A+B)</td><td></td><td>152.01%</td><td>874,058</td></tr>
</table>
The bonus due for financial year 2017 is therefore €874,058 and will be paid as follows:
◆ 70% of the total amount paid in 2018, i.e. €611,840
◆ 15% of the total amount deferred to 2019, i.e. €131,109
◆ 15% of the total amount deferred to 2020, i.e. €131,109

Payment of the 2017 bonus is subject to approval by the Ordinary Shareholders' Meeting following the close of financial year 2017.

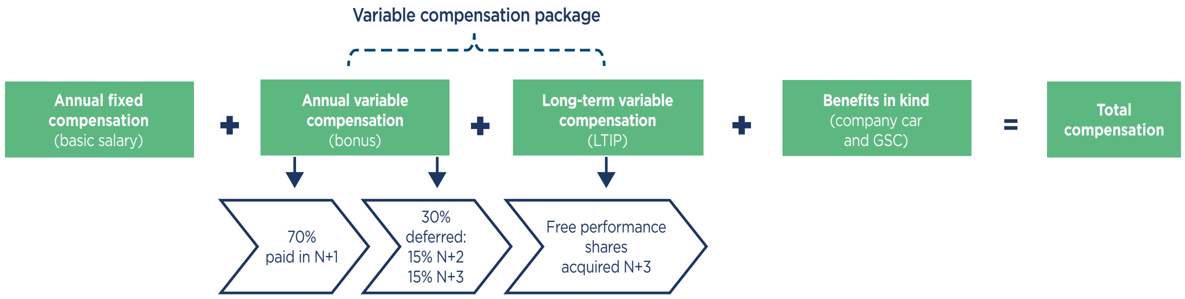
A malus scheme has also been introduced: therefore, in case of losses observed prior to the payment dates of the deferrals, no payment will be made for these deferrals.</td></tr>
<tr><td>Multi-year variable compensation</td><td>€0.00</td><td>N/A</td></tr>
<tr><td>Exceptional compensation</td><td>€0.00</td><td>N/A</td></tr>
</table>

Compensation components	Amount	Comments
Long-term variable compensation (Allocation of stock options/ performance shares and any other component of long-term compensation)	(see Section 2.3.8)	60,000 shares are allocated under the Long-Term Incentive Plan 2017 (LTIP 2017), representing a value of €370,080 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 February 9, 2020, subject to presence and performance conditions measured over the term of the plan until December 31, 2019, as follows: ◆ 50% of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2019; ◆ 50% 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) 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 February 8, 2017. The plan does not include a holding period. The Board decided that 30% of the CEO's shares vested under the 2017 LTIP should be retained until the end of his corporate term or of any other function that he might hold within Coface.
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 2017 in connection with his duties within the Company.
Benefits in kind	€14,548	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*	**€1,463,606**	

* *The amounts due correspond to the sums allocated for the financial year excluding long-term variable compensation.*
(1) *TSR is 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 2017 can be summarised as follows:

Variable compensation package



2.3.5 DIRECTORS' FEES AND OTHER COMPENSATION COLLECTED BY THE MEMBERS OF THE BOARD OF DIRECTORS DURING 2016 AND 2017

The table below shows the directors' fees and other types of compensation collected by members of the Company's Board of Directors in 2016 and 2017.

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 2017 (1)	Amounts paid in 2016 (1)
Jean Arondel				
Directors' fees COFACE SA	Nov. 21, 2012	SM Dec. 31, 2020 (3)	20,000	20,000
Other compensation			-	-
Jean-Paul Dumortier				
Directors' fees COFACE SA	Jul. 26, 2013	SM Dec. 31, 2020 (3)	20,000	20,000
Other compensation			-	-
Éric Hémar				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2017 (3)	43,000	41,000
Other compensation			-	-
Daniel Karyotis				
Directors' fees COFACE SA	Feb. 8, 2017	SM Dec. 31, 2020 (3)	17,333	-
Other compensation			-	-
Isabelle Laforgue				
Directors' fees COFACE SA	Jul. 27, 2017	SM Dec. 31, 2020 (3)	11,667	-
Other compensation			-	-
Nathalie Lomon				
Directors' fees COFACE SA	Jul. 27, 2017	SM Dec. 31, 2020 (3)	15,958	-
Other compensation			-	-
Sharon MacBeath				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2017 (3)	24,000	26,000
Other compensation			-	-
Isabelle Rodney				
Directors' fees COFACE SA	Nov. 3, 2016	SM Dec. 31, 2020 (3)	16,000 (4)	3,333 (4)
Other compensation			-	-
Anne Sallé-Mongauze				
Directors' fees COFACE SA	Nov. 3, 2016	SM Dec. 31, 2020 (3)	- (5)	- (5)
Other compensation			-	-
Olivier Zarrouati				
Directors' fees COFACE SA	Jul. 1, 2014	SM Dec. 31, 2017 (3)	34,000	34,000
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 "Mapping of the characteristics of the members of the Board of Directors for financial year 2017".
(3) Shareholders' Meeting held to approve the financial statements for the previous fiscal year.
(4) In 2016, the fees of Ms Isabelle Rodney were paid directly to the Caisse d'Epargne Côte d'Azur in accordance with their policy. In 2017, the fees of Ms Isabelle Rodney were paid to her directly.
(5) Ms Anne Sallé-Mongauze, Chief Executive Officer of a subsidiary wholly owned by Natixis, waives her attendance fees pursuant to the policy of Natixis.

2.3.6 STOCK OPTIONS OR WARRANTS ALLOCATED IN 2017 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, 2017.

2.3.7 STOCK OPTIONS OR WARRANTS EXERCISED IN 2017 BY EACH MANAGING CORPORATE OFFICER

No stock options or warrants were exercised by a managing corporate officer during the year ended December 31, 2017.

2.3.8 FREE SHARES ALLOCATED DURING 2017 TO CORPORATE OFFICERS

The conditions for bonus share allocation are described in Section 2.3.4. The table below restates the description of the free shares allocated to Mr Xavier Durand under the 2017 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**	*2017 Long-Term Incentive Plan* Feb. 8, 2017	60,000	€318,294	Feb. 9, 2020	Feb. 9, 2020	See table in Section 2.3.4
TOTAL		**60,000**	**€318,294** (1)			

(1) The value on the allocation date corresponds to €370,080.

2.3.9 SHARES WHICH HAVE BECOME AVAILABLE IN 2017 FOR EACH CORPORATE OFFICER

No share allocations became available in 2017.

2.3.10 HISTORY OF ALLOCATION OF STOCK OPTIONS OR WARRANTS

No allocation of stock options or warrants took place during the years ended December 31, 2017, 2016 and 2015.

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

2.3.11 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, 2017, 2016 and 2015 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.

2.3.12 HISTORY OF BONUS SHARE ALLOCATION

78,842 performance shares were allocated under the LTIP 2014, 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. As the performance condition had not been met, no shares attributed under this plan were vested on the final delivered date, *i.e.* July 1, 2017.

For financial year 2014, an exceptional compensation linked to the stock market listing 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 were delivered on July 1, 2016 and should be held until June 30, 2018.

106,800 performance shares were allocated under the 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. As the performance condition had not been met, no shares attributed under this plan were delivered on the final vesting date, *i.e.* February 18, 2018.

302,196 performance shares were allocated under the LTIP 2016, 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 bonus shares was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (28,395 phantom shares) – see Section 7.2.3 "Independent control, holding and acquisition of treasury shares by the Company".

366,146 performance shares were allocated under the LTIP 2017, out of the 405,318 available shares representing the total package allocated to this plan by the Board of Directors. 60,000 performance shares were allocated to the corporate officer for a value on the allocation date of €370,080 during the financial year ended December 31, 2017. The remainder of the 306,146 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 bonus shares was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (34,400 phantom shares) – see Section 7.2.3 "Independent control, holding and acquisition of treasury shares by the Company".

Table 10 – History of bonus share allocations

	Long-term incentive plan [1]		Exceptional allocation of bonus shares	
	2017	2016	**2017**	2016
Meeting date	May 19, 2016	May 19, 2016	-	-
Date of the Board of Directors' meeting	Feb. 8, 2017	Nov. 3, 2016	-	-
Total number of bonus shares allocated	366,146	302,196	-	-
of which allocated to Xavier DURAND	60,000	50,000	-	-
Share vesting date	Feb. 9, 2020	Nov. 4, 2019	-	-
End-date of the retention period	N/A	N/A	-	-
Number of stock options	-	-	-	-
Cumulative number of cancelled or lapsed shares	-	-	-	-
Remaining bonus shares allocated at year-end	366,146	302,196	-	-

(1) The performance conditions are described in Section 2.3.4 above.

2.3.13 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		Indemnities 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 Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020		X		X (1)	✓ (3)		✓ (3)	
Xavier Durand Chief Executive Officer Since February 9, 2016 until the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2019		X		X (2)	✓			X

(1) Mr Laurent Mignon benefits from mandatory pension schemes as all other Natixis employees do, and does not benefit from any complementary pension scheme under Articles 39 or 83 of the French General Tax Code. Pursuant to Mr Laurent Mignon's commitments during the last financial year, in 2017, the CEO of Natixis paid €140,800 net (corresponding to €160,000 gross of his annual compensation) into the life insurance policy under Article 82 of the French General Tax Code set up by the BPCE group. Contributions under this scheme are funded by Mr Laurent Mignon and not by Natixis.

(2) The Chief Executive Officer benefits from all health, pension and providence plans under the prevailing conditions of the Company.

(3) No compensation for severance or a change in position, or under a non-compete clause, was paid in 2017. 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' salary (fixed and variable). The reference used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference amount 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 the one or 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 indemnity shall be due. If none of the conditions above has been met, no indemnity shall be due. No indemnity 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 are subject to the approval of the Company's Shareholders' Meeting.

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

As Mr Xavier Durand benefits from the collective scheme within the Company, no particular amount was reserved or recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement or other benefits to its managing corporate officers.

3.

COMMENTS ON THE FINANCIAL YEAR

3.1 / ECONOMIC ENVIRONMENT [1]

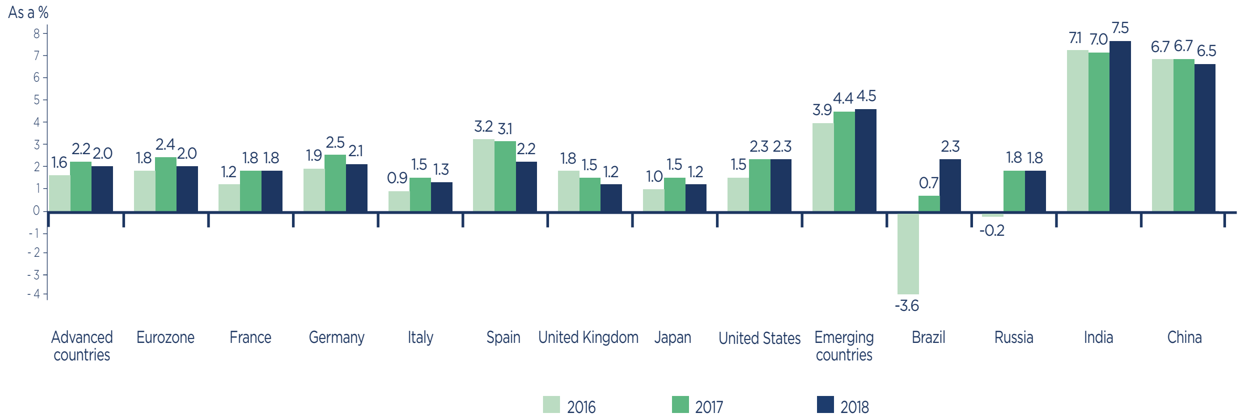
In 2017, the global economy achieved 3.1% growth, according to Coface, exceeding the performance in 2016 (2.6%). There was a synchronised upswing in growth worldwide, with emerging countries posting 4.4% growth and advanced countries 2.2%.

Economic activity picked up in the eurozone with reported GDP growth of 2.4% in 2017 (after 1.8% in 2016). The continuing accommodating monetary policy, high confidence level of agents and the relatively low commodities prices are all factors that had a positive impact on growth in 2017. Activity picked up in most major eurozone economies, even if the countries continued to show different growth trends. Once again, growth in Germany was strengthened (2.5%), firstly by the momentum of private consumption linked to an increase in real income, and secondly thanks to the still buoyant global economy. The influx of refugees also had a positive impact on growth: it was accompanied by a high level of consumption and public spending, mostly in public housing and infrastructures. The French economy also recorded stronger growth (1.8%), driven by a surge in corporate investments and the rally in electricity exports and tourism. The momentum that led to more new business creations and fewer corporate failures grew stronger. Among Southern European countries, Spain continued on its upward trend (3.1%), well above the figures observed in Italy (1.5%) and in Portugal (2.6%). The situation also improved in Greece (1.4%), following the agreement reached with international creditors in June.

In the UK, activity barely slackened (1.5%), in spite of fears that Brexit would lead to a more substantial slowdown. In the US, growth clearly accelerated (2.3%), buoyed by the confidence of agents, resilient household consumption and the upturn in residential investment. Lastly, growth in Japan exceeded forecasts (1.5%), stimulated by foreign trade and stronger industrial production.

The economic downturn observed in emerging countries since 2010 appears to have hit a low in 2016. The situation in Latin America was not as exuberant (1.1%), despite growth returning to positive figures. Brazil improved its macro-economic fundamentals (0.7%) with the recovery of household consumption and the very favourable climatic conditions. Growth in the CIS (2.1%) was spurred by the turnaround in commodities prices and the restored confidence of Russian households, which took advantage of the increase in their real income and stable prices. Growth in Sub-Saharan Africa stood at 2.6%, unlike the North Africa-Middle East zone (1.9%). Saudi Arabia, in particular, fell into recession this year (0.5%) due to a vast budget consolidation programme and a drop in oil production. Emerging Asia stood out again with the most vigorous growth (6.0%). However, the slack in Chinese growth was confirmed (6.7%), against a background of more restrictive measures towards investors. Lastly, in the Europe/Middle East-Africa zone, Turkey reported robust growth (5.5%, after 2.9% in 2016). It was spurred by accommodating monetary and budget policies, and very high private consumption.

GDP growth (as %): 2016, 2017 and 2018 (source Coface)



(1) *Group estimates.*

3.2 / SIGNIFICANT EVENTS IN THE PERIOD

3.2.1 CHANGES IN GOVERNANCE

Appointments to the Coface Board of Directors

At the meeting of July 27, 2017, the COFACE SA Board of Directors co-opted **Isabelle Laforgue,** Chief Transformation Officer of Econocom, and **Nathalie Lomon,** Chief Financial Officer of Ingenico, as independent directors of the COFACE SA Board of Directors.

They replace **Linda Jackson,** Chief Executive Officer of French carmaker Citroën, member of the Executive Committee of PSA Peugeot Citroën, and **Martine Odillard,** President of Cinémas Gaumont Pathé, who left the Board to focus on their current professional responsibilities.

Appointments to the Coface Executive Committee

Since April 3, 2017:

- **Cécile Paillard** joined the Group to replace **Antonio Marchitelli** as director of the Mediterranean and Africa region;
- **Antonio Marchitelli** took over from **Cyrille Charbonnel** as director of the Western Europe region;
- **Cyrille Charbonnel** is now the Head of a new Group Underwriting Department which combines risk underwriting, information, claims & collections, and commercial underwriting (see below).

Furthermore, since November 1, 2017:

- **Katarzyna Kompowska** is the Head of the Northern Europe region;
- **Declan Daly** joined the Group to replace **Katarzyna Kompowska** as director of the Central Europe region.

3.2.2 CREATION OF THE UNDERWRITING DEPARTMENT

Created in April 2017, this department is tasked with striking a balance between the Group's commercial ambition and risk control, while helping to improve the service rendered to clients. It is organised into four units:

- commercial underwriting, which sets contract underwriting standards for the Group and has the final say on overriding commercial decisions;
- information, which handles the acquisition and production of pertinent and useful information for risk underwriting;
- risk underwriting, which defines and controls the policy on underwriting credit risks, and monitors its application;
- claims & collections, which is in charge of indemnification and debt collection procedures.

By combining these functions under a single department, Coface has given itself the resources to optimise and accelerate the decision-making processes that affect the life of its contracts; furthermore, the Group is consolidating its capacity to generate profitable growth thanks to better control of its commitments.

3.2.3 SIGNING OF LABOUR AGREEMENTS IN FRANCE AND IN GERMANY

In France, a new framework agreement was signed on May 17, 2017 with employee representative bodies. This agreement provides for the set-up, on or after January 2018, of a work-time organisation that is more in line with market practices and that better reflects the Group's social and economic challenges.

In Germany, the voluntary departure plan that was presented in November 2016 to the employee representative bodies was signed on May 10, 2017. As indicated in previous communications, this plan had resulted in the recognition of a provision for restructuring, recorded in the financial statements for the year ended on December 31, 2016.

3.2.4 ARRANGEMENT OF A SYNDICATED CREDIT FACILITY

In order to refinance its factoring business, COFACE SA signed an agreement for a €700 million syndicated loan on July 28, 2017 with a group of partner banks. This loan replaces the existing bilateral credit lines.

Coface is backed by a panel of six relationship banks: Natixis, Société Générale, BNP Paribas, Crédit Agricole CIB, acting as mandated arrangers and bookkeepers, HSBC and BRED acting as mandated arrangers. Natixis intervenes as documentation agent and Société Générale as management agent. The loan is arranged for a period of three years with two extension options, for one year each, in the hand of the lenders.

This transaction allows the Group to improve its financial flexibility and extend the maturity of its refinancing, while taking advantage of favourable market conditions and strengthening relations with top-tier banks which, through this transaction, confirm their medium-term commitment alongside Coface.

3.2.5 RENEWAL OF THE SECURITISATION PROGRAMME

To refinance its factoring activities, the Group has renewed early its entire securitisation programme worth €1,195 million, for a period of five years. This renewal allows the Group to consolidate a significant and competitive source of refinancing for five more years while strengthening relations with its top-tier banking partners.

3.2.6 CREATION OF LOCAL HUBS: NORDIC, ADRIATIC, BALTIC

Coface has simplified its structure in 10 countries by combining its operations into three hubs: Nordic hub (Denmark, Sweden, Norway, Finland), Adriatic hub (Croatia, Slovenia, Serbia) and Baltic hub (Latvia, Estonia, Lithuania). These hubs group together functions serving several countries into one single geographic location. They allow the Group to reach a better critical size and to improve operational efficiency as well as the service provided to our clients in these regions.

These transactions were made possible thanks to the acquisition of minority shares (25% of the capital) in the Central Europe holding company which occurred at the end of March 2017.

3.2.7 INAUGURATION OF A COFACE TECHNOLOGIES IT CENTRE IN BUCHAREST

Coface inaugurated its new IT centre, Coface Technologies, on June 13, 2017. Its creation is an important step towards strengthening the Group's IT and operational performances. Located in Bucharest, it will centralise certain development functions which were previously outsourced. A third of the target workforce has been recruited and the transfer of skills has commenced, according to schedule.

3.2.8 LAUNCH OF THE NEW COFANET ESSENTIALS CLIENT INTERFACE

Digital transformation is one of the pillars of the differentiated growth strategy that Coface has set up with Fit to Win.

Coface's aim in developing a pertinent digital offer and high-quality online tools is therefore to offer its clients an enhanced service, setting it apart from the competition. In May, therefore, the Group rolled out an entirely new version of CofaNet Essentials, the web interface for credit insurance policy management, with a modern look and feel, compatible with mobile phones and tablets and offering a fuller, tailored customer experience.

3.3 / COMMENTS ON INCOME AT DECEMBER 31, 2017

Coface transferred its State export guarantees management business to Bpifrance on January 1, 2017, a service Coface performed on behalf of the French state. For purposes of comparability with the results as at December 31, 2017, the tables and charts present the results at December 31, 2016 without the contribution from this business line. They are indicated by "excluding DGP". The results published at December 31, 2016 are indicated by "2016".

3.3.1 PERFORMANCE OF THE GROUP

Thanks to a favourable economic environment, the actions taken under the Fit to Win plan resulted in a sharp improvement in Coface's earnings in 2017.

The reported consolidated revenue of €1,354.9 million corresponds to a 0.3% increase (at constant scope [(1)] and exchange rate) compared with 2016; the net loss ratio has improved by 14.1 percentage points, to 51.4%, and the net cost ratio is stable at 35.2%. The Group ended the year with a two-fold increase in net income, to €83.2 million (*versus* €41.5 million in 2016) and a solvency boosted by 16 percentage points, to ~ 166% [(2)].

As this level is slightly above the Group's target range, it can activate the capital management driver built into the Fit to Win plan, by launching share buybacks for a target total amount of €30 million. The shares acquired under the buyback plan are intended to be cancelled. Given the distribution proposed to COFACE SA shareholders for a dividend of €0.34 per share [(3)], total shareholder return would then amount to 100% of income for 2017 subject to the execution of the share buyback plans.

3.3.2 REVENUE

The Group's consolidated revenue grew by 0.3% at constant scope and exchange rate (restated of the State guarantees revenue in France) to €1,354.9 million in 2017. It is slightly down at constant scope (down 0.3% compared with 2016).

The negative currency effect of 0.6 percentage points can be explained by the stronger euro against the US dollar (the portfolio's primary currency), Asian currencies and the pound sterling. The euro grew stronger after the abatement of political risk in Europe and a rosier economic outlook.

Furthermore, the Turkish pound and the Argentinian peso depreciated sharply in 2017.

The table below shows the changes in the COFACE Group's consolidated revenue by business line as of December 31, 2016 and 2017:

Change in consolidated revenue by business line *(in millions of euros)*	As of Dec. 31 2017	2016	2016 excluding DGP	Change *(in €m: at constant scope)*	*(as a %: at constant scope)*	*(as a %: at constant scope and exchange rate)*
Insurance	1,282.9	1,340.7	1,287.3	(4.4)	(0.4)%	0.3%
Earned premiums [(1)]	*1,109.7*	*1,115.1*	*1,115.1*	*(5.4)*	*(0.5)%*	*0.2%*
Services [(2)]	*173.2*	*225.5*	*172.2*	*1.0*	*0.3%*	*0.4%*
Factoring	72.0	70.6	70.6	1.4	2.0%	1.7%
CONSOLIDATED REVENUE	**1,354.9**	**1,411.3**	**1,357.9**	**(3.0)**	**(0.3)%**	**0.3%**

(1) Earned premiums – Credit, Single Risk and Surety Bond.
(2) Sum of revenue from services related to credit insurance ("Fees and commission income", "Compensation for public procedures management services" and "Other insurance-related services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information – "Information and other services", and debt collection services – "Receivables management") – See Note 21 of the Notes to the consolidated financial statements.

(1) Constant scope = excluding the State guarantees management business line (€53.4 million of revenue in 2016).
(2) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency II Regulation. The result of the final calculation could be different from this preliminary calculation. The estimated Solvency ratio is not audited.
(3) The proposed dividend of €0.34 per share is subject to the approval of the Shareholders' Meeting of May 16, 2018.

Insurance

Revenue for the insurance business line (including surety bond and Single Risk) is slightly down (-0.4% at constant scope), from €1,287.3 million in 2016 to €1,282.9 million in 2017 (+0.3% at constant scope and exchange rate).

Earned premiums are down 0.5% at constant scope (up 0.2% at constant scope and exchange rate), from €1,115.1 million in 2016 to €1,109.7 million in 2017. Mature markets returned to growth, fuelled by policyholders' activity in the buoyant European economic environment. Only Northern Europe remained down, despite an improvement in contract retention. In emerging markets, the action plans undertaken to improve the containment of loss experience continued to produce their effects in Asia-Pacific throughout the year. Latin America was penalised by Brazil, where political instability had an adverse impact on business.

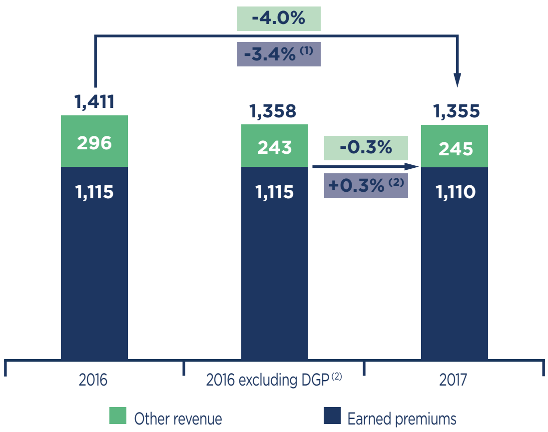
The annual production of new contracts, totalling €128.9 million in 2017, is down compared with 2016 (€137.7 million). The good performances of certain mature countries (such as Spain, the UK and the Netherlands) did not offset the mediocre results of a number of emerging countries (primarily in connection with the risk control action plans). The political context remains uncertain in Turkey. Mexico, which is highly dependent on the United States, suffered from the latter's loss of confidence towards it.

The contract retention rate (ratio between the annual value of renewed policies and the value of policies to be renewed during the year) continues to improve significantly: 89.7% at December 31, 2017 (*versus* 88.0% in 2016) in a highly competitive context.

The "business generated by policyholders" component increased sharply by 4.9% in 2017 (*versus* +0.6% in 2016), driven by mature markets and in particular Southern European countries (Italy, France, etc.) where growth was stronger after remaining sluggish for several years.

The price slump was more modest in 2017 in mature markets, while the pressure grew stronger in emerging countries subsequent to the growth upturn in many of them. The price effect recorded in the credit insurance contracts was a negative 1.5% in 2017 *versus* negative 1.7% in 2016.

Revenue from the services business is slightly up by 0.3% at constant scope (up 0.4% at constant scope and exchange rate), rising from €172.2 million in 2016 to €173.2 million in 2017.



Factoring

Revenue from factoring (exclusively in Germany and Poland) is up 2.0% as reported (up 1.7% at constant scope and exchange rate), from €70.6 million in 2016 to €72.0 million in 2017.

Germany recorded an increase of 0.6% in its business line thanks to the surge in factored receivables and the increase in the interest margin despite the persistently low rates. A negative price effect had a negative impact on factoring fees.

In Poland, the commercial roll-out of the business line continued: revenue grew by 11.5% as reported (up 8.7% at constant scope and exchange rate). The growth of the receivables portfolio generated an increase in commissions and interest revenue.

(1) At constant exchange rate.
(2) At constant scope and exchange rate. Constant scope = excluding the State guarantees management business line (€53.4 million of revenue in 2016, and €0.6 million of residual revenue recorded in Q4-2017). Coface disposed of this activity as of January 1, 2017; the data affected by this activity was restated for comparability.

Change in revenue by region

The table below shows the changes in consolidated revenue (net of intra-group flows) within the COFACE Group's seven geographic regions for the periods ended December 31, 2016 and 2017:

Change in consolidated revenue by region of invoicing *(in millions of euros)*	As of Dec. 31			Change			
	2017	2016	2016 excluding DGP	*(in €m: at constant scope)*	*(as a %: at constant scope)*	*(as a %: at constant exchange rate)*	*(as a %: at constant scope and exchange rate)*
Western Europe	280.8	327.2	273.8	7.0	2.3%	(13)%	3.6%
Northern Europe	303.9	307.3	307.3	(3.4)	(1.1)%	(1.1)%	(1.1)%
Mediterranean & Africa	348.0	331.9	331.9	16.2	4.9%	5.4%	5.4%
North America	121.9	136.1	136.1	(14.2)	(10)%	(8.9)%	(8.9)%
Central Europe	127.7	121.3	121.3	6.4	5.3%	3.7%	3.7%
Asia-Pacific	96.9	109.8	109.8	(12.9)	(12)%	(10)%	(10)%
Latin America	75.7	77.7	77.7	(2.0)	(2.6)%	(1.6)%	(1.6)%
CONSOLIDATED REVENUE	**1,354.9**	**1,411.3**	**1,357.9**	**(3.0)**	**(0.3)%**	**(3.4)%**	**0.3%**

Three regions reported an increase in revenues at constant scope and exchange rate: Mediterranean & Africa (+5.4%), Central Europe (+3.7%) and Western Europe (+3.6%), contrary to the remaining four: Northern Europe (-1.1%), Latin America (-1.6%), North America (-8.9%) and Asia-Pacific (-10%).

In Western Europe, revenue is up 2.3% at constant scope (+3.6% at constant scope and exchange rate) with credit insurance driven by the commercial momentum of the United Kingdom and by the turnaround in policyholder activity in France and in Belgium. The progression in revenue was also driven by the signing in Switzerland of new Single Risk policies and by the development of the surety bond offering in France. The fall in value of the pound sterling following the Brexit vote explains the negative foreign exchange effect.

In Northern Europe, revenue shrank by 1.1% as reported (down 1.1% at constant scope and exchange rate). In a favourable economic environment, the credit insurance business line is still plagued by difficulties in Germany. The year was marked by weak production of new contracts and by an increase in premium refunds. However, the Single Risk, surety bonds and factoring business lines reported satisfactory growth.

Revenue for the Mediterranean & Africa region increased by 4.9% (up 5.4% at constant scope and exchange rate) spurred by the robust commercial performance in Italy, Spain and Israel. In credit insurance, Italy received a boost from the business upswing of its clients. Action plans to contain loss experience continued to weigh on Turkey's revenue in a still uncertain political context.

In North America, revenue dropped 10.5% (down 8.9% at constant scope and exchange rate). The United States suffers from a difficult comparison in Single Risk considering the large contracts signed in 2016. In Canada, the level of terminations for non-profitable contracts remains high.

Central Europe reported an increase of 5.3% in its revenue (up 3.7% at constant scope and exchange rate). The revaluation of the Polish zloty and the Russian rouble explains the positive foreign exchange impact. In credit insurance, all countries in the region reported good commercial performance, especially in the fourth quarter. In Austria, despite strong pressure on prices, the end of the year was marked by an improvement in the underwriting of new policies and a decline in terminations. In Poland, commercial performance remained high in a market that is increasingly brokerage-based. The sales development of factoring continued (up 8.7% at constant scope and exchange rate).

Revenue in Asia-Pacific dropped 11.7% (down 10.0% at constant scope and exchange rate). The termination level remains high, a consequence of past action plans on risks and tighter underwriting rules.

Latin America reported a 2.6% drop in revenue (down 1.6% at constant scope and exchange rate), mainly in Brazil and in Mexico.

3.3.3 UNDERWRITING INCOME

Underwriting income before reinsurance

Underwriting income before reinsurance increased by €121.4 million at constant scope, from €4.4 million in 2016 to €125.7 million in 2017, thanks to the decline in loss experience (down €134.8 million).

As a result, the loss ratio improved by 11.8 percentage points. Investments made in the efficiency projects as well as in strengthening the control environment and the competencies of talents (€16 million) are financed by the savings of €19 million, which helped to limit the increase in cost ratio to 0.9 percentage points (effect of overall inflation). The combined ratio before reinsurance stood at 87.9%, down 11.0 percentage points compared with 2016 (after restating the State guarantees management activity).

/ Loss experience

2017 benefited fully from the steps taken under the Fit to Win strategic plan to strengthen risk management. Targeted actions and portfolio reviews made it possible to contain the loss experience of emerging countries, facilitated by more buoyant global economic context. Loss ratio levels remained satisfactory in mature regions. As such, the Group's loss ratio before reinsurance improved by 11.8 percentage points, dropping from 63.3% in 2016 to 51.4% in 2017.

Loss experience

	As of Dec. 31		Change	
(in millions of euros and %)	**2017**	2016	*(in €m)*	*(as a %)*
Claims expenses incl. claims handling costs	570.9	705.7	(134.8)	(19)%
Loss ratio before reinsurance	51.4%	63.3%	-	(11.8) pts
Earned premiums	1,109.7	1,115.1	(5.4)	(0.5)%

In Western Europe, the loss ratio became normal at 54.0% (47.7% excluding the ceded share of certain files) up by 15.5 percentage points owing to the ceding of a significant share of a few large files.

Northern Europe reported a slight drop in its ratio to 57.2% (down 1.3 percentage points).

The ratio for the Mediterranean & Africa region settled at 48.4%, down 1.4 percentage points. Action plans to contain the loss experience resulted in a sharp improvement in the ratio in Turkey. At the same time, the loss experience increased in Italy (a few major losses in credit insurance and surety bond) and in Spain, while still staying at satisfactory levels.

North America reported a steep drop in loss ratio to 49.0% (38.5% excluding the ceded share of certain files) thanks to better than anticipated recoveries.

Central Europe presented a nearly stable loss ratio at 49.6%, (down 0.7 percentage points).

Asia-Pacific reported a loss ratio of 53.8%, a significant improvement on 2016 (146.8%), the result of commercial, risks and recovery action plans taken to contain loss experience.

Latin America also reported a substantial drop in loss ratio to 35.9% (down 24.4 percentage points), especially in Brazil, where the improvement is more significant.

Change in loss experience by region of invoicing *(in %)*	As of Dec. 31 **2017**	As of Dec. 31 2016	Change in points
Western Europe	54.0%	38.5%	+15.5 pts
Northern Europe	57.2%	58.5%	(1.3) pts
Mediterranean & Africa	48.4%	49.8%	(1.4) pts
North America	49.0%	85.0%	(36.0) pts
Central Europe	49.6%	50.3%	(0.7) pts
Asia-Pacific	53.8%	146.8%	(93.0) pts
Latin America	35.9%	60.2%	(24.4) pts
LOSS RATIO BEFORE REINSURANCE	**51.4%**	**63.3%**	**(11.8) PTS**

Overheads

Overheads *(in millions of euros)*	As of Dec. 31 **2017**	**2016**	**2016 excluding DGP**	Change *(as a %: at constant scope)*	*(as a %: at constant scope and exchange rate)*
Internal overheads	525.0	545.4	518.1	1.3%	2.0%
of which claims handling expenses	*26.6*	*25.1*	*25.1*	*5.8%*	*6.1%*
of which internal investment management expenses	*2.1*	*2.7*	*2.7*	*(19)%*	*(19)%*
Commissions	157.7	153.4	153.4	2.8%	3.6%
TOTAL OVERHEADS	**682.6**	**698.8**	**671.5**	**1.7%**	**2.3%**

Total overheads, which include claims handling expenses and investment management expenses, grew by 1.7% at constant scope (+2.3% at constant scope and exchange rate), from €671.5 million at December 31, 2016 to €682.6 million at December 31, 2017. Excluding the non-recurring tax effect in Italy, expenses increased by 0.8% at constant scope and by 1.4% at constant scope and exchange rate.

Policy acquisition commissions were up 2.8% as reported (up 3.6% at constant scope and exchange rate), from €153.4 million in 2016 to €157.7 million in 2017. This increase can be primarily explained by the revenue growth on brokerage-based markets (Mediterranean & Africa region) or markets becoming brokerage-based (Central Europe region), as well as to the arrangement of relations with new agents and banking partners.

Internal overheads, including claims handling expenses and investment management expenses, are up 1.3% at constant scope (up 2.0% at constant scope and exchange rate), from €518.1 million in 2016 (excluding the direct expenses of the public guarantees management activity in France, which amounted to €27.3 million) to €525.0 million in 2017. This increase can be explained in particular by a non-recurring tax effect in Italy which had an impact of €6 million.

Payroll costs dropped 2.4% at constant scope and exchange rate, from €281.7 million in 2016 to €273.5 million in 2017.

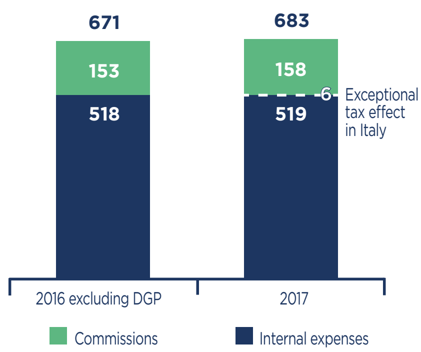
IT costs also fell by 3.8% at constant scope and exchange rate to €46.3 million.

Other expenses (taxes, information purchases, rents) increased by 10% at constant scope and exchange rate, from €188.3 million in 2016 to €205.2 million in 2017, with the non-recurring tax effect in Italy taken into account. Excluding this effect, the increase is 6.8%.

€19 million were saved in costs thanks to the operational efficiency measures rolled out under the Fit to Win plan. Coface confirmed its objective to save €30 million in 2018. Furthermore, Coface spent €16 million on capital expenditure (growth actions, risks and solvency management actions, transformation of processes) during 2017.

The cost ratio before reinsurance deteriorated by 0.9 percentage points, from 35.6% in 2016 (restated of the State guarantees management activity) to 36.5% in 2017. The non-recurring tax expense in Italy has an impact of 0.6 percentage points. Restated, the 0.3 percentage point increase can be attributed to the increase in policy acquisition commissions.

Central expenses are rebilled to the regions on the basis of their individual contribution to the Group's performance. The calculation rules were reviewed in 2017 to take better account of the works carried out by the head office for the regions.



In Western Europe, overheads dropped by 9.1% at constant scope and exchange rate (down 12% excluding change of allocation methodology for central expenses) thanks to savings on IT costs, rents and lower payroll costs, due to the roll-out of the Fit to Win plan.

In Northern Europe, overheads are stable (up 0.4%) at constant scope and exchange rate (down 2.2% excluding change of allocation methodology for central expenses). The larger share of central expenses rebilled to the region has been offset by savings on payroll costs and in communication expenses.

In Mediterranean & Africa, overheads increased by 16% at constant scope and exchange rate (up 12% excluding change of allocation methodology for central expenses), impacted in policy acquisition commissions by costs linked to the arrangement of relations with new agents and the distribution agreement with Unicredit in Italy. Internal overheads are penalised by a non-recurring tax effect borne in Italy. Excluding this effect, the increase in overheads is 11%. It is due firstly to the variable administration costs linked to the growth of revenue, and secondly to a larger share of expenses rebilled by head office to the region.

In North America, overheads increased slightly, by 1.3% at constant scope and exchange rate (down 1.3% excluding change of allocation methodology for central expenses). The decline in commissions as a result of the decline in revenue offsets the increase in payroll costs (structuring and strengthening of the region).

In Central Europe, they are up by 14% at constant scope and exchange rate (up 10% excluding change of allocation methodology for central expenses) owing to the increase in policy acquisition costs, especially in Austria, Russia, Poland and Romania. The roll-out in Poland of the Group management tool for the factoring business also generated additional IT costs.

In Asia-Pacific, overheads increased by 2.1% at constant scope and exchange rate (down 0.6% excluding change of allocation methodology for central expenses). The decrease in commissions linked to the decline in revenue made up for the additional payroll costs in a region under structuring.

In Latin America, overheads increased by 24% at constant scope and exchange rate (up 20% excluding change of allocation methodology for central expenses). Policy acquisition costs are up due to an increased use of brokerage services. Payroll costs are also up in a region marked by high inflation.

Underwriting income after reinsurance

Underwriting income after reinsurance rose by €113.0 million at constant scope, from negative €13.2 million in 2016 to positive €99.8 million in 2017.

Reinsurance cost increased by 48%, from negative €17.6 million for the year ended December 31, 2016 to negative €26.0 million for the year ended December 31, 2017. This change is due firstly to a steep drop in loss experience, and secondly to a higher ceding rate for the 2017 underwriting year.

Note that 2016 benefited from a non-recurring gain of €13.8 million for the exceptional accrual of claims collection costs in Northern Europe. Furthermore, several substantial claims reported in the fourth quarter of 2017 are subject to special reinsurance conditions (higher ceding rate thanks to locally negotiated policies).

	As of Dec. 31			Change	
(in thousands of euros and %)	**2017**	2016	2016 excluding DGP	*(in €k)*	*(in %)*
Revenue	1,354,933	1,411,297	1,357,936	(3,003)	(0.3)%
Claims expenses	(570,863)	(705,655)	(705,655)	134,792	(19)%
Policy acquisition costs	(262,607)	(255,289)	(239,572)	(23,036)	9.6%
Administrative costs	(253,532)	(275,095)	(271,552)	18,020	(6.6)%
Other expenses from insurance activities	(70,816)	(83,004)	(75,009)	4,193	(5.6)%
Expenses from banking activities, excluding cost of risk	(13,779)	(13,193)	(13,193)	(586)	4.4%
Cost of risk	(4,483)	(4,222)	(4,222)	(261)	6.2%
Expenses from other activities	(53,130)	(44,379)	(44,379)	(8,750)	20%
Underwriting income before reinsurance	**125,723**	**30,460**	**4,354**	**121,369**	**NS**
Income and expenses from ceded reinsurance	(25,970)	(17,599)	(17,599)	(8,371)	48%
UNDERWRITING INCOME AFTER REINSURANCE	**99,753**	**12,861**	**(13,245)**	**112,998**	**NS**
Combined ratio after reinsurance	86.6%	97.4%	100.6%	-	-

3.3.4 INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)

Financial markets

2017 was marked by clearly better-than expected economic figures, especially those of global trade, which fostered a well-synchronised growth cycle worldwide. Yet inflation did not pick up as expected the United States and in Europe. This tableau was somewhat tarnished by political tensions. The protectionist turn, feared at the beginning of the year in the United States, has remained limited, and the risks for the integrity of European institutions receded at the end of the French elections in the spring.

In the United States, the recovery cycle, remarkable for its duration (uninterrupted growth since 2009) continued in 2017, supported by the continuous improvement of the job market and an upturn in investment. However, inflation remained moderate. This did not prevent the Federal Reserve, in light of the vibrant economy and the risks linked to maintaining extremely low interests rates over a long period, from three key interest rate hikes, in March, June and December. American long-term rates experienced a downward phase during the first three quarters of the year, owing to the inability of the administration to implement reforms and the unanticipated slowdown of inflation. They later rallied in response to the better economic figures and the adoption of the tax reform in December. The US 10-year interest rate therefore stayed nearly stable over the year and ended the year at around 2.40%, *versus* 2.45% the previous year. The equities markets continued the previous year's trend and posted an annual performance of more than 19.5%.

In the eurozone, the euro economic figures surprisingly continued on their upward trend in 2017, driven by the robust performance of all components, excluding inflation, and by the decline of the unemployment rate. Political risk fell significantly after the elections in the Netherlands and in France, although the hung parliament in Germany and the political crisis in Catalonia were blots on this rosy landscape. The year was also marked by a lull in tense Brexit negotiations, still on track for 2019. The European Central Bank was therefore able to announce, in October, an extension of its asset purchase plan, at least until September 2018, plus a reduction of the volume of monthly purchases starting from January 2018. Against this background, all European rates appreciated: the 10-year German rate increased from 0.2% to 0.4%, the French 10-year rate from 0.7% to 0.8%, the Spanish 10-year rate from 1.4% to 1.6% and the Italian 10-year rate rose from 1.8% to 2.1%. The equities markets also took advantage of the economic and political environment and posted annual performance of more than 9.0%.

Emerging economies were also boosted by the global upswing. The significant upturn in global trade was favourable to foreign demand. Private consumer spending also increased significantly. Investment expenditure was very high in countries exporting manufactured products. In commodities-exporting countries, the lower inflation led to greater easing of monetary policies, which helped countries such as Russia and Brazil to get out of recession.

Financial income

Against this economic background, in the context of the defined strategic allocation, the Group increased its exposure to equities and to European non-listed real estate assets while reducing its exposure to the sovereign debt of the leading issuers on financial markets. 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 2017, thanks to a positive return on the investment portfolio and to the improved economic environment.

The following table shows the financial portfolio by main asset class:

Market value

	As of Dec. 31	
(in millions of euros)	**2017**	**2016**
Listed shares	192	113
Unlisted shares	14	14
Bonds	1,785	1,797
Loans, deposits and units in dedicated mutual funds	549	570
Property	219	138
Total investment portfolio	**2,761**	**2,631**
Associated and non-consolidated companies	116	121
TOTAL	**2,877**	**2,752**

The persistently weak interest rates and the low level of spreads mechanically led to a slight reduction in the Group's portfolio rate of return. The result of these investments amounted to €49.8 million, of which €10 million of outsourcing (*i.e.* 1.8% of the 2017 average outstanding and 1.5% excluding outsourcing), to be compared to €43.5 million, of which €3.5 million of outsourcing in 2016 (1.7% of the 2016 average outstanding and 1.6% excluding outsourcing).

Investment portfolio income

	As of Dec. 31	
(in millions of euros)	**2017**	**2016**
Shares	6.7	1.6
Fixed-income instruments	36.8	37.5
Investment property	6.3	4.4
Total investment portfolio	**49.8**	**43.5**
o/w outsourcing	*10.0*	*3.5*
Associated and non-consolidated companies	4.5	1.4
Net foreign exchange gains and derivatives	4.5	6.3
Financial and investment charges	(3.6)	(3.2)
TOTAL	**55.3**	**48.0**

After income from investments in companies, foreign exchange and derivatives income, financial expense and investment costs, the Group's financial income for 2017 was €55.3 million.

The economic rate of return of financial assets was therefore 2.3% in 2017 *versus* 2.8% for the same period in 2016. The increase in 2017 income was not enough to offset the strong effect linked to the drop in interest rates for 2016 which significantly contributed to the 2016 economic rate of return.

3.3.5 OPERATING INCOME

(in millions of euros)	As of Dec. 31 2017	2016	2016 excluding DGP	Change (in €m: at constant scope)	(as a %: at constant scope)	(as a %: at constant scope and exchange rate)
Consolidated operating income	**154.4**	**114.4**	**88.3**	**66.2**	**75%**	**77%**
Operating income including finance costs	**136.3**	**96.0**	**69.9**	**66.4**	**95%**	**98%**
Other operating income and expenses	(0.6)	53.5	53.5	(54.1)	NS	NS
OPERATING INCOME INCLUDING FINANCE COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES	**136.9**	**42.5**	**16.4**	**120.5**	**734%**	**746%**

Consolidated operating income increased by €66.2 million, *i.e.* +77% at constant scope and exchange rate, from €88.3 million in 2016 to €154.4 million in 2017.

Current operating income, including finance costs and excluding non-recurring items (other operating income and expenses), has increased by €120.5 million at constant scope, from €16.4 million in 2016 to €136.9 million in 2017.

The combined ratio after reinsurance, including exceptional items, fell by 14 percentage points, from 100.6% in 2016 to 86.6% in 2017, of which -14.1 percentage points of net loss ratio and +0.1 percentage points of cost ratio.

Other operating income and expenses amounted to negative €0.6 million and mainly concern the implementation of the Fit to Win strategic plan. Restructuring costs are less than initially expected.

All regions contributed positively to operating income with the exception of Asia-Pacific, where the financial statements are nevertheless significantly better than in 2016.

Change in operating income Consolidated by region (in millions of euros)	As of Dec. 31 2017	2016	2016 excluding DGP	Change	Share of annual total at December 31, 2016
Western Europe	55.2	134.2	108.1	(52.8)	29%
Northern Europe	54.9	37.1	37.1	17.8	28%
Mediterranean & Africa	45.2	66.7	66.7	(21.5)	23%
North America	7.4	(30.6)	(30.6)	38.0	4%
Central Europe	30.7	29.8	29.8	0.9	16%
Asia-Pacific	(12.1)	(81.7)	(81.7)	69.7	(6)%
Latin America	12.1	6.2	6.2	5.9	6%
TOTAL (EXCLUDING INTER-REGIONAL FLOWS AND HOLDING COST NOT REBILLED)	**193.4**	**161.5**	**135.4**	**58.0**	**100%**

3.3.6 NET INCOME FOR THE YEAR (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT)

The effective tax rate of the COFACE Group fell from 50.1% in 2016 to 40.8% in 2017, returning to a normal rate thanks to the improved circumstances of emerging markets. Moreover, the tax rate for the financial year ended December 31, 2017 was negatively impacted by an exceptional payment in France of €12 million following the verification made by the national and international verification department.

At constant scope and exchange rate, net income for the year amounted to €83.2 million, corresponding to a two-fold increase compared with 2016. At constant scope (restated of the income generated by the operational activities of public procedures management (€17.1 million)), net income for the year increased by 249%.

3.3.7 PARENT COMPANY NET INCOME

The net income of COFACE SA in 2017 amounted to €20.8 million, compared to €75.4 million in 2016. 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 €27.7 million in 2017 compared with €87.0 million in 2016.

3.4 / GROUP CASH AND CAPITAL RESOURCES

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 9 "Cash and cash equivalents" in the Company's consolidated financial statements.

	As of Dec. 31	
(in millions of euros)	**2017**	**2016**
Net cash flows generated from operating activities	210.7	132.8
Net cash flows generated from investment activities	(221.9)	(105.2)
Net cash flows generated from financing activities	(42.0)	(97.2)

	As of Dec. 31	
(in millions of euros)	**2017**	**2016**
Cash and cash equivalents at beginning of year	332.1	396.8
Cash and cash equivalents at end of year	264.3	332.1
Net change in cash and cash equivalents	(67.7)	(64.8)

3.4.1 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").

	As of Dec. 31	
(in millions of euros)	**2017**	2016
Subordinated borrowings	388.2	387.8
Obligations under finance leases	0.0	2.3
Bank overdrafts and other borrowings	0.0	0.03
Sub-total financial debt	**388.2**	**390.1**
Amounts due to banking sector companies	568.7	452.1
Debt securities	1,636.9	1,591.2
Sub-total operating debt	**2,205.6**	**2,043.3**

Financial debt

For the period ended December 31, 2017, the Group's financing liabilities, totalling €388.2 million, exclusively include the subordinated borrowing.

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 activities.

This debt, which includes the "Amounts due to banking sector companies" and "Debt securities" items, corresponds to sources of refinancing for the Group's factoring companies (Coface Finanz in Germany and Coface Factoring Poland in Poland).

Amounts due to banking sector companies, which correspond to drawdowns on the bilateral credit lines (see "Bilateral credit lines" below) set up with various banking partners of Coface Finanz and Coface Factoring Poland and the Group's leading local banks, amounted to €568.7 million for the period ended on December 31, 2017.

The borrowings represented by the securities amounted to €1,636.9 million for the period ended on December 31, 2017, including:

- the Senior units issued by the Vega securitisation fund under the factoring receivables Securitisation Programme (see paragraph below "Securitisation Programme") of Coface Finanz, in the amount of €1,169.7 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 €467.2 million.

COFACE Group's main sources of operational financing

To date, the COFACE Group's main sources of operational financing are:

- 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 €877.3 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.

In 2017, the Group continued to set up new bilateral lines in Germany and Poland. The Securitisation Programme was entirely renewed ahead of schedule, at the end of 2017, for a period of five years and for an unchanged amount. Concerning the commercial paper issue programme, the Group restructured the credit lines likely to be drawn should the commercial paper market shut down. Since July 28, 2017, the Group has a syndicated loan for a period of three years with two one-year extension options for a maximum amount of €700 million. This loan replaces the bilateral credit lines covering the maximum amount of the €600 million commercial paper programme on one hand, and also includes an additional liquidity line of €100 million at the disposal of factoring entities if needed, on the other hand.

At December 31, 2017, the amount of the COFACE Group's debt linked to its factoring activities amounted to €2,205.6 million.

/ (a) Securitisation programme

In connection with the refinancing of its factoring activities, 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 purchaser of 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 three-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 2017, *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, 2017, €1,169.7 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;
- winding-up 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 case 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 unpaid receivables beyond 60 days after their due date	>2.24%
Delinquency ratio	Moving average over 3 months of the rate of unpaid receivables 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, 2017, 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 €877.3 million:

- bilateral credit lines and bank overdrafts concluded with six German banks (the "German credit lines") and two Polish banks (the "Polish bank overdrafts") for a maximum amount of €211.3 million. These bilateral credit lines and bank overdrafts were concluded for a maximum period of one to two years. 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, 2017, €40.8 million had been drawn down under the German credit lines and €2.4 million had been used under the Polish bank overdrafts;
- bilateral credit lines concluded with the Group's seven relationship banks:
  - five lines for a maximum total amount of €240 million for Coface Finanz (with maturities ranging between one and three years), of which €156.3 million had been drawn down as of December 31, 2017,
  - seven lines for a maximum total amount of €425.9 million for Coface Factoring Poland (with maturities ranging between one and two years), of which €369 million had been drawn down as of December 31, 2017.

/ (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, 2017, the total amount of securities issued under the commercial paper programme totalled €467.2 million. The programme was rated P-2 by Moody's and F1 by Fitch.

Should the commercial paper market shut down, the Group has, since July 28, 2017, a currently unused syndicated loan, granted for a period of three years with two one-year extension options and covering the maximum amount of the commercial paper issue programme (€600 million). This loan replaces the former bilateral credit lines in force in the event of market shut down. The agreement regulating this syndicated loan contains the usual restrictive clauses (such as a negative pledge clause, 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 clauses (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 winding-up proceedings), in line with market practices.

3.4.2 SOLVENCY OF THE GROUP

In accordance with the regulations, 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.

For insurance activities, pursuant to the Solvency II Regulation which became effective on January 1, 2016, the Group proceeded on December 31, 2017 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 a 99.5% quantile at a one-year horizon. As of December 31, 2017, the estimated amount of the Group's capital requirement (including the SCR calculated according to the standard formula) amounted to €1,260 million compared with €1,335 million at year-end 2016.

The Group also calculates the capital requirement for the factoring business. At December 31, 2017, the required capital for the factoring business was estimated at €247 million by applying a rate of 9.25% to the risk-weighted assets, or RWA. The Group is considering making a prudent estimate, given that the 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, 2017, €2,096 million.

As of December 31, 2017, the capital requirement coverage rate (ratio between the Group's available capital and its capital requirement for insurance and factoring) amounted to 166%, compared to 150% at the end of 2016 estimated according to the model applicable under Solvency II.

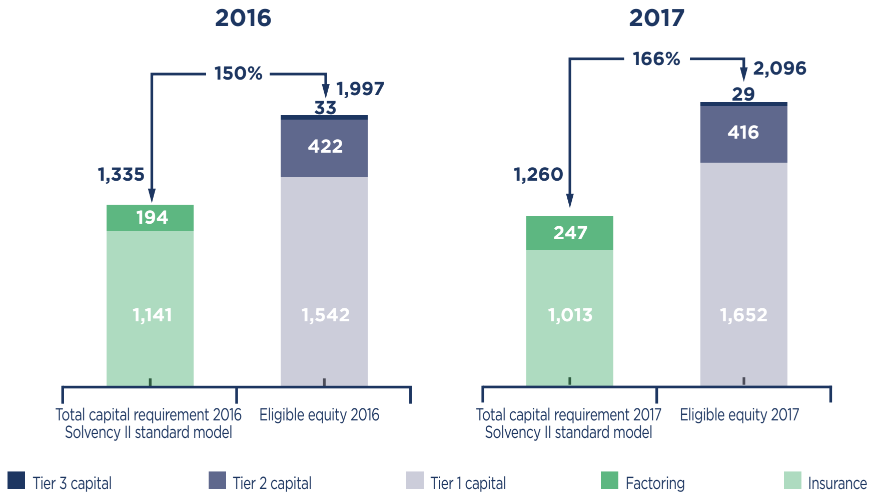
The table below presents the items for calculating the capital requirement coverage ratio in the Group's standard formula [1]:

(in millions of euros)	As of Dec. 31, 2017	As of Dec. 31, 2016 [1]
Total equity	1,803	1,761
- Goodwill and other intangible assets (net of deferred taxes)	(196)	(195)
+ Revaluation of provisions using the best estimate method (net of deferred taxes)	267	147
- Consolidation under the equity method of non-consolidated subsidiaries (net of deferred taxes)	(76)	(75)
+/- Other adjustments [2]	(35)	(43)
- Dividend payments	(83)	(20)
+ Subordinated debt (valued at market value)	416	422
= Solvency II available own funds (A)	**2,096**	**1,997**
Capital requirement – Insurance (SCR in standard formula) (B)	1,013	1,141
Capital requirement – Factoring (C)	247	194
Standard capital requirement formula (D) = (B)+(C)	**1,260**	**1,335**
SOLVENCY RATIO (E) = (A)/(D)	**166%**	**150%**

(1) Final calculation.
(2) Mainly linked to the revaluation of certain balance sheet items, including the adjustment following the equity availability test.

(1) As the Solvency II Standard formula is interpreted by Coface. The estimated Solvency ratio is not audited.

Solvency II ratio



3.4.3 RETURN ON EQUITY

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 2016-2017 period:

	As of Dec. 31		
(in millions of euros)	**2017**	2016	2016 [(1)]
Accounting equity (attributable to equity holders of the parent) – A	1,803	1,755	1,755
Intangible assets – B	217	216	216
Tangible equity – C (A-B)	1,585	1,539	1,486 [(2)]
Average tangible equity D ($[C_n + C_n\text{-}1]/2$)	1,562	1,538	1,513
Net income (attributable to equity holders of the parent) – E	83	42	(12)
RoATE – E/D	5.3%	2.7%	(0.8)%

(1) Not including exceptional items for the year and excluding the contribution of the State guarantees business line.
(2) Recalculated on the basis of net income excluding exceptional items.

3.4.4 OFF-BALANCE SHEET COMMITMENTS

Most of the Group's off-balance sheet commitments concern certain 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 2016-2017 period:

(in thousands of euros)	Dec. 31, 2017	Related to financing	Related to activity
Commitments given	**1,085,684**	**1,047,117**	**38,567**
Guarantees and letters of credit	1,047,117	1,047,117	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	31,067		31,067
Commitments received	**1,366,164**	**962,506**	**403,658**
Guarantees and letters of credit	138,598		138,598
Guarantees	162,194		162,194
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	262,506	262,506	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,866		2,866
Guarantees received	**318,779**	**0**	**318,779**
Securities lodged as collateral by reinsurers	318,779		318,779
Financial market transactions	**95,501**		**95,501**

(in thousands of euros)	Dec. 31, 2016	Related to financing	Related to activity
Commitments given	**955,126**	**944,303**	**10,823**
Guarantees 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	**1,270,697**	**886,936**	**383,761**
Guarantees 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**	**0**	**302,893**
Securities lodged as collateral by reinsurers	302,893		302,893
Financial market transactions	**58,533**		**58,533**

Guarantees and letters of credit totalling €1,047,117 thousand for the year ended December 31, 2017 correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of investors in COFACE SA subordinated notes' (10 year maturity);
- various joint guarantees totalling €667,116 thousand given by the Group, in particular to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €254,135 thousand and Compagnie française pour le commerce extérieur for €64,644 thousand.

The syndicated loan for a maximum amount of €700 million for the financial year ended December 31, 2017 includes the coverage of the Group's commercial paper issuance programme for €600 million and an additional liquidity line of €100 million available to factoring entities if needed (see Section 3.4.1 "Group debt and sources of financing").

3.5 / EVENTS AFTER DECEMBER 31, 2017 (ACCORDING TO ITEM 20.9 OF THE ANNEX I TO EC REGULATION 809/2004)

There has been no significant change to the Group's financial or commercial position since December 31, 2017.

3.6 / OUTLOOK

3.6.1 ECONOMIC ENVIRONMENT (1)

In 2018, the global economy should grow at the same pace (3.2%) as in 2017, considering the surge in business activity in emerging economies (4.5% after 4.4%) and slightly slowed-down growth in advanced countries (2.0% after 2.2%).

Among the advanced economies, the United States in particular is expected to post sustained growth (2.3%) in 2018, stimulated by President Trump's tax reform, which should encourage investment. However, activity will be less dynamic in the United Kingdom (1.2%), with the negative effects of Brexit materialising (slump in corporate and household confidence, inflation exceeding the growth of nominal wages). Although growth in the eurozone is likely to slow down, it will still remain buoyant (2.0%) Indeed, the momentum of domestic and foreign demand will continue to fuel the activity of eurozone economies. The factors that underpinned growth in developed economies in recent years, such as low oil prices, accommodating monetary policy or again low inflation, are likely to be slightly less favourable contributors 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, have risen, boosted by the agreement between OPEC and its partners. Spain should report sound (+2.2%) but contracted growth compared to the previous year. In Germany, activity is likely to be slightly less dynamic (2.1%), owing to investments slowed down by uncertainties from the external environment (Brexit in particular) and the lower influx of refugees. In France, growth should be nearly stable (1.8%) and is likely to be boosted by the increase in purchasing power, regardless of budding tensions on the job market. In Italy, growth is expected to remain weak (1.3%), as private consumption is penalised by a less sustained increase in wages and jobs. In Japan, the structural difficulties linked to the rigid job market, lacklustre private consumption and the deflationist views of companies are likely to slow down activity (1.2%).

Emerging countries should experience slightly more buoyant growth in 2018 than in 2017. This can mainly be explained by the return to growth in Brazil (2.3%) and in Russia (1.8%), due, in particular, to higher commodities prices and greater exchange rate stability. Growth in India should remain robust (7.5%), fuelled mainly by the vibrant services sector. However, the improved performance from emerging countries should be somewhat limited by the activity slowdown in China (6.5%), as the authorities will try to mitigate the financial vulnerabilities linked to the high level of corporate debt. The government is likely to alternate between accommodating and tightening policies, in order to manage a gradual slowdown. South Africa should report more dynamic growth (1.2%) than in 2017, driven by the recovery of the mining sector, fewer significant political uncertainties and improved outlook for the agricultural sector. In Mexico (2.2%), despite the reconstruction works (after two major earthquakes) and a recovery of domestic demand, activity will be penalised by investor uncertainty about the presidential elections of July 2018 and the ongoing NAFTA negotiations.

(1) Group estimates.

The example of Mexico confirms that political risks will continue to make the headlines in 2018, in Latin America with several upcoming elections, but also in the Middle East and in Europe (United Kingdom with Brexit-related uncertainties, Italy, Spain, and Poland in particular). Several other risks will weigh on global growth this year. Firstly, the debt level of economic agents remains high: total global debt shot up by 55% between early 2007 and September 2017. The increase was more substantial for states and non-financial companies than for households and financial institutions. This higher debt will have to be monitored in 2018, against a background of expected tighter monetary policies in the United States, in the eurozone and in several emerging regions (Central Europe and some Asian countries). Lastly, should the debt grow faster than anticipated by markets, there could be a sharp correction on the bond and equity markets.

3.6.2 OUTLOOK FOR THE GROUP

In 2018, the economic environment in which Coface operates should remain buoyant, with global GDP growth expected to reach 3.2% (Coface estimate). However, this favourable context maintains a fiercely competitive pricing climate, which underlines more than ever the importance of improving the quality of service offered to the Group's clients, as a critical differentiation factor.

In 2018, Coface will continue to roll out Fit to Win with the same determination. Modernising the Group's culture and galvanising teams around the new values adopted with its Fit to Win strategic plan (client-centric, expertise, collaboration, courage and responsibility) are key to the success of this plan. The modernised and more dynamic "Coface, FOR TRADE" identity boldly proclaims the Group's mission: to become an agile and dynamic player, supporting corporate growth and global trade.

In 2017, the Group already shaved €19 million off its costs, a step ahead of the cost-savings plan, and maintains its objective to save €30 million in 2018. This year, the Group plans to invest €19 million in creating long-term value: initiatives to stimulate commercial momentum and improve service quality, transform the digital infrastructure, and relaunch works to develop a partial internal model for calculating its required solvency capital.

The objective of delivering a net combined ratio of around 83% through the cycle is maintained.

3.7 / KEY FINANCIAL PERFORMANCE INDICATORS

3.7.1 FINANCIAL INDICATORS

Consolidated revenue

The composition of the Group's consolidated revenue (premiums, other revenue) is described under "Accounting principles and policies in the notes to the consolidated financial statements.

Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, Single Risk policies and surety bonds, less changes in recoveries following recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the year, and to the change in claims provisions during the year, and the handling 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 22 to the consolidated financial statements).

Operating expenses

"Operating expenses" correspond to the sum of the following items:

- "Policy acquisition costs", consisting of:
  - external acquisition costs, namely commissions paid to intermediaries which introduce business (brokers or other intermediaries) and which are based on the revenue contributed by such intermediaries, and
  - internal acquisition costs corresponding essentially to fixed costs related to payroll costs linked to policy acquisition and to the costs of the Group's sales network;
- "Administrative costs" (including Group operating costs, payroll costs, IT costs, etc., excluding profit-sharing and incentive schemes). The policy acquisition costs as well as administrative costs primarily include costs linked to the credit insurance business line. However, due to pooling, policy administration costs related to the Group's other business lines are also included in these items;
- "Other current operating expenses" (expenses that cannot be allocated to any of the functions defined by the chart of accounts, 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" (overheads related exclusively to information and debt collection for customers without credit insurance).

As such "Operating expenses" consist of all overheads, with the exception of internal investment management expenses for insurance – which are recognised in the "Investment income, net of management expenses (excluding finance costs)" aggregate – and claims handling expenses, with the latter included in the "Claims expenses" aggregate.

Total internal overheads (namely overheads excluding external acquisition costs (commissions)), are analysed independently of the method for accounting for them by function, 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.

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.

Underwriting income

Underwriting income is an intermediate balance of the income statement which reflects the operational performance of the Group's activities, excluding the management of financial placements. It is calculated before and after recognition of the income or loss from ceded reinsurance:

- "Underwriting income before reinsurance" (or underwriting income gross of reinsurance) corresponds to the balance between consolidated revenue and the total represented by the sum of claims expenses, operating expenses and cost of risk;
- "Underwriting income after reinsurance" (or underwriting income net of reinsurance) includes, in addition to the underwriting income before reinsurance, the income or loss from ceded reinsurance, as defined below.

Income (loss) from ceded reinsurance (expenses or income net of ceded reinsurance)

"Reinsurance result" (or income and expenses net of ceded reinsurance) corresponds to the amount of income from ceded reinsurance (claims ceded to reinsurers during the year under the Group's reinsurance treaties, 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).

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.

Current operating income (loss)

"Current operating income (loss)" corresponds to the sum of "Underwriting income after reinsurance", "Net investment income excluding the cost of debt (finance costs)" and non-current items, namely "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 under "Accounting principles and policies" and in Note 29 of the consolidated financial statements).

Net income for the year

Net income for the year 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".

3.7.2 OPERATING INDICATORS

As part of its business operations, in addition to the financial aggregates published in accordance with the international financial reporting standards (IFRS), the Group uses four operational indicators to track its commercial performance. They are described below:

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.

3.7.3 BREAKDOWN OF THE CALCULATION OF RATIOS AT DECEMBER 31, 2017

Earned premiums *(in thousands of euros)*	Notes	2017	2016	2016 excluding DGP
Gross earned premiums [A]	**21**	**1,109,697**	**1,115,140**	**1,115,140**
Ceded earned premiums	25	(301,545)	(257,539)	(257,539)
NET EARNED PREMIUMS [D]		**808,152**	**857,601**	**857,601**

Claims expenses *(in thousands of euros)*	Notes	2017	2016	2016 excluding DGP
Claims expenses* [B]	**22**	**(570,863)**	**(705,655)**	**(705,655)**
Ceded claims	25	112,655	124,553	124,553
Change in claims provisions net of recoveries	25	43,153	19,649	19,649
NET CLAIMS EXPENSES [E]		**(415,055)**	**(561,453)**	**(561,453)**

* *Of which claims handling costs.*

Operational expenses *(in thousands of euros)*	Notes	2017	2016	2016 excluding DGP
Operating expenses	**23**	**(653,864)**	**(670,961)**	**(643,706)**
Of which employee profit-sharing	23	4,662	5,118	4,120
Other income (services)*	21	244,661	296,157	242,796
OPERATING EXPENSES, NET OF OTHER INCOME – BEFORE REINSURANCE [C]		**(404,542)**	**(369,685)**	**(396,790)**
Commissions paid by reinsurers	25	119,767	95,738	95,738
OPERATING EXPENSES, NET OF OTHER INCOME – AFTER REINSURANCE [F]		**(284,775)**	**(273,947)**	**(301,052)**

** Excluding exceptional items for the year and excluding the contribution of the State guarantees business (€0.6 million).*

Gross combined ratio = gross loss ratio	$\frac{B}{A}$	**+ gross cost ratio**	$\frac{C}{A}$
Net combined ratio = net loss ratio	$\frac{E}{D}$	**+ net cost ratio**	$\frac{F}{D}$

Ratios	2017	2016	2016 excluding DGP
Loss ratio before reinsurance	51.4%	63.3%	63.3%
Loss ratio after reinsurance	51.4%	65.5%	65.5%
Cost ratio before reinsurance	36.5%	33.2%	35.6%
Cost ratio after reinsurance	35.2%	31.9%	35.1%
Combined ratio before reinsurance	87.9%	96.4%	98.9%
Combined ratio after reinsurance	86.6%	97.4%	100.6%

3.7.4 ALTERNATIVE PERFORMANCE MEASURES (APM) AT DECEMBER 31, 2017

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) Two 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; ◆ year N-1 at the group structure of year N. **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.	**i.** Historic method used by Coface to calculate pro forma %. The transfer of the State Guarantees business line is taken into account in this category (starting from 2017). **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 at constant scope.
Internal overheads excluding exceptional items	
(2) Restatement or Addition of items considered as exceptional with respect to internal overheads. The term "exceptional" refers to impacts on expenses which do not occur every year.	Indicator used to compare changes in internal overheads by excluding exceptional items.

b) Alternative performance measures related to operating income

Definition	Justification
Operating income excluding restated exceptional items (including finance 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 overheads (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 overheads (see definition above **(2)**). This aggregate is also restated for "current operating income and expenses" classified after operating income in the management income statement **(3)**.	Indicator used to compare changes in net income by excluding exceptional items.

Reconciliation with the financial statements	€m - N/N-1 comparison 2017	2016
i. (Rev. current N - FX Impact N-1)/ (Rev. current N-1 + perimeter Impact N) - 1 **ii.** Rev. current N +/-Restatements/ Additions exceptional items N	**i. +0.3%** = (1,354.9 - (-8.1) - (0.6 DGP residual remuneration)/(1,357.9 + 0.0) - 1 **ii.** 1,354.9 +/- 0.0	**i. N/A** 1,357.9 = 1,411.3 - (53.4 DGP remuneration) **ii.** 1,411.3 +/- 0.0
Fee and commission income/ Earned premiums – Constant	**Current: 12.0%** = 133.3/1,109.7 **Like-for-like: 12.0%** = 133.9/1,117.8	**Current: 12.1%** = 134.7/1,115.1
Current internal overheads +/- Restatements +/- Additions of exceptional items	**€519.0m** = 525.0 - (6.0 non-recurring tax expense in Italy)	**€518.1m** = 545.4 - (27.3 DGP direct expenses)

Reconciliation with the financial statements	€m - N/N-1 comparison 2017	2016
Operating income +/- Restatements +/- Addition of exceptional items	**€136.9m** = 154.4 + (-18.1) - (-0.6 exceptional items)	**€16.4m** = 114.4 + (-18.4) - (+53.5 exceptional items) - (26.1 DGP result)

Reconciliation with the financial statements	€m - N/N-1 comparison 2017	2016
Current operating income +/- Restatements +/- Additions of exceptional items net of tax	**€83.2m** +/- 0.0	**-€12m** = (41.5 - (26.1 DGP result) - (-9 tax on DGP income) = 24.4 - (75 + 19.2 - 38.6 exceptional items) - (-19.1 tax on exceptional items)

d) Alternative performance measures related to the combined ratio

Definition	Justification
Loss ratio gross of reinsurance (loss ratio before reinsurance) and Gross loss ratio with claims handling expenses refer to the same indicator	
The ratio of claim expenses to gross earned premiums (the sum of gross premiums issued and unearned premium provisions), net of premium refunds.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
Loss ratio net of reinsurance (loss ratio after reinsurance)	
Ratio between claims expenses net of the claims expenses ceded to reinsurers under reinsurance treaties entered into by the Group, and the total of earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
Cost ratio before reinsurance	
Ratio between operating expenses (net of employee profit sharing) less other income* and earned premiums.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums.
Cost ratio after reinsurance	
Ratio between operating expenses (net of employee profit sharing) less other income* net of commissions received from reinsurers under reinsurance treaties entered into by the Group, and the total of earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums after ceded reinsurance.
Combined ratio before/after reinsurance	
The combined ratio is the sum of the loss ratios (before/after reinsurance) and cost ratios (before/after reinsurance) as defined above.	Overall profitability indicator of the Group's activities and of its technical margin before and after ceded reinsurance.
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 overheads (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 overheads (see definition above **(2)**).	Indicator used to compare changes in cost ratios after reinsurance by excluding exceptional items.
Current year gross loss ratio – 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.

* *Operating expenses include overheads linked to the execution of additional services (business information and debt collection) inherent to the credit insurance business. They also include overheads linked to the service activities carried out by the Group, such as factoring and State guarantees management on behalf of the French State until December 31, 2016.*
In order for the cost ratio calculated by the Group to be comparable to the cost ratio calculated by other main market players, "Other income", namely the revenue generated by the additional businesses (non-insurance), is deducted from overheads.

Reconciliation with the financial statements	€m - N/N-1 comparison 2017	2016
- Claims expenses/Gross earned premiums	See 3.7.3 – Breakdown of the calculation of ratios at December 31, 2017	
- (Claims expenses + Ceded claims + Change in provisions on claims net of recourse)/Earned premiums + Expenses from ceded reinsurance)	See 3.7.3 – Breakdown of the calculation of ratios at December 31, 2017	
- (Operating expenses – Employee profit sharing – Other income)/Earned premiums	See 3.7.3 – Breakdown of the calculation of ratios at December 31, 2017	
- (Operating expenses – Employee profit sharing – Other income – Commissions received from reinsurers)/(Earned premiums + Expenses from ceded reinsurance)	See 3.7.3 – Breakdown of the calculation of ratios at December 31, 2017	
Loss ratio (before/after reinsurance) + Cost ratio (before/after reinsurance)	See 3.7.3 – Breakdown of the calculation of ratios at December 31, 2017	
Combined ratio after reinsurance +/- Restatements/Additions of exceptional items	**[A]=[B]+[C]** **85.9%** = 51.4% + 34.5%	**[A]=[B]+[C]** **100.6%** = 65.5% + 35.1%
Loss ratio after reinsurance +/- Restatements/Additions of exceptional items	**51.4%** = 51.4% +/- 0.0 pt	**65.5%** = 65.5% +/- 0.0 pt
Cost ratio after reinsurance +/- Restatements/Additions of exceptional items	**34.5%** = 35.17% + (0.07 pt impact of DGP residual pricing: 0.6/(1,109.7 - 301.5)) - (0.75 pt impact of the non-recurring tax impact in Italy: 6.0/(1,109.7-301.5))	**35.1%** = 31.9% + (3.2 pts impact of DGP indirect expenses: (53.4 + 1.0 - 27.3)/(1,115.1 - 257.5))
Claims reported in the current year/Earned premiums for the current year See ultimate loss ratios development triangle	**74.1%** = see ultimate loss ratios development triangle	**70.0%** = see ultimate loss ratios development triangle
[E] = [F-D]	**-25.1%** = 49.0% - 74.1%	**-9.0%** = 61.0% - 70.0%
- (Claims paid net of recourse + Change in claims provisions)/Earned premiums	**49.0%** = - (- 544.3/1,109.7)	**61.0%** = - (-680.5/1,115.1)

e) Alternative performance measures related to equity

Definition	Justification
RoATE – Return on average tangible equity	
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.	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 only investment portfolio.
Other	
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	€m - N/N-1 comparison 2017	2016
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]	**5.3%** = 83/[(1,586 + 1,539)/2]	**2.7%** = 42/[(1,539 + 1,537)/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]	Not applicable for this reporting year	**-0.8%** = -12/[(1,486 + 1,540)/2] To ensure comparability with subsequent years, the contribution to 2016 net income of the State guarantees business line has also been excluded from this indicator

Reconciliation with the financial statements	€m - N/N-1 comparison 2017	2016
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).	**1.8%** = 49.8/(((2,877 - 116) + (2,752 - 121))/2)	**1.7%** = 43.5/(((2,752 - 121) + (2,649 - 122))/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).	**1.5%** = (49.8 - (10))/(((2,877 - 116) + (2,752 - 121))/2)	**1.6%** = (43.5 - (3.5))/(((2,752 - 121) + (2,649 - 122))/2)
Accounting rate of 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)	**2.3%** = (49.8 + ((153 - 9 - 91) - (137.4 - 3.0 - 93.4)))/(((2,877 - 116) + (2,752 - 121))/2)	**2.8%** = (43.5 + ((137.4 - 3.0 - 93.4) - (112.2 - 6.1 - 93.3)))/(((2,752 - 121) + (2,649 - 122))/2)
Income from shares excluding investments in companies + income from fixed-income instruments + real estate income	**€49.8m** = 6.7 + 36.8 + 6.3	**€43.5m** = 1.6 + 37.5 + 4.4
Net foreign exchange gains (losses) + derivative gains (losses) + income from investments in companies	**€9.0m** = 8 - 3.5 + 6.1 - 0.7 - 0.9	**€7.7m** = 16.5 - 10.2 + 4.2 - 2.7 - 0.1

g) Alternative performance measures linked to reinsurance

Definition	Justification
Ceded premiums/Gross earned premiums (rate of ceded 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 (rate of ceded claims)	
Weight of ceded claims compared to total claims. Ceded claims correspond to the share of Coface claims ceded to its reinsurers under reinsurance treaties signed with them.	Indicator used to monitor changes in reinsurance income.
Underwriting income before/after reinsurance (underwriting income gross/net of reinsurance)	
See definition above (financial indicators) Underwriting income before and after reinsurance is now reported directly in the income statement due to the change in the latter's presentation structure.	

	€M - N/N-1 comparison	
Reconciliation with the financial statements	2017	2016
(Ceded premiums (o/w change in premiums provisions)/Earned premiums)	**27.2%** = - (-301.5/1,109.7)	**23.1%** = - (-257.5/1,115.1)
- Ceded claims (o/w change in claims provisions after recourse)/Total claims	**27.3%** = -155.8/[(-544.3) + (-26.6)]	**20.4%** = -144.2/[(-680.5) + (-25.1)]

3.8 / INVESTMENTS OUTSIDE THE INVESTMENT PORTFOLIO

The information can be found in Note 6 "Buildings used in the business and other property, plant and equipment" of the Group's consolidated financial statements.

4. FINANCIAL ITEMS

4.1 / CONSOLIDATED FINANCIAL STATEMENTS

4.1.1 CONSOLIDATED BALANCE SHEET

Assets

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Intangible assets		**217,230**	**215,708**
Goodwill	*1*	155,082	156,214
Other intangible assets	*2*	62,148	59,494
Insurance business investments	*3*	**2,876,380**	**2,751,091**
Investment property	*3*	288	787
Held-to-maturity securities	*3*	1,852	2,740
Available-for-sale securities	*3*	2,743,385	2,593,953
Trading securities	*3*	30,111	69,696
Derivatives	*3*	9,383	2,975
Loans and receivables	*3*	91,361	80,940
Receivables arising from banking and other activities	*4*	**2,523,549**	**2,481,525**
Investments in associates	*5*	**15,780**	**13,411**
Reinsurers' share of insurance liabilities	*16*	**405,178**	**341,347**
Other assets		**920,776**	**926,344**
Buildings used in the business and other property, plant and equipment	*6*	54,679	57,484
Deferred acquisition costs	*8*	43,903	46,393
Deferred tax assets	*18*	79,516	71,973
Receivables arising from insurance and reinsurance operations	*7*	494,839	528,273
Trade receivables arising from other activities	*8*	47,640	14,849
Current tax receivables	*8*	60,286	69,126
Other receivables	*8*	139,913	138,246
Cash and cash equivalents	*9*	**264,325**	**332,071**
TOTAL ASSETS		**7,223,218**	**7,061,497**

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Equity attributable to owners of the parent		**1,802,621**	**1,755,177**
Share capital	*10*	314,496	314,496
Additional paid-in capital		810,420	810,420
Retained earnings		518,361	501,734
Other comprehensive income		76,131	86,996
Consolidated net income for the year		83,213	41,531
Non-controlling interests		**160**	**5,490**
Total equity		**1,802,781**	**1,760,667**
Provisions for liabilities and charges	*13*	**121,716**	**151,074**
Financing liabilities	*15*	**388,234**	**390,044**
Liabilities relating to insurance contracts	*16*	**1,682,258**	**1,678,249**
Payables arising from banking sector activities	*17*	**2,527,716**	**2,409,691**
Amounts due to banking sector companies	*17*	568,711	452,144
Amounts due to customers of banking sector companies	*17*	322,064	366,363
Debt securities	*17*	1,636,941	1,591,184
Other liabilities		**700,513**	**671,772**
Deferred tax liabilities	*18*	113,595	104,500
Payables arising from insurance and reinsurance operations	*19*	204,730	191,911
Current taxes payable	*20*	76,996	110,847
Derivative instruments with a negative fair value	*20*	267	7,508
Other payables	*20*	304,925	257,006
TOTAL EQUITY AND LIABILITIES		**7,223,218**	**7,061,497**

4.1.2 CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Gross written premiums		*1,219,612*	*1,202,440*
Premium refunds		*(98,954)*	*(92,876)*
Net change in unearned premium provisions		*(10,961)*	*5,576*
Earned premiums	*21*	**1,109,697**	**1,115,140**
Fee and commission income		*128,914*	*128,795*
Net income from banking activities		*72,043*	*70,619*
ncome from other activities		*44,279*	*96,743*
Other revenue	*21*	**245,236**	**296,157**
Revenue		**1,354,933**	**1,411,297**
Claims expenses	*22*	**(570,863)**	**(705,655)**
Policy acquisition costs	*23*	*(262,607)*	*(255,289)*
Administrative costs	*23*	*(253,532)*	*(275,095)*
Other insurance activity expenses	*23*	*(70,816)*	*(83,004)*
Expenses from banking activities, excluding cost of risk	*23/24*	*(13,779)*	*(13,193)*
Expenses from other activities	*23*	*(53,130)*	*(44,379)*
Operating expenses	*23*	**(653,864)**	**(670,960)**
Risk cost	*24*	**(4,483)**	**(4,222)**
UNDERWRITING INCOME BEFORE REINSURANCE		**125,723**	**30,460**
Income and expenses from ceded reinsurance	*25*	(25,970)	(17,599)
UNDERWRITING INCOME AFTER REINSURANCE		**99,753**	**12,861**
Investment income, net of management expenses (excluding finance costs)	*26*	55,281	48,032
CURRENT OPERATING INCOME		**155,034**	**60,893**
Other operating income and expenses	*27*	(589)	53,496
OPERATING INCOME		**154,445**	**114,389**
Finance costs		(18,109)	(18,373)
Share in net income of associates	*28*	2,369	(5,838)
Income tax expense	*29*	(55,651)	(48,124)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**83,054**	**42,054**
Non-controlling interests		159	(523)
NET INCOME FOR THE YEAR		**83,213**	**41,531**
Earnings per share *(in €)*	*31*	0.53	0.26
Diluted earnings per share *(in €)*	*31*	0.53	0.26

The Group has changed the structure of the consolidated income statement to provide more consistency between the financial statements and the aggregates published and commented on in financial communications.

1 Reorganization of information on the **composition of turnover**

2 Elimination of subtotals that are not commented on in financial communications

3 Addition of **subtotals** facilitating **understanding of cost ratio calculation** (IAP)

4 And which are **commented in financial communications** (management report, presentations)

Previous layout

Reference	*(in thousands of euros)*	Dec. 31, 2016
ix = iv + viii	**Revenue**	**1,411,297**
i	Gross written premiums	1,202,440
ii	Premium rebates	(92,876)
iii	Net change in unearned premium provisions	5,576
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	**Fee and commission income**	**128,795**
vi	**Net income from banking activities**	**70,619**
xvii	Cost of risk	(4,222)
vii	**Revenue or income from other activities**	**96,743**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
ix + xvii + xxiii	**REVENUE (NET BANKING INCOME, AFTER COST OF RISK)**	**1,455,107**
x	Claims expenses	(705,655)
xiv	Expenses from banking activities, excluding cost of risk	(13,193)
xv	Expenses from other activities	(44,379)
xix'	*Income from ceded reinsurance*	*239,940*
xix''	*Expenses from ceded reinsurance*	*(257,539)*
xix = xix' + xix''	Income and expenses from after reinsurance cessions	(17,599)
xi	Policy acquisition costs	(255,289)
xii	Administrative costs	(275,095)
xiii	Other current operating expenses	(83,004)
x + xiv + xv + xix + xi + xii + xiii	**TOTAL CURRENT INCOME AND EXPENSES**	**(1,394,214)**
xxiv	**Current operating income**	**60,893**
xxv'	Other current operating expenses	(54,945)
xxv''	Other operating income	108,441
xxvi = xxiv + xxv	**Operating income**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
xxvi + xxvii + xxviii + xxix	**Net income from continuing operations**	**42,054**
	Net income from discontinued operations	0
xxx = xxvi + xxvii + xxviii + xxix	**Consolidated net income before non-controlling interests**	**42,054**
xxxi	Non-controlling interests	(523)
xxxii	**Net income for the year**	**41,531**

2

New layout

Reference	*(in thousands of euros)*	Dec. 31, 2016
i	*Gross written premiums*	*1,202,440*
ii	*Premium rebates*	*(92,876)*
iii	*Net change in unearned premium provisions*	*5,576*
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	*Fee and commission income*	128,795
vi	*Net income from banking activities*	70,619
vii	*Income from other activities*	96,743
viii = v + vi + vii	**Other income**	**296,157**
ix = iv + viii	**Revenue**	**1,411,297**
x	**Claims expenses**	**(705,655)**
xi	*Policy acquisition costs*	*(255,289)*
xii	*Administrative costs*	*(275,095)*
xiii	*Other expenses from insurance activities*	*(83,004)*
xiv	*Expenses from banking activities, excluding cost of risk*	*(13,193)*
xv	*Expenses from other activities*	*(44,379)*
xvi = xi + xii + xiii + xiv + xv	**Operating expenses**	**(670,960)**
xvii	**Cost of risk**	**(4,222)**
XVIII = IX + X + XVI + XVII	**UNDERWRITING INCOME BEFORE REINSURANCE**	**30,460**
xix = xix' + xix''	Income (loss) from ceded reinsurance	(17,599)
XX = XVIII + XIX	**UNDERWRITING INCOME AFTER REINSURANCE**	**12,861**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
XXIV	**CURRENT OPERATING INCOME**	**60,893**
xxv = xxv' + xxv''	Other operating income and expenses	53,496
XXVI = XXIV + XXV	**OPERATING INCOME**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
XXX = XXVI + XXVII + XXVIII + XXIX	**CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS**	**42,054**
xxxi	Non-controlling interests	(523)
XXXII	**NET INCOME FOR THE YEAR**	**41,531**
xxxiii	Earnings per share (in €)	0.26
xxxiv	Diluted earnings per share (in €)	0.26

1

3

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4.

Detailed description of the changes

References to the quoted lines, aggregates and subtotals are illustrated in Figures 1 and 2 below (for example, the turnover aggregate is referenced [ix]).

- The aggregate "Revenue" [ix] has been organized in order to add the two subtotals ("Earned premiums" [iv], "Other revenue" [viii]) and so that the subtotal presented corresponds to the sum of the lines located before it **1**; the lines "Fee and commission income", "Net income from banking activities" and "Income from other activities" are part of a new aggregate entitled "Other Revenue" [viii] **3**.
- The line "Risk cost" [xvii], which is not included in the calculation of turnover, is shifted lower in the income statement **1**.
- The line "Revenue or income from other activities" [vii] is renamed "Income from other activities" [vii] **1**.
- The aggregate "Investment income, net of management expenses (excluding finance costs)" [xxiii] and the two lines that are included in its calculation ("Investment income, net of management expenses" [xxi] and "Gains and losses on disposals of investments" [xxii]) are shifted lower in the income statement **4**.
- The subtotals entitled "Total revenue and income from ordinary activities" and "Total current income and expenses" not being commented on in the Group's financial communications are no longer displayed **2**.
- The aggregate "Income and expenses from ceded reinsurance" [xix] is shifted lower in the income statement **4**; the two lines in its calculation ("Income from ceded reinsurance" [xix'] and "Expenses from ceded reinsurance" [xix'']) are detailed in a note to the accounts and are no longer displayed in the income statement.
- The presentation of the expenses has been changed **3**:
  - the lines "Expenses from banking activities, excluding cost of risk" [xiv] and "Expenses from other activities" [xv] are shifted to the bottom;
  - the lines "Policy acquisition costs" [xi], "Administrative costs" [xii] and "Other current operating expenses" [xiii] are shifted to the top; the line "Other current operating expenses" [xiii] is renamed "Other insurance activity expenses" [xiii];
  - all the components included in the calculation of Cost Ratio form the new aggregate entitled "Operating expenses" [xvi].
- The subtotals "Underwriting income before reinsurance" [xviii] and "Underwriting income after reinsurance" [xx] commented on in the Group's financial communications are added to the income statement **4**.

The following figure shows Coface's income statement 2016 according to the new structure adopted from the year ended December 31, 2017.

Figure 1. New presentation of Coface's Income Statement

Reference	*(in thousands of euros)*	Dec. 31, 2016
i	*Gross written premiums*	*1,202,440*
ii	*Premium rebates*	*(92,876)*
iii	*Net change in unearned premium provisions*	*5,576*
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	*Fee and commission income*	128,795
vi	*Net income from banking activities*	70,619
vii	*Income from other activities*	96,743
viii = v + vi + vii	**Other income**	**296,157**
ix = iv + viii	**REVENUE**	**1,411,297**
x	**Claims expenses**	**(705,655)**
xi	*Policy acquisition costs*	*(255,289)*
xii	*Administrative costs*	*(275,095)*
xiii	*Other expenses from insurance activities*	*(83,004)*
xiv	*Expenses from banking activities, excluding cost of risk*	*(13,193)*
xv	*Expenses from other activities*	*(44,379)*
xvi = xi + xii + xiii + xiv + xv	**Operating expenses**	**(670,960)**
xvii	**Cost of risk**	**(4,222)**
XVIII = IX + X + XVI + XVII	**UNDERWRITING INCOME BEFORE REINSURANCE**	**30,460**
xix = xix' + xix''	Income (loss) from ceded reinsurance	(17,599)
XX = XVIII + XIX	**UNDERWRITING INCOME AFTER REINSURANCE**	**12,861**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
XXIV	**CURRENT OPERATING INCOME**	**60,893**
xxv = xxv' + xxv''	Other operating income and expenses	53,496
XXVI = XXIV + XXV	**OPERATING INCOME**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
XXX = XXVI + XXVII + XXVIII + XXIX	**CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS**	**42,054**
xxxi	Non-controlling interests	(523)
XXXII	**NET INCOME FOR THE YEAR**	**41,531**
xxxiii	Earnings per share (in €)	0.26
xxxiv	Diluted earnings per share (in €)	0.26

Note on the "Income and expenses from ceded reinsurance" [xix]: The lines "Income from ceded reinsurance" [xix'] and "Expenses from ceded reinsurance" [xix''], the sum of which forms the "Income and expenses from ceded reinsurance" [xix] and which are detailed in a note, are no longer displayed in the income statement.

Figure 2. Old presentation of Coface's Income Statement

Reference	*(in thousands of euros)*	Dec. 31, 2016
ix = iv + viii	**Revenue**	**1,411,297**
i	Gross written premiums	1,202,440
ii	Premium rebates	(92,876)
iii	Net change in unearned premium provisions	5,576
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	**Fee and commission income**	**128,795**
vi	**Net income from banking activities**	**70,619**
xvii	Cost of risk	(4,222)
vii	**Revenue or income from other activities**	**96,743**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
ix + xvii + xxiii	**REVENUE (NET BANKING INCOME, AFTER COST OF RISK)**	**1,455,107**
x	Claims expenses	(705,655)
xiv	Expenses from banking activities, excluding cost of risk	(13,193)
xv	Expenses from other activities	(44,379)
xix'	*Income from ceded reinsurance*	*239,940*
xix''	*Expenses from ceded reinsurance*	*(257,539)*
xix = xix' + xix''	Income and expenses from after reinsurance cessions	(17,599)
xi	Policy acquisition costs	(255,289)
xii	Administrative costs	(275,095)
xiii	Other current operating expenses	(83,004)
x + xiv + xv + xix + xi + xii + xiii	**TOTAL CURRENT INCOME AND EXPENSES**	**(1,394,214)**
xxiv	**Current operating income**	**60,893**
xxv'	Other current operating expenses	(54,945)
xxv''	Other operating income	108,441
xxvi = xxiv + xxv	**Operating income**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
xxvi + xxvii + xxviii + xxix	**Net income from continuing operations**	**42,054**
	Net income from discontinued operations	0
xxx = xxvi + xxvii + xxviii + xxix	**Consolidated net income before non-controlling interests**	**42,054**
xxxi	Non-controlling interests	(523)
xxxii	**Net income for the year**	**41,531**
xxxiii	Earnings per share (in €)	0.26
xxxiv	Diluted earnings per share (In €)	0.26

4.

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Net income for the period		**83,213**	**41,531**
Non-controlling interests		(159)	523
Other comprehensive income			
Currency translation differences reclassifiable to income		**(19,233)**	**12,413**
Reclassified to income		*0*	*0*
Recognised in equity		*(19,233)*	*12,413*
Fair value adjustments on available-for-sale financial assets	*3; 12; 18*	**6,646**	**20,727**
Recognised in equity – reclassifiable to income – gross		*23,002*	*29,751*
Recognised in equity – reclassifiable to income – tax effect		*(7,840)*	*(9,602)*
Reclassified to income – gross		*(11,201)*	*1,906*
Reclassified to income – tax effect		*2,685*	*(1,328)*
Fair value adjustments on employee benefit obligations	*3; 12; 18*	**(797)**	**(5,378)**
Recognised in equity – not reclassifiable to income – gross		*1,024*	*(7,811)*
Recognised in equity – not reclassifiable to income – tax effect		*(1,821)*	*2,433*
Other comprehensive income for the period, net of tax		**(13,384)**	**27,762**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69,670**	**69,816**
◆ attributable to owners of the parent		70,011	69,654
◆ attributable to non-controlling interests		(341)	162

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4.1.4 STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares
Equity at December 31, 2015		**786,241**	**347,371**	**444,874**	**(2,643)**
Reduction of the value of the 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**	
December 31, 2016 net income					
Fair value adjustments on available-for-sale financial assets recognized 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					(327)
Free share plans expenses				207	
Transactions with shareholders					
Equity at December 31, 2016		**314,496**	**810,420**	**504,704**	**(2,970)**
2016 net income to be appropriated				41,531	
Payment of 2016 dividends in 2017				(20,398)	
Total transactions with owners		**0**	**0**	**21,133**	**0**
June 30, 2017 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity	3; 12; 14; 18				
Fair value adjustments on available-for-sale financial assets reclassified to income	3; 12; 14;18				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					(1,696)
Free share plans expenses				695	
Transactions with shareholders				(3,505)	
EQUITY AT DECEMBER 31, 2017		**314,496**	**810,420**	**523,027**	**(4,666)**

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
(18,002)	**94,278**	**(17,404)**	**126,239**	**1,760,954**	**6,073**	**1,767,027**
			(126,239)			
				(75,312)	(771)	(76,083)
			(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**
			(41,531)			
				(20,398)		(20,398)
0	**0**	**0**	**(41,531)**	**(20,398)**	**0**	**(20,398)**
			83,213	83,213	(159)	83,054
	15,162			15,162	(1)	15,161
	(8,514)			(8,514)	(1)	(8,515)
		(797)		(797)		(797)
(19,052)				(19,052)	(181)	(19,233)
				(1,696)		(1,696)
				695		695
(38)	2,374			(1,169)	(4,988)	(6,157)
(24,913)	**124,623**	**(23,579)**	**83,213**	**1,802,621**	**160**	**1,802,781**

4.

4.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Net income for the period	**83,213**	**41,531**
Non-controlling interests	(159)	523
Income tax expense	55,651	48,124
+/- Share in net income of associates	(2,369)	5,838
Finance costs	18,109	18,373
Operating income (A)	**154,445**	**114,389**
+/- Depreciation, amortization and impairment losses	(11,742)	51,148
+/- Net additions to/reversals from technical provisions	26,362	140,474
+ Dividends received from associates		1,008
+/- Unrealized foreign exchange income/loss	(2,898)	8,340
+/- Non-cash items	615	37,896
Total non-cash items (B)	***12,336***	***238,866***
Gross cash flows from operations (C) = (A) + (B)	***166,780***	***353,255***
Change in operating receivables and payables	14,964	(60,418)
Net taxes paid	(47,699)	(89,060)
Net cash related to operating activities (D)	***(32,735)***	***(149,478)***
Increase (decrease) in receivables arising from factoring operations	(24,117)	(117,473)
Increase (decrease) in payables arising from factoring operations	1,458	(59,736)
Increase (decrease) in factoring liabilities	99,343	106,219
Net cash generated from banking and factoring operations (E)	***76,684***	***(70,990)***
Net cash generated from operating activities (F) = (C+D+E)	**210,730**	**132,787**
Acquisitions of investments	(1,531,312)	(1,608,009)
Disposals of investments	1,331,927	1,510,745
Net cash used in movements in investments (G)	***(199,385)***	***(97,264)***
Acquisitions of consolidated subsidiaries, net of cash acquired	(6,500)	
Disposals of consolidated companies, net of cash transferred		
Net cash used in changes in scope of consolidation (H)	***(6,500)***	
Disposals of property, plant and equipment and intangible assets	(18,085)	(8,210)
Acquisitions of property, plant and equipment and intangible assets	2,045	250
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(16,040)***	***(7,960)***
Net cash used in investing activities (J) = (G+H+I)	**(221,925)**	**(105,224)**

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Proceeds from the issue of equity instruments		
Treasury share transactions	(1,696)	(327)
Dividends paid to owners of the parent	(20,398)	(75,312)
Dividends paid to non-controlling interests		(771)
Cash flows related to transactions with owners	***(22,114)***	***(76,410)***
Proceeds from the issue of debt instruments		
Cash used in the redemption of debt instruments	(2,290)	(2,882)
Interests paid	(17,583)	(17,911)
Cash flows related to the financing of Group operations	***(19,873)***	***(20,793)***
Net cash generated from (used in) financing activities (K)	**(41,987)**	**(97,203)**
Impact of changes in exchange rates on cash and cash equivalents (L)	**(14,564)**	**4,874**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**(67,746)**	**(64,766)**
Net cash generated from operating activities (F)	210,730	132,787
Net cash used in investing activities (J)	(221,925)	(105,224)
Net cash generated from (used in) financing activities (K)	(41,987)	(97,203)
Impact of changes in exchange rates on cash and cash equivalents (L)	(14,564)	4,874
Cash and cash equivalents at beginning of period	**332,071**	**396,837**
Cash and cash equivalents at end of period	**264,325**	**332,071**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(67,746)**	**(64,766)**

4.2 / NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Basis of preparation

These IFRS consolidated financial statements of the COFACE Group as at December 31, 2017 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 "Accounting principles" of the present consolidated financial statements as at December 31, 2017.

They are presented with comparative financial information at December 31, 2016.

These IFRS consolidated financial statements for the year ended December 31, 2017 have been reviewed by the COFACE Group's Board of Directors on February 12, 2018.

Significant events

COFACE CENTRAL EUROPE HOLDING: MINORITY INTERESTS BUYOUT

Coface now holds the entire share capital of its subsidiary Coface Central Europe Holding, following the acquisition of 25% held since 1990 by KSV1870, the Austrian specialist in debt collection and corporate information. Shares were acquired on March 27, 2017 for an amount of €6.5 million.

TAX AUDIT IN FRANCE

Compagnie française d'assurance pour le commerce extérieur received an account verification notice on January 10, 2017, issued by the Direction des vérifications nationales et internationales. The audit covers the 2014 and 2015 fiscal years. The impact of the tax assessment amounts to €12 million recorded in the 2017 income statement. Moreover, income tax income for €2.6 million is recorded for refunds of the 3% taxes already paid.

SIGNING OF SOCIAL AGREEMENTS IN FRANCE AND GERMANY

In France, a new framework agreement was signed on May 17, 2017 with employee representative bodies. This agreement provides for the setting up, starting in January 2018, of a working time organization more in line with market practices and taking better account of the Group social and economic issues.

In Germany, the voluntary redundancy plan, which was presented last November to the employee representative bodies, was signed on May 10, 2017.

This plan resulted in an accrual constitution for restructuring recorded in the accounts closed at December 31, 2016.

ESTABLISHMENT OF A SYNDICATED LINE OF CREDIT

As part of the refinancing of its factoring business, on July 28, 2017 COFACE SA signed an agreement with a group of partner banks to set up a €700 million syndicated loan in euros. This credit replaces existing bilateral credit lines.

Coface relies on a panel of six relationship banks: Natixis, Société Générale, BNP Paribas, Crédit Agricole CIB, acting as mandated arrangers and bookkeepers, HSBC and BRED acting as mandated arrangers. Natixis acts as documentation agent and Société Générale as a facility agent. The credit is set up for a three year period with two extension options of one year each, on the initiative of the lenders.

This transaction enables the Group to improve its financial flexibility and extend its maturity refinancing, while taking advantage of favourable market conditions and strengthening relations with its leading banks, thereby confirming their medium-term commitment from Coface.

(1) The standards adopted by the European Union can be consulted on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

SECURITISATION PROGRAM RENEWAL

As part of the refinancing of its factoring activities, the Group renewed in advance its entire securitisation program of €1,195 million for a five-year period. This renewal allows the Group to sustain a significant and competitive source of refinancing for another five years while strengthening relationships with its leading banking partners.

/ Scope of consolidation

CHANGE IN THE SCOPE OF CONSOLIDATION IN 2017

First-time consolidation

Coface now holds the entire share capital of its subsidiary Coface Central Europe Holding, following the acquisition of 25% held since 1990 by KSV1870, the Austrian specialist in debt collection and corporate information. For the Central Europe region, it concerns Coface Central Europe Holding, Coface Poland CMS and Coface Romania CMS entities, which are now fully consolidated.

Moreover, the Fonds Colombes 3 Quatter mutual fund (*fonds communs de placement* or FCP) owned by Coface Europe and Lausanne 3 *bis* owned by Coface Re were created during the 1st quarter 2017.

Exit from consolidation scope

The Fonds Colombes 5 mutual fund (*fonds communs de placement* or FCP) owned by Coface Europe were dissolved during the 3rd quarter 2017.

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 at December 31, 2015.

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.

The European branches of Compagnie française d'assurance pour le commerce extérieur, which do not have any specific local regulatory requirements, participate in the centralized management of their assets, set up by the Compagnie française d'assurance pour le commerce extérieur. They receive a share of the global income resulting from the application of an allocation key representing the risks subscribed by each branch and determined by the technical accruals.

Fonds Lausanne was created in 2015 in order to allow to Coface Re to subscribe to units 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 fully controlled by the Group.

All Coface entities are consolidated by the full integration method, except Cofacredit, which is consolidated by the equity method.

Country	Entity	Consolidation method	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
Northern Europe						
Germany	Coface, Niederlassung in 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 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding GmbH 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 Isaac-Fulda-Allee 1 55124 Mainz	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 STADIONSTRAAT 20 4815 NG Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Claudius Prinsenlaan 126 4815 NG Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark 11C Jens Ravnsvej 7100 Vejle	-	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	
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 D2 – 17 *bis* place des reflets 92988 Paris-La Défense cedex	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%

4.

			Percentage			
Country	Entity	Consolidation method	Control Dec. 31, 2017	Interest Dec. 31, 2017	Control Dec. 31, 2016	Interest Dec. 31, 2016
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 3 quater 90, boulevard Pasteur 75015 Paris	Full	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 6 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium Services Holding 100 Boulevard du Souverain 1170 Bruxelles	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgique 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 1003 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 1003 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%

			Percentage			
Country	Entity	Consolidation method	Control Dec. 31, 2017	Interest Dec. 31, 2017	Control Dec. 31, 2016	Interest Dec. 31, 2016
Switzerland	Fonds Lausanne 2 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
UK	Coface UK Holdings Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Rd. 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 Ireland Unit 5, Adelphi House. 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 Kreditversicherung Service GmbH Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europe Holding AG Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	74.99%	74.99%
Austria	Compagnie francaise d´assurance pour le Commerce Exterieur SA Niederlassung Austria Marxergasse 4c 1030 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Compagnie francaise d´assurance pour le commerce extérieur Hungarian Branch Office Váci út 45. H/7 1134 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Poland	Coface Poland Credit Management Services Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	74.99%
Poland	Coface Poland Factoring Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Compagnie francaise d'assurance pour le commerce exterieur Spółka Akcyjna Oddział w Polsce Al. Jerozolimskie 142 A, 02-305 Warszawa	-	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, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
Czech Republic	Compagnie francaise d'assurance pour le commerce exterieur organizační složka Česko 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 Street Pipera number 42, Floor 6, Sector 2, 020112, Bucuresti	Full	100.00%	100.00%	100.00%	74.99%
Romania	Compagnie francaise d'assurance pour le commerce exterieur SA Bois – Colombes – Sucursala Bucuresti Street Pipera number 42, Floor 6, Sector 2, 020112, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Compagnie francaise d´assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu 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	
Lithuania	Compagnie Francaise d'Assurance pour le Commerce Exterieur Lietuvos filialas A. Tumeno str. 4 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	Compagnie Francaise d'Assurance pour le Commerce Exterieur SA – Branch Bulgaria 42 Petar Parchevich Str. 1000 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	CJSC Coface Rus Insurance Company 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 23 Bar Kochva st, Bnei Brak 5126002 PB 76	-	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 5126015 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
Israel	BDI – Coface (business data Israel) 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%

			Percentage			
Country	Entity	Consolidation method	Control Dec. 31, 2017	Interest Dec. 31, 2017	Control Dec. 31, 2016	Interest Dec. 31, 2016
South Africa	Coface South Africa Services 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	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 34330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%
North America						
United States	Coface North America Holding Company 650 College road east, suite 2005, Princeton, NJ 08540 – USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America 650 College road east, suite 2005, Princeton, NJ 08540 – USA	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 650 College road east, suite 2005, Princeton, NJ 08540 – USA	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumer 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 SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon – 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon – 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface Do brasil Seguros de Credito SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%

			Percentage			
Country	Entity	Consolidation method	Control Dec. 31, 2017	Interest Dec. 31, 2017	Control Dec. 31, 2016	Interest Dec. 31, 2016
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. Piso 17 Torre Costanera – Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
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 11, 1 MARKET STREET, SYDNEY NSW 2000, AUSTRALIA	-	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, No. 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	

Accounting principles

APPLICABLE ACCOUNTING STANDARDS

Standards adopted by the European Union as at December 31, 2017 but not yet in force at that date, and not applied by Coface in the financial statements at the end of December 2017

IFRS 9

The new IFRS 9, "Financial Instruments", was adopted by the European Commission on November 22, 2016 and will retroactively apply beginning on January 1, 2018. This replaced the corresponding requirements in IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 sets out new rules for classifying and measuring financial assets and liabilities, new impairment rules for credit risk on financial assets and the treatment of hedging transactions, with the exception of macro-hedging transactions, which are subject to a separate standard currently being examined by the IASB.

The following treatments will apply to fiscal years beginning on or after January 1, 2018, replacing the accounting standards currently used to recognize financial instruments. In application of the option allowed by IFRS 9, Coface does not plan to communicate comparative information for its financial statements.

Exemption

The amendment to IFRS 4 relating to the joint application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates was adopted on November 3, 2017 and is applicable on January 1, 2018. This European Regulation allows European financial conglomerates to opt to postpone application of IFRS 9 for their insurance sector until January 1, 2021 (date of application of the new IFRS 17 "Insurance Contracts standard") under conditions:

- not to transfer financial instruments between the insurance sector and the other sectors of the conglomerate (with the exception of instruments at fair value through profit or loss);
- to indicate the insurance entities that apply the IAS 39 standard;
- to provide additional specific information in the attached notes.

Coface, meeting the eligibility criteria of a financial conglomerate, plans to apply this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2020. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

Scope of application

Consequently, the entities concerned by the application of IFRS 9 are exclusively entities in the factoring business, an activity operated by Coface in Germany and in Poland.

Classification

On initial recognition, financial assets are classified at amortized cost, at fair value through equity or at fair value through profit or loss, and for debt instruments based on the entity's management of its financial instruments (management model or business model) and the characteristics of their contractual flows (SPPI solely payments of principal & interests).

Business model

The portfolio business model represents the way in which the entity manages its financial assets portfolio in order to generate cashflow. Judgment is necessary for the entity to assess the economic model implemented.

The business model determination must take into account all the information on how cash flows have been achieved in the past, as well as all other relevant information.

In addition, the business model determination must take place at a level that reflects the way in which financial asset groups are collectively managed in order to achieve the given economic objective. The economic model is thus not determined instrument by instrument, but at a higher aggregation level, by portfolio.

The standard retains three management models:

- a management model whose objective is to hold financial assets in order to collect the contractual cash flows ("collection model");
- a blended management model in which assets are managed with the objective of both collecting the contractual cash flows and disposing of the financial assets ("collection and sales model");
- a management model whose objective is to bank cash flows generated by the disposal of financial assets ("held for trading").

Basic character determination or "SPPI"

A financial asset is basic if the financial asset contractual terms give rise, on specified dates, to cash flows corresponding only to principal repayments and interest calculated on the principal outstanding.

The "principal" is defined as the financial asset fair value at the acquisition date. "Interest" is the time value counterpart of the money and the credit risk associated with the principal, but also other risks such as liquidity risk, administrative costs and trading margin.

To assess if the contractual cash flows are only principal and interest payments, the instrument contractual terms must be considered. This involves analysing any element that might call into question the exclusive representation of the money time value.

Debt instruments (loans, receivables or debt securities) may be measured at amortized cost, at fair value through equity or at fair value through profit or loss.

A debt instrument is measured at amortized cost if it satisfies the following two conditions:

- the asset is held in a management model whose target is the collection of contractual cash flows; and
- the financial asset contractual terms give rise, on specific dates, to cash flows corresponding only to principal repayments and interest calculated on the outstanding capital. In this case, the asset is said to be basic and these flows are deemed "SPPI".

A debt instrument is measured at fair value by OCI if it satisfies the following two conditions:

- the asset is held in a management model whose target is both the collection of contractual cash flows and the sale of financial assets; and
- the financial asset contractual terms give rise, on specific dates, to cash flows corresponding only to principal repayments and interest calculated on the outstanding capital. In this case, the asset is said to be basic and these flows are deemed "SPPI".

The debt instruments included in the two business models of collection or collection and sales that do not meet the "SPPI" criteria are measured at fair value through profit or loss.

Debt instruments included in a business model transaction are measured at fair value.

Embedded derivatives are not booked separately from host contracts any more when those contracts deal with financial assets.

Regarding financial liabilities, classification and evaluation rules under IAS 39 are identical under IFRS 9, apart from rules on financial assets that one entity evaluates at fair value through profits and losses (fair value option), for which revaluation differences related to its own credit risk variations are booked in gains and losses recorded directly in equity, without any later reclassification in fair value through profits and losses.

IAS 39 standard rules related to derecognition of financial assets and liabilities are strictly identical under IFRS 9 standard.

/ Impairment

General model

IFRS 9 initiates a unique forward-looking impairment model, based, not on the occurred credit losses, but on the expected credit losses (ECL) calculated on all debt portfolios recorded at amortized cost or at fair value by other comprehensive income (OCI recyclable), and also calculated on financing-lease receivables under IAS 17 and on assets backing contracts under IFRS 15. This unique impairment model is also applicable to the provisioning of financing-lease commitments outside the scope of application of the standard (for evaluation) and to the provisioning of financial guarantees commitments, apart those measured at fair value through profits and losses.

Within this new impairment model in IFRS 9, it is mandatory to record, on initiation, expected losses over one year (Stage 1), and then secondly, if the credit risk increases significantly since the initial recognition, expected losses at maturity (Stage 2). Thirdly, if the credit risk downgrades to the point that the debt payment is threatened, a provision should be booked for expected losses at maturity (Stage 3), in perfect line with IAS 39 requirements about individual-based impairment on bad debts.

Simplified approach

IFRS 9 proposes a simplified approach for impairment of trade receivables, contract assets and lease receivables, which consists of classifying assets in two categories instead of three and measuring the amount equal to lifetime expected credit losses (usually less than 12 months).

Category 1: unused.

Category 2: Receivables whose credit risk has increased significantly since initial recognition but for which there is no evidence of default at the reporting date:

- impairment is measured at the amount of lifetime expected losses of the receivables;
- the amount of expected losses is calculated on a collective basis (by portfolio).

Category 3: Doubtful receivables for which there is objective evidence of default at the reporting date:

- impairment is measured at the amount of lifetime expected losses of the receivables;
- the amount of expected losses is calculated on an individual basis (by receivable).

The entity shall apply the simplified impairment approach to all trade receivables which do not contain a significant financing component.

The entity may choose between the two methods (general or simplified) for receivables which contain a significant financing component and for lease receivables. When the entity applies the general impairment method for these receivables, it will be forced to modify its systems to assess the level of credit risk, as well as the amount of expected losses over the next 12 months or over the entire life cycle.

/ Hedge accounting

IFRS 9 introduces a modified hedge accounting model, which is more in line with risk management activities.

/ Implementation of the standard

For factoring entities, Coface has carried out the implementation of the standard within the framework of project organization which involves all the related business lines and support functions.

/ Classification of financial assets

The main activity of Coface's factoring entities is the purchase of receivables held by its customers, by assuming counterparty risk.

- Coface does not hold financial assets for trading purposes and financial assets are not managed at fair value (in the context of risk management or investment strategy).

- The predominant economic model is based on the collection of contractual cash flows. Sales (in frequency and value) are not necessary to achieve the commercial target.

On the basis of the work carried out on the Classification and Evaluation component, it appears that all the financial assets concerned (*i.e.* factoring receivables) which were previously recorded at the amortized cost under IAS 39 would continue to meet conditions for a depreciated cost accounting under IFRS 9.

/ Depreciation of assets

An analysis of Coface's factoring contracts of showed that the maximum payment period falls in the range 61-180 days. As a result, all receivables must expire within one year or less. Since the maximum repayment period is one year or less, the expected loss at 12 months (Category 1) is conceptually equal to the expected life loss (Category 2). On the basis of the contractual structure, a separate modelling of Category 1 and 2 degradation is not necessary. The classification in the general and simplified approach is useless because there is ultimately only one step for non-depreciated receivables.

/ Depreciation methodology

Coface will rely on the calculation of depreciation on the calculation models using the internal ratings of debtors ("DRA").

The methodology for calculating depreciation (expected loss or "ECL") will be based on the three main parameters: the probability of default "PD", the loss given default "LGD" and the amount of exposure in case of default "EAD" (exposure at default). The depreciation will be the product of the PD by the LGD and the EAD, over the lifetime of the receivables (Category 2).

The expectancy loss over the lifetime will be estimated on the basis of the current value of all cash shortfalls over the remaining life of the financial instrument. The expected loss at 12 months is a part of the expected loss over the lifetime associated with the probability of occurrence of default events within 12 months from the reporting date. As already explained, due to the short maturity of the purchased receivables, the estimate of the expected loss of credit only focuses on the expected losses at 12 months.

Specific adjustments will be made to take into account the current conditions and the prospective macroeconomic projections (forward looking).

/ Financial impact

Due to the factoring receivables structuring, most of which are covered by credit insurance contracts subscribed by Coface entities, the factoring receivables impairment is already taken into account in the Group's consolidated financial statements through insurance provisions calculated from actuarial methods and currently classified in IBNR (incurred but nor received) provisions.

At this point of assessment, it is therefore not anticipated that the first IFRS 9 application will have a significant impact, either on opening equity at January 1, 2018 or the income statement items for the 2018 financial year.

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 after January 1, 2018.

The amendment "IFRS 15 clarification" adopted by the European Commission on October 31, 2017 is also applicable in a mandatory manner from January 1, 2018.

IFRS 15 will replace the current accounting standards and interpretations related to revenues recognition and now imposes a single accounting model for all revenues from customers' contracts.

According to this standard, the accounting of the proceeds from the ordinary activities will now have to reflect the transfer of control of the goods and services promised to the customers for an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services.

IFRS 15 introduces new guidance to recognizing revenue in five steps:

- identification of contracts with customers;
- identification of separate performance obligations (or elements) to be counted separately from each other;
- determination of the price of the transaction as a whole;
- allocation of the transaction price to different performance obligations;
- accounting of products when performance obligations are met.

The standard 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, financial instruments within the scope of IAS 39 Financial Instruments. If specific requirements regarding revenue or contract costs are provided by another standard, this one should be firstly applied.

In accordance with the option provided by IFRS 15, Coface does not plan to communicate comparative information in its financial statements.

IFRS 16

The standard IFRS 16 "Leases" adopted by the European Commission on October 31, 2017 will replace IAS 17 "Leasing contracts" and interpretations relating to the accounting of such contracts. It will be applicable on January 1, 2019 retrospectively following specific transitional arrangements.

According to IFRS 16, the definition of leasing contracts implies, on one hand, the identification of an asset and, on the other hand, the control by the taker of the right to use this asset.

From the lessor's point of view, the expected impact should be limited, the retained provisions remaining substantially unchanged from the present IAS 17 standard.

For the taker, the standard will impose the accounting on the balance sheet of all leases as a right of use on the leased assets, registered in the fixed assets and in the liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period. Coface plans to use the exception provided by the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or relating to low-value underlying assets (unit value €5,000 at most).

The right of use will be amortized linearly and the financial debt actuarially over the duration of the lease. The interest expenses on the financial debt and the amortization expenses of the right to use will be made separately to the income statement. Conversely, according to current IAS 17, the so-called simple or operational leases do not induce a registration on the balance sheet and only the related rents are recorded in the income statement.

The work to estimate the amount of user fees to be recorded on the balance sheet was carried out during the financial year 2017. At this stage, the effects of the implementation of IFRS 16 relate mainly to real estate assets leased for the needs of operating as offices. Coface expects the income statement impact not to be significant and the balance sheet impact on fixed assets and financial liabilities to be the same order as amounts presented in Note 37 “Operating lease contracts”.

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 at 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”.

Inter-company transactions

Material inter-company transactions are eliminated on the balance sheet and on the income statement.

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 the net income from discontinued operations until they are sold, and 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.

YEAR-END AND ACCOUNTING PERIOD

All consolidated companies have a December 31 year-end and an accounting period of 12 months.

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.

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.

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 "Income from other activities" and "Expenses from other activities", respectively.

REVENUE

Consolidated revenue includes:

- premiums, corresponding to the sums paid by the policyholders in return for the Group's commitment to cover the risks planned in their insurance policy: credit insurance (short term), single risk (medium term) and surety (medium term). The bond is not a credit insurance product because it represents a different risk nature (in terms of the underlying and the duration of the risk), but its remuneration takes the form of a premium; it responds to the definitions of insurance contracts given in IFRS 4;
- other revenues which include:
  - revenue from services related to credit insurance contracts ("fee and commission income"), corresponding to debtors' information services, credit limit monitoring, management and debt recovery. They are included in the calculation of the turnover of the credit insurance activity,
  - 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 was 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,
  - revenue from services which consist of providing customer access to credit and marketing information and debt collection services to clients without credit insurance contracts,
  - net income from banking activities is revenues from factoring entities. They consist mainly of factoring fees (collected for the management of factored receivables) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring customers, less interest paid on refinancing of the factoring debt). Premiums paid by factoring companies to insurance companies (in respect of debtor and ceding risk) are deducted from net banking income.

Consolidated revenue is analysed 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) and by business line (credit insurance, bonding, factoring, and information & other services).

INSURANCE OPERATIONS

Earned premiums

/ Gross written 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.

The estimate of final premiums relies on the use of statistical methods that draw on historical data and assumptions calling for Management's judgement.

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.

/ Premium refunds

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.

/ Gross earned premiums

Gross earned premiums consist of gross premiums issued, net of premium refunds, and variation in reserves for unearned premiums.

Deferred acquisition costs

Policy acquisition costs, including commissions are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred corresponds to policy acquisition costs related to the period between the year-end and the next premium payment date. Deferred acquisition costs are included in the balance sheet under "Other assets".

Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

Claims expenses

/ 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;
- to which we add 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 corresponds 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 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) 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;
- 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; the item corresponds to bank credit lines. The amounts 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 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 at more than 95% (Compagnie française d'assurance pour le commerce extérieur, 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 taxes are recorded by the liability method for temporary differences between the carrying amount of assets and liabilities at each period-end and their tax base.

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 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	*1*	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	*16*	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	*16; 21*	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	*16; 22*	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	*16; 22; 40*	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	*16; 22; 40*	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	*14*	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.

All amounts are stated (in thousands of euros) in the following notes, unless specified otherwise.

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTE 1 / 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, 2017	Dec. 31, 2016
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,417	8,397
Mediterranean & Africa	22,183	22,371
North America	5,795	6,598
Latin America	1,016	1,177
TOTAL	**155,082**	**156,214**

The change in goodwill amounted to €1,132 thousand due to the fluctuation of the exchange rate.

IMPAIRMENT TESTING METHODS

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2017. 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, 2017:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	586.2	520.2	171.9	184.8	41.8	56.7

The assumptions used in 2016 were as follows:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	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%
Contribution to consolidated net assets	490.9	658.0	171.8	160.6	45.9	49.4

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 decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2017;
- 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 an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2017;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2021 and 2022): 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 an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2017.

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
Contribution to consolidated net assets	586.2	520.2	171.9	184.8	41.8	56.7
Value in use of CGU	721.3	671.2	354.0	443.3	54.6	116.9
Sensitivity Long-term growth rate -0.5 point	704.9	639.4	341.8	424.9	50.4	111.2
Sensitivity WACC +0.5 point	699.3	644.1	339.6	421.1	49.5	110.8
Sensitivity Loss Ratio 2022 +1 point	716.0	635.7	350.1	433.9	50.1	113.2
Sensitivity Loss Ratio 2022 +2 points	710.8	591.6	346.3	424.4	45.7	109.5
Sensitivity Cost Ratio 2022 +1 point	710.8	624.7	346.8	425.5	49.0	113.1
Sensitivity Cost Ratio 2022 +2 points	700.4	578.2	339.7	407.7	43.4	109.2

NOTE 2 / Other intangible assets

(in thousands of euros)	Dec. 31, 2017 Net value	Dec. 31, 2016 Net value
Development costs and software	59,463	56,336
Purchased goodwill	2,291	2,738
Other intangible assets	394	420
TOTAL	**62,148**	**59,494**

	Dec. 31, 2017		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	187,177	(127,714)	59,463
Purchased goodwill	7,832	(5,541)	2,291
Other intangible assets	2,722	(2,328)	394
TOTAL	**197,731**	**(135,583)**	**62,148**

	Dec. 31, 2016		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	183,821	(127,485)	56,336
Purchased goodwill	8,608	(5,870)	2,738
Other	2,676	(2,256)	420
TOTAL	**195,105**	**(135,611)**	**59,494**

The Group mainly makes investments in hardware and IT licenses.

These investments amounted to €15.5 million in financial year 2017 compared to €6.3 million in financial year 2016.

CHANGE IN THE GROSS AMOUNT OF INTANGIBLE ASSETS

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Development costs and software	183,821	15,350	(11,055)	(938)	187,178
Purchased goodwill	8,608	0	0	(777)	7,831
Other intangible assets	2,676	117	0	(71)	2,722
TOTAL	**195,105**	**15,467**	**(11,055)**	**(1,786)**	**197,731**

(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	0	0	241	8,608
Other intangible assets	3,191	44	(177)	(382)	2,676
TOTAL	**196,348**	**6,299**	**(8,560)**	**1,018**	**195,105**

CHANGE IN ACCUMULATED AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2017
Accumulated amortisation – development costs and software	(124,148)	(10,622)	9,047	769	(124,954)
Accumulated impairment – development costs and software	(3,337)	0	576	0	(2,761)
Total amortisation and impairment – development costs and software	**(127,485)**	**(10,622)**	**9,623**	**769**	**(127,715)**
Accumulated amortisation – purchased goodwill	(5,870)	(308)	0	637	(5,541)
Accumulated impairment – purchased goodwill	0	0	0	0	0
Total amortisation and impairment – purchased goodwill	**(5,870)**	**(308)**	**0**	**637**	**(5,541)**
Accumulated amortisation – other intangible assets	(2,236)	(131)	0	59	(2,308)
Accumulated impairment – other intangible assets	(20)	0	0	1	(19)
Total amortisation and impairment – other intangible assets	**(2,256)**	**(131)**	**0**	**60**	**(2,327)**
TOTAL	**(135,611)**	**(11,061)**	**9,623**	**1,466**	**(135,583)**

NOTE 3 / Insurance business investments

3.1 Analysis by category

At December 31, 2017, the carrying amount of available-for-sale (AFS) securities amounted to €2,743,385 thousand, securities held for trading ("trading securities") came to €30,111 thousand and held-to-maturity (HTM) securities was €1,852 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, 2017 was as follows:

- bonds rated "AAA": 19%;
- bonds rated "AA" and "A": 37%;
- bonds rated "BBB": 33%;
- bonds rated "BB" and lower: 11%.

	Dec. 31, 2017					Dec. 31, 2016				
(in thousands of euros)	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
AFS securities	**2,599,727**	**143,658**	**2,743,385**	**2,743,385**		**2,459,575**	**134,378**	**2,593,953**	**2,593,953**	
Equities and other variable-income securities	211,479	111,806	323,285	323,285		140,734	106,714	247,448	247,448	
Bonds and government securities	2,175,164	26,090	2,201,254	2,201,254		2,183,369	25,997	2,209,366	2,209,366	
o/w direct investments in securities	*1,757,587*	*25,326*	*1,782,913*	*1,782,913*		*1,768,986*	*24,414*	*1,793,400*	*1,793,400*	
o/w investments in UCITS	*417,577*	*764*	*418,341*	*418,341*		*414,383*	*1,583*	*415,966*	*415,966*	
Shares in non-trading property companies	213,084	5,762	218,846	218,846		135,472	1,667	137,139	137,139	
HTM securities										
Bonds	1,852		1,852	2,564	712	2,740		2,740	3,460	720
Fair value through income – trading securities										
Money market funds (UCITS)	30,111	0	30,111	30,111		69,696		69,696	69,696	
Derivatives (positive fair value)		**9,383**	**9,383**	**9,383**			**2,975**	**2,975**	**2,975**	
(derivatives negative fair value for information)		*(267)*	*(267)*	*(267)*			*(7,508)*	*(7,508)*	*(7,508)*	
Loans and receivables	**91,362**		**91,361**	**91,361**		**80,940**		**80,940**	**80,940**	
Investment property	**695**	**(408)**	**288**	**288**		**716**	**71**	**787**	**787**	
TOTAL	**2,723,747**	**152,633**	**2,876,380**	**2,877,092**	**712**	**2,613,667**	**137,424**	**2,751,091**	**2,751,811**	**720**

(in thousands of euros)	Gross Dec. 31, 2017	Impairment	Net Dec. 31, 2017	Net Dec. 31, 2016
AFS securities	**2,773,560**	**(30,175)**	**2,743,385**	**2,593,953**
Equities and other variable-income securities	353,452	(30,167)	323,285	247,448
Bonds and government securities	2,201,254		2,201,254	2,209,366
o/w direct investments in securities	*1,782,913*		*1,782,913*	*1,793,400*
o/w investments in UCITS	*418,341*		*418,341*	*415,966*
Shares in non-trading property companies	218,854	(8)	218,846	137,139
HTM securities				
Bond	1,852		1,852	2,740
Fair value through income – trading securities				
Money market funds (UCITS)	30,111		30,111	69,696
Derivatives (positive fair value)	**9,383**		**9,383**	**2,975**
(for information, derivatives with a negative fair value)	*(267)*		*(267)*	*(7,508)*
Loans and receivables	**91,361**		**91,361**	**80,940**
Investment property	**288**		**288**	**787**
TOTAL	**2,906,555**	**(30,175)**	**2,876,380**	**2,751,091**

IMPAIRMENTS

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2017
AFS securities	**30,510**	**2,273**	**(2,586)**	**(22)**	**30,175**
Equities and other variable-income securities	29,411	2,273	(1,495)	(22)	30,167
Bonds and government securities	1,091	0	(1,091)	0	0
Shares in non-trading property companies	8				8
TOTAL	**30,510**	**2,273**	**(2,586)**	**(22)**	**30,175**

Reversals are related to the disposal of AFS securities.

CHANGE IN INVESTMENTS BY CATEGORY

	Dec. 31, 2017						
(in thousands of euros)	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,593,953**	**1,482,729**	**(1,279,397)**	**11,789**	**313**	**(66,001)**	**2,743,385**
Equities and other variable-income securities	247,448	165,973	(94,095)	7,120	(778)	(2,383)	323,285
Bonds and government securities	2,209,366	1,235,072	(1,185,303)	573	1,091	(59,545)	2,201,254
Shares in non-trading property companies	137,139	81,685	0	4,095		(4,073)	218,846
HTM securities							
Bonds	2,740	119	(1,007)	0		0	1,852
Fair value through income – trading securities	**69,696**	**0**	**(39,585)**	**0**		**0**	**30,111**
Loans, receivables and other financial investments	**84,702**	**25,195**	**(7,293)**	**1,061**		**(2,634)**	**101,031**
TOTAL	**2,751,091**	**1,508,043**	**(1,327,282)**	**12,850**	**313**	**(68,635)**	**2,876,380**

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 2017, 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.

Regarding the bond portfolio, some of our exposure to European sovereign debt is hedged through future rates. Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

None of these transactions qualified for hedge accounting under IFRS as they were mainly currency transactions and partial market hedges.

Derivatives also includes, 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.

The criteria triggering the exercise of the contingent capital line have not changed since the inception.

3.2 Financial instruments recognized at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorizes 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 85% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organized 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 12% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Value in use is the present value of future cash flows that may result from an asset or cash-generating unit. The valuation, based on the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two years built on the basis of standardized management ratios (loss ratios and target cost ratios). Beyond the fifth year, the terminal value is evaluated on a basis of infinite capitalization of the last year cash flow.

BREAKDOWN OF FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENTS AS AT DECEMBER 31, 2017 BY LEVEL IN THE FAIR VALUE HIERARCHY

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	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	**2,743,385**	**2,743,385**	**2,395,995**	**23**	**347,367**
Equities and other variable-income securities	323,285	323,285	194,741	23	128,521
Bonds and government securities	2,201,254	2,201,254	2,201,254	0	
Shares in non-trading property companies	218,846	218,846			218,846
HTM securities					
Bonds	1,852	2,564	2,564		
Fair value through income – trading securities					
Money market funds (UCITS)	30,111	30,111	30,111		
Derivatives	**9,383**	**9,383**	**3,770**	**5,004**	**609**
Loans and receivables	**91,361**	**91,361**		**91,361**	
Investment property	**288**	**288**			**288**
TOTAL	**2,876,380**	**2,877,092**	**2,432,440**	**96,388**	**348,264**

MOVEMENTS IN LEVEL 3 SECURITIES AS AT DECEMBER 31, 2017

(in thousands of euros)	Dec. 31, 2016	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	Dec. 31, 2017
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
AFS securities	**269,595**	**(2,273)**	**1,635**	**84,897**	**(237)**	**(6,250)**	**347,367**
Equities and other variable-income securities	132,456	(2,273)	(2,460)	3,212	(237)	(2,177)	128,521
Shares in non-trading property companies	137,139		4,095	81,685	0	(4,073)	218,846
Derivatives	**1,122**			**(513)**			**609**
Investment property	**787**				**(499)**		**288**
TOTAL	**271,504**	**(2,273)**	**1,635**	**84,384**	**(736)**	**(6,250)**	**348,264**

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	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	**2,593,953**	**2,593,953**	**2,324,334**	**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		
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**	**2,398,483**	**81,823**	**271,504**

MOVEMENTS IN LEVEL 3 SECURITIES AS AT DECEMBER 31, 2016

		Gains and losses recognized in the period		Transactions for the period			
(in thousands of euros)	At Dec. 31, 2015	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2016
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**

NOTE 4 / Receivables arising from banking and other activities

BREAKDOWN BY NATURE

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Receivables arising from banking and other activities	2,523,549	2,412,543
Non-performing receivables arising from banking and other activities	56,501	86,579
Allowances for receivables arising from banking and other activities	(56,501)	(17,597)
TOTAL	**2,523,549**	**2,481,525**

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 in the balance sheet and they are classified as level 2. 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, 2017					
		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	1,862,396	661,153				2,523,549
Non-performing receivables arising from banking and other activities			6,972	22,407	27,122	56,501
Allowances for receivables arising from banking and other activities			(6,972)	(22,407)	(27,122)	(56,501)
Total receivables arising from banking and other activities	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**
Claims reserve as hedge for factoring receivables						
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**

	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 reserve as hedge for 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**

NOTE 5 / Investments in associates

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Investments in associates at January 1	13,411	20,258
Dividends paid	0	(1,009)
Share in net income of associates	2,369	(5,838)
TOTAL INVESTMENTS IN ASSOCIATES	**15,780**	**13,411**

Investment in associates are related to Cofacredit, entity owned at 36% and accounted by the equity method. Investments in associates increased by €2,369 thousand during the year 2017.

NOTE 6 / Tangible assets

	Dec. 31, 2017	Dec. 31, 2016
(in thousands of euros)	Net value	Net value
Buildings used in the business	35,344	38,528
Other property, plant and equipment	19,335	18,956
TOTAL	**54,679**	**57,484**

	Dec. 31, 2017		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used in the business	107,795	(72,451)	35,344
Other property, plant and equipment	55,832	(36,497)	19,335
TOTAL	**163,627**	**(108,948)**	**54,679**

	Dec. 31, 2016		
(in thousands of euros)	Gross amount	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**

CHANGE IN THE GROSS AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Land used in the business	14,010	0	0	0	14,010
Buildings used in the business	95,006	7	(1,228)	0	93,785
Total buildings used in the business	**109,016**	**7**	**(1,228)**	**0**	**107,795**
Operating guarantees and deposits	5,247	122	(25)	(87)	5,257
Other property, plant and equipment	52,187	4,071	(5,085)	(598)	50,575
Total other property, plant and equipment	**57,434**	**4,192**	**(5,110)**	**(684)**	**55,832**
TOTAL	**166,450**	**4,199**	**(6,338)**	**(684)**	**163,627**

(in thousands of euros)	Dec. 31, 2015	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2016
Land used in the business	14,010	0	0	0	14,010
Buildings used in the business	94,978	28	0	0	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**

The Group mainly makes investments in tangible assets relating to the arrangement or layout of operated office buildings.

These investments amounted to €4.2 million in the 2017 financial year compared to €1.9 million in the 2016 financial year.

CHANGE IN ACCUMULATED DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2017
Accumulated depreciation – Building used in the business	(70,488)	(2,231)	268	0	(72,451)
Accumulated impairment – Buildings used in the business	0	0	0	0	0
Buildings used in the business	**(70,488)**	**(2,231)**	**268**	**0**	**(72,451)**
Accumulated depreciation other property, plant & equipment	(36,031)	(3,563)	4,802	394	(34,398)
Accumulated impairment other property, plant & equipment	(2,447)	(19)	333	34	(2,099)
Other property, plant and equipment	**(38,478)**	**(3,582)**	**5,135**	**428**	**(36,497)**
TOTAL	**(108,966)**	**(5,813)**	**5,403**	**428**	**(108,948)**

(in thousands of euros)	Dec. 31, 2015	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2016
Accumulated depreciation – Building used in the business	(68,232)	(2,256)	0	0	(70,488)
Accumulated impairment – Buildings used in the business	0	0	0	0	0
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)**

MARKET VALUE OF BUILDINGS USED IN THE BUSINESS

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Carrying amount	35,344	38,528
Market value	60,794	60,383
UNREALISED GAIN	**25,450**	**21,855**

The buildings held by the COFACE Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2017.

NOTE 7 / Receivables arising from insurance and reinsurance operations

BREAKDOWN BY NATURE

	Dec. 31, 2017			Dec. 31, 2016		
(in thousands of euros)	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	303,603	(33,601)	270,003	323,460	(31,114)	292,346
Earned premiums not written	119,998		119,998	127,962		127,962
Receivables arising from reisurance operations, net	105,129	(289)	104,840	111,133	(3,168)	107,965
TOTAL	**528,730**	**(33,890)**	**494,840**	**562,555**	**(34,282)**	**528,273**

BREAKDOWN BY AGE

	Dec. 31, 2017					
		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	**360,819**	**78,253**	**37,193**	**13,635**	**4,939**	**494,839**

	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**

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 8 / Other assets

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Deferred acquisition costs	43,903	46,393
Trade receivables arising from other activities	47,640	14,849
Current tax receivables	60,286	69,126
Other receivables	139,913	138,246
TOTAL	**291,742**	**268,614**

"Other receivables" mainly includes:

- receivables in factoring entities towards credit-insurance entities for €58 million;
- loans granted to non-consolidated Coface entities for €27 million.

NOTE 9 / Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Cash at bank and in hand	236,813	289,434
Cash equivalents	27,512	42,637
TOTAL	**264,325**	**332,071**

Operational cash optimization continued during FY 2017, leading to a decrease of the cash amounts and an increase in long term investments. Cash and cash equivalents are all available; no amount is placed on escrow type accounts.

NOTE 10 / Share capital

Ordinary shares	Number of shares	Per value	Share capital *(in €)*
At December 31, 2016	157,248,232	2	314,496,464
Nominal value decrease	-	-	-
At December 31, 2017	**157,248,232**	**2**	**314,496,464**
Treasury shares deducted	(510,536)*	2	(1,021,072)
AT DECEMBER 31, 2017 (EXCLUDING TREASURY SHARES)	**156,737,696**	**2**	**313,475,392**

* *The amount declared to the AMF differed by 12,293 shares acquired December 28 and 29, 2017 and delivered January 2018.*

Shareholders	Dec. 31, 2017 Number of shares	%	Dec. 31, 2016 Number of shares	%
Natixis	64,853,881	41.38%	64,853,881	41.33%
Public	91,883,815	58.62%	92,050,341	58.67%
TOTAL EXCLUDING TREASURY SHARES	**156,737,696**	**100%**	**156,904,222**	**100%**

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 2017, 41.38% of the COFACE Group's shares excluding treasury shares, and 41.24% including treasury shares.

NOTE 11 / Share-based payments

ONGOING FREE SHARE PLANS

In connection with its stock market listing, the COFACE Group 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)*
Allotment of exceptional free shares	June 26, 2014	43,269	2 years	July 01, 2016	July 01, 2018	10.4	
Long-term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 01, 2017	July 01, 2019	10.4	(558)
Long-term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	346
Long-term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2019	5.5	563
Long-term Incentive Plan 2017	Feb. 08, 2017	400,546	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	632

CHANGE IN THE NUMBER OF FREE SHARES

Plan	Number of free shares at Dec. 31, 2016	Number of new free share grants in 2017	Number of free shares cancelled in 2017	Number of free shares acquired in 2017	Number of shares to be acquired at Dec. 31, 2017
Allotment of exceptional free shares					0
Long-term Incentive Plan 2014	78,842		(78,842)		0
Long-term Incentive Plan 2015	106,800				106,800
Long-term Incentive Plan 2016	302,196				302,196
Long-term Incentive Plan 2017		400,546			400,546

The total number of shares allocated to the Long-term Incentive Plan 2017 amounts to 405,318 shares; only 400,546 shares were affected nominatively to beneficiaries including 366,146 shares and 34,400 performance units.

Performance units are awarded instead of free shares as soon as implementation of the free shares allocation 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 the free shares but are valued and paid in cash at the end of the vesting period.

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 payments”, 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 €983 thousand was expensed under the implemented plans at December 31, 2017.

NOTE 12 / 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, 2017	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**
Fair value adjustments on available-for-sale financial assets reclassified to income	(11,199)		2,684	(8,515)	(1)	(8,516)
Fair value adjustments on available-for-sale financial assets recognised in equity	23,128		(7,913)	15,215	(157)	15,058
Change in reserves – gains and losses not reclassificable to income (IAS 19R)		968	(1,821)	(853)	0	(853)
Transactions with shareholders	2,373		5	2,378	(2,378)	0
AT DECEMBER 31, 2017	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**

(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		20,150
Change in reserves – gains and losses not reclassificable to income (IAS 19R)		(7,811)	2,433	(5,378)	(594)	(5,378)
Transactions with shareholders						
AT DECEMBER 31, 2016	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**

NOTE 13 / Provisions for liabilities and charges

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Provisions for disputes	5,652	9,683
Provisions for pension and other post-employment benefit obligations	66,141	71,798
Other provisions for liabilities and charges	49,923	69,593
TOTAL	**121,716**	**151,074**

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Exchange rate effects	Dec. 31, 2017
Provisions for employee	7,005	246	(1,347)	(714)	(2,080)	0	(16)	3,094
Provisions for other disputes	2,678	353	0	0	(72)	0	(401)	2,558
Provisions for disputes	**9,683**	**599**	**(1,347)**	**(714)**	**(2,152)**	**0**	**(417)**	**5,652**
Provisions for pension	**71,798**	**3,160**	**(6,466)**	**(1,032)**	**(4)**	**(1,026)**	**(289)**	**66,141**
Provisions for liabilities	15,786	1,480	0	(3,057)	0	0	(58)	14,151
Provisions for restructuring	42,906	6,967	(10,589)	(8,446)	1	0	(1)	30,838
Provisions for taxes (excl. income taxes)	4,932	5,215	(8,414)	0	336	0	(24)	2,045
Other provisions for liabilities	5,969	1,517	(5,699)	(806)	1,905	0	3	2,889
Other provisions for liabilities and charges	**69,593**	**15,179**	**(24,702)**	**(12,309)**	**2,242**	**0**	**(80)**	**49,923**
TOTAL	**151,074**	**18,938**	**(32,515)**	**(14,055)**	**86**	**(1,026)**	**(786)**	**121,716**

(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**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring.

The provisions for restructuring amount to €30.8 million at December 31, 2017. They are related to the implementation of the Fit to Win strategic plan for €18 million and a provision for vacant premises €12.3 million.

IMPLEMENTATION OF FIT TO WIN STRATEGIC PLAN

French entities contribute to the provisions for restructuring Fit to Win for €7.6 million. They are mainly composed of pre-retirement provisions for €5.8 million according to the plan showed to the employees' representative bodies on December 13, 2016 concerning 64 posts.

The 2016 assumptions have been reviewed with additional items linked to the implementation of the plan; leading to a reduction of the average cost per employee and the provision as well.

German entities have updated the 2016's restructuring provisions, which had been presented to employee representative bodies on November 30, 2016. At December 31, 2017, these provisions amount to €8.2 million affecting 45 posts. The calculation of the provision is based on an average salary according to the industry standard. It takes into account the staff seniority and other additional costs (cost of portage, cost of reinsertion and assessment of bonuses that can be negotiated individually).

The decrease in the provisions on the year 2017 is due to a reversal used to offset the cost of departures, and to a reversal of provisions which became irrelevant for €8 million. This reversal comes from two effects. On one hand, the number of posts affected by the plan has been reduced, and on the other hand, some departures did not have any additional costs.

PROVISIONS FOR VACANT PREMISES

Provisions for restructuring also include a provision on vacant premises and redevelopment of premises. This provision was initially constituted on the financial year 2016 following the transfer of State export guarantees to BPI France and the redevelopment of Bois-Colombes site. It was updated in 2017 and now amounts to €12.3 million.

The valuation of this provision is based on an assumption of vacant premises renting as from June 2018. This provision represents about one-third of the total surface earned with the site's redevelopment. The conditions selected are based on a market price and a rent-free period.

NOTE 14 / Employee benefits

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Present value of benefit obligation at January 1	***73,863***	***86,784***
Current service cost*	2,191	(18,665)
Interest cost	(1,107)	1,408
Actuarial (gains)/losses	(1,167)	9,219
Benefits paid	(5,600)	(4,949)
Other	23	67
Present value of benefit obligation at December 31	**68,203**	**73,864**
Change in plan assets		
Fair value of plan assets at January 1	***2,065***	***1,929***
Revaluation adjustments – Return on plan assets	(117)	135
Employee contributions	0	110
Employer contributions	158	140
Benefits paid	(225)	(249)
Other	181	0
Fair value of plan assets at December 31	**2,062**	**2,065**
Reconciliation		
Present value of benefit obligation at December 31	***68,203***	***73,864***
Fair value of plan assets	2,062	2,065
(Liability)/Asset recognised in the balance sheet at December 31	**(66,141)**	**(71,799)**
Income statement		
Current service cost	1,901	6,532
Benefits paid including amounts paid in respect of settlements	289	0
Interest cost	1,079	1,408
Interest income	(10)	(38)
Revaluation adjustments on other long-term benefits	(255)	1,306
Other	155	13
(Income)/Expenses recorded in the income statement	**3,160**	**9,221**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	(1,026)	7,815
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,026)**	**7,815**

	Dec. 31, 2017					
(in thousands of euros)	France	Germany	Austria	Italy	Other	Total
Present value of benefit obligation at January 1	***18,329***	***29,099***	***19,757***	***3,666***	***3,011***	***73,863***
Current service cost	729	1,343	(249)	124	244	2,191
Interest cost	(274)	(842)	119	(110)	0	(1,107)
Actuarial (gains)/losses	(570)	(613)	331	(315)	0	(1,167)
Benefits paid	(1,146)	(2,645)	(1,656)	(153)	0	(5,600)
Other	3	(13)	(143)	0	175	23
Present value of benefit obligation at December 31	**17,071**	**26,329**	**18,159**	**3,212**	**3,431**	**68,203**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,339***	***907***	***0***	***(181)***	***2,065***
Revaluation adjustments – Return on plan assets	0	(75)	(42)	0	0	(117)
Employer contributions	0	15	143	0	0	158
Benefits paid	0	(57)	(168)	0	0	(225)
Other	0	0	0	0	181	181
Fair value of plan assets at December 31	**0**	**1,221**	**841**	**0**	**0**	**2,062**
Reconciliation						
Present value of benefit obligation at December 31	***17,071***	***26,329***	***18,159***	***3,212***	***3,431***	***68,203***
Fair value of plan assets	0	1,221	841	0	0	2,062
(Liability)/Asset recognised in the balance sheet at December 31	**(17,071)**	**(25,108)**	**(17,318)**	**(3,212)**	**(3,431)**	**(66,141)**
Income statement						
Current service cost	656	1,119	47	79	0	1,901
Benefits paid including amounts paid in respect of settlements	0	0	289	0	0	289
Interest cost	165	183	45	155	531	1,079
Interest income	0	(10)	0	0	0	(10)
Revaluation adjustments on other long-term benefits	0	(255)	0	0	0	(255)
Other	0	0	0	155	0	155
(Income)/Expenses recorded in the income statement	**821**	**1,037**	**381**	**389**	**531**	**3,160**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(570)	(613)	331	(315)	141	(1,026)
Revaluation adjustments recognised in equity not reclassifiable to income	**(570)**	**(613)**	**331**	**(315)**	**141**	**(1,026)**

	Dec. 31, 2016					
(in thousands of euros)	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	0	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	0	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	**0**	**1,201**	**909**	**0**	**(181)**	**1,929**
Revaluation adjustments – Return on plan assets	***0***	***128***	***7***	***0***	***0***	***135***
Employer contributions	0	139	1	0	0	140
Benefits paid	0	(145)	(103)	0	0	(249)
Other	0	0	0	0	0	0
Fair value of plan assets at December 31	**0**	**1,339**	**907**	**0**	**(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	0	1,339	907	0	(181)	2,065
(Liability)/Asset recognised in the balance sheet at December	**(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
Interest cost	570	459	339	41	0	1,408
Interest income	0	(20)	(18)	0	0	(38)
Revaluation adjustments on other long-term benefits	(37)	1,263	(12)	91	0	1,306
Other	0	0	5	0	8	13
(Income)/Expenses 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**

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, 2017			
	France	**Germany**	**Austria**	**Italy**
Inflation rate	1.60%	1.60%	1.90%	1.60%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*1.75%*	*1.75%*	*N/A*
Statutory retirement benefits	*1.10%*	*N/A*	*1.75%*	*1.75%*
Long-service awards	*0.75%*	*1.75%*	*1.75%*	*1.75%*
Other benefits	*1.60%*	*1.75%*	*N/A*	*1.75%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.60%
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*	*0.37*	*5.02*	*7.70*
Statutory retirement benefits	*15.80*	*N/A*	*9.92*	*12.40*
Long-service awards	*15.82*	*15.69*	*18.65*	*9.20*
Other benefits	*0.00*	*2.28*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.87*	*12.52*	*16.14*	*17.25*
Statutory retirement benefits	*11.92*	*0.00*	*9.06*	*10.10*
Long-service awards	*8.18*	*10.41*	*9.86*	*10.72*
Other benefits	*N/A*	*1.39*	*N/A*	*N/A*

	Dec. 31, 2016			
	France	Allemagne	Autriche	Italie
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*

SENSITIVITY TESTS ON THE DEFINED BENEFIT OBLIGATION

	Dec. 31, 2017			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% change in the discount rate	(12.28)%	(9.87)%	(9.11)%	(1.34)%
-1% change in the discount rate	15.43%	11.74%	10.69%	1.38%
1% change in the inflation rate	7.93%	9.20%	1.22%	1.12%
-1% change in the inflation rate	(6.60)%	(7.86)%	(1.40)%	(1.11)%
1% change in rate of increase in medical costs	15.93%	0.00%	0.00%	0.00%
-1% change in rate of increase in medical costs	(13.12)%	0.00%	0.00%	0.00%
1% change in rate of salary increase (including inflation)	10.86%	10.98%	2.30%	1.12%
-1% change in rate of salary increase (including inflation)	(9.05)%	(9.42)%	(2.34)%	(1.11)%

	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% change in the discount rate	(12.27)%	(9.56)%	(9.49)%	(1.52)%
-1% change in the discount rate	15.20%	11.32%	11.17%	1.57%
1% change in the inflation rate	1.30%	11.04%	11.53%	1.01%
-1% change in the inflation rate	(1.17)%	(9.49)%	(10.31)%	(1.00)%
1% change in rate of increase in medical costs	8.78%	8.52%	0.00%	1.01%
-1% change in rate of increase in medical costs	(7.22)%	(7.31)%	0.00%	(1.00)%
1% change in rate of salary increase (including inflation)	16.74%	0.00%	0.00%	0.00%
-1% change in rate of salary increase (including inflation)	(13.82)%	0.00%	0.00%	0.00%

NOTE 15 / Financing liabilities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Due within one year		
◆ Finance leases		2,291
◆ Subordinated debt (interest and amortization of expenses)	11,254	-
Total	**11,254**	**2,291**
Due between one and five years		
◆ Subordinated debt (amortization of expenses)	(1,642)	-
Total	**(1,642)**	**-**
Due beyond five years		
◆ Subordinated debt	378,622	387,753
Total	**378,622**	**387,753**
TOTAL	**388,234**	**390,044**

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, 2017, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounting to €388,234 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €3,522 thousand;
- increased by accrued interest of €11,756 thousand.

The impact on consolidated income statement income as at December 31, 2017 mainly includes the interest related to the period for €16,156 thousand.

NOTE 16 / Liabilities relating to insurance contracts

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Provisions for unearned premiums	271,227	275,860
Claims reserves	1,265,601	1,275,230
Provisions for premium refunds	145,430	127,159
Liabilities relating to insurance contracts	**1,682,258**	**1,678,249**
Provisions for unearned premiums	(61,584)	(47,986)
Claims reserves	(309,120)	(266,756)
Provisions for premium refunds	(34,474)	(26,605)
Reinsurers' share of technical insurance liabilities	**(405,178)**	**(341,347)**
NET TECHNICAL PROVISIONS	**1,277,080**	**1,336,902**

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €781 million at December 31, 2017.

NOTE 17 / Payables arising from banking sector activities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Amounts due to banking sector companies	568,711	452,144
Amounts due to customers of banking sector companies	322,064	366,363
Debt securities	1,636,941	1,591,184
TOTAL	**2,527,716**	**2,409,691**

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 18 / Deferred tax

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Deferred tax assets	(79,516)	(71,973)
Deferred tax liabilities	113,595	104,500
NET DEFERRED TAX – LIABILITIES	**34,079**	**32,527**
Temporary differences	(26,984)	(23,510)
Provisions for pensions and other employment benefit obligations	(10,751)	(14,452)
Tax loss carry forwards	(7,752)	(9,348)
Cancellation of the claims equalization provision	79,566	79,837
NET DEFERRED TAX – LIABILITIES	**34,079**	**32,527**

Deferred tax assets and liabilities must be assessed at the rate applicable on the date on which the asset will be realized or the liabilities will be settled.

In France, the finance law for 2017 predicted a decline in the current common law rate from 33.33% to 25% progressively between 2019 and 2022. This future rate change has been taken into account in the valuation of deferred taxes of the French entities of the COFACE Group.

Each entity is compensating deferred tax assets and liabilities whenever it is legally authorized to compensate due tax assets and liabilities.

CHANGES IN DEFERRED TAX BALANCES BY REGION

Deferred taxes 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, 2016	Change through income	Revaluation adjustment on AFS investments	Change in currency impact	Other movements	Dec. 31, 2017
Northern Europe	68,120	(12,684)	(80)	0	192	55,548
Western Europe	(9,456)	14,269	4,100	(191)	1,840	10,562
Central Europe	164	(374)	(48)	(45)	(83)	(386)
Mediterranean & Africa	(10,802)	(4,427)	0	88	211	(14,930)
North America	(2,880)	2,550	(205)	317	(3)	(221)
Latin America	(3,842)	124	1,413	835	(1,771)	(3,241)
Asia-Pacific	(8,777)	(5,205)	(22)	751	0	(13,253)
TOTAL	**32,527**	**(5,747)**	**5,158**	**1,755**	**386**	**34,079**

(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**

The “Other movements” column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

DEFERRED TAXES RELATED TO LOSS CARRY

The breakdown by region of deferred taxes assets linked to tax deficits is as follows

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	0	907
Western Europe	173	1,174
Central Europe	953	676
Mediterranean & Africa	580	581
North Africa	244	4,117
Latin America	0	1,193
Asia-Pacific	5,802	700
NET DEFERRED TAX – LIABILITIES	**7,752**	**9,348**

The recognition of deferred tax assets on loss carry is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognized at the level of entity's income tax results estimated for the period from 2017 to 2022, *i.e.* a recoverability horizon of five years.

This recognition results from a business tax plan prepared by each entity on the basis of the business plan approved by the management.

NOTE 19 / Payables arising from insurance and reinsurance

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Guarantee deposits received from policyholders and other	4,520	3,461
Amounts due to policyholders and agents	120,908	112,786
Payables arising from insurance and inward reinsurance operations	**125,428**	**116,247**
Amounts due to reinsurers	75,279	71,350
Deposits received from reinsurers	4,023	4,314
Payable arising from ceded reinsurance operations	**79,302**	**75,664**
TOTAL	**204,730**	**191,911**

NOTE 20 / Other liabilities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Current tax payables	**76,996**	**110,847**
Derivatives and related liabilities	**267**	**7,508**
Accrued personnel costs	51,545	47,538
Sundry payables	226,704	171,023
Deferred income	8,338	7,908
Other accruals	18,338	30,537
Other payables	**304,925**	**257,006**
TOTAL	**382,188**	**375,361**

NOTES TO THE CONSOLIDATED PROFIT AND LOSSES

NOTE 21 / Revenue

CONSOLIDATED REVENUE COMPOSITION

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Premiums – direct business	*1,137,778*	*1,120,765*
Premiums – inward reinsurance	*81,834*	*81,675*
Gross written premiums	1,219,612	1,202,440
Premium refunds	(98,954)	(92,876)
Change of provisions for unearned premiums	(10,961)	5,576
Earned premiums	**1,109,697**	**1,115,140**
Fees and commission income	**128,914**	**128,795**
Net income from banking activities	**72,043**	**70,619**
Other insurance-related services	*4,382*	*5,882*
Remuneration of public procedures management services	*574*	*53,361*
Business information and other services	*27,436*	*25,170*
Receivables management	*11,886*	*12,330*
Income from other activities	**44,279**	**96,743**
Revenue or income from other activities	**245,236**	**296,157**
CONSOLIDATED REVENUE	**1,354,933**	**1,411,297**

CONSOLIDATED REVENUE BY COUNTRY OF INVOICING

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	303,872	307,320
Western Europe	280,785	327,176
Central Europe	127,708	121,259
Mediterranean & Africa	348,021	331,864
North America	121,894	136,119
Latin America	75,715	77,743
Asia-Pacific	96,938	109,816
CONSOLIDATED REVENUE	**1,354,933**	**1,411,297**

CONSOLIDATED REVENUE BY ACTIVITY

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Earned premiums – Credit	*1,029,499*	*1,039,916*
Earned premiums – Single Risk	*27,190*	*24,451*
Earned premiums – Credit insurance	**1,056,689**	**1,064,367**
Fees and commission income	**128,914**	**128,795**
Other insurance-related services	**4,382**	**5,882**
Remuneration of public procedures management services	**574**	**53,361**
Revenue of credit insurance activity	**1,190,559**	**1,252,405**
Earned premiums – Guarantees	**53,008**	**50,773**
Financing fees	39,472	35,545
Factoring fees	33,884	35,557
Other	(1,314)	(483)
Net income from banking activities (factoring)	**72,043**	**70,619**
Business information and other services	27,436	25,170
Receivables management	11,886	12,330
Revenue of business information and other services activity	**39,322**	**37,500**
CONSOLIDATED REVENUE	**1,354,933**	**1,411,297**

NOTE 22 / Claim expenses

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Paid claims, net of recoveries	(502,446)	(535,995)
Claims handling expenses	(26,607)	(25,139)
Change in claims reserves	(41,810)	(144,521)
TOTAL	**(570,863)**	**(705,655)**

CLAIMS EXPENSES BY PERIOD OF OCCURRENCE

	Dec. 31, 2017			Dec. 31, 2016		
(in thousands of euros)	Gross	Outward	Net	Gross	Outward	Net
Claims expenses – current year	(797,900)	196,781	(601,119)	(782,164)	167,717	(614,447)
Claims expenses – prior years	227,037	(40,980)	186,057	76,509	(23,514)	52,995
TOTAL	**(570,863)**	**155,801**	**(415,062)**	**(705,655)**	**144,203**	**(561,452)**

NOTE 23 / Overheads by function

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Acquisition costs	(262,607)	(255,289)
Administrative costs	(253,532)	(275,095)
Other operating expenses	(70,816)	(83,004)
Expenses from banking activities, excluding cost of risk	(13,779)	(13,193)
Expenses from other activities	(53,130)	(44,379)
Operating expenses	**(653,864)**	**(670,960)**
Investment management expenses	**(2,141)**	**(2,659)**
Claims handling expenses	**(26,607)**	**(25,139)**
TOTAL	**(682,612)**	**(698,758)**
of which employee profit-sharing	*(4,662)*	*(5,118)*

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. This stood at €682,612 thousand as at December 31, 2017 *versus* €698,758 thousand as at December 31, 2016.

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 24 / Expenses from banking activities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Charges to allowances for receivables	(3,490)	(15,129)
Reversal of allowances for receivables	38	10,965
Losses on receivables not covered by allowances	(1,031)	(58)
Cost of risk	**(4,483)**	**(4,222)**
Operating expenses	**(13,779)**	**(13,193)**
TOTAL EXPENSES FROM BANKING ACTIVITIES	**(18,262)**	**(17,415)**

"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 25 / Income and expenses from ceded reinsurance

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Ceded claims	112,655	124,553
Change in claims provisions net of recoveries	43,153	19,649
Commissions paid by reinsurers	119,767	95,738
Income from ceded reinsurance	**275,575**	**239,940**
Ceded premiums	(315,203)	(249,702)
Change in unearned premiums provisions	13,658	(7,837)
Expenses from ceded reinsurance	**(301,545)**	**(257,539)**
TOTAL	**(25,970)**	**(17,599)**

NOTE 26 / Investment income, net of management expenses (excluding finance costs)

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Investment income	43,621	43,780
Change in financial instruments at fair value though income	1,541	(7,850)
o/w hedged by currency derivatives on “Colombes” and “Lausanne” mutual funds	*64*	*(7,032)*
Netgains on disposals	4,059	1,105
o/w hedged by currency derivatives on “Colombes” and “Lausanne” mutual funds	*(68)*	*(63)*
Additions to/(reversals from) impairment	1,620	(2,294)
Net foreign exchange gains	8,041	16,472
*o/w hedged by currency derivatives on “Colombes” and “Lausanne” mutual funds**	*(5,267)*	*2,584*
Investment management expenses	(3,601)	(3,180)
TOTAL	**55,281**	**48,032**

* *The Colombes and Lausanne funds foreign exchange result covered by derivatives amounts to -€5,267 thousand; they break down into €1,790 thousand in realized profit and -€7,057 thousand in unrealized losses.*

INVESTMENT INCOME BY CLASS

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Equities	6,688	1,610
Fixed income	36,821	37,462
Investment properties	6,337	4,424
Sub-total	**49,846**	**43,496**
Associated and non consolidated companies	4,515	1,447
Exchange rate – change profit/loss	4,521	6,270
Financial and investment charges	(3,601)	(3,180)
TOTAL	**55,281**	**48,032**

NOTE 27 / Other operating income and expenses

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
State export guarantees management transfer		(13,693)
Fit to Win restructuring charges	(6,650)	(38,626)
Provision for the compensation of American agents	(1,783)	(1,678)
Other operating expenses	(614)	(948)
Total other operating expenses	**(9,047)**	**(54,945)**
Gain on State export guarantees management transfer		77,200
Transfer of liabilities related to State export guarantees management		11,450
Reversal of provisions on strategic plan Fit to Win	8,446	
Gain linked to alignment of social benefits with market standards		19,209
Other operating income	10	582
Total other operating income	**8,456**	**108,441**
TOTAL	**(591)**	**53,496**

Other operating income and expenses concern mainly restructuration fees related to the strategic plan Fit to Win:

- other operating income include reversal of provisions which became irrelevant for €8.4 million in German entities. This reversal comes from two effects. On one hand, the number of posts affected by the plan has been reduced, and on the other hand, some departures did not have any additional costs;
- other operating expenses include an increase of the provision on vacant premises and redevelopment of premises in France for €3.6 million and also cost in several entities in France and international.

Other operating expenses also include compensation of American agents for €1.8 million.

NOTE 28 / Share in net income of associates

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Cofacredit	2,369	(5,838)
TOTAL	**2,369**	**(5,838)**

Coface's share in net income of Cofacredit is €2,369 thousand of revenue.

NOTE 29 / Income tax expense

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Income tax	(63,022)	(109,123)
Deferred tax	7,371	60,999
TOTAL	**(55,651)**	**(48,124)**

TAX PROOF

(in thousands of euros)	Dec. 31, 2017		Dec. 31, 2016	
Net income for the year	**83,213**		**41,531**	
Non-controlling interests	159		(523)	
Income tax expense for the year	(55,651)		(48,124)	
Share of net income of associates	2,369		(5,838)	
Pre-tax income for the year and before share in net income of associates	**136,336**		**96,016**	
Tax rate		34.43%		34.43%
Theoretical tax	(46,940)		(33,058)	
Tax expense presented in the consolidation income statement	(55,651)	40.82%	(48,124)	50.12%
Difference	**8,711**	**6.39%**	**15,066**	**15.69%**
Impact of differences between Group tax rates and local tax rates	18,137	13.30%	8,663	9.02%
Specific local taxes	(2,589)	(1.90)%	(3,167)	(3.30)%
o/w French corporate value added tax (CVAE)	*(873)*	*(0.64)%*	*(2,132)*	*(2.22)%*
Tax losses for which no deferred tax assets have been recognised	(14,397)	(10.56)%	(14,065)	(14.65)%
Utilisation of previously unrecognised tax loss carryforwards	2,943	2.16%	681	0.71%
Dividends paid in France non deductible for tax purposes (5%)	(301)	(0.22)%	(466)	(0.49)%
Tax on dividends paid by COFACE SA (3%)	2,162	1.59%	(1,999)	(2.08)%
Tax audit in France	(12,382)	(9.08)%		
Liability method impact	566	0.42%		
Other differences	(2,850)	(2.09)%	(4,713)	(4.91)%

The effective income tax rate decreased from 50.1% at December 31, 2016 to 40.8% at December 31, 2017.

The negative impact of the tax assessment is offset by the increase in the net income from entities located in countries with a lower tax rate than the French rate.

OTHER INFORMATION

NOTE 30 / 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, 2017 NET INCOME BY SEGMENT

(in thousands of euros)	Northern Europe	Western Europe	Central Europe
Revenue	**300,171**	**281,683**	**131,063**
o/w Earned premium	*195,611*	*243,592*	*100,493*
o/w Factoring	*62,011*		*10,032*
o/w Other insurance-related services	*42,549*	*38,091*	*20,538*
Claims-related expenses (including claims handling costs)	(111,964)	(131,528)	(49,815)
Cost of risk	(4,516)		33
Commissions	(21,254)	(36,732)	(7,848)
Other internal general expenses	(118,739)	(90,020)	(45,880)
Underwriting income before reinsurance*	**43,698**	**23,402**	**27,553**
Income/(loss) on ceded reinsurance	(2,654)	12,665	(1,215)
Other operating income and expenses	8,000	(5,583)	50
Net financial income excluding finance costs	6,105	23,519	4,316
Finance costs	(263)	1,244	(17)
Operating income including finance costs	**54,886**	**55,248**	**30,687**
Share in net income of associates		2,369	
Net income before tax	**54,886**	**57,617**	**30,687**
Income tax expense	(17,168)	(45,585)	(5,867)
Consolidated net income before Non-controlling interests	**37,718**	**12,031**	**24,820**
Non-controlling interests	(1)	1	(1)
NET INCOME FOR THE PERIOD	**37,716**	**12,032**	**24,819**

* *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.*

Mediterranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
349,840	**121,894**	**75,715**	**96,938**	**983,541**	**28,066**		**(1,013,978)**	**1,354,933**
294,817	*108,741*	*72,554*	*93,888*	*983,541*			*(983,540)*	*1,109,697*
								72,043
55,023	*13,153*	*3,161*	*3,050*		*28,066*		*(30,438)*	*173,193*
(142,586)	(53,310)	(26,040)	(50,496)	(494,583)		(2,941)	492,400	(570,863)
								(4,483)
(37,805)	(26,177)	(9,846)	(19,828)	(325,210)			327,042	(157,658)
(114,653)	(34,678)	(26,788)	(34,913)		(27,446)	(35,337)	32,248	(496,207)
54,795	**7,729**	**13,041**	**(8,298)**	**163,748**	**620**	**(38,278)**	**(162,288)**	**125,723**
(18,337)	792	(6,719)	(8,046)	(166,203)			163,747	(25,970)
(1,054)	(1,783)	(219)						(589)
10,319	1,652	7,023	4,892		(588)	(893)	(1,064)	55,281
(550)	(1,007)	(1,044)	(602)		(142)	(16,156)	428	(18,109)
45,173	**7,383**	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**136,337**
								2,369
45,173	**7,383**	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**138,706**
(5,846)	(3,073)	(7,119)	4,387	845	38	19,049	4,689	(55,651)
39,327	**4,310**	**4,962**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,054**
(2)	0	162	0	0	0	0	0	159
39,325	**4,310**	**5,125**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,213**

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.*

Mediterranean & 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)**	**(65,942)**		**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**

NOTE 31 / Earnings per share

	Dec. 31, 2017		
	Average number of shares	**Net income for the period** *(in €k)*	**Earnings per share** *(in €)*
Basic earnings per share	156,820,959	83,213	0.53
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,820,959**	**83,213**	**0.53**

	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**

Coface implemented 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 should certain extreme events occur (significant increase in the loss or deterioration of the solvency ratio) [(1)]. In the event of one of the extreme events planned for in the documentation occurring, Coface would benefit from a capital increase for a maximum amount of €100 million. The amount of the capital increase which could be carried out in accordance with the terms described herein shall not in any case exceed 10% of the share capital over the 12 months preceding the day on which the price of the share issuance is determined.

The potential dilutive effect of the contingent equity line arranged with BNP Paribas depends on the probability of occurrence of the extreme trigger events described above and on Coface's share price at the time of their occurrence.

By way of illustration, the following table summarises the potential dilutive impact of the operation under different scenarios for a shareholder who holds 1% of the share capital prior to the operation (calculated on the basis of the number of shares comprised in the share capital as at December 31, 2017)

Share issuance price	Scenario	Number of new shares issued	Percentage interest of the shareholder: Non-diluted basis	Percentage interest of the shareholder: Diluted basis [(1)]
Average of the volume weighted average share price over 3 days preceding exercise of the warrants of €8.9188 (issuance price = €8.2945) [(2)]	No trigger	0	1.000%	1.000%
	Trigger event	12,056,164	1.000%	0.929%

(1) Based on the dilution of share capital as of December 31, 2015 which would result from the exercise of all existing stock options, exercisable or not and final acquisition of all the outstanding shares granted free of charge.
(2) In the event of a share issuance on the day of the warrants issuance.

(1) See the press release date February 9, 2016 "COFACE SA implements contingent equity line of up to €100 million".

NOTE 32 / Group's headcount

(in full time equivalent)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	632	686
Western Europe	945	1,160
Central Europe	480	468
Mediterranean & Africa	596	607
North America	124	113
Latin America	216	217
Asia-Pacific	134	127
TOTAL	**3,127**	**3,378**

At December 31, 2017, the number of employees of fully consolidated companies was 3,127 full-time equivalents *versus* 3,378 at December 31, 2016, down -7% (-251 FTEs) year-on-year.

This decrease in staff is mainly due to the transfer of the State export guarantees.

NOTE 33 / Related parties

At the end of December 2017, Natixis holds 41.38% of the COFACE Group's shares excluding treasury shares, and 41.24% including treasury shares.

	Number of shares	%
Natixis	64,853,881	41.38%
Public	91,883,815	58.62%
TOTAL	**156,737,696**	**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 *(in thousands of euros)*	Dec. 31, 2017		
	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,427)	0	0
Claims expenses	1	7	0
Expenses from other activities	(8)	(1)	(18)
Policy acquisition costs	1	10	0
Administrative costs	(60)	79	0
Other current operating income and expenses	1	(1)	0
OPERATING INCOME/(LOSS)	**(2,492)**	**94**	**(18)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2017			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	**5,855**	**39,966**	**0**	**0**
Other assets	**0**	**0**	**6**	**14**
Cash and cash equivalents	**0**	**11,819**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	149,544	0	0
Other liabilities	**0**	**0**	**0**	**58**

The €149,544 thousand in financing liabilities due to banking sector companies, at the end of December 2017, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income *(in thousands of euros)*	Dec. 31, 2016		
	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,220)	0	0
Claims expenses	0	3	0
Expenses from other activities	0	0	(175)
Policy acquisition costs	1	25	0
Administrative costs	(24)	13	0
Other current operating income and expenses	0	9	0
OPERATING INCOME/(LOSS)	**(2,243)**	**50**	**(175)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2016			
	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**

NOTE 34 / Key management compensation

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Short-term benefits	3,188	3,249
(gross salaries and wages, incentives, benefits in kind and annual bonus)		
Other long-term benefits	870	738
Statutory termination benefits	-	1,979
Share-based payment	-	266
TOTAL	**4,058**	**6,232**

The Group Management Committee is composed of seven members on December 31, 2017 and of the Coface CEO.

The line "Other long-term benefits" corresponds to the free performance shares' allocation (value at allocation date).

A total of €216.7 thousand was paid out in directors' fees to the members of the Board of Directors, the Audit Committee, and the Compensation Committee in 2017.

NOTE 35 / Breakdown of audit fees

	KPMG				Deloitte				Total			
(in thousands of euros)	2017	%	2016	%	2017	%	2016	%	2017	%	2016	%
Statutory and IFRS Audit												
COFACE SA	(266)	20%	(228)	16%	(309)	15%	(204)	12%	(575)	17%	(432)	14%
Subsidiaries	(950)	72%	(957)	68%	(1,737)	83%	(1,459)	86%	(2,687)	79%	(2,416)	78%
Sub-total	**(1,216)**	**92%**	**(1,185)**	**85%**	**(2,046)**	**98%**	**(1,663)**	**98%**	**(3,262)**	**96%**	**(2,848)**	**92%**
Other fees than Statutory and IFRS Audit												
COFACE SA	(42)	3%	0	0%	(22)	1%	0	0%	(64)	2%	0	0%
Subsidiaries	(63)	5%	(216)	15%	(21)	1%	(30)	2%	(84)	2%	(246)	8%
Sub-total	**(105)**	**8%**	**(216)**	**15%**	**(43)**	**2%**	**(30)**	**2%**	**(148)**	**4%**	**(246)**	**8%**
TOTAL	**(1,321)**	**100%**	**(1,401)**	**100%**	**(2,089)**	**100%**	**(1,693)**	**100%**	**(3,410)**	**100%**	**(3,094)**	**100%**

NOTE 36 / Off-balance sheet commitments

	Dec. 31, 2017		
(in thousands of euros)	Total	Related to financing	Related to activity
Commitments given	**1,085,684**	**1,047,117**	**38,567**
Endorsements and letters of credit	1,047,117	1,047,117	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	31,067		31,067
Commitments received	**1,366,164**	**962,506**	**403,658**
Endorsements and letters of credit	138,598		138,598
Guarantees	162,194		162,194
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	262,506	262,506	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,866		2,866
Guarantees received	**318,779**		**318,779**
Securities lodged as collateral by reinsurers	318,779		318,779
Financial market transactions	**95,501**		**95,501**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of the investors in COFACE SA subordinated notes(10 year maturity);
- a joint guarantee of €667,116 thousand given to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €254,135 thousand and Compagnie française pour le commerce extérieur for €64,644 thousand.

	Dec. 31, 2016		
(in thousands of euros)	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	**1,270,697**	**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**

NOTE 37 / Operating leases

Leases commitments given consist of non-cancellable lease agreements. They are broken down as follows:

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Less than 1 year	24,832	23,557
Between 1 and 5 years	69,943	75,724
More than 5 years	7,456	408
TOTAL	**102,231**	**99,689**

NOTE 38 / 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 one ten-year loan;
  - 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:

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other entities	Eliminations	Total
Revenue	2,092	1,423,425	958,231	(1,028,815)	1,354,933
Total current income and expenses	12,186	56,198	126,305	(39,656)	155,033
Net income	(8,314)	(9,898)	101,425		83,213
Fixed assets	1,831,121	5,020,477	1,086,257	(4,789,566)	3,148,289
Indebtedness outside the Group	388,234	0	0		388,234
Cash and cash equivalent	901	143,781	119,643		264,325
Net cash generated from operting activities	23,355	12,540	174,835		210,730
Dividends paid to the quoted company	0	27,688	0		27,688

NOTE 39 / Events after the reporting period

There is no subsequent event post-closing date.

NOTE 40 / Risk management

The sections integrating the Group's financial statements related to risk management are presented in Chapter 5, Section 5.1 "Risk Management and Internal Control" and Section 5.2 "Risk Factors".

4.3 / FINANCIAL STATEMENTS

4.3.1 BALANCE SHEET

Assets

(in euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Fixed assets			
Intangible assets	*4.1.1*	1,705,866	2,843,111
Interests in related companies	*4.1.2*	1,502,744,457	1,487,744,457
Loans to affiliates and subsidiaries	*4.1.3*	324,074,167	324,074,167
		1,828,524,490	**1,814,661,735**
Current assets			
French government and other authorities		6,038,546	
Current account Tax Consolidation		0	4,690,000
Current account Coface Finanz		466,920,924	439,977,531
Miscellaneous receivables		8,713,329	7,417,932
	4.1.4	**481,672,799**	**452,085,463**
Investment securities			
Treasury shares	*4.1.5*	4,516,593	2,591,166
Cash at bank and in hand	*4.1.6*	901,062	194,203
Prepaid expenses	*4.1.7*	2,421,372	24,592
		489,511,827	**454,895,424**
Deferred charge	*4.1.8*	1,980,770	2,310,898
Loan reimbursement premiums	*4.1.9*	1,154,136	1,346,492
		3,134,906	**3,657,390**
TOTAL ASSETS		**2,321,171,223**	**2,273,214,549**

Equity and liabilities

(in euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Equity			
Capital		314,496,464	314,496,464
Share capital premiums		810,435,517	810,435,517
Other reserves		129,338,819	74,355,509
Income for the year		20,815,235	75,381,066
	4.2.1-4.2.2	**1,275,086,035**	**1,274,668,557**
Provisions for liabilities and charges			
Provision for charges	*4.2.3*	5,930,564	3,605,549
		5,930,564	**3,605,549**
Debts			
Bank borrowings and debts		467,212,708	440,035,994
Other bond issues		391,756,250	391,756,250
Sundry borrowings and debts		175,559,460	156,629,396
Trade notes and accounts payables		729,715	815,853
Tax and social liabilities		4,584,211	4,903,519
Other payables		312,280	799,431
	4.2.4	**1,040,154,624**	**994,940,443**
TOTAL EQUITY AND LIABILITIES		**2,321,171,223**	**2,273,214,549**

4.3.2 INCOME STATEMENT

(en euros)	Notes	2017	2016
Operating income (I)		**2,844,892**	**2,269,291**
Recharged expenses and other income		2,844,892	2,269,291
Reversals of provisions and expense transfers			
Operating expenses (II)		**6,651,668**	**6,767,050**
Other purchases and external expenses		2,598,722	3,135,440
Income tax, taxes and similar payments		408	402
Employee-related expenses		43,358	48,367
Other expenses		2,541,807	2,115,468
Depreciations and amortisations		1,467,373	1,467,373
Operating results (I- II)	*5.1*	**-3,806,776**	**-4,497,759**
Financial income (III)		**42,132,063**	**102,343,772**
Investments income		27,688,035	87,019,539
Other financial income		14,444,028	15,323,781
Income from SICAV sales		0	452
Financial expenses (IV)		**20,020,264**	**21,310,811**
Interest and similar expenses		19,827,908	21,118,455
Depreciations and amortisations		192,356	192,356
Financial result (III- IV)	*5.2*	**22,111,799**	**81,032,961**
Non-recurring income (V)		**513,592**	**0**
On capital transactions		350,159	
On management transactions		163,433	
Non-recurring expenses (VI)	*5.3*	**0**	**636,265**
On capital transactions			636,262
On management transactions		0	3
Non-recurring income (V-VI)		**513,592**	**-636,265**
Income tax (income)	*5.4*	**-1,996,620**	**517,871**
NET INCOME FOR THE YEAR		**20,815,235**	**75,381,066**

4.4 / NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 / Significant events

CHANGES IN GOVERNANCE

Appointments to the Board of Directors of Coface

At its meeting of July 27, 2017, COFACE SA's Board of Directors co-opted Isabelle Laforgue, Econocom's Transformation Manager, and Nathalie Lomon, Ingenico's Chief Financial Officer, as independent directors of the Board of Directors of COFACE SA.

They replace Linda Jackson, general manager of the Citroën brand, member of the Executive Committee of PSA PEUGEOT CITROËN, and Martine Odillard, President of Cinémas Gaumont Pathé, who left the Board to focus on their current professional responsibilities.

ESTABLISHMENT OF A SYNDICATED LINE OF CREDIT

As part of the refinancing of its factoring activity, COFACE SA signed on July 28, 2017, with a group of partner banks, the setting up of a €700 million syndicated loan in euros. This credit replaces existing bilateral credit lines.

Coface relies on a panel of six relational banks: Natixis, Société Générale, BNP Paribas, Crédit Agricole CIB, acting as mandated arrangers and bookkeepers, HSBC and BRED acting as mandated arrangers. Natixis acts as documentation agent and Société Générale as an agent of the facility. The credit is set up for a period of three years with two options of extension of one year each, at the hand of the lenders.

This transaction enables the Group to improve its financial flexibility and extend the maturity of its refinancing, while taking advantage of favourable market conditions and strengthening relations with its leading banks, thereby confirming their medium-term commitment to Coface.

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.

The value in use is determined using the 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.

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 and ceded 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 at 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 is a line of credit with Société Générale, unused as of December 31, 2017, for an amount of €700 million which replaced on July 28, 2017 the six credit lines of €600 million. From Société Générale, Natixis, CACIB, BNP Paribas, HSBC and BRED.

As of January 1, 2016, COFACE SA received a share subscription commitment of up to €100 million from BNP Paribas Arbitrage, relating to the contingent capital, maturing on March 31, 2019.

- Commitments given: €1,125 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 (due date January 2021).

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 eight banks and amounting to €625 million (€523 million as at December 31, 2016).

NOTE 4 / Analyses on the main balance sheet items (in euros)

4.1 ASSETS

4.1.1 Intangible assets

(in euros)	Gross 2017	Amortisation	Net 2017
Set-up costs	5,696,410	3,990,544	1,705,866

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 *(in euros)*	Dec. 31, 2016	Acquisitions	Disposals	Dec. 31, 2017
Compagnie française d'assurance pour le commerce extérieur	1,337,719,300			1,337,719,300
Coface Re	150,025,157	15,000,000		165,025,157
TOTAL	**1,487,744,457**	15,000,000		**1,502,744,457**

4.1.3 Loans to affiliates and subsidiaries

Related companies *(in euros)*	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

(in euros)	Dec. 31, 2017	Up to one year	1-5 years	Dec. 31, 2016
French government and other authorities	6,038,546	6,038,546	0	0
Current account Tax Consolidation	0	0	0	4,690,000
Current account Coface Finanz	466,920,924	466,920,924	0	439,977,531
Miscellaneous receivables	8,713,329	2,782,765	5,930,564	7,417,932
Coface Factoring Poland	*189,155*	*189,155*	*0*	*145,506*
Natixis liquidity agreement	*1,640,187*	*1,640,187*	*0*	*3,573,114*
Other receivables	*6,883,986*	*953,422*	*5,930,564*	*3,699,313*
	481,672,799	**475,742,235**	**5,930,564**	**452,085,463**

The "Other receivables" item in miscellaneous receivables primarily consists of expenses to be recharged in connection with the award of bonus shares for €5,930,564, *versus* €3,605,548 at the end of 2016.

In November 2017, the amount of the liquidity contract was reduced by €2 million, reimbursed by Natixis.

4.1.5 Treasury shares

Number of shares held	Dec. 31, 2016	Acquisitions	Disposals	Dec. 31, 2017
Liquidity agreement	152,059	2,475,174	2,500,804	126,429
Bonus Share Awards	191,951	192,156*	0	384,107
	344,010	**2,667,330**	**2,500,804**	**510,536**

* *The amount declared to the AMF differs from 12,293 shares, acquired on December 28 and 29, 2017 and delivered in January 2018.*

/ 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, 2017, the Group's own shares held in treasury had a gross and net value of €4,516,593, broken down as follows:

- liquidity agreement: €1,142,337;
- bonus share award: €3,374,256.

4.1.6 Cash at bank and in hand

(in euros)	Dec. 31, 2017	Dec. 31, 2016
Natixis	901,062	194,203

4.1.7 Prepaid expenses

(in euros)	Dec. 31, 2017	Dec. 31, 2016
Natixis: liquidity agreement	24,000	24,592
Moody's: issuer rating and programme	61,650	
Expenses related to the syndicated loan	1,315,722	
Fees related to the strategy	1,020,000	
	2,421,372	**24,592**

4.1.8 Deferred charges

(in euros)	Gross 2017	Amortisation	Net 2017
Expenses linked to subordinated debt	3,301,283	1,320,513	1,980,770

Deferred charges include costs linked to the issuance of the subordinated debt amortised over a period of 10 years.

4.1.9 Loan reimbursement premiums

(in euros)	Gross 2017	Amortisation	Net 2017
Premium linked to subordinated debt	1,923,560	769,424	1,154,136

The premium linked to the subordinated debt is amortised over 10 years.

4.2 LIABILITIES

4.2.1 Changes in equity

(in euros)	Dec. 31, 2016	Appropriation of earnings	Transactions for the year	Distribution	Income for the year	Dec. 31, 2017
Share capital (NV*€5 -> €2)	**314,496,464**					**314,496,464**
Number of shares	157,248,232					157,248,232
Share premium	**810,435,517**					**810,435,517**
Legal reserve	**74,355,509**		**(42,905,863)**			**31,449,646**
Other reserves			**42,905,863**			**42,905,863**
Retained earnings		**54,983,310**				**54,983,310**
Income for the year	**75,381,066**	**(54,983,310)**		**(20,397,756)**	**20,815,235**	**20,815,235**
TOTAL	**1,274,668,557**	**0**	**0**	**(20,397,756)**	**20,815,235**	**1,275,086,035**

* *NV: Nominal Value.*

COFACE SA's total equity amounted to €1,275,086,035.

Share premiums include share premiums, issue premiums (of which €471,744,696 are unavailable premiums) and share issue warrants for €15,725.

In accordance with the decision of the Ordinary Shareholders' Meeting of May 17, 2017, the 2016 result has been allocated as retained earnings. The legal reserve exceeding 10% of capital, following the capital reduction in 2016, has been allocated to other reserves. A dividend of €0.13 per share (excluding treasury shares) was paid at the end of May 2017 representing a total amount of €20,397,756.

4.2.2 Composition of capital

(in euros)	Dec. 31, 2017		Dec. 31, 2016	
Number of shares		**157,248,232**		157,248,232
Nominal value		2.00		2.00
Shareholders				
Financial market and other	58.19%	91,507,278	58.29%	91,666,723
Natixis	41.24%	64,853,881	41.24%	64,853,881
Group Employee funds	0.24%	376,537	0.24%	383,618
Treasury shares	0.32%	510,536*	0.22%	344,010

* *The amount declared to the AMF differs by 12,293 shares, acquired on December 28 and 29, 2017 and delivered in January 2018.*

4.2.3 Provisions for liabilities and charges

(in euros)	Dec. 31, 2016	Additions	Reversals	Dec. 31, 2017
Provision for bonus share award	3,605,549	3,036,401	711,386	5,930,564
	3,605,549	**3,036,401**	**711,386**	**5,930,564**

4.2.4 Debts

(in euros)	Up to one year	1-5 years	Beyond 5 years	Dec. 31, 2017	Dec. 31, 2016
Bank borrowings and debts	**467,212,708**			**467,212,708**	**440,035,994**
Commercial paper: discounted fixed rate	467,545,990			467,545,990	440,150,148
CP accrued interests	(333,282)			(333,282)	(114,154)
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	**25,559,460**		**150,000,000**	**175,559,460**	**156,629,396**
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	25,358,210			25,358,210	6,428,146
Trade notes and accounts payables	**729,715**			**729,715**	**815,853**
Tax and social liabilities	**4,584,211**			**4,584,211**	**4,903,519**
Other debts	**312,280**			**312,280**	**799,431**
	510,154,624		**530,000,000**	**1,040,154,624**	**994,940,443**

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 July 2017, this programme, managed by Société Générale and through the intermediary of six banks, totalled €600 million under commercial paper and €100 million under an emergency credit line through six banks. As at December 31, 2017, €467 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 8 and August 7, 2017.

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 Re, followed in June 2015 by a second tranche of €40 million for sending additional funds to Coface Re (see Note 4.1.2).

The "Trade notes and accounts payable" item mainly consists expenses payable for the Statutory Auditors' fees of €561,000. Trade payables were €1,000 and €2,000 at December 31, 2017 and 2016 respectively.

Tax and social liabilities comprise €4,475,956 of a Group corporate income tax balance (€4,778,059 in 2016). The "Other debts" item mainly consists of expenses linked to the directors' fees paid in January 2018.

NOTE 5 / Analyses on main balance sheet items (in euros)

5.1 OPERATING INCOME

(in euros)	Dec. 31, 2017	Dec. 31, 2016
Operating income	**2,844,892**	**2,269,291**
Commercial paper structuring costs	488,297	395,657
Other income	2,356,595	1,873,634
Operating expenses	**(6,651,668)**	**(6,767,050)**
Other purchases and external expenses	**(2,598,722)**	**(3,135,440)**
Statutory Auditors' fees	(638,990)	(720,158)
Fees and commissions linked to CP program	(351,342)	(197,100)
Fees linked to communication	(5,000)	(397,931)
Compagnie française d'assurance pour le commerce extérieur fees: management mandates	(113,424)	(77,396)
Rebilling Group payroll costs and related expenses	155,339	(79,799)
Legal advertising costs	(4,971)	(11,235)
Natixis charges and commissions	(80,304)	(23,673)
Charges linked to stock market listing	(278,896)	(347,399)
Charges linked to the contingent capital	(500,000)	(626,000)
Charges linked to the Group's strategy	(712,623)	(563,971)
Charges linked to the issue of subordinated debt	(1,631)	(1,614)
Licence fees	(66,881)	(83,156)
Sundry costs	0	(6,007)
Income tax, taxes and similar payments	**(408)**	**(402)**
Employee-related expenses	**(43,358)**	**(48,367)**
Social charges on directors' fees	(43,358)	(48,367)
Other expenses	**(2,541,807)**	**(2,115,468)**
Directors' fees	(216,792)	(241,834)
Expenses linked to the bonus share award	(2,325,015)	(1,873,634)
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)
	(3,806,776)	**(4,497,760)**

The entry "Commercial paper structuring costs" corresponds to the recharging of the costs of managing this commercial paper.

The "Other income" item for €2,356,015 corresponds to charges to be rebilled linked to the LTIP 2017 bonus share award plan.

5.2 FINANCIAL INCOME

(in euros)	Dec. 31, 2017	Dec. 31, 2016
Financial income	**42,132,063**	**102,343,772**
Investment income	**27,688,035**	**87,019,539**
Dividend	27,688,035	87,019,539
Other financial income	**14,444,028**	**15,323,781**
Interests linked to the CP program and syndicated loan	(74,225)	1,217,974
Income on guarantees	1,565,753	1,153,307
Loan interests	12,952,500	12,952,500
Income from sales	**0**	**452**
Income from SICAV sales	0	452
Financial expenses	**(20,020,264)**	**(21,310,811)**
Interest and similar expenses	**(19,827,908)**	**(21,118,455)**
Fees and commissions linked to CP program	81,369	(1,216,985)
Interests on bond loan	(15,675,000)	(15,675,000)
Interests on borrowings	(3,450,000)	(3,450,000)
Interests on cash advance	(24,277)	(16,470)
Guarantees expenses	(760,000)	(760,000)
Depreciations and amortisations	**(192,356)**	**(192,356)**
Reimbursement premium amortisation	(192,356)	(192,356)
	22,111,799	**81,032,961**

Financial income primarily consists of the €27.7 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.

5.3 NON-RECURRING RESULT

(in euros)	Dec. 31, 2017	Dec. 31, 2016
NON-RECURRING INCOME	**513,592**	
Gains on treasury share sales	350,159	
On prior years	163,433	
NON-RECURRING EXPENSES		**(636,265)**
Losses on treasury share sales		(636,262)
Sundry		(3)
	513,592	**(636,265)**

The exceptional result consists of the result on disposal of treasury shares managed in the liquidity contract and default interest on the expected reimbursement of the 3% tax on dividends paid in 2016 and 2017.

5.4 INCOME TAX

(in euros)	Dec. 31, 2017	Dec. 31, 2016
Accounting income before CT	**18,818,615**	**75,898,937**
Deductions:	(30,176,446)	(88,893,184)
◆ Dividend Compagnie française d'assurance pour le commerce extérieur (mother/daughter regime)	(27,688,035)	(87,019,539)
◆ Bonus Share Awards to be rebilled	(2,325,015)	(1,873,634)
Default interest	(163,396)	
◆ Unrealised capital gain Dec. 31, 2015 from units in money-market funds (SICAV)		(12)
Reintegrations:	2,601,895	2,743,829
◆ Share of costs 1% on Group dividend (5% in 2015)	276,880	870,195
◆ Bonus Share Award expenses	2,325,015	1,873,634
◆ Unrealised capital gain Dec. 31, 2016 from units in money-market funds (SICAV)	0	0
Taxable income	**(8,755,936)**	**(10,250,417)**
Corporate tax (rates 33 1/3%)	0	0
3% tax on dividends paid to external (outside the tax consolidation group)	1,998,514	(1,998,514)
Additional contributions		
Corporate tax before tax consolidation	**1,998,514**	**(1,998,514)**
Net income from consolidated companies	(1,894)	1,480,643
Corporate income tax (income)	**1,996,620**	**(517,871)**

The application of the tax consolidation agreement resulted in a consolidation gain of €1,894,000 for financial year 2017, compared to €1,480,643 in 2016.

COFACE SA's tax loss carryforward prior to the tax consolidation was €2,788,100 for 2014.

5.5 – STATUTORY AUDITORS' FEES

This information is available in the COFACE Group consolidated financial statements as of December 31, 2017, in Note 41.

NOTE 6 / Information regarding related companies

The table below presents all items regarding related companies:

(in euros)	Dec. 31, 2017	Dec. 31, 2016
Balance Sheet – Assets		
Interests in related companies	1,502,744,457	1,487,744,457
Loans to affiliates and subsidiaries	324,074,167	324,074,167
Current account Tax Consolidation		4,690,000
Current account Coface Finanz	466,920,924	439,977,531
Miscellaneous receivables	1,829,343	3,718,620
Cash at bank and in hand	901,062	194,203
Prepaid expenses	24,000	24,592
Balance Sheet – Equity & Liabilities		
Sundry borrowings and debts	175,559,460	156,629,396
Trade notes and accounts payables	26,604	184,279
Other payables		60,000
Income statement		
Operating income	519,877	395,657
Operating expenses	(38,389)	(180,868)
Financial income	42,132,063	102,343,319
Financial expenses	(4,372,943)	(4,470,470)

NOTE 7 / Subsidiaries and Interests

	As of Dec. 31, 2017						
		Share capital	Reserves and retained earnings	Share of capital held	Value of securities held – Gross	Value of securities held – Net	Outstanding loans and advances granted by the Company
	Currency	*In foreign currency*	*In foreign currency*	*% (reported)*	*(in €)*	*(in €)*	*(in €)*
Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	EUR	137,052,417	994,198,608	99.995%	1,337,719,300	1,337,719,300	175,559,460
Coface Re SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	CHF	10,000,000	190,669,088	100%	165,025,157	165,025,157	-

	Year 2017			
	Turnover	Net earnings or loss	Dividends received or recognised by the Company	Exchange rate Dec. 31, 2016
	(in €)	*(in €)*	*(in €)*	*(in €)*
Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	1,048,826,375	45,602,023	27,688,035	
Coface Re SA Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	512,466,245	61,657,332	-	1.1702

4.5 / FIVE-YEAR SUMMARY OF COMPANY RESULTS

Nature of indications *(in euros)*	Year 2013 *	Year 2014	Year 2015	Year 2016	Year 2017
I - Year-end Capital					
a) Share capital	784,206,535	786,241,160	786,241,160	314,496,464	314,496,464
b) Number of issued shares	156,841,307	157,248,232	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	192,675	2,642,322	992,028	2,269,291	2,844,892
b) Income before tax, depreciation, amortisation and provisions	69,956,078	(1,677,741)	72,977,514	77,558,666	20,478,344
c) Income tax	1,176,604		(1,730,821)	517,871 (3)	(1,996,620)
d) Income after tax, depreciation, amortisation and provisions	68,779,474	(2,779,036)	73,048,606	75,381,066	20,815,235
e) Distributed profits	66,939,870	(1)	66,617,140 (2)	20,397,756 (4)	53,290,817 (5)
of which interim dividends	*65,089,142*				
III - Earnings per share					
a) Income after tax, but before depreciation, amortisation and provisions	0.44	(0.01)	0.48	0.49	0.14
b) Income after tax, depreciation, amortisation and provisions	0.44	(0.02)	0.46	0.48	0.13
c) Dividend paid to each share	0.43	0.00	0.42	0.13	0.34
IV - Personnel					
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) For 2014, an extraordinary dividend of €0.48 per share taken from the share premium, i.e., €75,460,456, (excluding treasury shares) was distributed as voted by the Annual Shareholders' Meeting of May 18, 2015.

(2) For 2015, an dividend of €0.48 per share taken from the share premium, i.e., €75,312,210 (excluding treasury shares), corresponding to the distributable profit of €66,617,140 increased by the €8,695,070 withholding on the issue premium, was distributed as voted by the Annual Shareholders' Meeting of May 19, 2016.

(3) In 2016, the tax income comes from the income from tax-consolidated companies.

(4) For 2016, a distribution of €0.13 per share, i.e., €20,397,756 (excluding treasury shares), was distributed as voted by the Annual Shareholders' Meeting of May 17, 2017.

(5) In 2017, a motion will be put to the vote at the Annual Shareholders' Meeting of May 16, 2018 regarding the distribution of €0.34 per share, amounting to a total of €53,290,817 (including treasury shares).

4.6 / STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

To the Shareholders of COFACE SA:

/ Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the COFACE SA consolidated financial statements for the year ended December 31, 2017, as appended to this report.

In our opinion, the consolidated financial statements are, with regard to IFRS as adopted in the European Union, consistent and fair and give a true and fair view of the results from operations over the past year, as well as the company's financial position and assets at the end of the financial year, of the group formed by the persons and entities included in the consolidation.

The opinion expressed below is consistent with the content of our report to the Audit Committee.

/ Basis for opinion

Audit standards

We conducted our audit in accordance with auditing standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are described in the section "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements" of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report. In particular we have not provided any services prohibited under Article 5 (1) of EU Regulation 537/2014 or by the statutory auditors' professional code of ethics.

/ Justification of our assessments – Key audit issues

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) regarding the justification of our assessments, we bring to your attention the key audit issues related to the risk of material misstatements which, in our professional judgement, were the most significant for the audit of the consolidated financial statements for the year and our response to those risks.

These assessments were performed as part of the audit of the consolidated financial statements taken as a whole and led to our opinion as expressed above. We express no opinion on the individual elements contained in these consolidated financial statements.

Assessment of provisions for unknown claims

Risk identified	Our response
The Coface group sets up provisions to cover both claims incurred but not reported and shortfalls in estimated provisions for claims reported in respect of its credit insurance business. At December 31, 2017, these provisions amounted to €781 million in the consolidated financial statements. As indicated in the chapter Accounting principles and policies – insurance services expenses, and in Note 40, Risk management, in the notes to the consolidated financial statements, these provisions for claims are determined on the basis of an estimate of the final loss amount. This estimate comes from actuarial analyses performed periodically by the entities and checked by Management. It results on the one hand from the application of actuarial methods based on the use of statistical data, and on the other, from consideration of assumptions about changes in the factors related to the insured party and its debtor, and to the economic, financial, regulatory or political environment based on which Management defines the final loss ratio deemed adequate. The determination of the level of these provisions implies a high degree of judgement on the part of Management and therefore constitutes increased risk necessitating special attention to the implemented audit procedures. As such, and because of the material nature of these provisions at December 31, 2017, we have considered this aggregate as a key audit matter.	To cover the risk associated with estimating these claims provisions, our approach was as follows: ◆ we noted the internal control measures that apply to the process for estimating claims provisions and the expected final expense, and tested the design and operating efficiency of the key controls implemented by Management; ◆ we assessed the relevance of the actuarial methods and parameters used, as well as the assumptions used to determine the expected final expense with regard to applicable regulation, market practices, and the economic and financial context specific to the group; ◆ we verified the consistency of the methods used to estimate provisions at year-end compared with the methods used at the previous year-end; ◆ we analysed the procedure for the provisions recorded for the previous financial year in order to make an a posteriori assessment of the quality of Management's estimates (analysis of liquidation boni-mali); ◆ we tested the reliability of the data on underlying claims used for the actuarial calculations by comparing relevant data with audited financial information; ◆ with the assistance of our actuarial experts, we performed an independent recalculation of credit insurance provisions, based on a sample, and verified that the group methods had been correctly applied.

Assessment of insurance business financial investments

Risque identified	Our response
Insurance business investments represent one of the biggest line items on the consolidated balance sheet. As at December 31, 2017, the carrying amount of these investments stood at €2,876 million. As indicated in the chapter Accounting principles and policies – financial assets in the notes to the consolidated financial statements, insurance business investments are valued at year-end based on their classification related to the management intention used by the group for each asset line. This assessment involves an element of judgement with regard to: ◆ impairment tests conducted by management and ◆ the valuation of unlisted securities, especially unconsolidated investment securities and shares in French non-trading property companies and property investment funds (SCIs and SCIPs). We have identified this issue as a key audit matter with regard to the amounts at stake and the judgement used by management to identify impairment indicators of securities in the portfolio.	To assess the reasonable nature of the valuation of financial investments, our audit mainly consisted in verifying that the values used by management were based on appropriate justification of the valuation method and figures used and, depending on the securities concerned, in: ◆ verifying the stock market prices used; ◆ obtaining the business plans drawn up by management and assessing the appropriateness and justification of the assumptions used; ◆ verifying that the main assumptions used were consistent with the economic environment; ◆ comparing the consistency of the projections used for the previous years against the corresponding actual figures for a sample of securities; ◆ assessing the documentation underlying the analysis of the impairment indicators and checking the figures contained in this documentation against external sources.

Estimate of provisions for pipeline premiums

Risque identified	Our response
Pipeline premiums amounted to €120 million in the consolidated financial statements at December 31, 2017. As indicated in the chapter Accounting principles and policies – gross premiums written in the notes to the consolidated financial statements, pipeline premiums are determined according to an estimate of the premiums expected for the period, less premiums that have been recognised. This estimate includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum premiums set contractually and estimated final premiums. The estimate of final premiums relies on the use of statistical methods that draw on historical data and assumptions calling for Management's judgement. Since determining these provisions involves a high degree of judgement, we considered that the assessment of pipeline premiums was a key audit matter.	To cover the risk related to assessing pipeline premiums, we took the following approach to our audit: ◆ we noted the internal control measures that apply to the processes for estimating premiums and tested the operating efficiency of the key controls implemented by Management; ◆ we asked our actuarial experts to assess the appropriateness of the applied methodology and the key assumptions used to determine the final premiums; ◆ we verified the permanent nature of the methods used to estimate pipeline premiums at year-end compared with the methods used at the previous year-end; ◆ we reconciled the calculation bases with accounting data; ◆ we made an independent recalculation on a sample of policies; ◆ we compared the estimates of pipeline premiums recognised at the start of the year with the corresponding actual figures in order to assess the appropriateness of the method applied.

/ Verification of the Group management report

In accordance with the professional standards applicable in France, we also specifically verified the information provided in the Board of Directors' report on group management as required by law.

We have no matters to report concerning its fair presentation or consistency with the consolidated financial statements.

/ Disclosures resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed Statutory Auditors of COFACE SA by decision of the sole partner dated February 28, 2008 in the case of KPMG and by the general shareholders' meeting of May 3, 2007 in the case of Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31 2017, KPMG was in its 10th consecutive year as Statutory Auditors and Deloitte & Associés in its 11th year (at least). Four of those years are since the company's shares were admitted for trading on a regulated market.

/ Responsibilities of management and individuals charged with corporate governance in respect of the consolidated financial statements

It is management's responsibility to prepare the consolidated financial statements giving a true and fair view in accordance with IFRS as adopted in the European Union and to implement the internal control procedures it deems necessary in order to ensure that the consolidated financial statements it has prepared are free of material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is incumbent on management to assess the company's ability to continue as a going concern, to include in these statements, where applicable, the information related to continuing as a going concern, and to apply the going concern basis of accounting, except if the company is expected to be wound up or cease operating.

It is incumbent on the Audit Committee to monitor the process for preparing financial information and the effectiveness of internal control and risk management systems, and, where applicable, internal audit systems, as these apply to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

/ Statutory Auditors' responsibilities regarding the audit of the consolidated financial statements

Audit objectives and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will consistently identify any material misstatements. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users of the financial statements make based thereon.

As specified in Article L.823-10-2 of the French Commercial Code, our role in certifying the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, define and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal control;
- obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as related disclosures provided in the consolidated financial statements;
- assess the appropriateness of management's use of the going concern accounting policy and, based on the audit evidence obtained, whether a material uncertainty exists related to events or circumstances that could jeopardize the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of their report. However, future events or conditions may cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw attention in their report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, they will either issue a qualified opinion or refuse to certify the statements;
- evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- with regard to the financial information about the persons or entities included in the consolidation scope, collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We provide a report to the Audit Committee which includes information about the scope and timing of our audit and our audit findings. If applicable, we also bring to its attention material weaknesses in internal control that we identified as pertaining to the procedures for preparing and processing accounting and financial information.

The information contained in our report to the Audit Committee includes the risks of material misstatement that we consider to have been the most important to the audit of the 2017 consolidated financial statements and which therefore constitute the audit's key issues. It is our responsibility to describe these in this report.

We also provide the Audit Committee with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where applicable, we discuss with the Audit Committee any risks to our independence and the safeguards applied.

Neuilly-sur-Seine and Paris-La Défense, April 4, 2018

The Statutory Auditors

Deloitte & Associés	KPMG Audit
	Department of KPMG S.A.
Jérôme Lemierre	Régis Tribout
Partner	*Partner*

4.7 / STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended December 31, 2017

To the Shareholders of COFACE SA,

/ Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the COFACE SA annual financial statements for the year ended December 31, 2017, as appended to this report.

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 December 31, 2017 and of the results of its operations for the year then ended in accordance with generally accepted accounting practices in France («French GAAP»).

The opinion expressed above is consistent with the content of our report to the Audit Committee.

/ Basis for opinion

Audit standards

We conducted our audit in accordance with French GAAP. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are described in the section "Responsibilities of the statutory auditors regarding the audit of the annual financial statements" of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report. In particular we have not provided any services prohibited under Article 5 (1) of EU Regulation 537/2014 or by the statutory auditors' professional code of ethics.

/ Justification of our assessments – Key audit issues

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) regarding the justification of our assessments, we bring to your attention the key audit issues related to the risk of material misstatements which, in our professional judgement, were the most significant for the audit of the annual financial statements for the year and our responses to those risks.

These assessments were performed as part of the audit of the annual financial statements taken as a whole and led to our opinion as expressed above. We express no opinion on the individual elements contained in these annual financial statements.

Valuation of investment securities

Risque identified	Our response
Investment securities presented in the annual financial statements of COFACE SA at December 31, 2017 amounted to €1,502.7 million. As indicated in Note 2 to the annual financial statements, these investment securities were recognised at acquisition cost and subsequently impaired when their value in use was lower than their carrying amount. The impairment recognised was therefore equal to the difference between those two figures at the balance sheet date. Realisable value is estimated by Management based on the analysis of several indicators, including revalued equity, projected earnings from shareholdings, their future outlook and their value in use for COFACE SA. This value in use is calculated based on discounted cash flow projections from the provisional three-year business plans prepared by the operating entities, extrapolated over two additional years and approved by Management. These forecasts are based on each entity's past performance and on financial assumptions based on the entity's maturity, its business history, and the prospects for the market and country in which it operates. Estimating this value therefore requires the COFACE SA Management to exercise its judgement in choosing which factors to consider, especially the prospective profitability of the entities whose shares are held by COFACE SA. The potential impact on the financial statements relates to the existence of a provision for impairment losses on investment securities that are not recognised at the balance sheet date. Due to the materiality of investment securities on the company's balance sheet and the fact that the valuation of these investments is based on assumptions and reflects an estimate involving the Management's judgement, we have identified this matter as a key audit issue.	Our audit approach primarily consisted in verifying that the Management's estimate of the realisable values was based on an appropriate justification of the valuation method, assumptions and quantitative elements used: ◆ we obtained and analysed the business plans of the entities whose shares are held by COFACE SA and discussed the projections with the company's Management; ◆ we checked for consistency between the main assumptions used and the economic environment; ◆ we compared the consistency of the forecasts made during previous years with the corresponding actual figures; ◆ we assessed the need for establishing a provision for impairment and, as applicable, verified the calculation of that impairment.

/ Verification of the management report and other documents provided to shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Disclosures provided in the management report and in the other documents provided to shareholders on the financial position and annual financial statements

We have no matters to report concerning the fair presentation and consistency with the annual financial statements of the information provided in the board of directors' management report or in the other documents provided to the shareholders with respect to the financial position and the annual financial statements.

Report on corporate governance

We confirm that the disclosures required under Articles 225-37-3 and L.225-37-4 of the French Commercial Code have been included in the Board of Directors' report.

For the amounts and disclosures provided pursuant to the provisions of Article L.225-37-3 of the French Commercial Code regarding the compensation and benefits paid to company officers and the commitments made to them, we have verified that these are consistent with the information contained in the financial statements or with the data used to prepare said financial statements and, as applicable, with the information obtained by your company from the companies that control it or are controlled by it. Based on the audit conducted, we hereby certify that the disclosures made are accurate and presented fairly.

For information relateing to items that your company considered likely to have an impact in the event of a public tender or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have verified their consistency with the documents from which they originated and which were provided to us. Based on our audit, we have no matters to report concerning these disclosures.

Other information

As required by law, we have obtained assurance that disclosures about the identity of holders of shares or voting rights were provided to you in the management report.

/ Disclosures resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed Statutory Auditors of COFACE SA by decision of the sole partner dated February 28, 2008 in the case of KPMG and by the general shareholders' meeting of May 3, 2007 in the case of Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31, 2017, KPMG was in its 10th consecutive year as Statutory Auditors and Deloitte & Associés in its 11th year (at least). Four of those years are since the company's shares were admitted for trading on a regulated market.

/ Responsibilities of management and individuals

charged with corporate governance in respect of the annual financial statements

It is management's responsibility to prepare the annual financial statements giving a true and fair view in accordance with French GAAP and to implement the internal control procedures it deems necessary to ensure that the annual financial statements it has prepared are free of material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for including information related to the going concern in these financial statements, where applicable, and applying going concern accounting policiy, unless the company is expected to be wound up or cease operating.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of the internal control and risk management systems and, where applicable, the internal audit, as these apply to the procedures for preparing and processing the accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

/ Statutory auditors' responsibilities regarding the audit of the annual financial statements

Audit objectives and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted accounting practices will consistently identify any material misstatements. Misstatements may resutl from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users of the financial statements make based thereon.

As specified in Article L.823-10-2 of the French Commercial Code, our role in certifying the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, define and implement audit procedures to deal with those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not identifying a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal control;
- obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control;

- assess the appropriateness of accounting methods used and the reasonableness of accounting estimates made by management, as well as related disclosures provided in the annual financial statements;
- assess the appropriateness of management's use of the going concern accounting policy and, depending on the audit evidence obtained, whether a material uncertainty exists related to events or circumstances that could jeopardize the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of their report. However, future events or conditions may cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw attention in their report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, they will either issue a qualified opinion or refuse to certify the statements;
- evaluate the overall presentation of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We provide a report to the audit committee which includes information about the scope and timing of our audit and our audit findings. If applicable, we also bring to its attention material weaknesses in internal control that we identified as pertaining to the procedures for preparing and processing accounting and financial information.

The information contained in our report to the Audit Committee includes the risks of material misstatement that we consider to have been the most important to the audit of the 2017 annual financial statements and which therefore constitute the audit's key issues. We are required to described these in this report.

We also provide the audit committee with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where applicable, we discuss with the audit committee any risks to our independence and the safeguards applied.

Neuilly-sur-Seine and Paris-La Défense, April 4, 2018
The Statutory Auditors,

Deloitte & Associés	KPMG Audit *Department of KPMG S.A.*
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

5. MAIN RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP

5.1 / RISK MANAGEMENT AND INTERNAL CONTROL

Prior to making a decision to invest in the shares of the Company, prospective investors should consider carefully all the information set out in this registration document, including the risks detailed below: i) "Risk management and internal control" and ii) "Risk factors".

Such risks are, as of the date of this report, the risks that the Group believes, were they to occur, could have a material adverse impact on the Group, its business, its financial position, its results of operations or prospects, and which are material in making an investment decision.

Prospective investors should nonetheless note that the risks described in this chapter may not be comprehensive, and that there may be additional risks that are not currently known or whose occurrence, as of the date of the registration document, is not considered likely to have a material adverse impact on the Group, its business, its financial position, its results of operations or prospects.

Within the framework of the Group's activity, risk taking translates the search for business opportunities and the will to develop the Company in an environment intrinsically subject to numerous hazards. The essential goal of the risk management function is to identify the risks to which the Group is exposed and to set up an efficient 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 operates, iii) control of compliance by all operating entities with the Group rules enacted in view of managing the risks related to operations.

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.

5.1.1 STRUCTURE OF THE MECHANISM

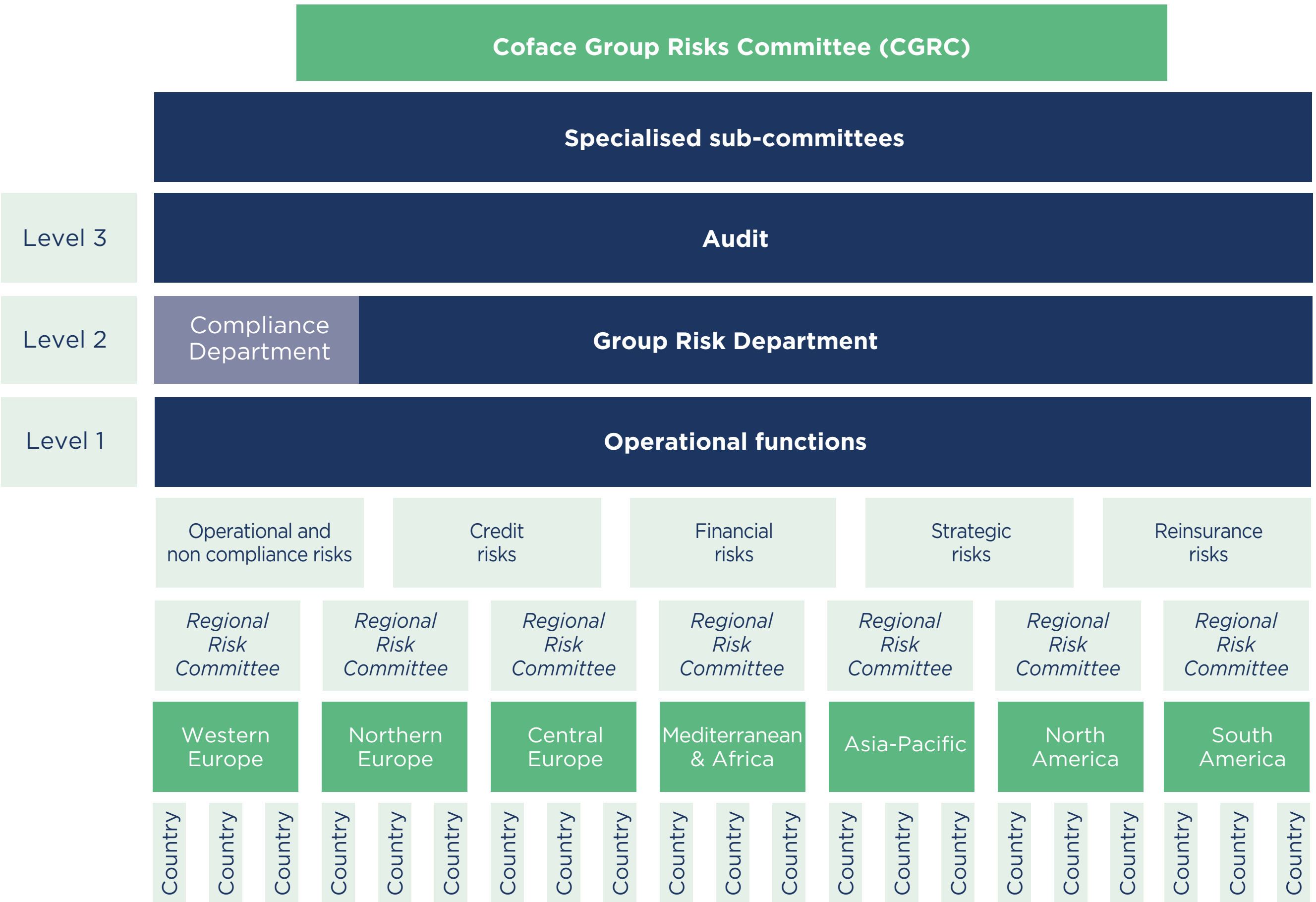
The internal control and risk management mechanism consists of:

- a governance structure, designed to allow supervision and appropriate management of the Group's activities; and
- management structures and control mechanisms, designed to enable the Group's managers to separately apprehend the main risks to which the Group is exposed, and to have the necessary tools for their analysis and prevention.

Governance structure

The Group has implemented a risk management and control system that revolves around clear governance supported by a dedicated organisation based on key functions. It has developed its governance by relying on the Board of Directors (see Section 2.1 "Composition and functioning of the Board of Directors and its specialised committees"), its Audit Committee and specialised committees which define the Group's strategy, review and approve policies, identify, measure and manage risks identified according to risk appetite limits and indicators.

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



Since 2016, the regional risk committees of the Group's seven global regions meet every quarter. They are chaired by the regional risk manager, keep the Group Risk Department informed of their proceedings and perform the same tasks as the CGRC.

Management structures and control mechanisms

The management structures and control mechanisms are based on the CGRC. The committee is chaired by the Chief Executive Officer and meets at least every quarter with the members of the Group Management Committee (see Section 2.2 "Chief Executive Officer and Group Management specialised committees"), the Group's strategic and operational management body, the Director of Group Risks, the Group Compliance Director, the Group Director of Audit and the Director of the Actuarial Department and, if necessary, the representatives of the operational or functional departments concerned, who are likewise represented according to the matters at hand.

The CGRC is tasked with:

- reviewing the main risk management policies and procedures;
- proposing risk appetite limits which will be submitted to the Board of Directors for approval;
- monitoring risk appetite limits and associated indicators;
- monitoring the Group's risk exposure, in all dimensions (credit, finance, operational and compliance, reinsurance, strategic policies);
- reviewing the main conclusions drawn from sub-committees;
- finding out about audits performed within the Group;
- organising reporting to the Audit Committee or other bodies as appropriate;
- reviewing ORSA[1] assumptions and results for the purpose of their approval by the Board of Directors;
- ensuring that the control mechanism is effective;
- communicating its decisions to the staff involved.

In 2017, a specific session was organised about the topics of IT security and Coface information systems.

(1) *Own Risk and Solvency Assessment.*

5.1.2 ORGANIZATION

The Group risk management system seeks to ensure the proper functioning of all the Group's activities and processes, by controlling and monitoring identified risks.

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

The four key functions

The Solvency II Regulation grants the Chief Executive Officer and, if necessary, the Deputy Chief Executive Officer, the status of effective directors of a Group. It authorises the appointment by the Board of Directors of one or several other effective directors.

Each key function is under the authority of the Chief Executive Officer or the effective director 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 Board of Directors' Charter (published on the www.coface.com website).

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.

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.

Since 2017, regional audit, risk and compliance functions report to managers in charge of these functions at Group level. Similarly, subject to compliance with local regulations, the same reporting line by function has been established between country and regional managers.

/ Risk management function

The risk management function, led by the Risk Director, is tasked with covering all of the Group's risks and consists in defining risk policies and monitoring their application, assessing the relevance 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 exposure to 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;
- contributes to improving and formalising level one control activities implemented by operational staff.

The risk management function is in charge of rolling out and coordinating Solvency II at the Group level. It reports its activities to the CGRC. It cooperates closely with the actuarial function.

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

In accordance with regulatory requirement, risk policies are reviewed annually by general management, then approved by the Board of Directors. These policies are then communicated to all the Group's entities, thereby contributing to forging a common risk culture.

/ Compliance function

The compliance function consists of verifying compliance of 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 the level one controls relating to compliance are properly implemented by the businesses, it defines and performs level two controls and issues recommendations intended to correct any shortcomings highlighted during such controls.

It provides advice on all issues relating to compliance with legislative, regulatory and administrative provisions associated with access to insurance activities and the practice thereof.

/ Internal audit function

The Group's 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 Executive Committees in an advisory capacity. He reports, by hierarchy, to the Group Chief Executive Officer (CEO) and by function, to the Natixis General Inspection Department, as the internal audit function is integrated into the periodic control mechanism of Natixis, reference shareholder, and that of BPCE.

Since 2016, the structure of the internal audit function is based on a reporting line to the Group Director of Audit.

An internal audit policy defines the purview of the function. The key objectives of this 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;

(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 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). Auditing checks 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; and
- the effective implementation of the recommendations of prior audit missions, 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 implemented under the supervision 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.

/ The actuarial function

The actuarial function is performed by the Director of the Actuarial Department, who reports to the Chief Financial Officer since July 1, 2016. It is tasked with advising general management and supporting its efforts to guarantee the Group's long-term solvency and profitability and to oversee compliance with Solvency II requirements, such as reserving. To perform its missions, the actuarial function has direct access to Board meetings.

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

In accordance with the requirements of the European Solvency II Directive, the actuarial function is in charge of the following tasks:

- 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 reinsurance-related arrangements and on the overall commercial underwriting policy;
- models the risks linked to the calculation of capital requirements;
- issues once a year, an actuarial report on the work that it conducts;
- contributes to the internal assessment of risks and solvency.

Internal control system

The internal control system relies on the same functions as the risk management system, it is used to verify the application of the rules and principles defined under the risk management system.

As an insurance company with a banking Group as its reference shareholder, the Company 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.

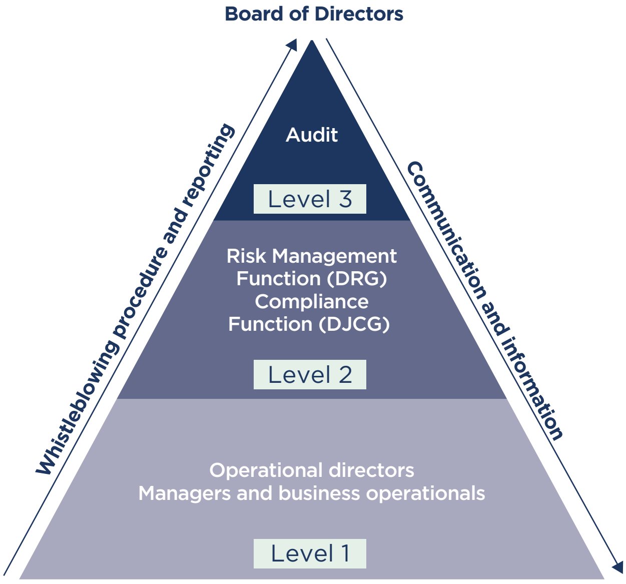
The risk management mechanism consists of three lines of defence with well-identified players for each level. The first line of defence is represented by the businesses which are responsible for their processes and systems as well as the associated risks.

The second line of defence is represented by dedicated risk and compliance functions which are responsible for supporting the first line of defence and defining tools and methods in order to assess, manage, control and report risks.

The third line of defence is represented by the internal audit function which provides independent assessment of the efficacy of the risk management mechanism and more broadly, of all the Group's activities and processes according to a multi-year audit plan.

Each line of defence implements the controls set up in the Group:

1. level one operational controls managed by businesses;
2. permanent level two controls managed by the Group Risk Department and the Group Legal and Compliance Department; and
3. periodic level three controls managed by the Group Audit Department.



The risk management mechanism consists of three lines of defence with well-identified players for each level.

These controls are applicable to all of the Group's entities, in particular 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; and
- 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, commissions the performance of level two on-site controls to ensure compliance with the IT security policy.

Coface reviewed all of its operational risks and its level one controls in 2017. These controls covering all of the Group's processes were first rolled out over a provisional system then integrated into a risk management tool to facilitate analysis and tracking of controls made. Risks and controls are managed at the level of each legal entity to ensure compliance with regulators locally.

Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the Chief Financial Officer (CFO) of each region.

In principle, the local CFOs are responsible for their scope of the entities: i) for the local accounting system (compliance with local regulation and with the Group's rules); ii) the IFRS accounts as reported in the Group's consolidation tool (compliance with IFRS regulation and Group rules); and iii) 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 , on the aggregates of technical underwriting, with control and reporting tools and files which allow application of the methods defined by the Group and oversight of proper comparisons, especially between management applications and the accounting tool.

As part of level one controls, each entity sends at each closing date, the controls and comparisons made and used to validate the quality and integrity of the data.

This process allows a complete audit trail to be obtained, and produces data quality that is standardised and reliable within the Group.

/ 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 verifies accounting information for the entire Group. It is also in charge of producing the consolidated financial statements; financial statements of the Company, parent company, and of its daughters Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Fimipar and Cogeri and the 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 reports and presentation of accounts: producing financial statements, internal reports, periodic regulatory statements (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; and iv) corporation information.

They also monitor the production of consolidation bundles according to the Group's standards and procedures.

/ Common tool for consolidation and management control

The monthly reporting of management control, quarterly financial statements in French GAAP and in IFRS are entered in the same tool. The quality of the information received is improved through automatic comparison statements.

Additional controls are carried out during quarterly inventory operations, especially from the analysis of accounts and comparisons with the management data. Consistency checks are carried out with the data received from management control reporting.

As part of consolidation operations, comprehensive controls are carried out: 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 check on reinsurance income, specific check on the breakdown of charges by destination, analytical review allowing for a comprehensive control on consistency.

Inward reinsurance operations inside the Group are subject to a particular accounting control, which consists of verifying the exhaustiveness and compliance of the detailed accounts entered in the Reinsurance Department, and of the source data until they are properly integrated into the accounting.

/ 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).

Outlook for change

Since 2016, Coface has launched a number of initiatives aimed at strengthening its internal control mechanism. First, the risk and compliance sectors have been strengthened in the regions where Coface operates. Particular attention was paid to strengthening the “risk” culture with the implementation of a training mechanism intended not only for the risk sector but also for regional and country managers. A training programme for all employees was launched at the end of 2017 and will continue to be rolled out in 2018. Lastly, the permanent control mechanism was harmonised across level one controls, with a gradual roll-out that began on the Group’s largest entities. These works will continue in 2018 and will include the rollout of specific software to facilitate the analysis of level one and level two controls.

5.1.3 DEFINING AND MEASURING RISKS

Strategic risks

/ Definition

Strategic risk stems from the Group’s 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.

/ Measures

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 ultimately responsible for monitoring strategic risk, by adopting a strategic planning process and by determining any necessary modifications.

Credit risks

/ Definition

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

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 natural 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 unpaid receivables 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 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 offering is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offering in each region. It combines the marketing, sales, organisation, compliance, actuarial risk functions, and any other function according to the projects.
- Validation of product developments: any product development, whether in terms of the policy, pricing method, retail method, target (policyholder, country), must be conveyed to the Group's Marketing Department and to the Legal 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), 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, by acceptance rate in the DRA scale, or by product line (surety bond, Single Risk, etc.). 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, unpaid receivables are analysed weekly by the Group Management Committee, and monthly by the Group Risk Underwriting Committee. The loss ratios of the various commercial underwriting regions are likewise tracked at the Group consolidated level of the underwriting.

In addition to the weekly and monthly monitoring by each region and country, a mechanism is established at the Group level, which relies on:

- 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 according to 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 of contractual limits on outstanding amounts.

/ 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 policyholder, before any indemnification of the losses suffered, is claims prevention and assistance in developing a client base. 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 policyholder, 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 policyholder's expertise, the Group may grant certain policyholders 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 policyholder

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 line is covered, and it is not possible for the policyholder to choose the individual risks to be covered.

(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 deterioration, in order to establish remedial actions at an early stage.

/ Recovery management by the Group

The Group also asks the majority of its policyholders to put it in charge of recovering unpaid receivables (see Section 1.5.1.6 "Indemnification of claims and recovery of receivables"). As soon as the policyholder declares an unpaid receivable, the Group starts recovery actions in an effort to limit the loss and allow the policyholder, 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

Commercial underwriting decisions are made by groups of risk underwriters in various underwriting centres, who work in real time and in network thanks to ATLAS. These commercial underwriting decisions address the 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.

Inward 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.

/ Measures

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 unpaid receivables declared, which have been noted in a indemnification request;
- 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 which have not been declared at year-end); 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, 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 Actuarial Department issues an opinion regarding an adequate ultimate loss ratio.

On the basis of the opinions issued by the Group Actuarial Department and other analyses, during the Loss Reserving Committee management determines the level of final reserves to be established for each quarterly 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 according to the loss ratio (total of claims expenses compared to the total gross earned premiums). This ratio, which was determined using figures from the consolidated financial statements, totalled 51.4% in 2017.

The table below shows the evolution of the loss ratio including claims handling expenses before reinsurance recorded for a given year between 2012 and 2017:

Year	2017	2016	2015	2014	2013	2012
Loss ratio	51.4%	63.3%	51.0%	47.6%	51.1%	51.5%

The Group controls its level of ultimate loss thanks to its capacity to reduce or cancel its credit-insurance coverage, 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, 2017, would have had an impact of +/- €11 million on the claims expenses, of +/-€8 million on claims expenses net of reinsurance, of +/-€5 million on the net income and of +/-€5 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. This sensitivity analysis is calculated on a straight line basis.

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

5.

Claims expenses recorded at the Group level

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

	At December 31								
	2017			2016			2015		
(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	(798)	197	(601)	(782)	168	(614)	(815)	165	(650)
Claims expenses – prior years	227	(41)	186	76	(24)	52	210	(44)	166
CLAIMS EXPENSES	**(571)**	**156**	**(415)**	**(706)**	**144**	**(562)**	**(605)**	**121**	**(484)**

Status of technical provisions established at the Group level

In the table below, the unearned premiums reserves correspond 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. Profit sharing is a contractual stipulation which consists of paying a portion of the benefit, which might be generated on the contract based on its loss experience, to the policyholder at the end of a defined period.

	As of Dec. 31		
(in millions of euros)	2017	2016	2015
Unearned premiums reserves	271	276	286
Claims reserves	1,266	1,275	1,122
Provisions for profit sharing	145	127	107
Liabilities relating to insurance contracts	**1,682**	**1,678**	**1,515**
Unearned premiums reserves	(62)	(48)	(58)
Claims reserves	(309)	(267)	(247)
Provisions for profit sharing	(34)	(26)	(23)
Reinsurers' share of liabilities relating to insurance contracts	**(405)**	**(341)**	**(328)**
NET TECHNICAL PROVISIONS	**1,277**	**1,337**	**1,187**

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 according to 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 (before reinsurance and excluding claims handling expenses)

Occurrence year/ development year *(as a %)*	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8
2008	93.9	113.5	114.8	112.7	108.1	105.6	104.6	104.6	102.5
2009	77.2	65.9	60.3	61.6	57.8	56.5	55.8	56.3	55.7
2010	58.2	44.3	37.9	35.5	34.9	34.9	34.7	34.3	
2011	73.6	61.1	55.0	54.4	53.2	52.3	51.2		
2012	77.1	67.4	60.8	58.5	59.7	59.8			
2013	72.6	56.9	51.1	49.2	49.4				
2014	72.5	61.8	62.9	59.7					
2015	70.2	65.5	55.6						
2016	70.0	63.1							
2017	74.1								

The claims provisions estimate model used by the Group relies on classic reserving methods based on claims triangles. The Group's reserving instructions transmitted to entities ensure uniform reserving practices throughout the Group and aim to maintain the level of prudence historically used in claims provisions. In particular, the loss ratios used are higher than those recorded historically. Consequently, given the Group's proper control of its loss experience, liquidation profits from claims provisions have been recognised since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the evolution of these profits over the 2014-2017 period:

Period	Latest loss ratio before reinsurance and excluding claims handling expenses of each year following the 1st year of development *(as %)*	Accounting loss ratio before reinsurance and excluding claims management expenses *(as %)*	*Profits* *(as %)*
2014	72.5	45.3	(27.2)
2015	70.2	48.8	(21.4)
2016	70.0	61.0	(9.0)
2017	74.1	49.0	(25.1)

The second table, entitled "Triangle of development of cumulative claims paid, net of recourse (before 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, N. 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 (before reinsurance)

Occurrence year/ 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
2008	122	798	975	1,014	1,036	1,037	1,041	1,045	1,043	1,043
2009	164	453	517	533	538	545	545	547	553	
2010	60	274	345	358	365	369	379	389		
2011	67	458	566	597	626	608	596			
2012	117	446	562	575	580	593				
2013	83	400	491	523	527					
2014	74	417	572	613						
2015	62	370	474							
2016	55	327								
2017	58									

Debtor risk exposure

The Group insures the unpaid receivables risk for nearly 2.47 million debtors worldwide. As of December 31, 2017, the average debtor risk was nearly €207.4 thousand. More than 82% 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 in 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 €512.6 billion, up by more than €20 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.

The charts below analyse the debtor distribution (1) as of December 31, 2015, 2016 and 2017 according to the outstanding amounts of cumulative credit risk outstanding 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	**2017**	**2016**	**2015**
€1 – €100 thousand	39,263	39,581	39,169
€101 – €200 thousand	25,989	25,404	24,714
€201 – €400 thousand	35,955	34,833	33,836
€401 – €800 thousand	44,949	44,100	42,771
€801 – €1,500 thousand	46,755	45,778	43,894
€1,500 – €5 million	98,157	94,959	93,341
€5 million – €50 million	155,751	149,443	144,363
€50 million – €200 million	42,168	37,374	35,974
€200 million and more	23,585	21,185	17,358
TOTAL	**512,570**	**492,657**	**475,419**

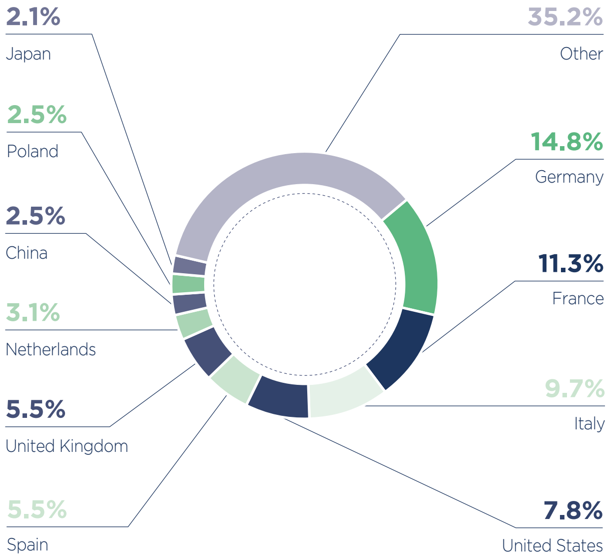
* *The outstandings presented below are before reinsurance (direct business and accepted business) and correspond to the maximum covered amounts authorised by the Group for its policyholders. They do not correspond to the effective use thereof by the policyholders.*

(1) *The debtors mentioned above are the clients of the Group's policyholders.*

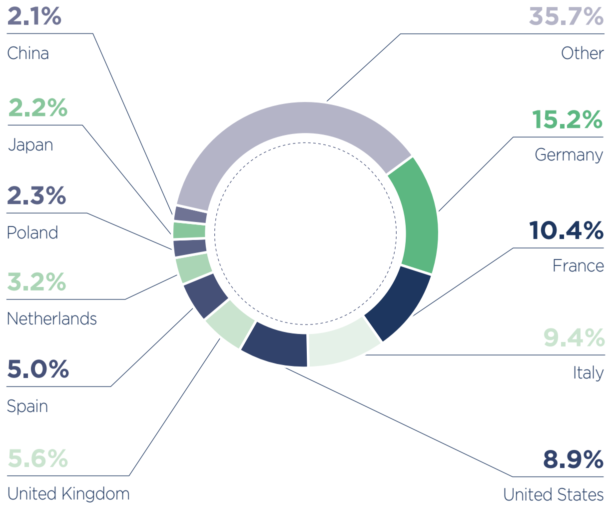
Geographical distribution of risks

The debtors covered by the Group's credit insurance policies are mainly located in Western Europe. In the medium term, the Group considers that the consequences of Brexit, 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. As of December 31, 2015, 2016 and 2017, the top ten countries represented respectively 64.2%, 64.3% and 64.8% of the Group's total exposure (€512,570 million), arising from its credit insurance activities:

As of December 31, 2017 (1)

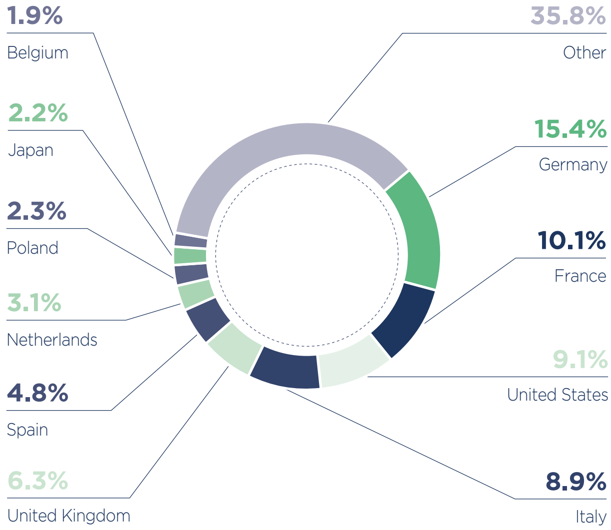


At December 31, 2016



(*) Belgium (1.9%) exited, China (2.1%) returned.

At December 31, 2015



(*) Brazil (1.3%) exited, China (1.7%) returned.

5.

The following charts present the breakdown as at December 31, 2015, 2016 and 2017 of the Group's receivables outstanding grouped by geographic region:

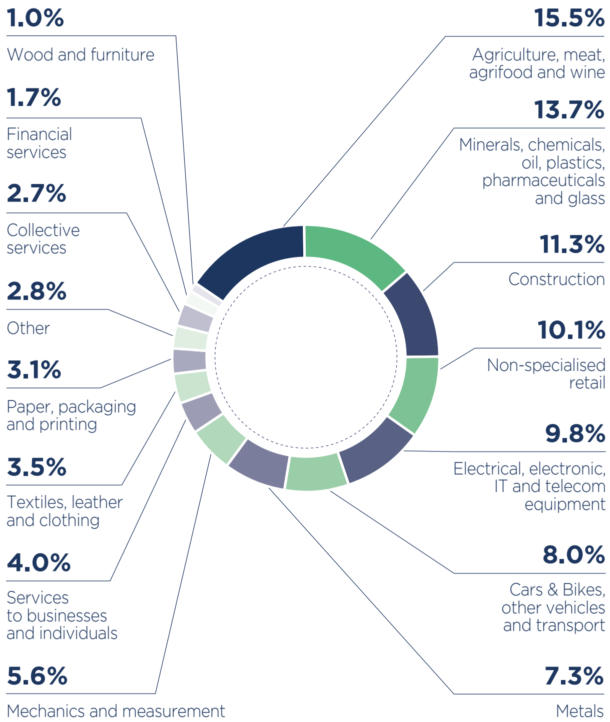
	Outstandings* *(in €m)*		
Outside the Group	**2017**	**2016**	**2015**
Western Europe	111,110	103,010	142,401
Northern Europe	106,698	104,324	88,362
Asia-Pacific	65,968	63,734	61,905
Mediterranean & Africa	106,189	98,938	67,410
North America	46,861	50,626	49,806
Latin America	29,909	30,711	28,865
Central Europe	45,837	41,314	36,670
TOTAL	**512,570**	**492,657**	**475,419**

* *The outstandings presented below are gross of reinsurance (direct business and accepted business) and correspond to the maximum amount of cover granted by the Group to its policyholders. They do not represent the actual use made by the insured.*

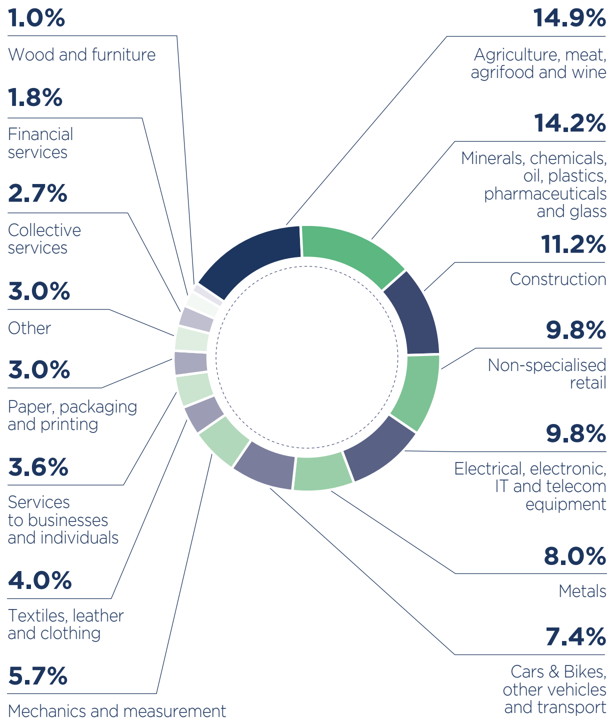
(1) The debtors mentioned above are customers of the Group's policyholders.

Exposure by activity sectors of the debtor

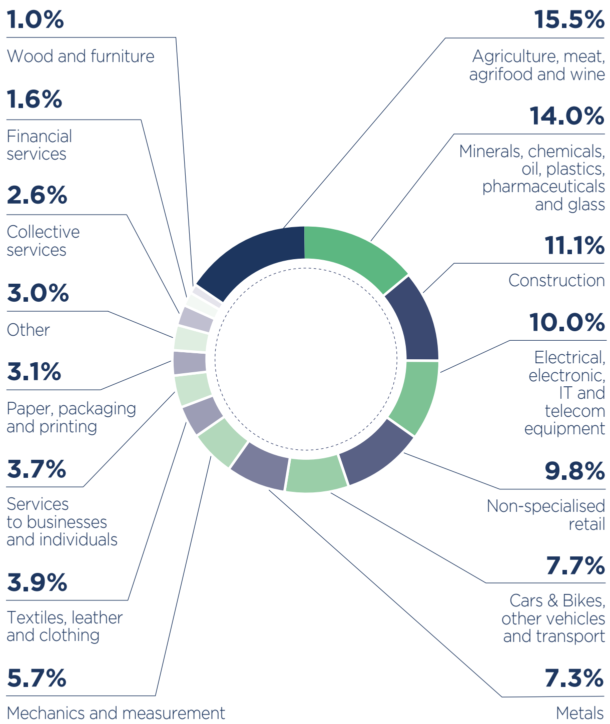
At December 31, 2017



At December 31, 2015



At December 31, 2016



Term of risks

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

Level 2 controls ensure that the Group's rules on credit risk are well-respected.

Financial risk

/ Definition

Financial risk covers all risks related to the management of assets and liabilities. They include: interest rate risk, currency risk, liquidity risk, real estate risk, spread risk, equity risk and counterparty risk:

- interest rate risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes in the yield curve or the volatility of interest rates;
- foreign exchange risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of exchange rates;
- liquidity risk represents the inability to meet contractual or contingent payment obligations;
- equity risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the value of equity markets;

- real estate risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the value of real estate markets;
- spread risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads compared to the risk-free yield curve;
- counterparty risk represents the unexpected default, or deterioration in the credit quality, of the Company's counterparties and debtors.

The Group has introduced an investment policy that takes into account 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 applied must enable the Group to honour its commitments to its policyholders, while optimising the investments and their performance within a defined risk framework.

The Group's investment policy is reviewed twice a year and covers, in particular, strategic asset allocation, the asset classes and products eligible for investment, the target maturity of the portfolio, the management of any hedges and the policy for managing the Group's revenue. The allocation defined each year is based on an analysis of the liabilities, on simulations and stress tests of the returns or risks of the various classes of assets in the portfolio and on compliance with the defined parameters related to the Group's business and its commitments: target sensitivity, capital consumption, maximum loss depending on the behaviour of financial markets, and on the quality and liquidity of the investment portfolio.

The control of financial risk is based on a rigorous system of constantly reviewed standards and controls.

/ Measurements

As an insurance company, the Group maintains an allocation that is mainly focused on fixed income products offering it more recurrent and stable revenue.

	As of December 31,					
	2017		2016		2015	
Investment portfolio (fair value)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Equities	207	7.5	126	4.8	219	8.7
Bonds	1,785	21.7	1,797	68.3	1,685	66.7
Loans, deposits and other financial investments	549	19.9	570	21.7	512	20.3
Investment property	219	7.9	138	5.2	112	4.4
TOTAL	**2,760**	**100**	**2,631**	**100**	**2,527**	**100**

* *Excluding unconsolidated subsidiaries.*

As at December 31, 2017, bonds represented 64.7% of the total investment portfolio.

As part of the defined strategic allocation, the Group has increased its exposure to equities, as well as European unlisted real estate, while decreasing its exposure to the sovereign debt of the main issuers in the financial markets.

	As of December 31,					
	2017		2016		2015	
Breakdown by type of debt in the bond portfolio (fair value)	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Sovereign and similar	882	49.4	923	51.3	815	48.4
Non-sovereign	903	50.6	874	48.7	870	51.6
TOTAL	**1,785**	**100**	**1,797**	**100**	**1,685**	**100**

These investments are all made within a strictly defined risk framework; the credit quality of issuers, the sensitivity of issues, the spreading of risk on issuers and geographic regions are subject to precise rules defined in the various management mandates granted to the Group's dedicated asset managers.

Specific limits that apply to the entire investment portfolio are defined in terms of portfolio pricing, and by counterparty and country limits. Regular monitoring is also conducted on the liquidity of the credit portfolio, on the changes in spreads and on the Group's aggregate exposure to the main asset/liability risks. Lastly, hedges are made, when appropriate: they are systematic on exchange rate risk and discretionary on interest rate and spread risk. As of December 31, 2017, part of the sovereign bond portfolio is hedged using interest rate futures.

As at December 31, 2015, 2016 and 2017, the main features of the bond portfolio were as follows:

Distribution by geographic zone of the bond portfolio (fair value)	As of December 31,					
	2017		2016		2015	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
Asia – Developed countries	230	12.9	259	14.4	154	9.1
Emerging countries (1)	171	9.6	164	9.1	159	9.4
Eurozone	779	43.6	821	45.7	788	46.8
Europe outside the eurozone (2)	144	8.1	145	8.1	136	8.1
North America	461	25.8	408	22.7	448	26.6
TOTAL	**1,785**	**100**	**1,797**	**100**	**1,685**	**100**

(1) Countries where the Group is present, primarily Brazil and Mexico.
(2) Primarily the United Kingdom, Switzerland, Sweden and Norway.

The investment portfolio is mainly exposed to developed countries in the eurozone and North America. Exposure to the sovereign debt of Portugal and Greece is still nil. In 2017, the Group continued to increase its international diversification, particularly in North American developed countries, in order to profit from higher rates of return and track the various increases in rates.

The bond portfolio remains primarily invested in investment grade [(1)] companies and countries.

Breakdown by rating* of bonds in the bond portfolio (fair value)	As of December 31,					
	2017		2016		2015	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
AAA	341	19.1	354	19.7	329	19.5
AA – A	663	37.1	675	37.6	540	32.1
BBB	587	32.9	576	32.1	558	33.1
BB – B	193	10.8	186	10.3	256	15.2
CCC and lower	1	0.1	6	0.3	2	0.1
TOTAL	**1,785**	**100**	**1,797**	**100**	**1,685**	**100**

* *Average rating between Fitch, Moody's and Standard & Poor's.*

Also, investments in corporate bonds represent 50.6% of the bond portfolio and more of 85% of this is in investment grade companies. These investments were made within the framework of a strictly defined risk policy, and particular care was given to the quality of the issuers, the sensitivity of the issues, the spread of issuers' positions and geographic regions in the various management mandates granted to the Group's dedicated managers.

The Group's interest rate risk on its financial portfolio is limited, since the maximum authorised sensitivity for the bond asset class is deliberately capped at 4 [(2)]. The sensitivity of the bond portfolio was 3.6 as of December 31, 2017.

Finally, the Risk Committee's semi-annual meetings systematically review the portfolio's spread and liquidity risks.

(1) According to Standard & Poor's rating classification, 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 the loss of value of the bond in the event of a rise in interest rates. Thus, a bond with a sensitivity of 4 will see its market value fall by 4% if interest rates increase by 1%.

Hedging policy

The Group's Investment Department, responsible for directing its investments and managing its investment portfolio, may authorize the use of hedges against the risk of interest rate hikes, through forward financial instruments (swaps, futures, options) on regulated markets or, over-the-counter, with counterparties rated A- or higher.

These transactions are carried out exclusively for hedging purposes and in strict compliance with the regulations applicable to insurance companies. The nominal amount of the hedge is then strictly limited to the amount of underlying assets held in the portfolio (equities or rates products) in order to hedge assets actually held in the portfolio.

As at December 31, 2017, the Company and Coface Re were partially hedged against the risk of a rate hike and the risk of a fall in the equity markets. The first hedge is based on exposure to the rates of French government bonds in the investment portfolio through futures; the second aims to hedge the equity exposure of the investment portfolio, particularly using out of the money long-term put options. The level and management of these hedges are defined and reviewed depending on the market conditions and management of the levels of unrealized gains and losses at the monthly Investment Committees meetings between the Group's management and the manager of the Amundi investment platform.

Foreign exchange risk

As of December 31, 2017, 36.5% of the Group's consolidated revenue was earned outside the eurozone, and thus subject to exchange rate risk.

Subsidiaries or branches whose accounts are drawn up in euros and which subscribe in other currencies must comply with the same principles of congruence (matching between assets and liabilities denominated in a currency other than that used as a reference for the issuing of accounting statements). Exceptionally, open positions in other currencies may be hedged. The Group does not make foreign currency investments for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. Exposure of the investment portfolios to exchange rate risk is limited: as of December 31, 2017, more than 70% of investments were denominated in euros.

Breakdown by currency in the investments portfolio	As of December 31,					
	2017		2016		2015	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
EUR	1,942	70.4	1,833	69.6	1,743	69.0
USD	423	15.3	410	15.6	514	20.3
Other*	395	14.3	388	14.8	270	10.7
TOTAL	**2,760**	**100**	**2,631**	**100**	**2,527**	**100**

* *Mainly Singapore dollar, pound sterling, Brazilian real and Canadian dollar.*

Moreover, for greater part of the portfolio, which includes all of the Group's European entities, currency risk is systematically hedged for foreign currency investments that do not apply the principle of congruence. Therefore, as of December 31, 2017 investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were systematically hedged against the euro by the managers responsible for the portfolios concerned. Foreign currency transactions carried out by subsidiaries are monitored by the Group in order to decide, on a case-by-case basis, on the need to put in place the associated hedges.

Sensitivity to exchange rate risk of the net income of entities denominated in foreign currencies

	Average exchange rate (December 2017)	Net income (Group share) in €k as of Dec. 31, 2017	Net income (Group share) in thousands of foreign currency as of Dec. 31, 2017	Assumption – 10% variation in the exchange rate	Net income (Group share) in €k after exchange rate changes	Rate difference between real rate and exchange rate changes 10%
Brazilian Real	0.2772	172	619	0.3049	189	17
Canadian dollar	0.6828	(1,832)	(2,683)	0.7511	(2,015)	(183)
Swiss franc	0.8997	(6,074)	(6,752)	0.9896	(6,682)	(607)
Pound sterling	1.1413	3,034	2,658	1.2555	3,338	303
Hong Kong dollar	0.1136	66	585	0.1249	73	7
Mexican peso	0.0469	(3,900)	(83,210)	0.0516	(4,290)	(390)
Polish zloty	0.2349	5,461	23,247	0.2584	6,007	546
Romanian leu	0.2189	2,498	11,412	0.2408	2,748	250
Russian rouble	0.0152	690	45,481	0.0167	759	69
Singapore dollar	0.6417	2,670	4,162	0.7059	2,938	267
US dollar	0.8853	5,294	5,980	0.9738	5,824	529
Other		(6,895)			(7,584)	(689)
Euro		82,027			82,027	
TOTAL		**83,213**			**83,331**	**119**

Liquidity risk

The Group's bond portfolio has a short maturity, in line with its liabilities. The breakdown of bond maturities is presented below:

Breakdown by maturity of the bond portfolio	As of December 31,					
	2017		2016		2015	
	(in €m)	*(as a %)*	*(in €m)*	*(as a %)*	*(in €m)*	*(as a %)*
< 1 year	366	20.5	452	25.1	368	21.9
1 year < > 3 years	562	31.5	480	26.7	547	32.5
3 years < > 5 years	366	20.5	374	20.9	423	25.1
5 years < > 10 years	451	25.3	444	24.7	312	19.3
> 10 years	40	2.2	47	2.6	34	2.0
TOTAL	**1,785**	**100**	**1,797**	**100**	**1,685**	**100**

52% of the securities in the bond portfolio have a maturity of less than three years as of December 31, 2017.

The liquidity position of an insurance company is valued by standards which measure the Company's ability to meet its financial obligations.

Equity risk

Equity markets are characterized by volatility which creates a significant risk for an insurer subject to specific rules in terms of provisions (provisions for long-term depreciation) and capital consumption (Solvency II Directive).

In this context, the Group once again reviewed its equity exposure in 2017 through work on the review of its strategic asset allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and is concentrated in the eurozone, in line with its core business. The Group has no specific concentration of its equity risk on one or more economic sectors. Management is calibrated against the MSCI EMU benchmark (1). These investments are also subject to a discretionary hedge put in place to mitigate any potential extreme shocks. The hedging strategy is dynamic: its level, its scope and its magnitude are defined by the Investment Department working with the manager responsible for the management platform.

As of December 31, 2017, stocks represented 7.5% of the investment portfolio, 6.4% of which are stocks listed on a market in the eurozone. These investments were the subject of a hedge on 30% of the invested portfolio through the purchase of put options maturing in June 2018 at an out of the money exercise price of approximately 20% on the Eurostoxx index. These hedges may be adjusted according to the investments and the amount of the unrealised losses or gains on the shares held.

Real estate risk

Under the Group's strategic allocation, real estate represents a limited portion of the Group's assets of less than 8%, 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 funds with underlying real estate.

The real estate risk is the risk of seeing a reduction in market value, thereby impacting the unrealised profits recorded for this real estate, or even of recording unrealised losses.

As of December 31, 2017, the Group had real estate exposure with a fair value of €279.6 million, consisting of €60.8 million in commercial property and €218.8 million in non-listed real estate.

Concentration risk/default of a counterparty

The Group has put in place an investment policy that defines a comprehensive counterparty risk management framework. The approach consists in defining limits for bond investments and consolidating all exposures across all financial instruments in order to circumscribe the potential total loss of the Group following the default or bankruptcy of the counterparty concerned.

A maximum limit of exposure to the same counterparty has been set as a percentage of the investment portfolio. This is set at 5% of assets under management, with possible exceptional and temporary derogations for exposures related to short-term investments.

As of December 31, 2017, the 10 main exposures of the bond portfolio were €660 million, or 37% of the fair value of the bond portfolio.

More generally, the Group has implemented management rules within its investment portfolio and for all asset classes that require geographic and sectoral diversification of risks in order to protect or mitigate a potential default.

The tables below, which enable the sensitivity of the portfolio to be measured using the so-called IFRS 7 benchmark method, show that the portfolio, excluding the impact of equity rate hedges is, at December 31, 2017, slightly more sensitive to the combined effects of a 100 bps increase in bond rates and a 10% fall in the equity market than it was on December 31, 2016. This can be explained by the significant rise in our equity exposure.

(1) Published by Morgan Stanley Capital International, the MSCI EMU index is an index weighted by the free float-adjusted market capitalisation, designed to measure the performance of stock markets in the eurozone countries.

Sensitivity of the portfolio to changes in stock and bond markets as of December 31, 2017

(in millions of euros)	Market value as of December 31, 2017	Impact of a 100 bps rise in interest rates (1)	Impact of a 10% fall in equity markets (2)	Impact of a 20% fall in equity markets (2)
Bonds	1,785	(63.5)	-	-
Equities	207	-	(20.7)	(41.4)
TOTAL	**1,992**	**(63.5)**	**(20.7)**	**(41.4)**

(1) Average sensitivity of the bond portfolio at end 2017: 3.6.
(2) Excluding any hedging impact.

Sensitivity of the portfolio to changes in equity and bond markets as of December 31, 2016

(in millions of euros)	Market value as of December 31, 2016	Impact of a 100 bps rise in interest rates (1)	Impact of a 10% fall in equity markets (2)	Impact of a 20% fall in equity markets (2)
Bonds	1,797	(64.7)	-	-
Equities	126	-	(12.7)	(25.3)
TOTAL	**1,923**	**(64.7)**	**(12.7)**	**(25.3)**

(1) Average sensitivity of the bond portfolio at end 2016: 3.6.
(2) Excluding any hedging impact.

Sensitivity of the portfolio to changes in equity and bond markets as of December 31, 2015

(in millions of euros)	Market value as of December 31, 2015	Impact of a 100 bps rise in interest rates (1)	Impact of a 10% fall in equity markets (2)	Impact of a 20% fall in equity markets (2)
Bonds	1,685	(54.3)	-	-
Equities	219	-	(21.9)	(43.8)
TOTAL	**1,903**	**(54.3)**	**(21.9)**	**(43.8)**

(1) Average sensitivity of the bond portfolio at end 2015: 3.6.
(2) Excluding any hedging impact.

To the extent that shares and bonds are accounted for in the available-for-sale category, sensitivity would have an impact on "other comprehensive income", to which shareholders' equity is sensitive. Unrealized gains and losses on these financial securities have no impact on net income, except for any impairment recorded. In the event of a sale, the resulting profit or loss would have an effect on the operating result in the income statement.

Operational and non-compliance risks

/ Definition

Operational risk is defined as the risk of direct or indirect losses, due to an inadequacy or failure attributable to procedures and persons in all business areas, and to internal systems or external events, including the risk of internal and external fraud.

Operational risk also includes the notion of legal risk, including the risk of dependency. The Group does not consider that its business or profitability is dependent on any trademarks, patents or licenses. Indeed, as part of its business selling credit insurance solutions and additional services, the Group does not hold any patent. The name Coface is protected by trademark registration, including in France. Finally, the Group has registered a number of trademarks, logos and domain names used in its businesses worldwide.

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

- non-compliance risk is defined as the risk of judicial, administrative or disciplinary sanctions, a significant financial loss or damage to reputation that results from a failure to comply with specific legislative or regulatory provisions applicable to the insurance, sale of information, debt collection or factoring businesses, whether they concern professional rules or mandatory internal regulations. The main areas of non-compliance are: the fight against financial crime (anti-money laundering legislation, anti-terrorist financing, fraud prevention and anti-corruption), the protection of personal data, the rules of professional ethics and the regulations applicable to the insurance, factoring and debt recovery businesses;
- modelling risk is defined by the risk of results arising from inappropriate or misused models, due to poor design, poor monitoring or misuse;
- 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 solvency of the debtor: disputes, compensation, prepaid invoices and double issuance, for example, and even the issuing of false invoices in the most serious cases.

/ Measurements

Mapping of operational risks

In order to improve the understanding of its operational risks, the Group is carrying out a mapping in accordance with so-called "qualitative" methodology.

For each business process or support, a list is made of the significant risk situations which may affect this business or support.

The risk assessment performed by each entity is based on an assessment of its frequency and intensity of impact, as well as the effectiveness of level one controls. A four-level assessment scale is applied (low, medium, significant, high).

Each risk situation is the subject of a detailed description incorporating an assessment of the inherent risk (*i.e.* before level one controls), to a description and evaluation of the level one controls, and to an evaluation of the residual risk and potential action plans.

All the operational risks of Coface are identified within these seven categories.

Reporting incidents and losses

An incident is the occurrence of an operational risk that could result in, or could have resulted in, a financial loss, an unjustified profit, or in other non-financial consequences.

An inventory is made of operational incidents and losses. A summary is produced each month and distributed during the CGRC.

The incidents reported are corrected and are taken into account when updating the operational risk map.

Action plans and reporting

The purpose of implementing the measures described above is to fully identify the operational risks. When necessary, preventive or corrective action plans for the reduction or control of operational risks are defined and deployed.

The Group Risk Department is responsible for reporting to the CGRC and the Group's management bodies.

Business continuity (see Section 1.8 "Information system and processes")

Each Group entity has a business continuity plan **(BCP)** to deal with any 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, for which three tests were conducted in 2017. These rules constitute the Group's business continuity policy. Each entity carries out its business continuity plan locally. User needs and resources are identified using a business impact analysis.

The overall approach is in line with the principal standards for business continuity. The main operational components of the BCP are the crisis management plan and the professional continuity plans. The backing-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, distant from each other and functioning in "active-active" mode.

Risks related to cybersecurity (see also Section 5.2.3 "Risks related to cybersecurity")

Coface has developed security standards for Information Systems which include a set of policies, rules, procedures and standards applicable at the various levels of the organisation.

Several measures have been introduced to minimise the risk of malicious acts, data theft, hacking the information system, deletion of corporate websites, alteration of information, premature stoppage of services (distributed denial of service, or DDoS [(1)]) by saturation of networks or websites. These measures include:

- general maintenance of infrastructure at the latest software version level;
- distribution of security patches according to a recurring procedure;
- search for weaknesses in our infrastructure by implementing a permanent process of vulnerability management;
- evaluation of the robustness of our infrastructure by the implementation of simulated attacks carried out by specialized firms;
- evaluation 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 IT system security in the form of e-learning, communication by email, or the distribution of posters or brochures;
- implementation of a control program aimed at preventing risks.

Information Systems Security is managed by a quarterly committee.

Reinsurance risks

/ Definition

Given its risk appetite, the Group reinsures itself against the extreme risks that it could suffer.

Reinsurance generates four types of risk:

- the residual insurance risk that may arise from differences between the requirement for reinsurance and the actual coverage provided for in the treaty;
- the counterparty risk that results from the potential inability or refusal of the reinsurer or a treaty party to meet its obligations to the ceding insurer;
- the liquidity risk arising from the possible delay between the payment of the benefit by the insurer to its insured and the receipt of the reinsurance benefit;
- the operational risk related to the execution of the treaty.

/ Measurements

Intra-group risk sharing and reinsurance

In order to optimize its cover against an abnormal deviation of the loss experience, the Group centralizes the purchasing of its reinsurance according to a sophisticated risk-sharing mechanism.

The pivotal company, which centralises this purchasing function, negotiates on behalf of the Group's insurance entities a cover against the frequency and peak risks that best meet their operational needs. The Company held this role until the end of 2014 and was replaced by Coface Re as of January 2015.

The objective of setting up Coface Re SA is to isolate the Group's reinsurance flows in a dedicated entity, to continue streamlining the coverage plans of the Group's entities and partners, and to increase the range of services made available to its international customers.

In 2017, the external reinsurance program for the subscription year is as follows:

- a quota share treaty with a transfer rate of 26% instead of 20% in 2016;
- two excess loss treaties, one per risk and the other per country (only on Single Risk) protecting the Group's retention after quota share transfer so that no unit loss represents, after tax, more than 3% of the Group's equity; and
- a treaty in excess of annual loss, or "Stop Loss", protecting the Group's retention after share and excess of loss, against excessive deviation of the frequency loss.

(1) DDoS: a distributed denial of service; an attack aimed at rendering a server, service or infrastructure unavailable.

The Group's 2017 reinsurance treaties were signed with a pool of 22 reinsurance companies. All these reinsurance companies on the 2017 panel are rated between A- and AA by one of the major international rating agencies.

The Group continues to require systematic reinsurance from its reinsurers (cash, securities, letters of credit) on all proportional treaties including "IBNR". This objective is 100% achieved as of December 31, 2017 for all counterparties of its master treaty. The collateral requirements apply on a case-by-case basis to excess claims based on the Group's assessment and are updated annually. Under the 2017 reinsurance treaty, the Group's top three reinsurers represent a 39.50% share 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 Coface Re is a reinsurer as regards entities of the Group and members of the Coface Partners network, and transmits the externally purchased coverage through the programs described below. It also ensures that the conditions offered to the entities concerned prompt them to control their loss experience as best as they possibly can.

Measuring risks linked to the factoring business

Factoring transactions (see also Section 1.5.2 "Factoring" is a means of financing by which a company assigns the receivables it holds on its clients to a financial organisation, called a factor, under the terms of a contract entered into between the two parties. The Company assigns its rights (subrogation) to the factor in return for rapid financing of its receivables, in consideration for a fee (commission on the services and interest on the financing).

The factor thus finances the Company in advance, which enables the Company to optimise its cash flow, and is in turn reimbursed through settlement by the debtors, either by direct collection (factoring with recourse) or *via* a credit insurance policy taken out by the Company (factoring without recourse), in the event of non-payment or insolvency of the latter.

When the contract is negotiated, the type of product, the analysis of the customer's creditworthiness, the quality of the receivable and the portfolio of debtors, as well as the terms and pricing applied, condition the risk on the financing of the receivables.

The risks are covered by guarantee funds or reserves (withholding of guarantee applied on the financing portion) on each contract, to which can be added a specific reserve fund, and based on an evaluation that is upstream of:

- the technical risk: the total non-payment of the invoices financed by the factor, other than by reason of the insolvency of the debtors (dilution risk);
- the customer risk: potential irrecoverable losses in the event of the customer's insolvency or default (Loss Given Default).

The customer risk is assessed by:

- an analysis of customers' financial position using internal rating tools;
- an on-site audit to check the reliability of internal procedures (tools, receivables, deliveries, payments, recovery, etc.) for any new or existing customer;
- daily checks of the invoices and financing.

The debtor risk is managed in two ways, by a contract with or without recourse;

- without recourse: a Group credit insurance policy is taken out by the customer to protect it against the risk of unpaid accounts receivable;
- with recourse: the factor alone does not assume the risk of insolvency of the purchasers and has recourse against his Customer for the unpaid invoices.

The factoring business is governed by specific Group rules, authorizing two Group companies, Coface Finanz (Germany) and Coface Factoring Poland (Poland), to market factoring products.

A single tool (Magellan) structures the factoring business and concentrates all the data relating to the life of the contracts: customer data, buyers, invoices, contracts.

The factoring outstandings are recorded in the Group tool (ATLAS) enabling consolidated management of its exposure to a buyer or a group of buyers.

A specific organization and internal control procedures have been put in place in the subsidiaries for the daily monitoring of transactions (financing flows, late payment by debtors).

Since April 2017, a new organization has been set up at Group level with the creation of the Group Commercial Underwriting Department, and a dedicated team that oversees the factoring business.

In addition to a level two control to ensure compliance with Group rules on the factoring business, there are three monitoring levers:

- delegations granted to entities that require, in addition, an agreement between the Group's Arbitration Department and the Group's Subscription Department;
- a Risk Committee organized by the Group Arbitration Department and the Group Subscription Department, bringing together the factoring risk managers of the entities;
- monthly reports for each entity with a summary of the portfolio and the risk indicators selected on the basis of how discriminating they are.

Factoring activities are covered by the Group's reinsurance treaty (buyer risks by credit insurance section and ceding risks by a dedicated factoring section).

5.2 / RISK FACTORS

The Group operates in a rapidly evolving environment that leads to numerous external risks, in addition to the risks inherent in the conduct of its businesses. This chapter identifies the significant risk factors to which the Group believes it is exposed and their management.

5.2.1 RISKS RELATING TO THE ECONOMIC, COMPETITIVE AND REGULATORY ENVIRONMENT OF THE GROUP'S BUSINESSES SECTOR

Risks related to the macroeconomic situation

The Group is present in 63 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 its business, its activity is directly influenced by the economic environment and by business activity at both a local and a global level. Although the diversity of the sectors and regions in which the Group operates gives it some resistance to the various economic cycles, its activity is sensitive to changes in general macroeconomic conditions, global trade, the level of investment and consumption, as well as any changes in economic policies affecting its policyholders (see also section 3.1 "Economic environment").

Risk on premiums collected

The premium on a credit insurance policy is assessed on the revenue earned by the policyholder during the period covered by the policy, on an insured risk on client receivables or on a capped insured receivable, which are themselves a function of the turnover realised by the policyholder during the period covered by its credit insurance policy. The total volume of premiums collected by the Group thus depends on the turnover of its policyholders, namely the sales volume effectively realised by them during the periods covered by their respective credit insurance policies, and covered by these policies.

The Group's credit insurance policies include a minimum lump sum premium, calculated on the basis of an estimate of the volume of sales that will be realized by an insured person over the period covered by these policies. This minimum is generally invoiced according to a quarterly schedule, the first payment being due on the date when the policy comes into effect. 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 invoiced. An adjustment premium, representing the difference between the lump sum premium already invoiced and the final premium, is then invoiced to the insured. However, if the total premium calculated on the basis of the volume of sales made by the policyholder is lower than the amount of the fixed premium, this difference is retained by the Group.

Although a deterioration in the economic environment may 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 cover or by existing policyholders extending their cover) or from 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 located, could also result in a reduction in the volume of insurance premiums, due to a slowdown in business experienced by policyholders.

Risk on the level of loss

Difficult economic conditions, in particular in the eurozone where the majority 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 strengthen 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.

An unfavourable change in the economic and commercial environment could in the future have a material adverse effect on the Group's business, financial position, solvency margin, results or outlook.

Risks related to the competitive environment

The Group operates in a highly competitive credit insurance market, with a large number of players of varying sizes and status, including export credit agencies (ECAs) created by governments 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 that the credit insurance market has 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 which are smaller but benefit from a significant local presence (see also Section 1.4 “Presentation of the credit insurance market and the competitive environment”).

There are also a number of alternative products to credit insurance, such as irrevocable and confirmed documentary credits or stand-by letters of credit or factoring, in certain markets, offering alternative coverage solutions to policyholders, who could decide to favour them over the services of the Group. Moreover, 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 terms on which the Group offers 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 where 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 delivered mainly in Western Europe. The competitors in its various sectors of business could, due to their size, have larger financial, commercial, technical and human resources, or a greater capacity for innovation, than those of the Group. These competitors could in the future continue to adopt aggressive pricing policies, to diversify or expand service offerings or their supply chains, to develop strategic or contractual relationships in markets in which the Group is present or seeks to expand, and thus increase competitive pressure.

In this regard, 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 a quality of service at least comparable with those of its competitors. The more intensive competition could have a material adverse effect on its business, financial position, operating results or prospects.

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 conducts its business. Its insurance business is subject to the control of local regulators, which may sometimes differ depending on the country in which it is established (see also Section 1.9 “The Group’s regulatory environment”).

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, particularly the solvency standards, the level of capital and reserves, the multiplicity and diversification of financial investment portfolios, the conduct of business (particularly the granting of relevant licenses and approvals), distribution practices, the 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 countries 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 on the conduct of its business. They have, particularly by introducing stricter capital and liquidity requirements, increased its financing costs and operating expenses, which could restrict the scope of its activities or more generally, hamper its development (see Section 5.2.2 “Risks related to hedging the Group’s solvency” – SCR ratio below).

The Group also has factoring businesses in Germany, where it is subject to specific regulations, and in Poland. In both these countries, a modification in the existing laws and regulations on factoring, particularly in terms of capital and liquidity requirements specific to non-banking factoring activities, could impact the operation of these businesses and the financial position of the Group.

A significant portion of the Group’s business is subject to obtaining approvals 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 business activities. Any major difficulty encountered in obtaining such authorisations could delay or jeopardise its establishment in these new countries. Similarly, the non-renewal, suspension or loss of these 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. Despite implementing measures to comply with applicable regulations, it may become subject to regulatory investigations and possible sanctions which could affect its activity, results, financial position, outlook and reputation.

More generally, the Group cannot guarantee that rapid and/or significant changes in current regulations will not, in the future, have an adverse effect on its business, financial position, solvency margin, dividend policy, operating results or prospects.

/ Risks relating to tax regulations

As an international group operating in many countries, the Group is subject to multiple tax regulations and conducts its business lines globally in light of the various regulatory requirements, of its sales, and of financial and tax objectives.

To the extent that the current tax regulations in the various countries where the Group operates do not always provide clear or definitive guidelines, the structure of the Group, the conduct 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 factors could have a negative impact on the Group's effective tax rate, cash and operating results.

/ Risks relating to changes in accounting standards (see also the Section on "Accounting principles and methods") in the notes to the consolidated financial statements)

The Group's consolidated financial statements are prepared 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 the Group's consolidated financial statements.

IFRS 17 "Insurance Contracts" which deals with the recognition of insurance contracts will enter into force in 2021, but should be implemented as of 2020 to obtain one year of historical data for comparison, and will replace IFRS 4 phase 1 (in force since the application of the International Financial Reporting Standards in 2005).

The amendment of IFRS 4 concerning the joint application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", with specific provisions for financial conglomerates, was adopted on November 3, 2017 and is applicable as of January 1, 2018, This European regulation enables European financial conglomerates to elect to postpone application of IFRS 9 for their insurance sector to January 1, 2021 (application date of the new IFRS 17 "Insurance Contracts") on the following conditions:

- that they do not transfer financial instruments between the insurance sector and any other sector of the conglomerate (other than financial instruments measured at fair value through the profit or loss account);
- that they state which insurance entities are applying IAS 39; and
- that they disclose specific additional information in the notes to their financial statements.

The COFACE Group plans to apply this provision for its insurance companies and those providing services related to insurance, which will remain subject to IAS 39. Only the factoring companies will apply IFRS 9 as of January 1, 2018.

These two important draft standards could have a significant impact on the recognition of liabilities linked to insurance policies and the classification of financial assets.

/ 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. 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, market value, operating results or prospects.

5.2.2 RISKS RELATING TO FINANCIAL MARKETS AND TO THE GROUP'S FINANCIAL STRENGTH

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 prospects of the Group. Furthermore, 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 the paragraph on "Financial risks" in Section 5.1.3 and the paragraph on "Risks related to the investment portfolio" in Section 5.2.2).

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, market value or prospects.

Risks related to exchange rate fluctuations

Due to the international nature of its activities, the Group distributes policies in around 100 countries and in approximately 50 currencies other than those of the accounts of the issuing entities (premiums collected and claims paid). Similarly, its credit insurance policies 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 therefore subject to fluctuations in 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 the paragraph on "Financial risk measures" in Section 5.1.3). These fluctuations could significantly affect its financial income.

Although it can seek to reduce its exposure to foreign currency fluctuations through hedging activities *via* the matching principle, 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.

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, 2017 totalled €2,760 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 the paragraph on "Financial risks" in Section 5.1.3). The occurrence of any of the 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, 2017, bonds represented 64.7% 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 fall, there is a risk that the average portfolio interest rate will fall (reinvestment occurring at lower rates), or that the duration of the portfolio will increase (making the portfolio more sensitive to a future change in rates). Conversely, during a period when interest rates rise, there is a risk that the market value of the bond portfolio will all, 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. With this in mind, the Group has implemented a asset-liability management policy.

/ Counterparty risk

As of December 31, 2017, 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 fears of defaults by public or private issuers, or of any other third party, 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, 2017, 7.5% 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 obliged 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.

/ Risks related to the Group's financing needs

The liquidity requirements 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 requirements of the factoring business totalled €2.2 billion at December 31, 2017 and corresponded to drawdowns under bilateral credit lines of a maximum amount of €877.3 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.

As part of its financing policy, the Group accessed and should continue to access the capital and loan markets. In this regard, it cannot guarantee that it will 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 funding (bank financing or fundraising on financial markets) required 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 high volatility or from disturbances limiting the availability of market financing. Such insufficient liquidity and/or prolonged restrictions in access to these forms of funding could have a material adverse effect on its business, financial condition, results of operations or prospects.

/ Risks related to hedging the Group's solvency (SCR ratio)

Solvency II, which has been applicable since January 1, 2016, seeks in particular a better understanding of insurers' risks. In this respect, these regulations include 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, has nevertheless had to make a certain number of strategic choices. The Group has chosen the standard model as regulatory calculation method. It has, however, decided to continue working on an internal model to be submitted to the ACPR.

/ Risks related to rating revision

The ratings on the ability to settle claims and of financial soundness are important factors when assessing the competitive position of insurance companies. The rating agencies regularly review their ratings and methodologies, and consequently may, at any time, modify 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 November and August 2017 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, market value and prospects.

/ Financial links related to the effect of climate change

The risks related to the effects of climate change may be physical risks or risks regarding the transition towards a low-carbon economy. The physical risks consist of damage caused by extreme weather events. Coface could be exposed through its customers and their counterparties. These physical risks would ultimately correspond to credit, market and liquidity risks. The risk of transition to a low-carbon economy could directly result in the reduction of the likelihood and scale of physical damage. Initially, the impact would primarily concern sectors linked to the exploitation of fossil fuels as well as the chemical and metallurgy sectors. The transport and construction sectors would also be affected. As for the physical risk, therefore, Coface would face credit, market and liquidity risks. Thanks to its diversified credit risk portfolio, the Group is not directly affected by such risks to any significant extent.

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 the protection of its reputational risk.

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 field.

The Group's initiatives to reduce its environmental footprint are described in detail in Chapter 6.

5.2.3 RISKS RELATED TO THE GROUP'S BUSINESS ACTIVITY

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 has factoring activities in Germany and Poland (see also Section 1.5 "The Group's activities and positioning"). Assessing the credit risks related to these activities is an essential component 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 as defined by the regulations 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 respond to 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 the time of 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.

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 policies 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 the paragraph on "Credit risk" in Section 5.1.3 "Definition and measurement of risks").

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 analyse 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.

Risks related to the geographic and sectoral 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, 2017, these four countries accounted for 41% of the Group's overall exposure from its credit insurance activities, while the whole of Western Europe represents 52.2% of the Group's total exposure. On the same date, debtors from non-OECD countries represented less than 18% 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.

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 2017, the Group maintained a selective risk underwriting policy and close monitoring due to the persistently tense global economic situation observed in all the so-called emerging countries. The Group's debtor receivables insurance portfolio covers a broad range of business sectors. However, as of December 31, 2017, the construction, agro-food and chemicals sectors represented 40.4% of the Group's total exposure. A presentation of the breakdown of the Group's guaranteed debtor receivables by business sector appears in the paragraph (see also the paragraph on "Credit risk" in Section 5.1.3 "Definition and measurement of risks").

Similarly, the risks for some more sensitive sectors were revised in 2017 in continuity with what was done in 2016, 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 enables an adjustment that closely matches anticipations.

Risks related to overexposure to debtors or regarding major policyholders

As of December 31, 2017, 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.

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 (see also Section 1.5.5 "Positioning of the COFACE Group region by region"). The diversity of its geographical locations exposes it to various and sometimes unstable economic, financial, regulatory, commercial, social and political environments which 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 obliged 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. Furthermore, the Group is 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.

Risks related to intermediated distribution of the Group's credit insurance policies

Although the Group has various distribution channels, and its own sales teams, for its credit insurance policies, 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 also Section 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 partnership contracts 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.

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. The Group has also implemented a reinsurance strategy against any potential extreme risks it may incur through non-proportional "excess claim and excess loss" cover (see the paragraph on "Credit risks" in Section 5.1.3 "Definition and measurement of risks"). In terms of its relations with reinsurance companies, the Group is subject to the insolvency risks of its reinsurers and the risk that it might be unable to obtain reinsurance treaties or obtain them on acceptable pricing terms.

Although, despite the financial crisis, no defaults among the Group's reinsurers have been found, 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.

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 may 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 also the paragraph on "Operational risks" in Section 5.1.3 "Definition and measurement of risks").

Potential claimants 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.

Risks related to information systems

The Group's business relies very heavily on its information systems (see Section 1.8 "Information systems and processes"). The Group manages complex information systems (in particular for the collection and management of information on the creditworthiness of companies, the management of product sales and services, the centralisation of its risk (pricing, invoicing, debt collection, management of claims disputes) and for its bookkeeping and reporting), which are essential for the conduct of 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, 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 with regard 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.

Risks related to cybersecurity

The risks related to cybersecurity are a concern for the Group and the management of such risks is essential for its businesses and customers. Techniques used to steal information and data, hack, disrupt, degrade quality or sabotage the information systems are constantly evolving. The Group may be subject to targeted attacks on its IT networks. 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. The Group is therefore implementing a monitored and controlled Security policy to make the appropriate changes to its system enabling it to protect itself against such hacking techniques, pre-empt and manage any crises and swiftly set up an effective and appropriate system of response.

Risks related to digital transformation

The digitisation of the economy and in particular of trade presents Coface with certain challenges, particularly in terms of customer expectation, distribution, security and modelling. Coface is constantly investing in these areas to make its services digital, easy and intuitive to use, integrated into customers' environments and secure, and to ensure its operations are competitive and support the digitisation of its offering. These investments constitute a significant part of its Fit to Win strategic plan.

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, 2017, the factoring business represented €72.04 million in net banking income and €2.5 billion in purchased receivables. In this regard, the Group could bear risks related to invoice quality (risk of invoice dilution) 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 4 and 24 to the Group's consolidated financial statements).

If these risks occur in any significant manner, they could have an adverse effect on the financial position, solvency margin, operating results and thus prospects of the Group.

5.2.4 OTHER RISKS RELATED TO THE COMPANY

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 41.38% of voting rights as of December 31, 2017. 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 with regard 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 will continue to provide such financial support, given that Natixis has publicly announced its intention to reduce its shareholding in the Company.

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.

Risks related to the Company's holding structure

The Company is a holding company which conducts its business indirectly through operating subsidiaries, the 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 issues as well as sums borrowed under bank or other loan facilities. The Group's operating subsidiaries hold its assets, and are 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 affected 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 winding-up 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 fall in profits or the 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.

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.

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 18 of the Group's consolidated financial statements).

Risks related to the evaluation of goodwill and intangible assets

The occurrence of future events with 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 1 of the Group's consolidated financial statements).

5.3 / 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.

6. CORPORATE, ENVIRONMENTAL AND SOCIETAL INFORMATION

The COFACE Group is aware of its responsibility and has made a commitment to cooperate in the field of, environmental and societal issues for several years now. In 2003, it joined the United Nations Global Compact, through which it supports in its sphere of influence the 10 principles of the Global Compact relating to 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 very limited impact on the environment. Nonetheless, Coface is 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, the COFACE Group 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 in the coming years.

The CSR 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. The reporting standards and methods are described in Section 6.5.

4,078 employees
in 63 countries

51 Fit to Win seminars
(strategy days) organised –
More than 3,500 participants

Launch of a global
initiative on gender
balance

6.1 / CORPORATE INFORMATION

6.1.1 HUMAN RESOURCES AND PERFORMANCE DEVELOPMENT POLICY

Each year, the Group HR department 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 Talent Reviews and succession plans, the compensation policy and HR support for business lines.

General presentation of staff

In 2012, the Group built an HR reporting tool, which came online in December 2013. The database is updated in real time, and receives a steady flow of data from local HR managers in the countries. Consolidation of this information occurs on the last business day of the month, which allows monthly dashboards to be produced. This reporting includes the individual data regarding contract, activity and business, as well as length of service for each legal entity in the Group and information on the hierarchical link between the different positions.

The tool also serves as a strategic planning tool for staff, as it makes it possible to manage recruitment actions and internal mobility within the context of a reference budget.

At December 31, 2017, the Group employed 4,078 people based in 63 countries, compared to 4,282 at December 31, 2016. Among them, 1,315 were assigned to sales & marketing, 1,382 to support functions, 1,040 to information, litigation and debt collection and 341 to underwriting.

/ Distribution of employees by geographic region

The table below presents the geographic breakdown of the Group's workforce since December 31, 2015:

Workforce	2017	2016	2015	% of total 2017
Northern Europe	713	771	918	17%
Western Europe	974	1,175	1,485	24%
Central Europe	715	721	709	18%
Mediterranean & Africa	763	760	564	19%
North America	125	112	117	3%
Latin America	388	366	394	10%
Asia-Pacific	400	377	391	10%
TOTAL	**4,078**	**4,282**	**4,578**	**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), and Spain and Portugal in Mediterranean & Africa (previously part of Western Europe), which resulted in certain changes in the regions concerned.

Changes in the workforce in Western Europe between 2016 and 2017 were due to the transfer of the State guarantees management business to Bpifrance Assurance Export.

/ Breakdown of workforce by business sector

The table below presents the breakdown of the Group's workforce by activity type since December 31, 2015:

Workforce	2017	2016	2015	% of total 2017	Change 2017 *vs* 2016
Sales & Marketing	1,315	1,308	1,567	32.2%	0.5%
Support	1,382	1,595	1,554	33.9%	(13.4)%
Information, litigation, debt collection	1,040	1,040	1,124	25.5%	0.0%
Underwriting	341	339	333	8.4%	0.6%
TOTAL	**4,078**	**4,282**	**4,578**	**100.0%**	**(4.8)%**

Changes in the workforce in the support functions were in large part due to the transfer of the State guarantees management business.

/ Breakdown of workforce by type of contract

In France, Germany, Italy, and Spain, the total workforce at December 31, 2017 was 1,713 employees and broke down as follows according to type of contract:

		Permanent contracts	Fixed-term contracts	Supervising managers
France	2017	98.4%	1.6%	22.0%
	2016	99.2%	0.8%	18.5%
	2015	99.6%	0.4%	17.4%
	2014	99%	1%	17%
Germany	2017	99.7%	0.3%	13.9%
	2016	99.7%	0.3%	13.3%
	2015	99.9%	0.1%	12.7%
Italy	2017	99.5%	0.5%	25.9%
	2016	99.0%	1.0%	23.6%
Spain	2017	97.8%	2.2%	28.6%

In 2017, the Company welcomed 145 new hires on open-ended contracts in France, Germany, Italy and Spain, with 180 departures, including 71 resignations, 36 retirements and 12 dismissals. The transfer of the State guarantees management business to Bpifrance Assurance Export also gave rise to 249 departures. In order to conduct this transfer in the best possible conditions, Bpifrance Assurance Export and Coface created a steering committee, which met over 15 times in 2016, in order to organise the various aspects of the departures.

Promoting diversity: fostering talent

Due to the nature of its activities and their geographic coverage, the Group is multicultural, with an international focus. For the year ended December 31, 2017, 77 nationalities were represented in the Group; this diversity is strengthened by the frequent integration of employees from other countries into the teams; currently, 263 employees work outside their country of origin. This diversity guarantees that the Group reflects the diversity of the business communities and clients that it serves. For example, there are 21 different nationalities among employees based in France.

The male/female balance (53% women throughout the Group in 2017), 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 internal mobility and access of its employees to roles of responsibility.

The table below shows the change in female representation in countries within the reporting scope since 2014:

		% women among total workforce	% women among managers
France	2017	50.7%	37.0%
	2016	56.0%	41.6%
	2015	56.5%	43.2%
Germany	2017	53.0%	17.1%
	2016	52.2%	14.9%
	2015	53%	15.2%
Italy	2017	48.7%	40.8%
	2016	48.7%	34.0%
Spain	2017	64.3%	40.4%

Female representation is on the rise in Germany, and in management positions in Italy. The fall in France is explained in large part due to the transfer of the State guarantees management business, an activity with a high level of female representation, outside the scope of Coface.

At December 31, 2017, female representation within the governance bodies was as follows:

- Board of Directors: five women out of 11 directors, or 45.5%;
- Executive Committee: five women, or one-third of the members of the Executive Committee;
- Management Committee: three women, or 37.5% of the members 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 ranking of female participation. This ranking, established by Ethics & Boards, 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 2017, Coface launched a certain number of initiatives to promote gender balance, translated into action plans at each level of the organisation.

At the global level, the Group developed and published its key initiatives to be launched as of early 2018:

- a mentoring scheme for women, to facilitate their career development and progress within the Company;
- a training initiative to raise awareness of prejudices in perceptions that can, in particular, harm the consideration given to the contributions that women can make to the Company, but also the promotion of diversity in general;
- a conference bringing together women from various countries to discuss career management and balancing career success with a fulfilling personal life.

To continue promoting access by women to positions of responsibility, Coface has decided to ensure that at least one woman is systematically considered among the applicants for senior management positions, while continuing to ensure equal treatment for all applicants in the final selection process. This initiative will be implemented as of 2018.

Lastly, a prize will be awarded to the most active and effective region in implementing the action plan to promote gender equality. The plan is to award this prize at the Annual Leadership Meeting in 2018.

At the local level, by way of an example, Coface took part in 2017 in the South African Gender Mainstreaming Awards to promote female representation in business, and won first prize for "Equal representation and participation of women in the workplace" in the category of companies not listed on the Johannesburg Stock Exchange. It also won second prize for "Representation of women on Boards of Directors", and two third prizes for "Place of women in the Executive Committees of multi-national companies" and "Ability to entrust women with professional responsibilities". These prizes reflect the robust measures taken within the South African subsidiary to support gender balance. Also this year, Coface Italy launched a partnership with *Valore D,* a local institution offering training on diversity.

In Chile, Coface notably held conferences on the role of women in senior management teams and on health at work in connection with International Women's Day, and took the opportunity to remind all employees of the importance of diversity in teams as a source of richness and creativity.

In Asia-Pacific, the regional entity developed a scheme to promote family balance, including among other things the possibility of flexible working hours to facilitate young mothers' return to work, or the ability to work from home for part of the time. Young parents also benefit from easier access to parental leave while maintaining a social link with the Company. This scheme has now been up and running since January 1, 2018.

In France, a female network called Women to Win was created in 2017 by young employees, with the support of general management. The aim is to enable the exchange of experiences and ideas on career management for women working at Coface, and to promote bottom-up initiatives within the Group. With Carine Pichon, Group CFO, as sponsor, several editions have already taken place, with the organisation of conferences on the theme of "female leadership", attended in particular, in September 2017, by Marguerite Berard Andrieu, then a member of the Management Board of BPCE, and in December 2017 by Florence Ann Carr, a partner at Ernst & Young, each offering an inspiring career path. A group in Coface's Yammer application brings together members and participants of the Woman to Win network in order to share content in advance of the network's meetings and activities.

Creating working conditions that enable all talents to express themselves is a key priority for Coface. Thus, in Germany, Coface launched at the end of 2017 the process to renew its Beruf und Familie certification, which recognises sustained efforts to promote a work-life balance. Coface had already obtained this certification two years ago.

Lastly, talents within the Group continued to be promoted with the awarding of the CEO Awards by the Chief Executive Officer. Since 2016, this award has drawn attention to the Group's employees and teams who, thanks to their outstanding contribution, manage to win contracts, secure the balance sheet or address client expectations by embodying the Group's values. At the event celebrating the Group's 70th birthday in Paris, 17 employees from various countries, functions and levels of experience were awarded their prize by Xavier Durand.

Local initiatives also exist, such as that of the Central Europe region, which awards a Going-Beyond prize each quarter to employees having made an outstanding contribution to the region's success. The winners are offered dinner for two at one of the city's best restaurants.

Young talents are also a priority for Coface. In order to enhance its ability to attract the new generation to its entities abroad and renew its talent pool, Coface has given added impetus to its VIE scheme by orienting VIE assignments towards key roles in the Company's development, where the young person selected can develop their talent in full. In total, more than 30 participants in the VIE scheme form this unique pool of talent each year.

Work organisation

Coface complies with local regulations and agreements regarding the organisation and duration of the working hours of its employees, and does so in all countries where it is established, either directly or through subsidiaries or branches.

It should be noted that 8% of the Group's total workforce chooses to work part time for personal organisation reasons. This figure stands at 12% within the reporting scope; furthermore, the Company offers employees the possibility, as part of its working hours agreements, to organise their work hours according to selected times. No employee in France, Germany, Italy, or Spain works according to shifts or at night.

In 2017, the absenteeism rate observed was 2.7% in France, 4.8% in Germany, 2% in Italy and 3.5% (including maternity leave) in Spain. In each of the countries within the reporting scope, the absenteeism rate is monitored according to local calculation methods. The calculation method in Italy, for example, has changed, as it now includes only sick leave (as opposed to sick leave, maternity leave and leave for long-term illness in 2016). Therefore, communication of consolidated data for the whole of the reporting scope will be possible after homogenisation of the calculation methods for this rate.

Honing our skills to foster success

In 2016, more than 2,300 employees from 66 countries contributed, *via* an online survey, to defining the Group's four key values: client focus, expertise, courage & accountability and collaboration, with integrity as a given prerequisite. These values reflect the fundamental culture of Coface and are an essential lever for its transformation, by clearly expressing its expectations in terms of required conduct.

Coface has adapted its HR processes, especially the annual appraisal, to make these values key success factors for Coface and to serve as a foundation for the individual development initiatives.

In 2017, Coface organised Fit to Win Days (strategy days) in 50 countries, reaching over 3,500 employees. These days are organised in the form of conferences, presentations to small groups and participatory working groups, and give all employees the opportunity to meet each other in a relaxed environment. The aim is to present the strategic plan and the various Fit to Win initiatives, discuss how to improve customer service and celebrate the Coface values. They also provide employees with the opportunity to take the floor and express how these values take form within the Company, and share their ideas on how to continue promoting them day to day, to strengthen the unity of the Group as a whole in its cultural transformation. At the local level, for example, Coface Romania invited an inspiring speaker, Vlad Voiculescu, the former Health Minister, who presented his initiatives in the humanitarian field.

In addition, Coface France attaches great importance to creating a community of students on work-study placements, in order to promote their presence in the Company, encourage them to meet each other and expose them to a wider range of careers at Coface. In 2018, the plan is to strengthen this initiative through themed breakfasts and LinkedIn training, for example.

In the course of 2017, Coface also launched Yammer, its company social network, in order to facilitate communication between departments and countries and exchange information more efficiently.

/ 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 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 clients 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 client 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 the behaviour expected in the responsibilities linked to their job.

The contract with the "360 Learning" platform corresponds to Coface's belief 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, and follow and interact with participants *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.

The solution selected by Coface is aimed at creating the conditions for a learning Coface, open to acquiring knowledge and constantly adapting to changes. Training modules can be created both at Group and local level to meet this type of need.

In 2017, average use of the e-learning platform each month more than tripled in the second half of the year, reaching an average of almost 2,900 visits per month, with a peak of more than 7,300 in November, in favour of significant initiatives launched by the Group to develop certain key business skills and ensure the dissemination of fundamental shared ethical principles. The anti-corruption module was, for example, rolled out at the global level by the Compliance Department in order to raise Group employees' awareness of acceptable and unacceptable practices and develop their capacity for discernment in day-to-day business life. 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 the sales school, the deployment of which commenced in 2017 for 116 "pilot" participants based in Central Europe and Asia-Pacific. Based on their experience, the modules have been updated and sometimes simplified, and arranged into specialised programmes according to the profiles of the participants, in order to best meet their specific needs. Wider roll out of these training programmes is planned for early 2018. Lastly, in December 2017, the new risk management awareness module was inaugurated and rolled out in the Group's main countries. It will enable each participant to acquire the fundamental concepts and know-how and understand their role in risk management.

As part of the Fit to Win strategic plan, Coface has continued its Lean Management programme, which entails optimising its processes, tools and organisation to free up resources for more added-value tasks in order to increase its operational efficiency and better address business challenges and the needs of its clients.

Following an awareness campaign *via* the in-house newsletter in 2016 and the workshops set up for members of the Management Committee in Bois-Colombes, Coface rolled out more workshops dedicated to the progress achieved in the Group's core business division thanks to the application of lean management principles in 2017. Furthermore, training was given to small groups within each division, responsible for setting up action plans in cooperation with their colleagues. Thirty-six employees were therefore trained in 2017, representing 458 hours of training.

Coface also launched an extensive training plan on annual appraisals, which have been revised to better respond to the interests of both employees and the Company. Developed and delivered by the HR teams, this training is delivered at the local level in face-to-face sessions for both managers and employees. The aim is to remind participants of the basic purpose and nature of the annual appraisal, explain the changes for the forthcoming round and enable employees to ask questions to clarify the organisation of this key meeting between a manager and each member of their team.

Investment in training is monitored *via* the number of hours of training delivered, the number of employees trained and the budget dedicated to training. In total, in France, Italy, Germany and Spain, each employee received on average slightly over 10 hours of training throughout the year. The detailed indicators are as follows:

Country	Number of training hours 2017	Number of people trained 2017	Budget spent *(in €)* 2017
France	7,290	698	621,762
Italy	2,551	188	87,130
Germany	4,862	609	95,962
Spain	5,747	188	128,445
TOTAL	**20,450**	**1,683**	

Training costs are reported in accordance with local regulations and practices. Therefore, communication of consolidated data for the whole of the reporting scope will be possible after homogenisation of the calculation methods for this budget.

/ Performance management

Since 2013, an annual appraisal process was rolled out using an online tool 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. At the start of 2017, 96% of annual appraisals had been conducted, illustrating the 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 entity and function.

Over the course of 2017, feedback was compiled to identify ways in which performance management may be improved. The process was revised in response to this feedback, without changing the main themes addressed in the course of the interview. A simple overall performance ranking scale was introduced, which continues to take into account the achievement of the objectives fixed at the start of the year and professional conduct with regard to the Group's values, but which reinforces the importance of these values. This new ranking is also intended to enable the manager to transmit more clearly to the employee how their work is perceived, the reasons for this and areas for improvement. Hence, the Group clearly expresses the fact that collective performance resides in the capacity of each individual to demonstrate in their behaviour their ability to create value for the business.

Another change is that the setting of individual objectives has been separated from the annual appraisal: in 2018, the objectives may be fixed up to the end of April, whereas the performance review and career development discussions will continue to be finalised by the end of February. This is to enable managers to deploy their priorities to their teams at every level of the organisation, and to enable the use of coherent indicators to define the target level to be achieved. In this context, the formal mid-year review has been removed in the online tool.

The results concerning performance and desired mobility served as a basis for the Group's talent reviews, aimed at preparing succession arrangements for key positions, identifying employees' career potential, and building development plans adapted for their potential. In 2017, a new, more user-friendly format was introduced to conduct this review for around 100 managers and senior managers.

The focus was placed on the collective validation of potential by the management teams and on the definition of individual development plans. The aim is to make managers responsible for their teams' development and to prepare for succession effectively, to ensure continuity the day it needs to be implemented. The aim is also to encourage the retention of key resources by demonstrating the Company's solid commitment to their career development and management. These reviews will be deployed throughout the entire Group as of 2018.

Compensation policy: controlling risks, managing performance and supporting the strategy

In accordance with regulatory requirements applicable to the insurance sector since 2016 (Solvency II), Coface's compensation policy is reviewed each year in line with the Group's strategic objectives to ensure effective risk management within the Company.

This policy is set out in detail in Section 2.3.1 "Compensation Policy" and aims:

- to attract, motivate and retain the best talents. Since 2016, the Group has extended the allocation 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 must be deferred, and to certain key employees as part of the retention policy. The vesting period for this scheme is set at three years;
- to encourage individual and collective performance and seek to be competitive on the market while respecting the Group's financial balance. In 2017, the Group Human Resources Department decided to coordinate a global compensation survey project with a compensation consultancy firm expert in the financial services sector. The aim of this project was to reinforce the Group's knowledge of market practices and ensure clear compensation management within the Group during a period of significant change;
- to comply with the regulations in force and guarantee internal fairness and professional equality, particularly between men and women. As part of its annual compensation review, the compensation team ensures that the distribution of increased budgets respects gender balance throughout all the Group's entities; and lastly

- to be consistent with the Group's objectives and support its development strategy in the long term. The bonus policy is therefore reviewed and validated each year by the Management Committee with regard to the Group's priorities. Since 2016, the objectives of each function have been defined with regard to the Fit to Win strategic plan.

The Coface compensation policy is managed by the Group HR Department and transmitted by the HR function in Coface regions and countries.

Employee commitment survey: a listening and commitment tool

In 2017, Coface deemed it important to measure the satisfaction and commitment of its employees, particularly based on a new engagement survey prepared and conducted in collaboration with AON Hewitt called My Voice. With its rich experience and benchmark of 11 million respondents, this service provider was able to guide Coface in its choice of questions and protect the anonymity and confidentiality of the responses.

This survey, consisting of 36 questions, two of which are open, addresses a range of subjects, such as company culture, management, career opportunities, collaboration, etc.

My Voice was conducted in eight different languages and obtained a 92% participation rate, demonstrating employees' strong attachment to Coface and a desire for constructive improvement.

The results were presented by Region, country and function in December 2017. Working groups composed of employee volunteers will be organised in early 2018 to define action plans at every level within the organisation, on all the themes highlighted by the survey as requiring improvement.

Coface plans to repeat this survey every 12 to 18 months in order to measure the impact of its action plans and further reinforce its on-going improvement approach.

Mobility and international development

Since January 1, 2016, the Group HR Department has set up a new international mobility policy applicable to all Group employees. This policy aims to control legal, corporate and tax risks, optimise costs, and clarify the rules in order to guarantee equal treatment in all its entities worldwide.

In 2017, Coface introduced a mandatory medical check-up into its international mobility management process. These medical check-ups are managed externally by the Henner company to guarantee the confidentiality of employee medical data.

Coface also relies on the VIE programme (voluntary international experience) to diversify and energize its teams. This French State aid enables young Europeans, both men and women under the age of 28, to undertake a professional assignment abroad on behalf of a French company for a period of six to 24 months.

The VIE programme has been a useful springboard for many interns and apprentices within the Group, and also for young graduates from outside the Group, to launch their international career with Coface. It enables Coface to manage its age pyramid by increasing its pool of young international talents already in possession of critical skills regarding the core business and a solid network within the Group.

In 2017, Coface took on 39 volunteers in 15 countries. Nineteen new assignments are planned for 2018.

Coface regularly communicates *via* Connect, the weekly newsletter, or One, the Group's quarterly magazine, about its international mobility and VIE programme, in order to inform employees of possible career development opportunities within the Group.

Corporate dialogue: defending the corporate plan

/ Bodies representing employees

The Group maintains on-going corporate 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 permanent members, the staff delegates, comprising 11 permanent members and five substitute members, and the Hygiene, Safety and Working Conditions Committee (CHSCT), made up of nine members.

In Germany, three works councils exist: the works council for the Coface Germany branch and *Coface Rating GmbH (EIC),* composed of 11 members and representing around 500 employees; the works council for *Coface Finanz GmbH,* composed of five members and representing around 110 employees; and the works council for *Coface Debitorenmanagement GmbH,* composed of three members and representing around 45 employees.

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 corporate dialogue within the Company.

These different bodies meet regularly to discuss corporate matters such as compensation, working hours, management of leave and the employees' mutual fund.

Hence, in France during 2017, 12 meetings of the works council, 11 meetings of the staff delegates, 6 CHSCT meetings and 10 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 corporate consequences, renovation of premises, reorganisation of departments, evolution of staff, and professional training).

In Germany, 65 works council meetings took place this year, *i.e.* double the number of mandatory meetings.

The European Works Council meets at least once per year to set out 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.

This year, new elections for members of the committee were held, and one amendment to the European Works Council agreement was signed pursuant to the obligations requiring a renewal every four years. All seats on the European Works Council are now filled, with 17 permanent members representing employees in the 23 European countries.

In 2017, members of the European Works Council were given external training on the legal context and operational tools of European works councils. Support for preparation of the Central European Council meeting is also scheduled for June 2018.

The Group believes that corporate 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 corporate progress. Progress on the Fit to Win strategy and My Voice, an engagement questionnaire for employees, was the subject of specific presentations at the plenary meeting of the European Works Council in 2017, as well as a number of presentations before the local works councils.

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 by-laws, 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 regards company-level agreements, 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. Thus, in 2017 management signed a framework agreement with the trade unions on paid leave, the "time savings account" *(compte épargne temps)* for days of paid leave, and the daily rate of compensation *(forfait jours)*. This measure will be extended in 2018 with the introduction of teleworking, the negotiations for which are in the process of completion.

It should be noted that in Germany, discussions and negotiations on the Fit to Win plan (internal reorganisation and voluntary departures) have been conducted in close collaboration with the trade unions throughout the year.

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.

Concerning employment in the service sector, 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 days, 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. In 2017, employees were able to sign up for a fitness programme and attend yoga classes. For a healthy working environment, fruit baskets are provided for all employees. Coface Spain also organises an annual campaign including information sessions on nutrition and healthy lifestyle habits. Working groups on healthcare and sport are also organised as part of this.

Other Coface offices are also endeavouring to create pleasant working conditions; Coface offices in Spain and Portugal, for example, renewed their initiative from the previous year to celebrate "Friendship and affection day" with handwritten cards distributed to friends and colleagues.

It should be noted that the Coface offices in Austria, Lithuania, Poland, Hungary and Romania opted for more modern premises when moving sites in 2017. Coface Austria in particular chose to organise its working areas to encourage discussion and collaboration, by means of numerous meeting rooms.

Germany also organised Pilates and meditation classes and a Health Day to promote employee well-being at work. Health Day, which was held for the 4th year running, was organised in cooperation with Barmer GEK, one of the largest insurance companies in the field of health.

In addition to the national health insurance system, Coface Italy offers a complementary health insurance package to all its employees. As part of this, employees can benefit from an annual medical check-up and a full health assessment. Coface Spain also offers all employees a health assessment each year.

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, a *Vigipirate* security plan was activated at 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.

Twelve workplace accidents leading to days off were reported in France, Germany, Italy and Spain in 2017 (six in France and six in Germany). No occupational illnesses were reported in France.

In conjunction with the occupational physician, the Hygiene, Safety and Working Conditions Committee (CHSCT) and the commission for the prevention of psychosocial risks, a set of indicators is monitored to spot trends, learn lessons and implement actions. Hence, when renovating the premises of the head office, specific arrangements were made in the building to reduce noise generated by working areas (partitioning off of social areas, installation of plants and the addition of partitions between office areas). No agreement has been signed with the trade unions or employee representatives in Italy, Germany and Spain with regard to health and safety at work.

Coface's management maintains regular dialogue with employee representative bodies regarding matters in connection with working conditions and safety. In this respect, during meetings with the CHSCT, the single document on risk prevention for employee health and safety was updated in 2017 with the cooperation of the occupational physician.

Equal treatment and access to employment: anti-discrimination measures

/ Disability

The Group is centred on the consulting, analysis and client relations businesses, and is thus able to welcome employees with disabilities. The Group ensures that employees with disabilities are integrated into all its businesses 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 led to an agreement in 2017. A first person has taken part in this programme, with very positive feedback from the participant, works councils and managers.

Coface France is currently working in collaboration with the occupational physician and social services on communication to clarify the implications and in particular the interests of the recognition process for the employee with disability status under French law.

In order to enhance the working conditions of employees with disabilities, Coface France intends to offer all employees the possibility of teleworking.

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.

/ Employment of older employees

Historically, France and Germany have had an age pyramid with a large proportion of the workforce over the age of 50 and a limited staff turnover rate, reflecting both team loyalty and the Company's willingness to recognise and retain the expertise of its employees. However, Coface France decided in 2017 to support employees nearing retirement age by offering them a pre-retirement scheme enabling them to bring forward their departure by a maximum of up to two years prior to their full retirement date. As part of this, Coface undertook significant support and transition work to ensure that skills are transferred as smoothly as possible, in an extension of the provisions under the generation contract adopted in 2013. These departures resulted in the partial renewal of the teams.

As of December 31, 2017, the age ranges of employees in France, Germany, Italy and Spain were as follows:

Age ranges	Percentage of staff in Spain	Percentage of staff in Italy	Percentage of staff in France	Percentage of staff in Germany
< 30 years	7.1%	4.8%	14.5%	3.2%
30 to 40 years	31.3%	27.0%	22.9%	26.0%
40 to 50 years	46.2%	47.6%	30.7%	32.4%
> 50 years	15.4%	20.6%	31.9%	38.3%

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 to encourage the protection of employment for older employees, the sustainable integration of young people and the transmission of skills within the Company).

/ Respect for the fundamental conventions of the International Labour Organization

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 freedom 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.

6.1.2 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 FCPE* mutual fund.

6.2 / ENVIRONMENTAL INFORMATION

As a service company, Coface's CSR policy consists primarily in making conscious real estate choices that help to lower its environmental footprint by reducing its greenhouse gas emissions, and its energy and paper consumption. Accordingly, it seeks to promote selective waste sorting and recycling, especially of obsolete IT equipment components, and to encourage its employees to adopt behaviour 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 the energy transition.

6.2.1 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, particularly 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.

In Lithuania, Austria, Poland, Hungary and Romania, the Coface teams moved into more modern premises in 2017, more in line with the new environmental regulations.

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, the main aspects of which are presented in Section 6.4 below. The objectives of this plan were partially achieved in 2016 and 2017.

In 2017, 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.

Actions to raise employee awareness

In order to fully include employees in this process, various actions were undertaken to raise employee awareness. Therefore, each year the Group business review features a section devoted to raising Coface employee awareness about environmental challenges, and the best practices booklet distributed to all employees upon their arrival at the Bois-Colombes premises emphasises in particular the importance of daily actions for sustainable development, and in particular of reducing paper consumption and sorting waste.

Other actions to raise employee awareness were developed at numerous local offices of the Company worldwide. One example was 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 eco-friendly 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.

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 1,200 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, solar panels situated on the roof 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, Italy and Spain at the end of December 2015 and in 2016 for its respective buildings and vehicle fleets. The purpose of the audits was to study the energy use and greenhouse gas emissions for 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.

6.2.2 WASTE MANAGEMENT AND THE FIGHT AGAINST FOOD WASTAGE

The Company's business 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. Since 2014, approximately 900kg of hardware has thus been sent off each year to be recycled. In 2017, 1,150kg of hardware was recycled.

Since 2013, Coface Romania has taken part in a national scheme with the association Recolamp called the Green Corner, which brings together 11,600 companies with the aim of collecting spent electronic equipment, batteries, fluorescent lights and light bulbs for recycling.

Several years ago, Coface Romania also launched a forest protection initiative through a partnership with the Sistec Confidential association. As a result of this initiative, both confidential and non-confidential papers are stored and recycled, rather than thrown out. This initiative has saved several dozen trees over three years running.

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 and Mainz sites, the Company naturally sought the assistance of its mass catering service providers, Sodexo (in France) and Aramark (in Germany). Sodexo and Aramark are fully committed to promoting corporate social responsibility. For Sodexo, 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 (SDGs) set by the United Nations in September 2015.

Reducing food waste is one of the three goals considered by Sodexo as a priority, along with the fight against hunger and gender equality, as part of its Better Tomorrow 2025 strategy. In this context, Sodexo took part in the creation of the International Food Waste Coalition, an organisation bringing together companies and institutions seeking to take action against food waste. Sodexo is also a member of the Food Waste Task Force working group and the Green Public Procurement Task Force working group in Europe. Sodexo also set up a global programme called WasteWatch, demonstrating that it is possible to reduce food waste by 45% in just a few months thanks to the use of a centralised reporting tool able to measure and analyse waste both in the kitchen and on the consumer's plate, whether as a result of excessive quantities produced, damage, failure to use food before its use-by date or individual behaviour. Action plans are then set up to reduce this waste and thus reduce carbon emissions. In Spain and Italy, the Coface offices do not include company restaurants.

Since the Company's business does not release waste or any other pollution into the soil, no specific action was taken in that area.

6.2.3 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 peace and quiet, in the interests of its employees and clients.

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.

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 work bubbles.

6.2.4 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 2017, water consumption totalled 27,081 m^3 *versus* 28,587 m^3 in 2016 and 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 paper consumption. It has established a printing policy for its entire reporting scope which includes the following measures: setting printers to print on both sides of the paper by default, elimination of individual printers where possible, encouraging staff to print only essential documents and to favour "economical" printing layouts. Across the reporting scope, the Group also encourages the purchase of environmentally friendly paper, certified PEFC 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 analyse 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 usage rates per machine, the need to reduce the number of printers by nearly 40% leading consequently to a substantial reduction in the costs linked to the operation of these machines for the Company.

In the same vein, in 2016, the Group Legal Department chose to opt for partially paperless legal information by cancelling most of 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, and strives to continually improve its clients' digital experience. A number of web services, such as Dashboard, CofaMove and CofaServe, have been developed in recent years. In 2017, Coface launched two major digital initiatives:

- the "digital entry portal" for clients, which facilitates exchanges and communication between them and Coface; this gives clients a unique and direct access to all Coface web interfaces and access to a library of documentation on products and tools, tutorials and FAQs; it also provides clients with economic information, products and tools tailored and adapted to their business;
- a new version of CofaNet, CofaNet Essentials, a web interface enabling clients to manage their credit insurance contracts; this secure tool enables clients to manage their contracts online, and thanks to its CofaMove app, policyholders can submit requests for approval or consult their client portfolio on their smartphones.

The move to paperless exchanges between Coface and its multinational clients also includes the use of the Dashboard, an exclusively online tool that offers policyholders centralised monitoring of data for all their trade receivables.

Coface's total paper consumption in France has, therefore, been reduced significantly in recent years thanks to the move to paperless exchanges with policyholders and also thanks to better monitoring of printing and the use of thinner paper. The drop has been particularly significant since 2012, when it stood at 54 tons. The temporary increase in paper consumption in France between 2014 and 2015 is explained by the fact that in 2015, as part of efforts to keep a tighter control on costs, Coface performed numerous copying tasks in-house, when such tasks were previously outsourced. Consumption fell back to a low level in 2016 at 36 tons. In 2017, the drop to 17.5 tons can be explained in part by the departure from Coface of employees working in the State Guarantees Department, whose rules for archiving files in paper format formed part of their internal procedures.

Likewise in Germany, total paper consumption has fallen every year since 2012, when it stood at 48 tons, to reach 24.8 tons in 2016, representing an overall reduction of around 50% in five years. In 2017 consumption fell again by 50%.

Italy and Spain consume little paper thanks to a strict implementation of the printing procedure described in the first paragraph of this section.

Across the reporting scope, paper consumption in 2017 therefore amounted to 36.9 tons.

Paper consumption	France *(in tons)*	France Change N/N-1 *(as a %)*	Germany *(in tons)*	Germany Change N/N-1 *(as a %)*	Italy *(in tons)*	Italy Change N/N-1 *(as a %)*	Spain *(in tons)*	Spain Change N/N-1 *(as a %)*	Total (reporting scope) *(in tons)*	Total (reporting scope) Change N/N-1 *(as a %)*
2012	54		48		-	-	-	-	102	
2013	39	(28)%	45	(6)%	-	-	-	-	84	(18)%
2014	38	(3)%	31	(31)%	-	-	-	-	69	(18)%
2015	42	11%	28	(10)%	-	-	-	-	70	(1)%
2016	36	(16.6)%	24.8*	(12.9)%	5	-	-	-	65.8	(6.4)%
2017	17.5	(51)%	11.9	(46.6)%	5	0%	2.5	-	36.9	(43.9)%

* *In 2017, paper consumption was corrected in Germany for the 2016 financial year. Consumption in 2016 totalled 22.3 tons, and not 24.8 tons.*

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 have allowed energy consumption to be significantly decreased.

Reported energy consumption since 2014 for the reporting scope

	2017 Reporting scope		France, Germany and Italy 2016		France and Germany 2015		France 2014	
	Consumption	CO_2 equiv.	Consumption	CO_2 equiv.	Consumption	CO_2 equiv.	Consumption	CO_2 equiv.
Electricity	6,825 Mwh	632 CO_2 T eq	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	1,463 Mwh	316 CO_2 T eq	1,371 Mwh	297 CO_2 T eq	692 Mwh	130 CO_2 T eq	575 Mwh	116 CO_2 T eq
Surface area	72,026 m^2		67,823 m^2		63,431 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 100 square metres of solar panels, which reduce its gas consumption by reheating the water supplied to sanitary facilities and to the restaurant. The panels, 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 and 2017.

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.

6.2.5 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 – SRI (see Section 6.3.4).

Travel policy

Since 2014, the travel policy for Coface France employees, adapted for the entire Group in 2017, stipulates that:

- only train travel is authorised over certain distances, beyond which it may be preferable to travel by plane;
- generally speaking, travel is limited and replaced by telephone or videoconferencing, where available and relevant given the situation. All of the main Coface sites worldwide are equipped with the appropriate means. At the head office, a remote attendance room and several videoconference rooms were installed to allow 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	CO_2 tons equivalent for the reporting scope 2017	CO_2 tons equivalent for France, Germany and Italy in 2016*	CO_2 tons equivalent for France and Germany in 2015	CO_2 tons equivalent for France in 2014
Aeroplane	673.6	533	373	268
Train	14.5	4.35	3.05	3.48

* *The data was corrected with regard to the 2016 Registration Document: 533 CO_2 T eq. (air travel) and 4.35 CO_2 T eq. (train).*

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 consumption generated by the journey (offset system).

In 2017, the increase in greenhouse gas consumption with regard to travel by aeroplane resulted not only from the addition of Spain to the reporting scope in 2017, but also to the increase in the number of kilometres travelled by each country within the scope. This increase can be explained in particular by the implementation of the Fit to Win strategic plan, under which the Group's reorganisation constituted a major area of work and required a number of trips by the new directors and managers appointed in order to meet local teams, in addition to the presentation of the new Group policies in the Group's various regions.

As regards the increase in the consumption of greenhouse gases in connection with train travel in 2017, this increase is not due to any specific increase in the number of kilometres travelled by train by the countries within the reporting scope, but rather to the inclusion of Spain in the reporting scope and to the Spanish energy mix, which is heavily reliant on fossil fuels.

Vehicle policy

Within the reporting scope, countries adopt initiatives to reduce fuel consumption, such as Coface in France, which regularly renews its vehicles and selects them based on a number of criteria, including CO_2 emissions per kilometre travelled. The average for the vehicle fleet in France stood at 101 g/km in 2017, compared to 105 g/km in 2016, and greenhouse gas emissions decreased by 26.5% over three years between 2014 and 2017.

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 consumption since 2014

	2017 Reporting scope		2016 Reporting scope		2015 Reporting scope		France 2014	
Nature of fuel	Litres	CO_2 tons equiv.	Litres	CO_2 tons equiv.	Litres	CO_2 tons equiv.	Litres	CO_2 tons equiv.
Diesel	691,343	1,766.9	707,869*	1,682	691,119	1,741	230,913	635
4-star premium fuel	4,700	11.6	3,746	9.7	2,519	6.0	2,969	7.0
TOTAL	**-**	**1,778.5**	**-**	**1,691***	**-**	**1,747**	**-**	**642**

* *Note on methodology: in 2017, the data reported for Diesel consumption in Germany for 2016 has been corrected. The correction of the German data (704.6 CO_2 tons equiv reported in 2016 instead of 1,058.67 CO_2 tons equiv) has led to correction of the end result, which should have been equal to 2,036 CO_2 tons equiv., instead of 1,961.*

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 resulted in a limitation of CO_2 emissions through the vehicle policy, to limiting travel through the travel policy, and to 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.

6.2.6 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 activities have no impact on biodiversity.

6.3 / SOCIETAL INFORMATION

6.3.1 REGIONAL, ECONOMIC AND SOCIAL IMPACT

Support for client development

The very nature of credit insurance contributes to the development of economic trade by offering companies secure commercial transactions. Coface, as a leading market player, strives to offer its clients 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 offering 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.

Forging of links with the local social and economic fabric

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.

Apart from hiring employees and the development of partnerships with universities and business schools (see Section 6.3.2.), Coface takes part in local inter-company initiatives to support certain social causes and also proposes or supports student initiatives.

As in 2016, Coface participated in 2017 in an inter-company initiative alongside the city of Bois-Colombes, where its head office is situated, to promote support for 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, as they are every year, to the TÉLÉTHON association.

6.3.2 PARTNERSHIPS AND CORPORATE PHILANTHROPY

Academic relations: promoting careers at Coface

The Group develops "academic relationships" with a selection of universities. The dialogue with universities and higher education institutions takes various forms, such as courses taught by some of the Group's employees, the use of apprenticeship contracts and the setting up of partnerships.

In France, a specific partnership exists between Coface and the *École supérieure du commerce extérieur* business school (ESCE). For several years now, a seat on the strategic orientation council of this business school has been assigned to Coface.

In partnership with the Université Paris-Dauphine (Master 218) and ESCE, Coface takes in final year students as interns each year. The interns can thus apply their education in a concrete way and prepare themselves to take on a job within the Company, if the opportunity exists.

In France, furthermore, the aim of the new training and academic relations manager is to create partnership links between Coface and the leading French higher education establishments (the *grandes écoles*) such as ENSAE and EDHEC, etc. In particular, Coface France has taken part in a learning forum involving more than 50 partner companies and attracting over 14,000 visitors. One of the first partnerships set up in 2017 was with EBS (European Business School Paris), where Coface helps students on topics such as Curriculum Vitaes and interview simulations.

The links established with ESCE and Paris-Dauphine have likewise led several employees of the Company to teach about topics related to insurance in the context of the curricula. Lastly, these two institutions are beneficiaries of our apprenticeship tax payments. 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 Coface brand. Close connections are established with student associations, meetings are organised on campus, and internship offers are posted online on the dedicated university sites. More than 350 students have applied. Since 2008, over thirty students have taken part in this programme in the United States.

Coface Germany also takes part in a mentoring programme for students in applied sciences, in partnership with the University of Mainz.

In Romania, the partnership with the Bucharest University of Economic Studies (ASE) means that Coface takes in interns from this institution but also enables certain employees to run working groups during student seminars to raise students' awareness of financial analysis in the corporate context, from a business and practical point of view. In South Africa, Coface has been affiliated with the Institute of Credit Management (ICM) since 2016. It has, in particular, been invited to present the credit insurance sector to ICM and Credit Blende Training (CBT) students. Through this initiative, Coface played an integral part in an initiative to train the future heads of the South African credit insurance industry.

Lastly, by way of an example from previous years, in 2015 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 2016 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.

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 make it possible to assist 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.

Among the solidarity initiatives organised in 2017 is the participation of a number of Coface offices in sporting events with a charitable goal:

- in Hong Kong, Coface took part in the 24th Green Power Hike, a race organised by the Green Power association founded in 1988 to support environmental education in pre-schools, primary schools and secondary schools;
- in Mumbai, Coface took part in the Dream Walk Marathon organised by Standard Chartered Mumbai Marathon, the largest charity in India in terms of donations collected;
- since 2010, Coface UK has taken part every year in the London 10k race in partnership with the charity Changing Lives, which helps homeless people and those suffering from severe addictions;
- in Slovakia, Coface took part in the 12th Bratislava Half Marathon, which raises money for children in need;
- in Lithuania, Coface employees and members of their families took part in the race organised by Unicef to support children suffering from malnutrition in Mozambique;
- in France, Coface once again supported the TÉLÉTHON association through an inter-company race.

Other Coface offices throughout the world organise fund-raising for children's charities:

- in Austria, employees raised funds for the Debra-Austria association, which works to help children suffering from genetic skin diseases;
- in Germany, Coface doubled the donations made by employees as part of fund-raising to support a project to extend a primary school in Malawi;
- likewise, in Romania, a quarter of employees volunteered to take part in the construction of an after-school facility for children as part of the Habitat for Humanity Challenge project, and in Poland, employees raised funds to replace the bedding in a children's home;
- in Ecuador, Coface funded the construction of a sustainable and autonomous facility to house 60 children and enabling the cultivation of organic food as part of a nutritional programme specifically prepared for them by the Fondation Ecuasol.

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, was 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. While continuing to mobilise employees, 2017 was a transitional year for Coface Trade Aid. By creating a global charter to refocus Coface's charity work and that of its employees on the corporate values and missions at Group level, Coface Trade Aid intends to increase its partnership with local associations helping businesses and entrepreneurs to develop safely and sustainably.

All regions now participate in this project through various initiatives, involving 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.

6.3.3 SUBCONTRACTING AND SUPPLIERS

The outsourcing of important or critical activities is strictly governed by the regulations 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 for using subcontractors, the terms of any contract drafted for such outsourcing and the control procedures related to the outsourced activities and functions.

This policy, which was approved by the Company's Board of Directors at its meeting in the 4th quarter of 2016 and reviewed annually ever since, considers the following as constituting material or critical activities, pursuant to the applicable regulations: (i) the following four key functions (see also Section 5.1.2 "Organisation"): the risk management function, the compliance verification function, the internal audit function and the actuarial function; as well as (ii) the other functions comprising the core credit insurance business, the interruption of which is likely to have a significant impact on the Company's business or its ability to effectively manage the risks, or jeopardise the conditions under which it obtained its license.

Coface and all its subsidiaries have therefore pledged, where 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 French Insurance Regulator (the ACPR) of their intention to outsource services that fall within the scope of the procedure, pursuant to the applicable regulations. Any outsourcing contract to be signed with a 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 main material or critical activities outsourced by the Group concern 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 participating meaningfully in decision-making regarding the supply of insurance services. Key functions are not outsourced.

While outsourcing was frequently used in the field of IT, concerning a little under 2/3 of the workforce, the Fit to Win strategic plan defined in 2016 sought to limit the outsourcing of certain IT functions, such as Group-wide IT development functions; the purpose of limiting the use of outsourcing is to gradually insource these activities within a special Coface entity, in order to ensure the secure control of IT systems as well as the perpetuation of skills within the Group.

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 Coface's commercial activity in particular. 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 Coface's commercial practices regarding product distribution; as such, distribution must comply with the rules laid down by the Group and must be carried out under the latter's 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 and include applicant assessment criteria based on the values upheld by corporate social responsibility. As a continuation of this policy, in June 2017 Coface signed the *Charte Relations Fournisseurs Responsables* (responsible supplier relationship charter) of the Médiateur des Entreprises and the Conseil National des Achats, two French associations. This charter consists of 10 commitments for a responsible purchasing policy towards suppliers. It enables Coface to apply, in concrete terms, its willingness to foster fair and transparent relationships with its suppliers.

6.3.4 SOCIALLY RESPONSIBLE INVESTMENT (SRI)

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 a credit insurer and the protection of its reputational risk. In particular, in accordance with the transparency objectives set out in this text, the Group published on its website, on June 30, 2017, a presentation of its responsible investment policy, its investment portfolio and the carbon rating thereof, as established by AMUNDI according to the criteria and indicators defined below.

Being a Socially Responsible Investor, according to Coface, means both including oversight and analysis measures in its investment policy in order to fulfil its obligations towards its policyholders, 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").

Evolving as it does in an international environment where SRI practices and standards diverge, the Group strives to pay particular attention to the dialogue it conducts with issuers. It also aims to foster a dynamic analysis of investment opportunities, without seeking an approach solely focused on a strictly positive selection or the systematic exclusion of certain assets.

As an institutional investor, Coface seeks to adopt long-term measures through 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 SRI 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 the latter. Accordingly, calculating and disclosing information on Coface's carbon exposure is the foundation of its commitment in this area.

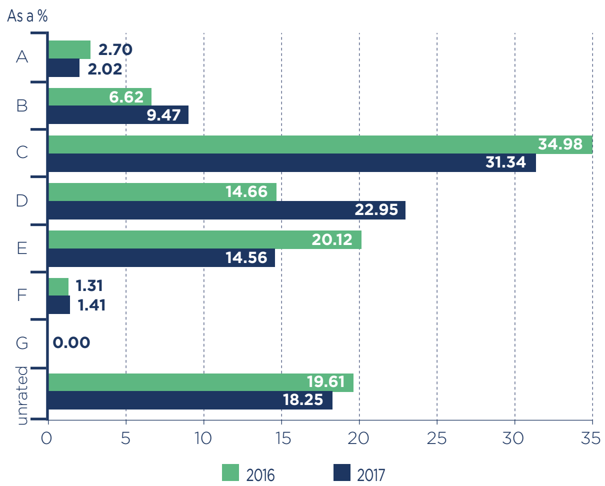
The three pillars of Coface's Socially Responsible Investor strategy are as follows:

1/ ESG factors: Integrate sensitivity to these factors in its asset management, while maintaining a primary logic of risk and reputation management.

Since the 1st quarter of 2017, AMUNDI has produced a quarterly report on the average ESG rating of the Coface portfolio (A to G rating) and a breakdown of assets by ESG rating.

As of December 31, 2017, the overall ESG rating of the investment portfolio was C-, stable compared to the end of 2016.

ESG rating of the investment portfolio



Source Amundi.

N.B.: The portfolio monitored by AMUNDI represents 97.5% of Coface's total portfolio.

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.

AMUNDI provides an annual report on Voting Rights, containing the following information:

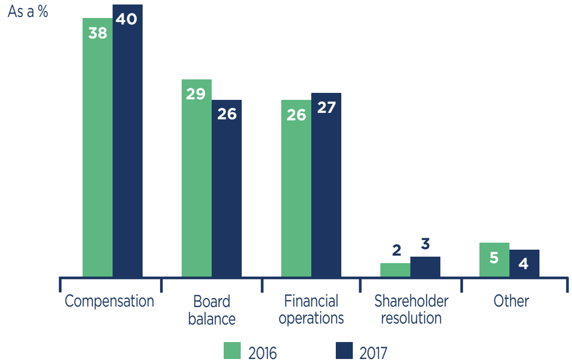
- overall voting statistics for each of the Coface dedicated funds (with a focus on geographic breakdown, opposition rates and major opposition topics);
- the list of meetings at which voting rights are exercised and during which an opposition voting right was exercised (with a breakdown per company concerned, per country and per opposition topic).

Prior to these votes and where necessary, Coface can initiate discussions with AMUNDI's specialised teams to gather analyses on proposed resolutions and discuss the associated vote recommendations.

AMUNDI transmits its voting policy annually to the Group, to include the best corporate governance, social responsibility and environmental practices.

The percentage of opposition votes exercised by AMUNDI on behalf of Coface at Shareholders' Meetings held in 2017 are presented below, by topic:

Opposition votes on share positions held directly



Source Amundi.

According to AMUNDI, truthful, comprehensive and transparent financial information constitutes an essential right of shareholders and a prerequisite for exercising of voting rights in a considered manner. Hence, opposition votes mainly come from the following considerations:

- with regard to the compensation policy: AMUNDI considers that aligning senior managers' interests with those of the shareholders is a vital factor in corporate governance. The Company's compensation policy must contribute to this balance;
- with regard to balanced membership of the Board: AMUNDI considers that the Board is a strategic body and that its decisions determine the future of the Company and the responsibility of its members. Thus, according to AMUNDI, its actions must be governed by transparency, responsibility, efficiency and availability;
- with regard to financial transactions: AMUNDI considers that minority shareholders must be wary of excessive dilution of the capital.

3/ Measuring the carbon footprint: Protecting the Group against carbon risk and participating in international environmental protection and energy and ecological transition endeavours.

AMUNDI provides a quarterly carbon report including:

a) A presentation of carbon emissions (per million euros invested and per million euros in revenue) and carbon reserves (per million euros invested).

All data is presented in absolute and relative terms with regard to a benchmark index determined according to the strategic allocation of the platform.

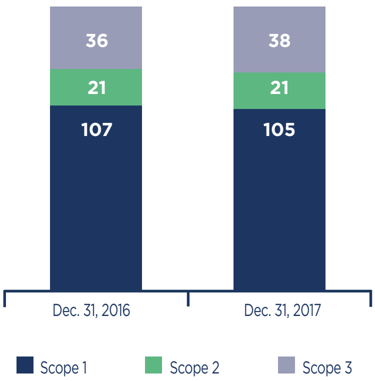
The carbon reserves per million euros invested constitute an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in the portfolio.

This presentation is drawn up for three different levels of scope:

- Scope 1: All direct emissions from sources owned or controlled by the Company;
- Scope 2: All indirect emissions resulting from the purchase or production of electricity, steam or heat;
- Scope 3: All other indirect emissions upstream and downstream of the value chain. Only emissions upstream and *via* first tier suppliers are presented in the report.

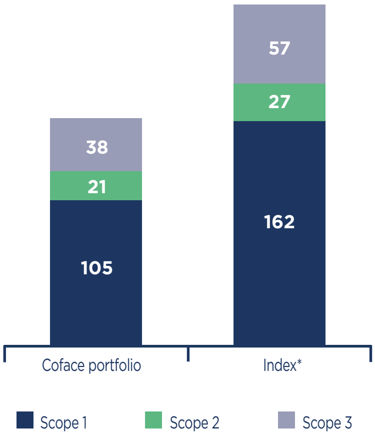
6.

Carbon emissions per million euros invested ($T\ CO_2$/€m)



Source Amundi.

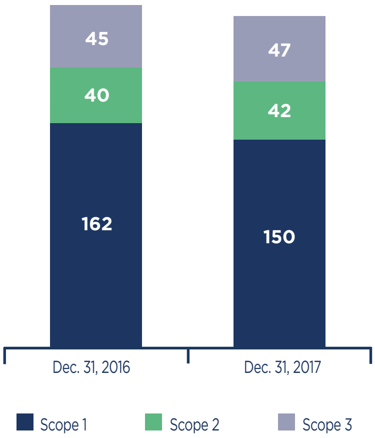
Carbon emissions per million euros invested as of December 31, 2017



Source Amundi.
** Index:*
85% ML EURO BROAD+ 10% MSCI EMU + 5% THE BOFA ML GLOBAL.

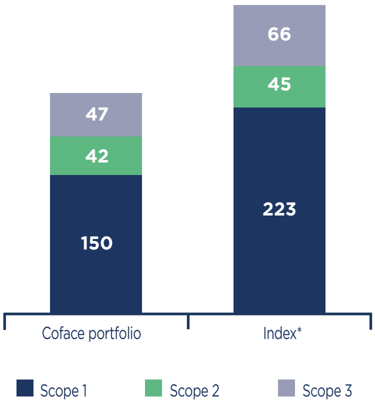
This indicator measures the emissions from the portfolio in tons of CO_2 equivalent per million euros invested. It is an indicator of the emissions resulting from investment in the portfolio. It remained stable throughout the year. Carbon emissions per million euros invested were less than those of the benchmark index.

Carbon emissions per million euros of revenue



Source Amundi.

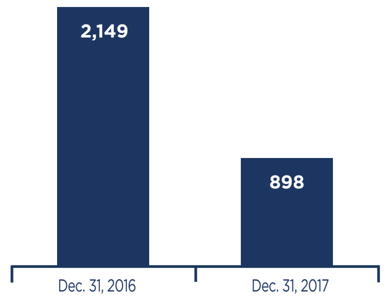
Carbon emissions per million euros of revenue as of December 31, 2017



Source Amundi.
** Index:*
85% ML EURO BROAD+ 10% MSCI EMU + 5% THE BOFA ML GLOBAL.

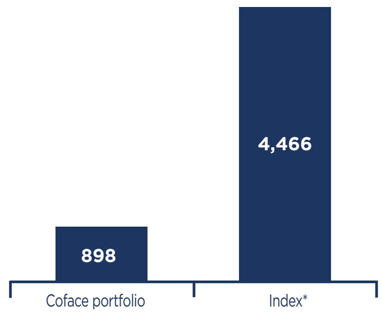
This indicator measures the average emissions in tons of CO_2 equivalent per unit of revenue generated by the companies (in millions of euros). It is an indicator of the carbon intensity of the value chain of companies in the portfolio. It fell by 3% over the year. Carbon emissions per million euros of revenue were less than those of the benchmark index.

Carbon reserves per million euros invested



Source Amundi.

Carbon reserves per million euros invested



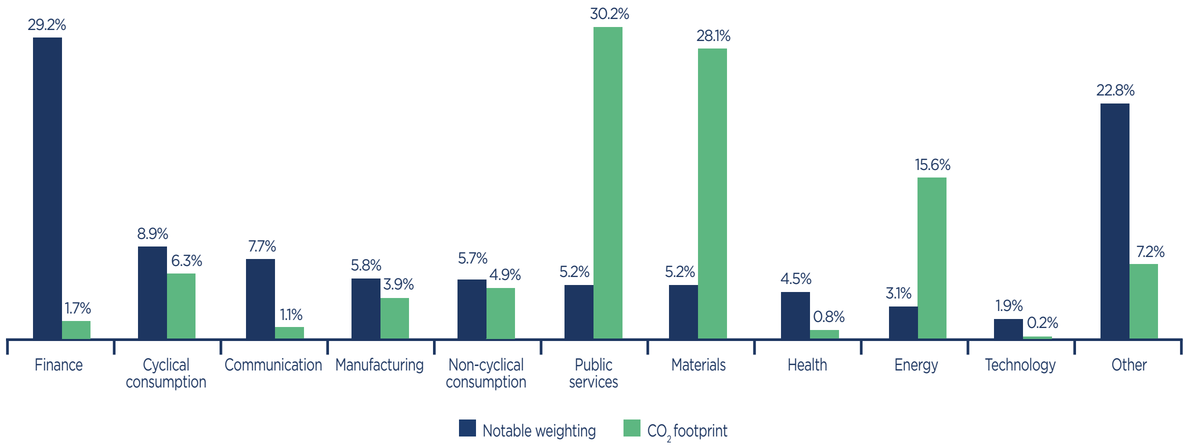
Source Amundi.
** Index:*
85% ML EURO BROAD+ 10% MSCI EMU + 5% THE BOFA ML GLOBAL.

These graphs measure the carbon reserves from the portfolio in tons of CO_2 equivalent per million euros invested. They represent an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in this portfolio.

N.B.: The portfolio monitored by AMUNDI represents 97.5% of Coface's total portfolio. 33.3% of the monitored portfolio is rated. This 33.3% represents 83.5% of rateable outstanding amounts.

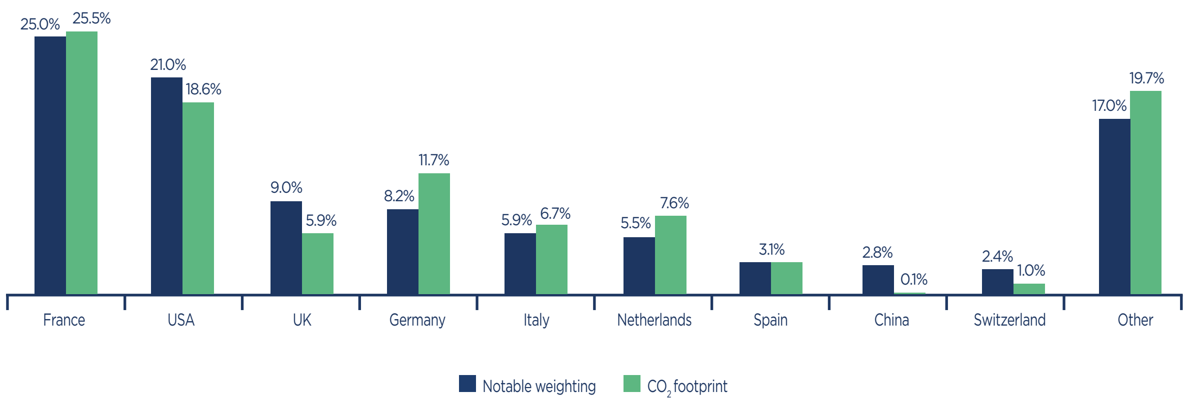
b) Sectorial and geographical contributions to the carbon emissions

Sectorial contributions as of December 31, 2017



The biggest contributors as of the end of 2017 were public services, materials and energy. The smallest contributors were finance, communications, health and technology.

Geographical contributions as of December 31, 2017



The countries with the greatest exposure in the Group were France and the United States.

N.B.: The data on carbon emissions provided correspond to the annual emissions of companies in the portfolio and are expressed in tons of CO_2 equivalent, including the six greenhouse gases defined in the Kyoto protocol whose emissions are converted into global warming potential (GWP) in CO_2 equivalent.

6.3.5 FAIR PRACTICES AND RESPECT FOR HUMAN RIGHTS

As part of managing conflicts of interest, Coface's code of conduct, which was created for use by all Group employees, was revised in 2017 to reinforce for all employees the promotion of the values of integrity necessary for the proper conduct of their professional activities. This code notably emphasises the importance of treating clients fairly by avoiding conflicts of interest and not using information in an employee's possession against the interests of a client, a potential client and co-contracting third parties.

The code of conduct 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 directly or 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 conduct, which includes a number of anti-corruption rules.

Within the context of combating money laundering and corruption, every year the Group strengthens the tools and roll-out of procedures to best control all risks linked to financial security. These measures concern all entities, employees and clients of the Group. In 2017, Coface focused on implementing the provisions set out in the "Sapin II" law on transparency, anti-corruption and modernisation of the economy. In particular, the Compliance Department worked on setting up an anti-corruption code of conduct, including:

- roll-out of a programme to train and raise awareness among all Group employees;
- mapping of the risks of corruption;
- assessment procedures for business partners;
- an ethical whistleblowing system; and
- accounting control procedures.

E-learning training courses are regularly created by the compliance and ethics teams and rolled out within the Group. In 2017, an e-learning training programme was prepared in nine languages for employees with the aim of training them in detecting risks and attempted fraud, and acquiring the right reflexes when in doubt. This training was delivered to 90% of the Group's employees.

As part of the implementation in 2017 of a revised KYC (Know Your Customer) evaluation grid, a communication campaign was carried out targeting sales staff on warning signs regarding money laundering, concerning the Company (address, activity, change in turnover given the client sector and number of employees), the transaction (complexity, unusual behaviour by the client), the Company representatives (negative information, individual politically exposed) or problems in obtaining the mandatory documentation.

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 a KYC procedure. These procedures, revised in 2017, 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 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 have at their disposal a secure intranet and a tool for identifying, classifying and monitoring the client 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.

In order to complete its measures regarding international and local sanctions, in 2017 Coface commenced the implementation of an automated filtering tool for all Group entities. This tool will be used both during entry checks on new clients and to monitor the portfolio of existing clients. Apart from sanctions, the tool will also make it possible to identify negative information on clients (such as involvement in crimes or offences such as corruption or fraud) and strengthen Coface's management of any reputation risk in connection with certain clients.

Coface's B to B activity does not require specific measures regarding the health and safety of consumers.

Coface pays great attention to the security of its IT systems and the confidentiality of data concerning policyholders and their clients. An IT charter integrated in the by-laws contains all the rules comprising Coface's security system, of which all employees are reminded annually in order to prevent any breach or threat to the data and systems (viruses, cyberattacks, information leaks, identity theft, hacking, phishing, whaling, etc.). Attention to information system and data security is also demonstrated through the Group's choice of suppliers, 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 – see also Section 1.8 "Information systems and processes"), and through the addition of specific contract clauses during both the pre-contractual and contractual phases.

As part of its implementation of EU Regulation No. 2016/679, the so-called General Data Protection Regulation (GDPR), in 2017 Coface launched an audit to identify any modifications required to its information systems and processes with a view to complying with the stricter requirements in terms of personal data protection.

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.

6.4 / 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 throughout 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 and improved in 2017 by the addition of new content.

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 refer to CSR issues. As it does every year, Coface's Economic Research Department published several studies in 2017 on the economic situation in emerging countries ("the bond market, the new "spare tyre" for companies in emerging economies") and on the organic agriculture sector ("France: will the organic sector be forced to abandon its principles?").

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 is 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 a determination to refocus its actions on local economic development as vehicled by the Company's values and missions.

In 2018, discussions will take place on the integration of CSR into Coface's business model, in order to meet the new requirements resulting from the transposition of EU Directive 2014/95/EU into French law.

6.5 / 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 corporate 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 last three categories of information were coordinated by the Group Legal Department.

Reporting period

Unless stated otherwise, all figures refer to financial year 2017, corresponding to calendar year 2017. 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, with an illustration of the policies, processes, tools, initiatives and actions at Group level.

Since 2014, the Group has extended its reporting scope during each new reporting year, as presented in the table below. The Group plans to continue this extension to make the reporting as representative as possible with regard to the Group's workforce and revenue.

Workforce figures are always reported for the Group scope.

Financial Year	Reporting scope	Information regarding the scope added	Scope representativeness with regard to the Group's workforce	Scope representativeness with regard to the Group's revenue
2014	France	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 11 employees based in Switzerland.	24%	20%
2015	France and 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.	40%	36%
2016	France, Germany and Italy	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.	43%	43%
2017	France, Germany, Italy and Spain	Spain includes the insurance branch and a service entity, Coface Servicios España.	42%	53%

Although the reporting scope was significantly extended in 2017, its workforce representativeness decreased due to a reduction in the workforce in France. This decrease is explained notably by the transfer of the State guarantees management business to Bpifrance Assurance Export on January 1, 2017, which resulted in 249 departures.

Methodological details on the information communicated

/ Corporate

- The corporate indicators, excluding the Group's workforce, concern the French, German, Italian and Spanish scope in 2017. 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, 2017 on permanent or fixed-term contracts, excluding interns, work-study placements, temporary workers, consultants 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, Italy and Spain includes in-house and external training with a programme. The figures show the number of interns benefiting from training in 2017. In the absence of information from the trainer (internal or external) on the exact number of hours of training delivered, the reported length of one day of training is equal to seven hours. E-learning language programmes are included in the training reporting.
- The reported length of an e-learning module is the theoretic length indicated in the training programme, except for learning courses accessible for an unlimited amount of time during a given period, which depend on the time invested by the learner and for which the effective length is reported (for example, the length of a foreign language e-learning course, accessible for an unlimited amount of time for three months, may vary from one user to the next).
- The number of training hours reported corresponds to hours delivered, traceable based on an attendance sheet. For 6% of training hours, however, attendance sheets are not available. In this case, the scheduled number of hours invoiced are reported.

/ Environmental

- 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, Cologne, Karlsruhe, Stuttgart and Munich;
  - Italy, composed of two sites, the main office being located in Milan and the other in Rome;
  - Spain, composed of eight offices, the main office being located in Madrid. The other offices are located in San Sebastián, Alicante, Valencia, Seville, Pamplona, Barcelona and Corunna.

  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 CO_2 emission conversion factors reported by local suppliers – primarily for electricity – or the CO_2 emission conversion factors available in the French agency for sustainable development (ADEME) Base carbone® database, with regard to fuel consumption;
  - for transport, based on the CO_2 emission conversion factors reported by suppliers in Germany and Spain; in France and Italy, based on the CO_2 emission conversion factors available in the ADEME Base carbone® database.
- 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), the offices in Mainz (Germany), Milan (Italy) and Madrid (Spain), as these four 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.

6.6 / 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, 2017

To the Shareholders,

In our capacity as Statutory Auditor appointed as independent third party of COFACE SA, accredited by the COFRAC under number 3-1049 [(1)], we hereby present to you our report on the consolidated corporate, environmental and societal information for the year ended December 31, 2017, 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 of Directors 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 Standards (Reasoned opinion on the fairness of the CSR Information).

It is not, however, our responsibility to assess compliance with any other legal requirements, where applicable, and in particular those provided in Article L.225-102-4 of the French Commercial Code (vigilance plan) and the so-called 'Sapin II' law no 2016-1691 of December 9, 2016 (anti-corruption).

Our work involved the skills of four people and took place between November 2017 and March 2018, 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, as well as 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.

(1) Details available on www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

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 "Reporting standards and methods" of the management report.

Conclusion

Based on these procedures and taking into account the limitations mentioned above, in particular as regards the restriction on the reporting scope, 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 so 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 Standards in terms of their relevance, completeness, reliability, impartiality and understandability, taking into account best practices, 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 practices.

With regard to the CSR Information that we considered to be the most important [1] :

- at the level of the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies and actions), we performed analytical procedures on the quantitative information and verified the calculations and consolidation of the data, based on surveys, and we verified their consistency and concordance with the other information provided in the management report;
- 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 a risk analysis, we conducted interviews to verify that the procedures were followed correctly and to identify any undisclosed data, and we performed tests of detail, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents between 23% and 54% of the workforce considered as a characteristic quantity of the social chapter, and between 38% and 54% of environmental data considered as a characteristic quantity 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 Standards.

Paris-La Défense, April 2, 2018

KPMG S.A.

Anne Garans	Régis Tribout
Associée 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 (electricity, gas), CO_2 emissions related to energy consumption and transportation (air, rail and road), paper consumption.*

Qualitative information: *Measures taken to promote gender equality; The organisation of social dialogue, particularly the procedures for informing, consulting and negotiating with personnel; Assessment of the collective bargaining agreements and their impact on the company's economic performance and on employees' working conditions; Conditions regarding health and safety at work; Measures taken to promote the employment and inclusion of people with disabilities; The company's organisation to take environmental matters into consideration and, where applicable, steps taken with regard to environmental assessment or certification; Major sources of greenhouse gas emissions generated by the company's business, particularly due to the use of the goods and services it produces; The territorial, economic and social impact of the company's business in terms of employment and regional development; Actions undertaken to prevent corruption; and Measures taken to promote consumer health and safety.*

(2) *COFACE France, COFACE Iberica (Spain).*

(3) *See the list of environmental indicators provided in footnote no. 3 of this report.*

7. INFORMATION REGARDING COFACE SA AND ITS CAPITAL

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 HEAD 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.

Corporate purpose (Article 2 of the Articles of Association)

The Company's purpose is to perform any civil or commercial 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.

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 (see also Section 2.1 "Composition and functioning of the Board of Directors and its specialised committees")

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)

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 (see also Section 2.2 "Chief Executive Officer and Group General Management Specialised Committees"

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 of the Company's Articles of Association 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 performing the duties of Chief Executive Officer (CEO) is 65. Should a Chief Executive Officer (CEO) reach this age limit, he is considered to have resigned at the Shareholders' Meeting which rules on the accounts of the financial year during which he turned 65.

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, 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 CEO, with the title of Deputy Chief Executive Officer (Deputy CEO).

The Board of Directors determines the remuneration of the Deputy CEO.

The age limit for performing the duties of Deputy CEO is 65. When a serving Deputy CEO 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 CEO, the Board determines the scope and duration of the powers conferred upon the Deputy CEO. The Deputy CEO has the same powers vis-à-vis third parties as the CEO.

If the Deputy CEO is not a director, 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 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 CEO are not performed by the Chairman, the 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 be, 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 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 may be consulted online in the section entitled "Investors/Governance" of the corporate website at www.coface.com.

/ (c) Control and assessment of the Board of Directors' operations

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' internal rules, at least once a year, an agenda item 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 (see Section 2.1.5 "Evaluation of the work of the Board of Directors").

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 in the name of the bearer for two years, as 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 proportional 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 to capital increases 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.

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.

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 [(1)].

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 prevailing 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.

(1) *Paragraph 3 of Article 23 of the Articles of Association will be amended and submitted to the vote of shareholders at the Annual Shareholders Meeting that will be held on May 16, 2018 in order to delete the reference to a specific mode of share ownership as a condition for taking part in Shareholders' Meetings. The corresponding draft resolution is set out in Section 7.7.2.*

/ 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 requirements.

/ Deliberations, minutes

The Shareholders' Meetings deliberate subject to the quorum and majority requirements 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 Company has the obligation to make these documents available to or send them to the shareholders.

The nature of these documents and the terms under which they must be sent or made available are set by law.

Statutory clauses likely to have an impact on a change in control

None.

Crossing of thresholds and identification of shareholders (Article 10 of the Articles of Association) (see also Section 7.3.4)

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 the Company of 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 Monetary and Financial 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 it has been notified of, or any failure to comply with the abovementioned obligation by the relevant person.

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, 2017 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, 2017
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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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 given 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 Monetary and Financial 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 is 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, 2017
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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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

(1) The maximum overall face value of the capital increases likely to be made by virtue of this delegation is 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).

The table below summarises the resolutions voted on during the Combined Shareholders' Meeting of the Company dated May 17, 2017, as concerns capital increases:

Resolution	Subject of the resolution	Maximum face value	Duration of authorisation	Use as of December 31, 2017
20th	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	€8 million (1)	18 months	No
21st	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	€8 million (1)	26 months	No

(1) The maximum overall face value of the capital increases likely to be made by virtue of this delegation is attributed to the total cap set on the amount of €120 million, as concerns immediate and/or future capital increases.

7.2.2 SHARES NOT REPRESENTING CAPITAL

None.

7.2.3 INDEPENDENT CONTROL, HOLDING AND ACQUISITION OF TREASURY SHARES BY THE COMPANY

Description of the 2017-2018 Buyback Programme

/ Introduction

It is recalled that the Combined Shareholders' Meeting of May 19, 2016, in its fifth (5th) resolution, had previously authorised the Board of Directors to trade in the shares of COFACE SA, under the 2016-2017 Share Buyback Programme, the main features of which were described in the description published on the Company's website and in the 2016 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 17, 2017 again authorised, in its fifth (5th) resolution, the Board of Directors, who may in turn delegate this authority, under the legislative and regulatory conditions, to implement 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 19, 2016.

/ Main features of the 2017-2018 Buyback Programme

Date of the Annual Shareholders' Meeting that authorised the Programme

The 2017-2018 Programme was authorised by the Combined Shareholders' Meeting of May 17, 2017, in its fifth (5th) resolution.

The Board of Directors meeting of July 27, 2017, pursuant to the authority granted to it by the Combined Shareholders' Meeting of May 17, 2017, in its fifth (5th) resolution, authorised COFACE SA, who may in turn delegate this authority to the Chief Executive Officer, to trade the Company's shares through the "2017-2018 Share Buyback Programme", the main features of which are described below.

Breakdown of equity securities held as at December 31, 2017 by objective

At December 31, 2017, COFACE SA held 0.33% of its own share capital, representing 522,829 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 contract, in compliance with the charter of ethics recognised by the French Financial Markets Authority;	126,429
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;	396,400
	additionally, perform 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		**522,829**

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, perform 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, perform 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 person acting by delegation of the Board of Directors;
d)	keep the Company's shares and subsequently remit them as payment or trade within the context of any external growth operations;
e)	cancel all or part of the stock thus purchased;
f)	implement all market practices accepted by the French Financial Markets Authority and, more generally, perform all operations in compliance with current regulations, in particular, the provisions of (EU) Regulation No. 596/2014 of the European Parliament and Council of April 16, 2014 on market abuse (regulation on market abuse).

Maximum share of the capital, 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:

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, with the power to further delegate 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:

- 10% of the total number of shares composing the share capital at any time whatsoever; or
- 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 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 of May 17, 2017.

Maximum number

COFACE SA undertakes, as required by law, not to exceed the holding limit of 10% of its capital; for information purposes, this corresponds to 15,724,823 shares at December 31, 2017.

Maximum purchase price

In accordance with the fifth (5th) resolution proposed and accepted by the Combined Shareholders' Meeting of May 17, 2017, the maximum purchase price per unit cannot 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 impact of these operations on the value of the Company's stock.

Other 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.

The Board of Directors shall have all powers, which they may in their turn delegate in compliance with legislative and regulatory conditions, in order to 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 with their disposal, on or off the market, in accordance with applicable legislative and regulatory provisions.

Duration of the Buyback Programme

In accordance with the fifth (5th) resolution proposed and accepted by the Combined Shareholders' Meeting of May 17, 2017, this Programme will have a maximum duration of eighteen (18) months as from the said meeting and may therefore be continued up to November 16, 2018 (inclusive) 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 fifth (5th) resolution adopted by the Annual Shareholders' Meeting of May 19, 2016.

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 (€5,000,000.00) to the liquidity account for the purposes of the agreement, which was valid for a period of twelve (12) months subject to tacit renewal. A withdrawal of two million euros (€2,000,000.00) was made on November 6, 2017.

Under this agreement, in financial year 2017 the Company purchased 2,475,174 treasury shares and sold 2,500,804 treasury shares. At December 29, 2017, the liquidity agreement comprised the following resources: 126,429 COFACE SA securities and €1,632,188.50.

The table below shows the changes in share purchases and sales in 2017:

	Liquidity Agreement				
Date	Number of shares purchased	Average purchase price *(in €)*	Number of shares sold	Average sale price *(in €)*	TOTAL
January	225,862	€6.25	160,120	€6.30	217,801
February	160,832	€6.48	288,453	€6.50	90,180
March	296,041	€7.14	257,159	€7.17	129,062
April	224,801	€7.04	209,052	€7.13	144,811
May	212,295	€7.18	230,256	€7.22	126,850
June	146,122	€8.15	210,363	€7.75	62,609
July	211,465	€8.30	142,152	€8.30	131,922
August	168,209	€8.06	200,227	€8.14	99,904
September	156,055	€8.53	238,806	€8.56	17,153
October	290,242	€9.36	200,166	€9.39	107,229
November	169,087	€9.16	197,075	€9.18	79,241
December	214,163	€9.06	166,975	€9.12	126,429
TOTAL	**2,475,174**	**€7.88**	**2,500,804**	**€7.83**	

Treasury share transactions

For financial year 2017, the Company bought 204,449 treasury shares, corresponding to 0.13% of its share capital. The share purchase mandates for 2017 were entered into with Kepler Cheuvreux, to buy securities in view of their allocation under the bonus share allocation referred to as the Long-Term Incentive Plan (LTIP) – see Section 2.3.1 "Compensation policy".

The history of bonus share allocations under the LTIPs put in place by the Company since 2014 is presented in Section 2.3.12.

It must be noted that since the performance conditions were not met, none of the shares allocated under the LTIP 2014 and the LTIP 2015 were delivered on the final vesting dates, *i.e.* on July 1, 2017 (for the LTIP 2014) and February 18, 2018 (for the LTIP 2015).

The table below shows the change in treasury share purchase mandates:

Buyback Programme	Treasury share purchase mandate			Number of shares purchased	Average purchase price *(in €)*	Total *(in €)*
	Yes/No	Service Provider	Date			
2014-2015	No	n/a	n/a	-	-	-
2015-2016	Yes	Natixis	Jul. 31, 2015 to Sept. 15, 2015	235,220	€8.98	2,112,468.45
2016-2017	No	n/a	n/a	-	-	-
2017-2018	Yes	Kepler Cheuvreux	i) Jul. 31, 2017 to Sept. 30, 2017	81,409	€7.94	€646,061.31
			ii) Nov. 17, 2017 to Jan. 17, 2018	132,806*	€8.97	€1,191,254.71

* *204,449 shares at €8.56 were purchased at December 31, 2017. At the finalisation of the mandate (January 17, 2018), 9,766 additional shares at €8.98 were purchased.*

The table below shows the change in treasury share distributions:

Plan	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017	Exceptional bonus shares 2014 (1)
Chief Executive Officer	21,635	31,544	50,000	60,000	43,269
Executive Committee	57,207	75,256	141,977	179,628	0
Other beneficiaries	0	0	110,219	126,518	0
TOTAL NUMBER OF BONUS SHARES ALLOCATED	**78,842**	**106,800**	**302,196**	**366,146**	**43,269**
OVERALL SHARE PACKAGE	**78,842**	**113,109**	**399,932**	**405,318**	**43,269**
◆ Non-allocated shares	0	6,309	69,341	4,772	
◆ Performance units (2)	0	0	28,395	34,400	
Authorisation to award bonus shares					
Date of Shareholders' Meeting	*Jun. 02, 2014*	*Jun. 02, 2014*	*May 19, 2016*	*May 19, 2016*	*Jun. 02, 2014*
Date of the Board of Directors' meeting (delegation)	*Jun. 26, 2014*	*Feb. 17, 2015*	*Nov. 03, 2016*	*Feb. 8, 2017*	*Jun. 26, 2014*
Allocation date	*Jun. 26, 2014*	*Feb. 17, 2015*	*Nov. 03, 2016*	*Feb. 8, 2017*	*Jun. 26, 2014*
Share vesting date	*Jul. 01, 2017*	*Feb. 18, 2018*	*Nov. 04, 2019*	*Feb. 9, 2020*	*Jul. 01, 2016*
End-date of the retention period (availability)	*Jul. 01, 2019*	*Feb. 18, 2020*	*n/a*	*n/a*	*Jul. 01, 2018*
Shares vested and to be held	*0*	*0*	*n/a*	*n/a*	*43,269*
Shares to be cancelled	*78,842*	*106,800*	*n/a*	*n/a*	*0*
Buyback Programme					
Date of Shareholders' Meeting	*Jun. 02, 2014*	*May 18, 2015*	*May 19, 2016*	*May 17, 2017*	*Jun. 02, 2014*
Date of the Board of Directors' meeting (delegation)	*Jun. 26, 2014*	*Jul. 29, 2015*	*Jul. 27, 2016*	*Jul. 27, 2017*	*Jun. 26, 2014*
Date of purchase mandate 1	*n/a*	*Jul. 31, 2015*	*n/a*	*Jul. 31, 2017*	*n/a*
Number of shares	*n/a*	*235,220*	*n/a*	*81,409*	*n/a*
Date of purchase mandate 2	*n/a*	*n/a*	*n/a*	*Nov. 17, 2017*	*n/a*
Number of shares	*n/a*	*n/a*	*n/a*	*132,806*	*n/a*

(1) Note: 43,269 shares were purchased by Jean-Marc Pillu, former Group executive officer, as part of an exceptional compensation linked to the stock market listing on July 1, 2016.

(2) The Company awards performance units instead of bonus shares if the arrangement of bonus share awards appears complex or non-relevant 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.

Independent holding – Summary

The Shareholders' Meeting authorised the 2017-2018 share buyback programme on May 17, 2017, and the implementation was decided by the Board of Directors on July 27, 2017.

The treasury shares represent a total of 0.33% of the Company's capital, *i.e.,* 522,829 shares at December 31, 2017 *versus* 344,010 shares at December 31, 2016. The aggregate par value totalled €1,045,658 (the share has a par value of €2 – see Section 7.2.8 "History of capital").

			Total treasury shares		
Date	Total Liquidity Agreement	Total LTIP	Total	% Number of capital shares*	Voting rights*
At Dec. 31, 2017	126,429	396,400	522,829	0.33%	156,725,403

* *Number of capital shares = 157,248,232.*

7.2.4 OTHER INSTRUMENTS GIVING ACCESS TO EQUITY

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.

7.2.5 CONDITIONS GOVERNING ANY RIGHT OF ACQUISITION AND/OR ANY OBLIGATION ATTACHED TO THE SUBSCRIBED, BUT NOT PAID-UP CAPITAL

None.

7.2.6 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.

7.2.7 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.

7.2.8 HISTORY OF CAPITAL

The changes below occurred in the Company's share capital in the last four 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.

7.2.9 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 in excess of a cumulative amount of €20,000 per civil year 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.

In all, Xavier Durand acquired 25,900 company shares in fiscal 2016 and 2017.

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 Xavier Durand in 2017.

In the aggregate, Mr Xavier Durand purchased 25,900 shares of the Company over financial years 2016 and 2017.

Date of the transaction	Number of shares purchased	Unit purchase price of the share *(in €)*	Total amount *(in €)*
February 9	1,500	6.05	9,075
February 10	1,000	6.20	6,200
February 13	800	6.29	5,032
March 9	1,000	7.15	7,150
April 28	1,300	7.17	9,321
May 16	1,000	7.20	7,200
May 22	1,000	7.00	7,000
May 25	1,000	7.18	7,180
October 26	1,000	9.26	9,260
October 30	1,000	9.40	9,400
November 3	800	9.23	7,384
November 22	1,000	8.98	8,980
	12,400	**7.51***	**93,182**

* *Average purchase price in euros.*

7.

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:

	At Dec. 31, 2017				As of Dec. 31, 2016		As of Dec. 31, 2015	
	Shares	%	Voting rights	%	Shares	Voting rights	Shares	Voting rights
Natixis	64,853,881	41.24%	64,853,881	41.38%	64,853,881	64,853,881	64,853,870	64,853,870
Employees	376,537	0.24%	376,537	0.24%	383,618	383,618	378,937	378,937
Public	91,494,985	58.19%	91,494,985	58.38%	91,666,723	91,666,723	91,718,823	91,718,823
Independent holding (liquidity agreement and treasury share transactions)	522,829	0.33%	0	0.00%	344,010	0	296,591	0
Other					0	0	11	11
TOTAL	**157,248,232**	**100%**	**156,725,403**	**100%**	**157,248,232**	**156,904,222**	**157,248,232**	**156,951,641**

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 2.1.7 "Specialised committees, emanations of the Board of Directors").

7.3.4 CROSSING OF THRESHOLD

The Company presents below the declarations of threshold crossing reported in 2017 and as of the date of this document:

i) crossing of the regulatory 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 major 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	Increase Decrease	Investor	Country	Number of shares	% of capital
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. 6	Feb. 2	statutory	↓	Wellington Management Company LLP	United States	6,249,576	3.97%
2017	Mar. 30	Mar. 29	legal (AMF)	↑	Silchester International Investor LLP	United Kingdom	7,920,020	5.04%
2017	Jun. 30	Jun. 29	statutory	↓	Wellington Management Company LLP	United States	6,034,596	3.84%
2017	Jul. 3	Jun. 30	statutory	↑	OppenheimerFunds, Inc.	United States	3,159,925	2.01%
2017	Jul. 13	Jul. 12	legal (AMF)	↓	Wellington Management Company LLP	United States	5,716,522	3.64%
2017	Aug. 10	Aug. 8	statutory	↓	Allianz Global Investors GmbH	Germany	6,282,199	4.00%
2017	Nov. 1	Oct. 31	statutory	↑	Norges Bank Investment Management	Norway	3,189,471	2.03%
2018	Jan. 5	Jan. 3	statutory	↓	Wellington Management Company LLP	United States	3,131,723	1.99%
2018	Jan. 12	Jan. 10	statutory	↓	OppenheimerFunds, Inc.	United States	3,126,565	1.99%
2018	Feb. 23	Feb. 22	statutory	↓	Schroders plc	United Kingdom	9,291,348	5.91%

7.3.5 EMPLOYEE PROFIT-SHARING

As at December 31, 2017, the Group's employees held 376,537 shares, 177,690 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 is 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;
- 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.

7.5 / MATERIAL 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.

7.6 / DRAFT REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING

The purpose of this draft report is to present the draft resolutions to be submitted by the Board of Directors to your Combined Shareholders' Meeting of May 16, 2018.

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, is set forth in this 2017 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 thirteen resolutions (from the 1st to the 13th resolution), which fall under the authority of the Ordinary Shareholders' Meeting;
- the next twelve resolutions (from the 14th to the 26th resolution), which fall under the authority of the Extraordinary Shareholders' Meeting.

7.6.1 ORDINARY RESOLUTIONS

Approval of the 2017 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 2017.

Comments on the individual and consolidated financial statements of COFACE SA are set out in detail in the COFACE SA 2017 registration document.

Appropriation of 2017 earnings Dividend payment – *(3rd resolution)*

The purpose of the third resolution is to allocate COFACE SA's corporate result and approve the payment of dividends.

COFACE SA's financial statements as of December 31, 2017 showed net income of €20,815,235. Given retained earnings of €54,983,310 and the fact that the legal reserve is above the legal requirements, the distributable profit stands at €75,798,545.

The third resolution therefore proposes to distribute to shareholders a total amount of €53,290,817, which represents a payment per share of €0.34.

For beneficiaries who are natural persons with their tax residence in France, this dividend will be automatically subject to the single lump-sum payment provided in Article 200 A of the French General Tax Code, except for the overall option for the progressive scale. 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.

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 compliance with the legal provisions, we specify that the dividends distributed for the three preceding years were as follows:

Financial year	Number of remuneration shares (1)	Total amount (in €)
2014	157,209,284	75,460,456 (2)
2015	156,900,438	75,312,210
2016	156,905,819	20,397,756

(1) The number of remuneration shares does not include treasury shares.
(2) 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 will be May 24, 2018. Payment will start on May 28, 2018.

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 make the sum of €450,000 available to the Board of Directors. This increase corresponds to the objective of reinforcing the attractiveness of the Board, since after analysis, the remuneration of directors appears to be less than that of directors of French companies of equivalent size.

Authorisation given to the Board of Directors to trade its own shares – *(5th resolution of the ordinary session and 14th resolution of the extraordinary session)*

In this fifth resolution, the Board of Directors requests the Shareholders' Meeting to authorise it to purchase or arrange for 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) allocate 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 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 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 €15 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 current legal and regulatory provisions, the Board of Directors, if your Shareholders' Meeting so authorises it, shall have all powers, with the authority to further delegate this authority, 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 17, 2017, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

In accordance with its obligations, the Board of Directors informs the Shareholders' Meeting that on the basis of this authorisation, and by virtue of the provisions of Article L.225-209 of the French Commercial Code, on September 27, 2017, it authorised the repurchase by COFACE SA of 300,000 shares to cover the allocation of performance shares under the various LTIPs. In this connection, the Company bought back 214,215 shares.

Furthermore, on February 12, 2018, the Board of Directors authorised the Company to buy back shares in view of their cancellation, up to an amount of €30 million. This initiative falls within the scope of the second pillar of the Fit to Win strategic plan relating to capital management and has brought the income distribution rate to close to 100%.

With the fourteenth resolution, the Board of Directors is also requesting from the Shareholders' Meeting, for a 26-month period, the authorisation, which it may in its turn delegate, to reduce capital by cancelling shares, within the limit of 10% of share capital per 24-month period, on one or more occasions, of all or part of the Company's shares acquired under a share buyback programme authorised by the Shareholders' Meeting.

◆ Ratification of the co-opting of two directors – *(6th and 7th resolutions)*

In the sixth and seventh resolutions, it is proposed to the Shareholders' Meeting to ratify the co-opting of Ms Nathalie Lomon, voted by the Board meeting of July 27, 2017 to replace Ms Martine Odillard, who has resigned, and the co-opting of Ms Isabelle Laforgue to replace Ms Linda Jackson, who has resigned, voted at the same Board meeting of July 27, 2017.

The Appointments and Compensation Committee had issued a positive opinion for these co-options.

◆ Renewal of three directorships – *(8th to 10th resolutions)*

In the eighth to tenth resolutions, a proposal is submitted to the Shareholders' Meeting to renew the terms of three directors expiring on the date of the Shareholders' Meeting convened to approve the 2017 financial statements. Mr Éric Hémar, Ms Sharon MacBeath and Mr Olivier Zarrouati.

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 2022 to approve the financial statements for the year ending December 31, 2021.

The Appointments and Compensation Committee approved the renewal of the term of Éric Hémar. It did not decide about the other renewals, given the conflict of interests of two of its members.

◆ Regulated commitments and agreements – *(11th resolution)*

The eleventh resolution concerns the approval of regulated commitments and agreements, in application of Article L.225-38 *et seq.* of the French Commercial Code, authorised by the Board of Directors in financial year 2017 and subsequent to this date until the Board meeting that approves the 2017 financial statements. These commitments and agreements are presented in the Statutory Auditors' special report, in addition to those concluded prior to 2017 which remain valid and which do not require further approval by the Shareholders' Meeting (see Section 7.8 of the 2017 Registration Document).

◆ Approval of components of the compensation due or allocated for the year ended December 31, 2017 to Xavier Durand, Chief Executive Officer *(CEO) – (12th resolution)*

Pursuant to the provisions of the Sapin II Act as set out in Article L.225-100-II of the French Commercial Code, the Shareholders' Meeting is asked to approve the fixed, variable and exceptional compensation and benefits of all kinds paid or allocated to the Chief Executive Officer for the year under review.

All these components are set out in detail in the report on COFACE SA's corporate governance appended to the management report and mentioned again in Chapter 2 of the registration document.

◆ Approval of the principles and criteria for determining, distributing and allocating the components of compensation of Xavier Durand, Chief Executive Officer for financial year 2018 – *(13th resolution)*

Pursuant to the provisions of the Sapin II Act as set out in Article L.225-37-2 of the French Commercial Code, you are being asked, in the thirteenth resolution, to approve the principles and criteria for determining, distributing and allocating fixed, variable and exceptional elements of all kinds comprising the total compensation and benefits of all kinds attributable to Xavier Durand in his capacity as CEO, as described in the report on COFACE SA's corporate governance appended to the management report and set out in Chapter 2 of the registration document.

The compensation due or allocated for the financial year ended December 31, 2018 will be subject to the approval of your Shareholders' Meeting in 2019.

7.6.2 RESOLUTIONS THAT FALL UNDER THE AUTHORITY OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

For the fifteenth to twenty-fourth resolutions, the Shareholders' Meeting is requested to grant the Board of Directors several delegations to enable it to increase share capital and/or to issue equity securities that grant access to equity, if necessary. It is specified that, unless it is authorised by the Shareholders' Meeting, the Board of Directors may not use these delegations once a third party has filed a public offer for the Company's shares, and until the end of the offer period.

◆ Reduction of share capital by cancellation of treasury shares by the Company – *(14th resolution)*

The purpose of the fourteenth resolution is to authorise the Board of Directors to reduce share capital by cancelling treasury shares, within the limit of 10% of the amount of existing share capital on the date of cancellation per 24-month period, and to allocate the difference to the available premiums and reserves that it may choose.

◆ Delegations of authority and authorisations granted to the Board of Directors in view of carrying out operations involving the Company's capital – *(15th to 24th resolutions)*

For the fifteenth to twenty-fourth resolutions, the Board of Directors proposes that the Shareholders' Meeting renew the financial authorisations granted by the Shareholders' Meetings in 2016 and 2017.

Your Company would thus have new authorisations that enable it to quickly and seamlessly harness the financial resources it needs to implement the COFACE Group's development strategy, based on the opportunities offered by financial markets and on the interests of the Company and its shareholders.

The table below presents a summary of the financial delegations (excluding employee shareholding operations concerned by the twenty-second, twenty-third and twenty-fourth resolutions, that the Shareholders' Meeting is invited to adopt).

Resolution	Subject of the delegation	Maximum face value	Duration of authorisation
15th	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	€80,000,000	26 months
16th	Delegation of authority to the Board of Directors to increase the share capital by issuing, with preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued	Concerning capital increases: €120,000,000 (1) Concerning issues of debt securities: €500,000,000 (2)	26 months
17th	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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in connection with public offers	Concerning capital increases: €45,000,000 (1) (3) Concerning issues of debt securities: €500,000,000 (2)	26 months
18th	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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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	Concerning capital increases: €30,000,000 (1) (3) Concerning issues of debt securities: €500,000,000 (2)	26 months
21st	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind	Concerning capital increases: €30,000,000 (1) (3) Concerning issues of debt securities: (2) €500,000,000	26 months

(1) Delegation subject to the total nominal cap of €120,000,000 for capital increases.
(2) Delegation subject to the total nominal cap of €500,000,000 for debt security issues.
(3) Delegation subject to the total nominal cap of €45,000,000 for capital increases without preferential subscription rights.

The corresponding draft delegations are set out below.

Capital increase through incorporation of reserves, profits or premiums – *(15th resolution)*

With the fifteenth resolution, your Board of Directors is asking the Shareholders' Meeting to grant it a delegation of authority to increase the Company's share capital through incorporation of reserves, profits or premiums, within the limit of a maximum nominal amount of eighty million euros (€80,000,000), an independent cap that is separate from the other resolutions submitted to the vote of the Shareholders' Meeting. The capital increase likely to result from this resolution could be carried out, as the Board of Directors may choose, either through the allocation of new bonus shares or through an increase in the par value of existing shares or according to a combination of these two methods according to the procedures that it determines.

The Board of Directors proposes that this authorisation, which supersedes the authorisation granted by the sixteenth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

Issue of shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued with preferential subscription rights of shareholders – *(16th resolution)*

With the sixteenth resolution, your Board of Directors is asking the Shareholders' Meeting to grant it a delegation of authority to issue shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued with preferential subscription rights, within the limit of a maximum nominal amount of one hundred and twenty million euros (€120,000,000).

The shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued under this delegation could in particular consist of debt securities or be associated with the issue of such securities, or enable their issue as intermediate securities.

The nominal amount of debt securities that could be issued by virtue of this delegation may not exceed five hundred million euros (€500,000,000) on the date the issue is decided.

Shareholders may exercise, under the conditions provided by the law, their preferential subscription right, as of right and, if necessary, for excess shares if the Board of Directors provides for this, when the shares are subscribed or the securities are issued.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the seventeenth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

Issue of shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued without preferential subscription rights of shareholders – *(17th, 18th and 19th resolutions)*

The Board of Directors is asking the Shareholders' Meeting to grant it delegations of authority to issue shares and/or equity securities which confer entitlement to other equity securities and/or transferable securities giving access to equity securities to be issued without preferential subscription rights of shareholders to the shares or securities thus issued. In accordance with the recommendations of the AMF, these issues are treated in two separate resolutions, depending on whether they are made under public offers (seventeenth resolution) or under the offers mentioned in Article L.411-2 II of the French Monetary and Financial Code, *i.e. via* private placements for qualified investors (eighteenth resolution).

This is because, depending on market conditions, the nature of investors concerned and the type of securities issued, and to be able to seize opportunities offered by the market, your Board of Directors believes that it could be useful to have the possibility of resorting to capital increases without preferential subscription rights of shareholders; however, more restrictive caps are set for this category than for capital increases with preferential subscription rights.

The nominal amount of the capital increases likely to be carried out by virtue of the seventeenth resolution may not exceed forty-five million euros (€45,000,000), bearing in mind that this cap would be factored into the total nominal cap specified for capital increases in the sixteenth resolution. This cap will also correspond to the nominal cap applicable to capital increases without preferential subscription rights carried out in accordance with the seventeenth resolution as well as the eighteenth and twenty-first resolutions submitted to your Shareholders Meeting.

The total nominal amount of capital increases liable to be carried out under the eighteenth resolution may not exceed thirty million euros (€30,000,000), bearing in mind that this cap would be factored into the total nominal cap specified for capital increases in the sixteenth resolution as well as the nominal cap specified for capital increases without preferential subscription rights specified in the seventeenth resolution.

The Board of Directors will have the option of issuing, through a public offer (seventeenth resolution) and/or private placements (eighteenth resolution), shares and/or equity securities that confer entitlement to other equity securities and/or transferable securities conferring entitlement to equity securities to be issued that could, in particular, consist of debt securities or be associated with the issue of such securities, or to enable their issue as intermediate securities. The nominal amount of debt securities that could be issued by virtue of the seventeenth and eighteenth resolutions will be factored into the cap of €500 million, specified by the sixteenth resolution.

Under the seventeenth resolution relating to the issue, through public offers, of shares and/or equity securities conferring entitlement to other equity securities and/or transferable securities conferring entitlement to equity securities to be issued, the Board of Directors could establish, in favour of shareholders, a subscription priority as of right and/or for excess shares under the conditions specified by the regulations.

The issue price of the shares issued on the basis of the seventeenth and eighteenth resolutions will be determined under the legislative and regulatory conditions in force at the time of the issue, which currently specify a price at least equal to the weighted average of the Company's share price at the last three stock market trading sessions prior to the fixing of the issue price, possibly less a maximum discount of 5%.

In accordance with the provisions of Article L.225-136 of the French Commercial Code, you are, however, being asked in the nineteenth resolution to authorise the Board of Directors, within the limit of 10% of equity capital per 12-month period, to set the issue price according to the following terms: the issue price may not be lower than, as the Board may choose, (a) the average price of the share on the Euronext Paris regulated market, weighted by the volumes of the last trading session prior to the setting of the issue price, less, as the case may be, a discount of up to 10%, or (b) the average price of the share on the Euronext Paris regulated market, weighted by the volumes, over a maximum period of six months prior to the day when the issue price is set, less, as the case may be, a discount of up to 10%.

The use of the option described above will enable your Company, given the market volatility, to benefit from possible opportunities to carry out share issues when market conditions do not make it possible to carry out an issue under the price conditions defined in the seventeenth and eighteenth resolutions.

The Board of Directors proposes that these delegations, which would supersede the delegations granted by the eighteenth, nineteenth and twentieth resolutions of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ Authorisation given to the Board of Directors to increase the amount of issues with or without preferential subscription rights – *(20th resolution)*

Subject to the adoption of the sixteenth, seventeenth and eighteenth resolutions relating to capital increases with or without subscription rights, your Board of Directors proposes to the Shareholders' Meeting, in the twentieth resolution, to authorise it, for a period of twenty-six (26) months and with the power to delegate in its turn, under the legal and regulatory conditions, to decide to increase the number of securities to be issued for each issue that would be decided under the sixteenth, seventeenth and eighteenth resolutions of your Shareholders' Meeting under the conditions provided by the legal and regulatory provisions applicable on the day of the issue (*i.e.,* to date, within thirty days as from the closing of the subscription, within the limit of 15% of each issue and at the same price as the one chosen for the initial issue). It is specified that the total nominal amount of the capital increases likely to be carried out by virtue of this twentieth resolution will be factored into the resolution by virtue of which the issue is decided and into the total nominal cap provided for capital increases in the sixteenth resolution.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-first resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ Issue of shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, as compensation for contributions in kind within the limit of 10% of share capital – *(21st resolution)*

With the twenty-first resolution, the Board of Directors is asking your Shareholders' Meeting to grant it a delegation of authority to issue shares and/or equity securities conferring entitlement to other equity securities and/or transferable securities conferring entitlement to equity securities to be issued, as compensation for contributions in kind granted to the Company and made up of equity securities or transferable securities conferring entitlement to capital, within the limit of a nominal amount of capital increase of thirty million euros (€30,000,000), in addition to the legal limit of 10% of the Company's share capital, deducted from the total nominal amount provided for capital increases without preferential subscription rights specified in the seventeenth resolution.

The nominal amount of debt securities that could be issued by virtue of this resolution will be factored into the cap of five hundred million euros (€500,000,000) specified by the sixteenth resolution.

This delegation will entail the waiving, in favour of holders of securities or transferable securities concerned by the contributions in kind, of the preferential subscription rights of shareholders to the shares or securities thus issued.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-second resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ Capital increases reserved for employees – *(22nd and 23rd resolutions)*

With the twenty-second resolution, we propose that you delegate your authority to the Board of Directors, for a period of twenty-six (26) months, who may in turn delegate this 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 three million two hundred thousand euros (€3,200,000), 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 sixteenth resolution of the Shareholders' Meeting, and that the cap for this delegation would be the same as that of the twenty-third resolution.

This decision would result in cancellation of 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, in particular if it considers it necessary in order to take into account the legal, accounting, tax and social treatments applicable in the country of residence of some beneficiaries. The Board of Directors may likewise decide to allocate 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-first resolution of the Shareholders' Meeting of May 17, 2017, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

As a continuation of the twenty-second resolution, we propose, under the twenty-third resolution, that you delegate to the Board of Directors, for a period of 18 months, which may in turn delegate this authority, under the conditions provided for by law, your authority to make one or more capital increases 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 more 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 mean the waiving of the preferential subscription rights of shareholders to the shares issued under this twenty-third 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 twenty-second 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 three million two hundred thousand euros (€3,200,000) 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 the sixteenth resolution of your Shareholders' Meeting, and that the cap for this resolution would be the same as that of the twenty-second 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 prior to the decision determining the opening date of the subscription, nor may it exceed this average. The Board of Directors may reduce or cancel the 20% discount mentioned 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 under this resolution at the same time as an operation carried out in application of the twenty-second resolution, the subscription price of the shares issued under this resolution may be identical to the subscription price of the shares issued on the basis of the twenty-second resolution.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twentieth resolution of the Shareholders' Meeting of May 17, 2017, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

◆ Allocation of bonus shares to employees and/or corporate officers of the Company or companies related to it *(24th resolution)*

Pursuant to the provisions of Article L.225-197-1 *et seq.* of the French Commercial Code, we propose that you authorise the Board of Directors, who may, in turn, delegate such authority, for a period of 38 months as from the day of your Shareholders' Meeting, to allocate bonus shares, on one or more occasions, of existing or new shares of the Company to some employees and corporate officers of the Company and companies related to it as defined in Article L.225-197-2 of the French Commercial Code. The final allocation of these shares may be partially or totally subject to performance criteria.

The total number of shares allocated by virtue of this authorisation may not exceed 1% of the number of shares that make up the Company's share capital on the date the Board of Directors decides to allocate them, and the aggregate nominal amount of capital increases liable to result from the authorisation will be deducted from the total nominal amount provided for the capital increases in the sixteenth resolution of your Shareholders' Meeting.

The allocations of performance shares that would be made under this resolution would become final at the end of a vesting period of at least three years, with no retention period attached. The purpose of this vesting period for performance shares is to enable the measurement of the performance that is a condition of the final vesting of shares over a long period of time.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-fifth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of thirty-eight (38) months as from your Shareholders' Meeting.

◆ Amendment to the Articles of Association *(25th resolution)*

The Board of Directors proposes to your Shareholders' Meeting to amend Article 23, 3°, paragraph 1 of the Articles of Association to bring it in line with legal provisions and regulations relating to the proof of ownership of securities by all shareholders in view of their participation in the Shareholders' Meeting.

Article 23 no longer refers to the "book entry" of securities (replaced in the law by a reference to the "registration in accounts") and refers only to the legal and regulatory provisions that apply on this matter.

◆ Powers – *(26th resolution)*

This resolution is intended to grant the powers required to complete the formalities consecutive to your Shareholders' Meeting.

7.6.3 EXTRACT OF THE COFACE SA CORPORATE GOVERNANCE REPORT (APPENDIX RELATING TO THE 12th AND 13th RESOLUTIONS)

Principles and components of compensation of the Chief Executive Officer (CEO)

/ Principles of the compensation of the 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. The Appointments and Compensation Committee proposes the compensation policy for the Chief Executive Officer 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. 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 are reported in a transparent manner.

/ Components of the compensation of the Chief Executive Officer

a. *Target total compensation for 2017*

For 2017, on the proposal of the Appointments and Compensation Committee, after the agreement of the Board of Directors and based on the nineteenth resolution approved by the Shareholders' Meeting of May 17, 2017, the target compensation of Mr Xavier Durand has been defined as follows:

<table>
<tr><th>Compensation components</th><th>Target amount</th><th>Comments</th></tr>
<tr><td>Fixed compensation</td><td>€575,000</td><td>Gross annual compensation is set at €575,000 since February 9, 2016, the date of the beginning of his term.</td></tr>
<tr><td>Target annual variable compensation ("bonus")</td><td>€575,000</td><td>The target annual variable compensation is set at 100% of fixed compensation, i.e. €575,000.
It comprises 60% financial objectives and 40% strategic and managerial objectives defined as follows for 2017:
<table>
<tr><th>Financial objectives</th><th>Allocation key</th></tr>
<tr><td>Revenue</td><td>20%</td></tr>
<tr><td>Net income for the period</td><td>20%</td></tr>
<tr><td>Internal general overheads excluding exceptional items</td><td>10%</td></tr>
<tr><td>Gross loss ratio excluding claims handling expenses</td><td>10%</td></tr>
<tr><td>TOTAL (A)</td><td>60%</td></tr>
</table>
<table>
<tr><th>Strategic and managerial objectives</th><th>Allocation key</th></tr>
<tr><td>Fit to Win strategic plan</td><td>20%</td></tr>
<tr><td>Talent management</td><td>10%</td></tr>
<tr><td>Solvency II projects</td><td>5%</td></tr>
<tr><td>Commercial plan</td><td>5%</td></tr>
<tr><td>TOTAL (B)</td><td>40%</td></tr>
<tr><td>TOTAL (A+B)</td><td>100%</td></tr>
</table>
The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives).
The payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3. A penalty system is introduced in case of observed losses on the payment date.</td></tr>
<tr><td>Long-term variable compensation (allocation of free performance shares)</td><td>€370,080</td><td>60,000 shares are allocated under the Long-Term Incentive Plan 2017 (LTIP 2017), representing a value of €370,080 for the allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting.
The final vesting is 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 growth of COFACE SA's total shareholder return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period.
The share vesting period is set at three years starting from February 8, 2017. The plan does not include a retention period.
The Board decided that 30% of the CEO's shares vested under the LTIP 2017 should be retained until the end of his corporate term or of any other function that he might hold within Coface.
It is specified that all risk hedging transactions are prohibited.</td></tr>
</table>

Compensation components	Target amount	Comments
Other benefits	€14,548	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 pension schemes in force for all employees and has no additional pension scheme.
TARGET TOTAL COMPENSATION 2017	**€1,534,628**	

The total rate of deferred variable compensation will therefore represent more than 55% of the total variable compensation.

b. *Total compensation allocated and paid in 2017*

- The compensation allocated to Mr Durand for 2017, **comprising the assessment of the 2017 bonus**, is in line with the proposal of the Appointments and Compensation Committee meeting of February 6, 2018, validated by the Board of Directors and submitted for the approval of the Ordinary Shareholders' Meeting that follows the close of the 2017 financial year.
- The compensation paid to Mr Durand in 2017 is in line with the proposal by the Appointments and Compensation Committee meeting of January 30, 2017, approved by the Board of Directors and by the Shareholders' Meeting of May 17, 2017 in its eighteenth and nineteenth resolutions.

Compensation components	Amount allocated	Amount paid	Comments
Fixed compensation	€575,000	€575,000	Gross annual compensation set at €575,000 since February 9, 2016, the date of the beginning of his term.
Annual variable compensation allocated ("2017 bonus")	€874,058		The achievement rate of 2017 objectives proposed by the Appointments and Compensation Committee meeting of February 6, 2018, approved by the Board of Directors at the meeting of February 12, 2018 and submitted for the approval of the Shareholders' Meeting that closed the 2017 accounts was 152.01%, broken down as follows:

Financial objectives	Allocation key	Achievement rate	Amount of variable compensation
Revenue	20%	85.0%	97,750
Net income for the period	20%	250.0%	287,500
Internal general overheads excluding exceptional items	10%	131.1%	75,383
Gross loss ratio excluding claims handling expenses	10%	244.0%	140,300
TOTAL (A)		**104.51%**	**600,933**

Strategic and managerial objectives	Allocation key	Achievement rate	Amount of variable compensation
Fit to Win strategic plan	20%	125%	143,750
Talent management	10%	125%	71,875
Solvency 2 projects	5%	125%	35,938
Commercial plan	5%	75%	21,563
TOTAL (B)		**47.50%**	**273,125**
TOTAL (A+B)		**152.01%**	**874,058**

The bonus due for financial year 2017 is therefore €874,058 and will be paid as follows:
- **70% of the total amount paid in 2018, *i.e.* €611,840;**
- 15% of the total amount deferred in 2019, *i.e.* €131,109;
- 15% of the total amount deferred in 2020, *i.e.* €131,109.

<table>
<tr><th>Compensation components</th><th>Amount allocated</th><th>Amount paid</th><th>Comments</th></tr>
<tr><td>Annual variable compensation paid (“2016 bonus”)</td><td></td><td>€322,000</td><td>The achievement rate for 2016 objectives is 77.81%, broken down as follows:
<table>
<tr><th>Financial objectives</th><th>Allocation key</th><th>Achievement rate</th><th>Amount of variable compensation</th></tr>
<tr><td>Revenue</td><td>20%</td><td>88.9%</td><td>102,178</td></tr>
<tr><td>Net income for the period</td><td>20%</td><td>0.0%</td><td>0</td></tr>
<tr><td>Internal general overheads excluding exceptional items</td><td>10%</td><td>100.2%</td><td>57,730</td></tr>
<tr><td>Gross loss ratio excluding claims handling expenses</td><td>10%</td><td>0.0%</td><td>0</td></tr>
<tr><td>TOTAL (A)</td><td></td><td>27.81%</td><td>159,908</td></tr>
</table>
<table>
<tr><th>Strategic and managerial objectives</th><th>Allocation key</th><th>Achievement rate</th><th>Amount of variable compensation</th></tr>
<tr><td>Fit to Win and Management / Project management</td><td>40%</td><td>125.0%</td><td>287,500</td></tr>
<tr><td>TOTAL (B)</td><td></td><td>50.00 %</td><td>287,500</td></tr>
<tr><td>TOTAL (A+B)</td><td></td><td>77.81 %</td><td>447,408</td></tr>
</table>
As part of assuming his duties, it had been agreed that Mr Xavier Durand’s variable compensation for 2016 for would be guaranteed at the level of 80% of target variable compensation. The bonus due for financial year 2016 is therefore €460,000, paid as follows:
◆ 70% of the total amount paid in 2017, i.e. €322,000;
◆ 15% of the total amount deferred in 2018, i.e. €69,000;
◆ 15% of the total amount deferred in 2019, i.e. €69,000.</td></tr>
<tr><td>Long-term variable compensation (allocation of free performance shares)</td><td>€370,080</td><td></td><td>60,000 shares are allocated under the Long-Term Incentive Plan 2017 (LTIP 2017), representing a value of €370,080 on the allocation date, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting.
The final vesting is subject to achieving the performance conditions defined above.</td></tr>
<tr><td>Other benefits</td><td>€14,548</td><td>€14,548</td><td>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 pension schemes in force for all employees and has no additional pension scheme.</td></tr>
<tr><td>TOTAL COMPENSATION</td><td>€1,833,686</td><td>€911,548</td><td></td></tr>
</table>

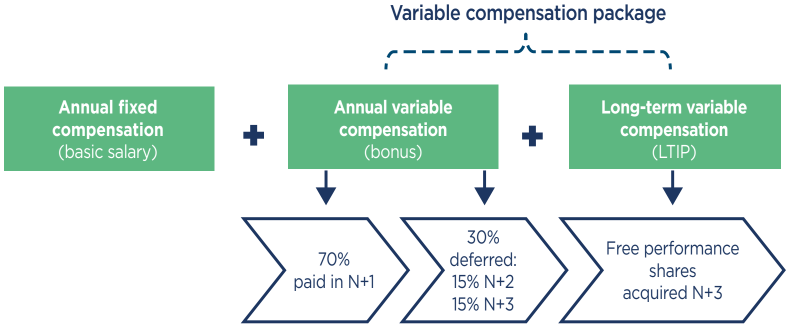
Note that the payment of the “2017 bonus” is conditional on the approval of the Ordinary Shareholders’ Meeting that follows the closing of financial year 2017.

c. *Structure of compensation of the Chief Executive Officer for financial year 2018*

For 2018, 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 for Xavier Durand will comprise the following elements:

<table>
<tr><th>Compensation components</th><th>Target amount</th><th>Comments</th></tr>
<tr><td>Fixed compensation</td><td>€575,000</td><td>Gross annual compensation is maintained at €575,000 since February 9, 2016, the date of the beginning of his term.</td></tr>
<tr><td>Target annual variable compensation (“bonus”)</td><td>€575,000</td><td>The target annual variable compensation is maintained at 100% of fixed compensation, i.e. €575,000.
Its structure remains unchanged. It therefore comprises 60% financial objectives and 40% strategic and managerial objectives defined as follows for 2018:
<table>
<tr><th>Financial objectives</th><th>Allocation key</th></tr>
<tr><td>Revenue</td><td>20%</td></tr>
<tr><td>Net income for the period</td><td>20%</td></tr>
<tr><td>Internal general overheads excluding exceptional items</td><td>10%</td></tr>
<tr><td>Gross loss ratio excluding claims handling expenses</td><td>10%</td></tr>
<tr><td>TOTAL (A)</td><td>60%</td></tr>
</table>
<table>
<tr><th>Strategic and managerial objectives</th><th>Allocation key</th></tr>
<tr><td>Fit to Win strategic plan</td><td>15%</td></tr>
<tr><td>Reinforcement of employee commitment</td><td>5%</td></tr>
<tr><td>Development of the internal model</td><td>5%</td></tr>
<tr><td>Reinforcement of sales dynamic</td><td>15%</td></tr>
<tr><td>TOTAL (B)</td><td>40%</td></tr>
<tr><td>TOTAL (A+B)</td><td>100%</td></tr>
</table>
The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives).
The payment of 30% of the annual variable compensation (“bonus”) is deferred and paid as follows: 50% in N+2 and 50% in N+3. A malus system is introduced in case of observed losses on the payment date.</td></tr>
<tr><td>Long-term variable compensation (allocation of free performance shares)</td><td>€594,198</td><td>It is proposed that 65,000 shares be allocated to the CEO under the Long-Term Incentive Plan 2018 (LTIP 2018) for a value of €594,198 for the allocation, based on the average of the last 20 stock market trading sessions preceding the date of the Board meeting.
The final vesting is 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, 2020;
◆ 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the growth of COFACE SA's total shareholder return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period.
The share vesting period is set at three years starting from February 12, 2018.
The plan does not include a retention period.
The Board decided that 30% of the CEO's shares vested under the 2018 LTIP should be retained until the end of his corporate term or of any other function that he might hold within Coface.
It is specified that all risk hedging transactions are prohibited.</td></tr>
<tr><td>Other benefits</td><td>€14,548 (estimate)</td><td>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 pension schemes in force for all employees and has no additional pension scheme.</td></tr>
<tr><td>TARGET TOTAL COMPENSATION 2018</td><td>€1,758,746</td><td>Subject to the approval of the Shareholders' Meeting</td></tr>
</table>

The total rate of deferred variable compensation will therefore represent more than 60% of the total variable compensation.



Note: deferred compensation is not paid when a loss is observed on the date of payment or in case of dismissal for serious misconduct or gross negligence.

The Chief Executive Officer's compensation has been subject to a comparative analysis of the market each year by a compensation consultancy firm in order to guarantee its competitiveness on the market, its internal consistency and the structural balance.

/ Severance pay

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 amount used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference amount for the variable portion will be the average of the variable compensations received for the three years preceding the termination date of his duties (or of the one or 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 indemnity 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 are subject to the approval of the Company's Shareholders' Meeting.

Xavier Durand does not have an employment contract and does not benefit from any indemnity relating to a non-compete clause.

7.7 / RESOLUTIONS SUBJECT TO THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF MAY 16, 2018

7.7.1 DRAFT AGENDA

For details of this draft, we urge you to refer to paragraph 7.6 "Draft report of the Board of Directors' on the draft resolutions submitted to the Combined Shareholders' Meeting" of this registration document.

Within the authority of the Ordinary Shareholders' Meeting

- Reports of the Board of Directors and the Statutory Auditors on the Company's operations during the year ended December 31, 2017.
- Approval of the parent company financial statements for 2017.
- Approval of the consolidated financial statements for 2017.
- Appropriation of earnings and dividend payment.
- Determination of the annual directors' fees package allocated to members of the Board of Directors.
- Authorisation given to the Board of Directors to trade the Company's shares.
- Ratification of the co-opting of two directors.
- Renewal of three directorships.
- Approval of the special report of the Statutory Auditors on the agreements and commitments mentioned in Articles L.225-38 *et seq.* of the French Commercial Code.
- Approval of the compensation components paid or allocated to Xavier Durand, Chief Executive Officer for financial year 2017.
- Approval of the principles and criteria for determining, distributing and allocating the components of compensation of the Chief Executive Officer for financial year 2018.

Within the authority of the Extraordinary Shareholders' Meeting

- Authorisation given to the Board of Directors to reduce the Company's capital by cancellation of treasury shares.
- 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.
- Delegation of authority to the Board of Directors to increase the share capital by issuing, with preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued.
- 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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in connection with public offers.
- 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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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.
- Authorisation given to the Board of Directors in the event of issue without preferential subscription rights, through public offers or private placements per Article L.411-2 II of the French Monetary and Financial Code, for the purpose of setting the issue price according to the terms established by the Shareholders' Meeting, within the limit of 10% of the capital per year.
- Authorisation given to the Board of Directors to increase the amount of issues with or without preferential subscription rights.
- Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind.
- 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.
- Delegation of authority to the Board of Directors to increase share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries.
- Authorisation given to the Board of Directors to allocate new or existing shares of the Company free of charge to certain employees and corporate officers of the Company and related companies.
- Amendment of the Articles of Association.
- Powers to carry out formalities.

7.7.2 DRAFT RESOLUTIONS TO BE SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING

Ordinary resolutions

◆ First resolution *(Approval of the parent company financial statements for 2017)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the reports of the Board of Directors and Statutory Auditors on the parent company financial statements for 2017, approves the parent company financial statements of said financial year as they have been presented, comprising the balance sheet, income statement and the notes to the financial statements, as well as the operations reflected in these financial statements and summarised in these reports.

◆ Second resolution *(Approval of the consolidated financial statements for 2017)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the reports of the Board of Directors and Statutory Auditors on the consolidated financial statements for 2017, approves the consolidated financial statements of said financial year as they have been presented, comprising the balance sheet, income statement and the notes to the financial statements, as well as the operations reflected in these 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, 2017 show a net profit of €20,815,235;
- duly notes that the legal reserve, amounting to €31,449,646 as at December 31, 2017, is above the legal requirements;
- duly notes that the retained earnings as at December 31, 2017 amount to €54,983,310;
- duly notes that the distributable profit amounts to €75,798,545;
- decides to distribute to shareholders a total amount of €53,290,817, which represents a payment of €0.34 per share.

After distribution, the retained earnings account will stand at €22,507,728.

For beneficiaries who are natural persons with their tax residence in France, this dividend will be automatically subject to the single lump-sum payment provided in Article 200 A of the French General Tax Code, except for the overall option for the progressive scale. 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:

Financial year	Number of remuneration shares (1)	Total amount *(in €)*
2014	157,209,284	75,460,456 (2)
2015	156,900,438	75,312,210
2016	156,905,819	20,397,756

(1) The number of remuneration shares does not include treasury shares.
(2) 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 24, 2018 and payment will occur on May 28, 2018. The shares held by the Company on May 24 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 24, 2018, 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' Meetings, has decided to set the amount of directors' fees to be allocated to the Board of Directors at €450,000, and entrusts the Board with distributing this amount among its members.

Fifth resolution *(Authorisation given 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, which may in turn delegate this authority 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 or arrange for the 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 this 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,
   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 perform 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, directly or indirectly, 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, perform 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 €15 per share, excluding costs. 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, transferable 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, which it may, in turn delegate, 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 with their disposal, on or off the market.

   All powers are consequently granted to the Board of Directors, which it may in turn delegate, 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, complete all declarations with the French Financial Markets Authority or any other competent authority, prepare all documents, for example informational documentation, complete all formalities and, generally, do 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 17, 2017, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

Sixth resolution *(Ratification of the co-optation of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the co-opting of Ms Nathalie Lomon on July 27, 2017, to replace Ms Martine Odillard, who has resigned, until the expiry of the directorship of Ms Odillard, *i.e.,* until the end of the Shareholders' Meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

◆ **Seventh resolution** *(Ratification of the co-optation of a director)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the co-opting of Ms Isabelle Laforgue on July 27, 2017, to replace Ms Linda Jackson, who has resigned, until the expiry of the directorship of Ms Jackson, *i.e.,* until the end of the Shareholders' Meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

◆ **Eighth resolution** *(Renewal of the directorship of Mr Éric Hémar)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Mr Éric Hémar, for a period of four years expiring at the end of the Shareholders' Meeting convened in 2022 to approve the financial statements for the financial year ending December 31, 2021.

◆ **Ninth resolution** *(Renewal of the directorship of Ms Sharon MacBeath)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Ms Sharon MacBeath, for a period of four years expiring at the end of the Shareholders' Meeting convened in 2022 to approve the financial statements for the financial year ending December 31, 2021.

◆ **Tenth resolution** *(Renewal of the directorship of Mr Olivier Zarrouati)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, renews the directorship of Mr Olivier Zarrouati, for a period of four years expiring at the end of the Shareholders' Meeting convened in 2022 to approve the financial statements for the financial year ending December 31, 2021.

◆ **Eleventh 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, 2017 (other than those approved by the Board of Directors of February 8, 2017, which have already been approved by the Shareholders' Meeting of May 17, 2017) or after this date, until the meeting of the Board of Directors during which the financial statements of the year ended December 31, 2017 were approved.

◆ **Twelfth resolution** *(Approval of components of the compensation paid or allocated for the year ended December 31, 2017 to Xavier Durand, Chief Executive Officer (CEO))*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the report of the Board of Directors and the COFACE SA corporate governance report appended to the report mentioned in Articles L.225-100 and L.225-102 of the French Commercial Code, approves the components of the total compensation and benefits of all kinds paid or allocated to Mr Xavier Durand, Chief Executive Officer, for the financial year ended December 31, 2017 and notes, in consequence, that the variable and exceptional compensation components allocated to Mr Durand, Chief Executive Officer, for the year ended December 31, 2017 will be paid to him.

◆ **Thirteenth resolution** *(Approval of the principles and criteria for determining, distributing and allocating the components of compensation of the Chief Executive Officer (CEO) for financial year 2018)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the report of the Board of Directors and the COFACE SA corporate governance report appended 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 allocating the fixed, variable and exceptional compensation components of all kinds due to Mr Xavier Durand for 2018 in his capacity as Chief Executive Officer as described in the article 7.6.3 of this registration document (see Section 7.6.3 of this Registration Document).

Extraordinary resolutions

◆ **Fourteenth resolution** *(Authorisation given to the Board of Directors to reduce the Company's capital by cancellation of treasury shares)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors:

1. authorises the Board of Directors, which may in its turn delegate this authority under the legislative and regulatory conditions, to:
   i. cancel at its sole initiative, in one or more instances, within the limit of 10% of the amount of the share capital existing on the cancellation date (*i.e.* adjusted based on the operations made on the share capital since this resolution was accepted), by twenty-four month periods, all or part of the shares acquired by the Company under a share buyback program authorised by the shareholders,
   ii. reduce the share capital accordingly and charge the difference between the repurchase price of the cancelled shares and their par value to available premiums and bonuses;

2. grants full powers to the Board of Directors, which may in its turn delegate this authority under the legislative and regulatory conditions, in order to determine the final amount of the capital reductions within the limits provided by law and this resolution, define the conditions of the capital reductions, note their completion, carry out all acts, formalities or declarations in order to finalise capital reductions that could be made by virtue of this authorisation and amend the Articles of Association accordingly;
3. decides that this authorisation, which supersedes the authorisation granted by the fourteenth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Fifteenth resolution *(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)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report and in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129, L.225-129-2 and L.225-130 of said code:

1. delegates to the Board of Directors, which in turn may delegate in accordance with legislative and regulatory conditions, its authority to increase, in one or more instances, in the proportions and at the times that it shall determine, the Company's share capital by capitalisation of reserves, profits or issue, merger or contribution premiums, or any other sum that can be possible either by law or according to the Articles of Association, to carry out this capital increase through the issue of new shares or by raising the nominal amount of existing shares or the combination of these two methods according to procedures defined by the Board of Directors;
2. decides that the nominal amount of capital increases liable to be decided by the Board of Directors or carried out immediately and/or in the future by virtue of this delegation may not exceed a maximum amount of eighty million euros (€80,000,000). 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;
3. specifies that in the event of a capital increase that results in the free allocation of new shares, the Board of Directors may decide that allocations resulting in fractional shares may not be traded and that the corresponding shares will be sold, in accordance with the provisions of Article L.225-130 of the French Commercial Code; sums from the sales are allocated to the holders of rights no later than 30 days after they have registered the whole number of allocated shares in their account;
4. decides that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legislative and regulatory conditions, to implement this delegation, and in particular:
   i. determine the terms and procedures of the authorised operations, and in particular set the amount and nature of the reserves, profits, premiums or other sums to be capitalised, determine the number of new shares to be issued and/or the amount by which the nominal amount of existing shares that make up share capital will be increased, define the date, even retroactive, as from which the new shares shall earn dividends or the date on which the increase in the nominal amount will take effect and, if necessary, carry out all the allocations on the issue premiums, and in particular the allocation of costs generated by the implementation of the issues,
   ii. take all the measures intended to protect the rights of holders of securities or other rights that grant access to equity, existing on the day of the capital increase,
   iii. take all the necessary measures and conclude all agreements to ensure the completion of the planned operation or operations and, generally, do all that will be necessary, carry out all acts and formalities required to finalise the capital increase or increases that could be done by virtue of this delegation and amend the Company's Articles of Association accordingly;
5. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
6. decides that this authorisation is granted, and supersedes the authorisation granted by the sixteenth resolution of the Shareholders' Meeting of May 19, 2016, for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Sixteenth resolution *(Delegation of authority to the Board of Directors to increase the share capital by issuing, with preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 *et seq.,* L.225-132, L.225-133 and L.228-92 of said code:

1. delegates to the Board of Directors, which in turn may delegate in accordance with legislative and regulatory conditions, the authority to decide to carry out, in one or more instances, in the proportions that it shall deem relevant, both in France and abroad, in euros, foreign currency or units of account fixed in reference to several currencies, the issue, with preferential subscription rights, of the Company's shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, which may be subscribed to in cash, by offsetting debts due and payable, or in whole or in part, by incorporating reserves, profits or premiums;
2. decides that the total nominal amount of capital increases liable to be carried out immediately and/or in the future by virtue of this delegation may not exceed a maximum amount of one hundred and twenty million euros (€120,000,000), or the equivalent in any other currency or monetary unit established in reference to several currencies, with the understanding that the nominal amount of the capital increases carried out by virtue of this resolution as well as the seventeenth to twenty-fourth resolutions submitted to this Shareholders' Meeting shall be deducted from this cap. 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;

3. decides that the transferable securities giving access to equity securities to be issued by the Company that are issued may consist of debt securities or be associated with the issue of such securities, or enable their issue, as intermediate securities. The total maximum nominal amount of debt securities that may be issued on the basis of this delegation may not exceed five hundred million euros (€500,000,000), or its equivalent in foreign currency or unit of account fixed in reference to several currencies, with the understanding that the nominal amount of debt security issues carried out under this resolution as well as the seventeenth to twenty-first resolutions submitted to this Shareholders' Meeting shall be deducted from this cap;
4. notes that this delegation entails the waiving by shareholders of their preferential subscription rights to the equity securities of the Company to which the securities issued under this delegation could entitle them immediately or in the future;
5. decides that shareholders may exercise, under the conditions provided by law, their preferential subscription right as of right to equity securities and/or securities the issue of which will be decided by the Board of Directors by virtue of this delegation of authority. The Board of Directors will have the option of conferring on shareholders the right to subscribe as of right to a number of securities as excess shares higher than the number of securities to which they are entitled as of right, in proportion to their subscription rights and, in any event, may not exceed the number of shares for which they have applied. If the subscriptions as of right and, if relevant, subscriptions for excess shares have not taken up all the equity securities and/or securities issued, the Board of Directors may, in the order that it determines, restrict, in accordance with the law, the issue to the number of subscriptions received, on condition that this number corresponds at least to three-quarters of the issue that will have been decided, or freely divide all or part of the unsubscribed securities among the persons that it chooses, or offer them in the same manner to the public. The Board of Directors may use all or some of the options mentioned above;
6. also specifies that Board of Directors, which may in its turn delegate this authority in accordance with legislative and regulatory conditions, may:
   i. decide and determine the characteristics of the issues of shares and securities to be issued and, in particular, their issue price (with or without issue premiums), the subscription procedure and the dividend payment date,
   ii. in case of issue of stock warrants, define their number and characteristics and decide, if it deems necessary, under the conditions and according to the procedure that it will define, that the warrants may be redeemed or repurchased, or allocated free of charge to shareholders in proportion to their right in share capital,
   iii. more generally, define the characteristics of all transferable securities and, in particular, the terms and procedures of allocation of shares, the duration of loans that may be granted in the form of bonds, whether or not they are subordinated, the issue currency, the terms of repayment of the principal, with or without premiums, the amortisation terms and conditions and, if applicable, the terms and conditions of purchase, exchange and early redemption, fixed or floating interest rates and the date of payment. The remuneration could include a variable portion calculated in reference to items related to the Company's activity and results, and a deferred payment if there is no distributable profit,
   iv. decide to use the shares acquired for a share buyback programme authorised by the shareholders to allocate them consequent to the issue of securities based on this delegation,
   v. take all the measures aimed at protecting the rights of bearers of transferable securities issued or other rights that give access to the Company's equity as required by legislative and regulatory provisions and applicable contractual clauses,
   vi. suspend any exercise of rights attached to these transferable securities during a period fixed in compliance with legislative and regulatory provisions and the applicable contractual clauses,
   vii. note the capital increases and issues of transferable securities, amend the Articles of Association accordingly, charge the issue expenses to the issue premiums and, if it deems it necessary, deduct the sums necessary to bring the legal reserve to one tenth of the new share capital from the amount of the capital increases,
   viii. take all measures and carry out all formalities required for the admission of the securities for trading on a regulated market;
7. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
8. decides that this authorisation, which supersedes the authorisation granted by the seventeenth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Seventeenth resolution *(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 confer entitlement to other equity securities and /or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in connection with public offers)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 *et seq.,* L.225-135, L.225-136, L.225-148 and L.228-92 of said code:

1. delegates to the Board of Directors, which in turn may delegate in accordance with legislative and regulatory conditions, the authority to decide to carry out, through a public offer, in one or more instances, in the proportions that it shall deem relevant, both in France and abroad, in euros, foreign currency or units of account fixed in reference to several currencies, the issue, without preferential subscription rights, of the Company's shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities

giving access to equity securities to be issued, which may be subscribed to in cash or by offsetting due and payable debts. These securities could, in particular, be issued as remuneration for securities that would be contributed to the Company as part of an exchange offer carried out in France or abroad according to local rules (for example, as part of a reverse merger) on securities that meet the conditions set out in Article L.225-148 of the French Commercial Code;

2. decides:
   - that the total nominal amount of capital increases liable to be carried out immediately and/or in the future by virtue of this delegation may not exceed a maximum amount of forty-five million euros (€45,000,000), or the equivalent in any other currency or monetary unit established in reference to several currencies, with the understanding (i) that the nominal amount of the capital increases carried out by virtue of this resolution as well as the eighteenth, nineteenth and twenty-first resolutions submitted to this Shareholders' Meeting shall be deducted from this cap and (ii) that the nominal amount of all capital increases carried out by virtue of this delegation will be charged against the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting,
   - these caps 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 transferable securities or other rights entitling their bearers to access the Company's capital;
3. decides to eliminate the preferential subscription right of shareholders to shares and other transferable securities to be issued by virtue of this resolution;
4. decides that concerning the issues carried out under this delegation, the Board of Directors may create a priority subscription period reserved for shareholders, to subscribe to shares as of right or for excess shares, that does not entitle them to the creation of negotiable rights, and consequently delegates to the Board of Directors, which may in turn delegate this authority in accordance with legislative and regulatory provisions, the option of determining this period and defining its terms and conditions, in accordance with the provisions of Article L.225-135 paragraph 5 of the French Commercial Code;
5. decides that the transferable securities giving access to equity securities to be issued by the Company that are issued may consist of debt securities or be associated with the issue of such securities, or enable their issue, as intermediate securities. The total maximum nominal amount of debt securities that may be issued immediately or in the future on the basis of this delegation may not exceed five hundred million euros (€500,000,000), or its equivalent in foreign currency or unit of account fixed in reference to several currencies, with the understanding that this amount will be charged to the total nominal cap for debt security issues provided in paragraph 3 of the sixteenth resolution;
6. notes that this delegation entails the waiving by shareholders of their preferential subscription rights to the equity securities of the Company to which the securities issued under this delegation could entitle them;
7. decides that if the subscriptions have not taken up all the equity securities and/or transferable securities issued, the Board of Directors may, in the order that it determines, restrict the issue to the number of subscriptions received, on condition that this number corresponds at least to three-quarters of the issue that will have been decided, or freely divide all or part of the unsubscribed securities among the persons that it chooses, or offer them in the same manner to the public.

   The Board of Directors may use all or some of the options mentioned above;
8. also specifies that Board of Directors, which may in its turn delegate this authority in accordance with legislative and regulatory conditions, may:
   i. decide and determine the characteristics of the issues of shares and transferable securities to be issued and, in particular, their issue price (with or without issue premiums), the subscription procedure and the dividend payment date,
   ii. in case of issue of stock warrants, define their number and characteristics and decide, if it deems necessary, under the conditions and according to the procedure that it will define, that the warrants may be redeemed or repurchased, or allocated free of charge to shareholders in proportion to their right in share capital,
   iii. more generally, define the characteristics of all transferable securities and, in particular, the terms and procedures of allocation of shares, the duration of loans that may be granted in the form of bonds, whether or not they are subordinated, the issue currency, the terms of repayment of the principal, with or without premiums, the amortisation terms and conditions and, if applicable, the terms and conditions of purchase, exchange and early redemption, fixed or floating interest rates and the date of payment. The remuneration could include a variable portion calculated in reference to items related to the Company's activity and results, and a deferred payment if there is no distributable profit,
   iv. set the issue price of the shares or transferable securities that can be created by virtue of the previous paragraphs such that the Company receives for each share created or allocated independently of all compensation of any form whatsoever, interest, issue or redemption premiums in particular, a sum at least equal to the minimum price provided by the legislative and regulatory provisions that apply on the day of issue (*i.e.,* to date, the weighted average of the Company's share price for the last three trading sessions on the Euronext Paris regulated market preceding the setting of the issue price, less a maximum discount of 5% if applicable),
   v. take all the measures aimed at protecting the rights of bearers of securities issued or other rights that give access to the Company's equity as required by legislative and regulatory provisions and applicable contractual clauses,
   vi. suspend any exercise of rights attached to these transferable securities during a period fixed in compliance with legislative and regulatory provisions and the applicable contractual clauses,
   vii. note the capital increases and issues of transferable securities, amend the Articles of Association accordingly, charge the issue expenses to the issue premiums and, if it deems it necessary, deduct the sums necessary to bring the legal reserve to one tenth of the new share capital from the amount of the capital increases,
   viii. take all measures and carry out all formalities required for the admission of the securities for trading on a regulated market;
9. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;

10. decides that this authorisation, which supersedes the authorisation granted by the eighteenth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Eighteenth resolution *(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 confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving 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)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 *et seq.*, L.225-135, L.225-136 and L.228-92 of said code:

1. delegates to the Board of Directors, which in turn may delegate in accordance with legislative and regulatory conditions, the authority to decide to carry out, under the offers mentioned in II of Article L.411-2 of the French Monetary and Financial Code, under the conditions and maximum limits provided by the law and regulations, in one or more instances, in the proportions and at the times that it shall deem relevant, both in France and abroad, in euros, foreign currency or units of account fixed in reference to several currencies, the issue, without preferential subscription rights, of the Company's shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, which may be subscribed to either in cash or by offsetting due and payable debts;
2. decides that the total nominal amount of the capital increases liable to be made immediately and/or in the future under this delegation may not exceed a maximum amount of thirty million euros (€30,000,000), or the equivalent in any other currency or monetary unit established in reference to several currencies, with the understanding that this amount will be charged to the nominal cap of forty-five million euros (€45,000,000) provided for capital increases without preferential subscription rights in paragraph 2 of the seventeenth resolution of this Shareholders' Meeting, as well as (ii) on the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting.

   These caps 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 transferable securities or other rights entitling their bearers to access the Company's capital;
3. decides to eliminate the preferential subscription right of shareholders to shares and other transferable securities to be issued by virtue of this resolution;
4. decides that the transferable securities giving access to equity securities to be issued by the Company that are issued may consist of debt securities or be associated with the issue of such securities, or enable their issue, as intermediate securities. The total maximum nominal amount of debt securities that may be issued immediately or in the future on the basis of this delegation may not exceed five hundred million euros (€500,000,000), or its equivalent in foreign currency or unit of account fixed in reference to several currencies, with the understanding that this amount will be charged to the total nominal cap for debt security issues provided in paragraph 3 of the sixteenth resolution;
5. notes that this delegation entails the waiving by shareholders of their preferential subscription rights to the equity securities of the Company to which the transferable securities issued under this delegation could entitle them;
6. decides that if the subscriptions have not taken up all the equity securities and/or transferable securities issued, the Board of Directors may, in the order that it determines, restrict the issue, in accordance with the law, to the number of subscriptions received, on condition that this number corresponds at least to three-quarters of the issue that will have been decided, or freely divide all or part of the unsubscribed securities among the persons that it chooses, or offer them in the same manner to the public. The Board of Directors may use all or some of the options mentioned above;
7. also specifies that the Board of Directors, which may in its turn delegate this authority in accordance with legislative and regulatory conditions, may:
   i. decide and determine the characteristics of the issues of shares and transferable securities to be issued and, in particular, their issue price (with or without issue premiums), the subscription procedure and the dividend payment date,
   ii. in case of issue of stock warrants, define their number and characteristics and decide, if it deems necessary, under the conditions and according to the procedure that it will define, that the warrants may be redeemed or repurchased,
   iii. more generally, define the characteristics of all transferable securities and, in particular, the terms and procedures of allocation of shares, the duration of loans that may be granted in the form of bonds, whether or not they are subordinated, the issue currency, the terms of repayment of the principal, with or without premiums, the amortisation terms and conditions and, if applicable, the terms and conditions of purchase, exchange and early redemption, fixed or floating interest rates and the date of payment. The remuneration could include a variable portion calculated in reference to items related to the Company's activity and results, and a deferred payment if there is no distributable profit,
   iv. set the issue price of the shares or transferable securities that can be created by virtue of the previous paragraphs such that the Company receives for each share created or allocated independently of all compensation of any form whatsoever, interest, issue or redemption premiums in particular, a sum at least equal to the minimum price provided by the legislative and regulatory provisions that apply on the day of issue (*i.e.*, to date, the weighted average of the Company's share price during the last three trading sessions on the Euronext Paris regulated market preceding the setting of the issue price, less a maximum discount of 5% if applicable),
   v. decide to use the shares acquired for a share buyback programme authorised by the shareholders to allocate them consequent to the issue of transferable securities based on this delegation,

vi. take all the measures aimed at protecting the rights of bearers of transferable securities issued as required by legislative and regulatory provisions and applicable contractual clauses,

vii. suspend any exercise of rights attached to these transferable securities during a period fixed in compliance with legislative, regulatory and contractual provisions,

viii. note the capital increases and issues of transferable securities, amend the Articles of Association accordingly, charge the issue expenses to the issue premiums and, if it deems it necessary, deduct the sums necessary to bring the legal reserve to one tenth of the new share capital from the amount of the capital increases,

ix. take all measures and carry out all formalities required for the admission of the securities for trading on a regulated market;

8. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
9. decides that this authorisation, which supersedes the authorisation granted by the nineteenth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

Nineteenth resolution *(Authorisation given to the Board of Directors in the event of issue without preferential subscription rights, through public offers or private placements per Article L.411-2 II of the French Monetary and Financial Code, for the purpose of setting the issue price according to the terms established by the Shareholders' Meeting, within the limit of 10% of the capital per year)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the French Commercial Code and in particular Article L.225-136:

1. authorises the Board of Directors, which may in turn delegate this authority in accordance with legislative and regulatory conditions, in the event of the issue of shares and/or any other transferable securities giving immediate or future access to equity, without preferential subscription rights, through public offers or private placements mentioned in Article L.411-2-II of the French Monetary and Financial Code, under the conditions, in particular the amount, set out in the seventeenth and eighteenth resolutions, to override the conditions for setting prices provided in the above-mentioned resolutions and to determine the issue price in accordance with the following conditions:

   i. the share issue price will be at least equal, as the Board of Directors may choose, (i) to the weighted average price of the Company's share on the Euronext Paris regulated market the day before the date the issue price is set, less a maximum discount of 10% if necessary, or (ii) the weighted average of the Company's share price on the Euronext Paris regulated market over a maximum period of six months prior to the date the issue price is set, less a maximum discount of 10% if necessary,

   ii. the issue price of transferable securities giving access to equity should be such that the sum received immediately by the Company plus, if applicable, the sum likely to be received later on by the Company is, for each Company share issued as a result of the issue of these transferable securities, at least equal to the amount cited above;

2. decides that the total nominal amount of the capital increases likely to be made under this resolution may not exceed a maximum amount of 10% of share capital per 12-month period (said share capital is assessed on the day the issue price is set), with the understanding that this amount will be charged (i) to the nominal cap of forty-five million euros (€45,000,000) provided for capital increases without preferential subscription rights in paragraph 2 of the seventeenth resolution of this Shareholders' Meeting, as well as (ii) on the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting.

   These caps 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 transferable securities or other rights entitling their bearers to access the Company's capital;

3. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
4. decides that this authorisation, which supersedes the authorisation granted by the twentieth resolution of the Shareholders' Meeting of May 19, 2016, is granted to the Board of Directors for a period of twenty-six (26) months as from this Shareholders' Meeting.

Twentieth resolution *(Authorisation given to the Board of Directors to increase the amount of issues with or without preferential subscription rights)*

The Shareholders' Meeting, deliberating under the conditions required for Extraordinary Shareholders' Meetings, having reviewed the special report of the Statutory Auditors and the report of the Board of Directors and subject to the adoption of the sixteenth, seventeenth and eighteenth resolutions of this Shareholders' Meeting, in accordance with the provisions of Article L.225-135-1 of the French Commercial Code:

1. authorises the Board of Directors, which may in turn delegate this authority in accordance with legislative and regulatory conditions, to decide to increase the number of securities to be issued for each issue, with or without preferential subscription rights, decided under the sixteenth, seventeenth and eighteenth resolutions of this Shareholders' Meeting, under the conditions provided by the legislative and regulatory provisions applicable on the day of the issue (*i.e.*, to date, within thirty days as from the closing of the subscription, within the limit of 15% of each issue and at the same price as the one chosen for the initial issue).
2. decides that the total nominal amount of the capital increases likely to be carried out by virtue of this twentieth resolution will be factored into the resolution by virtue of which the issue is decided and into the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this 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 transferable securities or other rights entitling their bearers to access the Company's capital;

3. decides that the transferable securities giving access to equity securities to be issued by the Company that are issued may consist of debt securities or be associated with the issue of such securities, or enable their issue, as intermediate securities. The total maximum nominal amount of debt securities that may be issued immediately or in the future on the basis of this delegation may not exceed five hundred million euros (€500,000,000), or its equivalent in foreign currency or unit of account fixed in reference to several currencies, with the understanding that this amount will be charged to the total nominal cap for debt security issues provided in paragraph 3 of the sixteenth resolution;
4. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
5. decides that this authorisation, which supersedes the authorisation granted by the twenty-first resolution of the Shareholders' Meeting of May 19, 2016, is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Twenty-first resolution *(Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 *et seq.,* L.225-147 and L.228-92 of said code:

1. delegates to the Board of Directors, which in turn may delegate in accordance with legislative and regulatory conditions, the authority to decide to carry out, on the basis of the report of the Statutory Auditor(s), in one or more instances, in the proportions and at the times that it shall deem relevant, both in France and abroad, in euros, foreign currency or units of account fixed in reference to several currencies, the issue of the Company's shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in view of compensation for contributions in kind granted to the Company and composed of equity securities or transferable securities that give access to equity, when the provisions of Article L.225-148 of the French Commercial Code are not applicable;
2. decides that the total nominal amount of the capital increases likely carried out by virtue of this delegation may not exceed, aside from the legal limit of 10% of share capital (assessed on the day the Board of Directors decides on the issue), a maximum amount of thirty million euros (€30,000,000), or the equivalent in any other currency or monetary unit established in reference to several currencies, with the understanding that this amount will be charged (i) to the nominal cap of forty-five million euros (€45,000,000) provided for capital increases without preferential subscription rights in paragraph 2 of the seventeenth resolution of this Shareholders' Meeting, as well as (ii) on the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting.

   These caps 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 transferable securities or other rights entitling their bearers to access the Company's capital;
3. decides that the transferable securities giving access to equity securities to be issued by the Company that are issued may consist of debt securities or be associated with the issue of such securities, or enable their issue, as intermediate securities. The total maximum nominal amount of debt securities that may be issued immediately or in the future on the basis of this delegation may not exceed five hundred million euros (€500,000,000), or its equivalent in foreign currency or monetary units established in reference to several currencies, with the understanding that this amount will be charged to the total nominal cap for debt security issues provided in paragraph 3 of the sixteenth resolution;
4. decides to waive, in favour of holders of securities or transferable securities, contributed in kind, the pre-emptive rights of shareholders to shares and other transferable securities that will be issued by virtue of this resolution;
5. notes that this delegation entails the waiving by shareholders of their preferential subscription rights to the equity securities of the Company to which the transferable securities issued under this delegation could entitle them;
6. also specifies that the Board of Directors, which may in its turn delegate this authority in accordance with legislative and regulatory conditions, may:
   i. decide, on the basis of the report of the Statutory Auditor(s), on the valuation of contributions and the granting of any special benefits,
   ii. determine the characteristics of the issues of shares and transferable securities to be issued and, in particular, their issue price (with or without issue premiums), the subscription procedure and the dividend payment date,
   iii. at its sole initiative, charge the costs of the increase(s) in share capital to the premiums relating to these contributions, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,
   iv. take all the measures aimed at protecting the rights of bearers of transferable securities issued or other rights that give access to the Company's equity as required by legislative and regulatory provisions and applicable contractual clauses,
   v. note the execution of all issues of shares and transferable securities, make the necessary amendments to the Articles of Association after all capital increases, charge the issue expenses to the premium if it wishes and also bring the legal reserve to one tenth of the new share capital and carry out all formalities and declarations and request all authorisations that would turn out to be necessary for making these contributions,
   vi. take all measures and carry out all formalities required for the admission of the securities for trading on a regulated market;

7. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
8. decides that this authorisation, which supersedes the authorisation granted by the twenty-second 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 *(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 Articles L.3332-18 *et seq*. of the French Labour Code:

1. delegates, with the option to further delegate 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 three million two hundred thousand euros (€3,200,000) 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 charged against the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting and that the cap of this resolution shall be the same as that of the twenty-third resolution. 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 allocate 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, which it may delegate in its turn 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 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. 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, allocate 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 unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
7. decides that this delegation, which supersedes the authorisation granted by the twenty-first resolution of the Shareholders' Meeting of May 17, 2017, is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ Twenty-third 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 its authority, which may be further delegated in accordance with legislative and regulatory provisions, 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 head office based outside France; (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 three million two hundred thousand euros (€3,200,000), 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 charged against the total nominal cap provided for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting and that the cap of this resolution shall be the same as that of the twenty-second resolution. 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 transferable 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-second 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-second resolution;
5. decides that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legislative 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, 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, allocate 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 unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
7. decides that this delegation, which supersedes the authorisation granted by the twentieth resolution of the Shareholders' Meeting of May 17, 2017, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

◆ Twenty-fourth resolution *(Authorisation given to the Board of Directors to allocate new or existing shares of the Company free of charge to certain employees and corporate officers of the Company and related companies)*

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the Statutory Auditors:

1. authorises the Board of Directors, pursuant to the provisions of Articles L.225-197-1 *et seq*. of the French Commercial Code, to allocate the Company's existing shares or future shares free of charge to some employees and corporate officers of the Company and its affiliates under the conditions defined in Article L.225-197-2 of the French Commercial Code;
2. decides that the total number of shares allocated free of charge by virtue of this authorisation may not exceed 1% of the number of shares that make up the Company's share capital on the date the Board of Directors decides to allocate them, and that the aggregate nominal amount of capital increases liable to result from the authorisation will be deducted from the total nominal amount provided for the capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting;

3. decides that the final allocation of the shares could be subject, in whole or in part, to the fulfilment of the performance conditions defined by the Board of Directors;
4. decides that the allocation of shares to their beneficiaries will become final at the end of a vesting period of at least three years and that there will be no retention period attached to these shares. Nevertheless, the shares will fully vest and the beneficiary will be able to dispose of them freely if the beneficiary is affected by one of the cases of disability specified in Article L.225-197-1 of the French Commercial Code;
5. notes that this authorisation automatically implies that shareholders have expressly waived, in favour of the beneficiaries of the bonus shares (i) their preferential subscription right to new bonus shares, (ii) the portion of reserves, profits or premiums that will be incorporated into the capital in the event of the free allocation of new shares and (iii) to any right on existing bonus shares. The corresponding capital increase will be finalised only after the beneficiaries have been definitively allocated the bonus shares;
6. grants to the Board of Directors, which may in turn delegate this authority, all the powers needed to implement this resolution within the limits set out above, and in particular to:
   i. determine whether the bonus shares are new or existing shares; define the identity of the beneficiaries of the shares allocated and the number of shares allocated to each beneficiary,
   ii. set the share allocation dates and procedure, in particular the period at the end of which these allocations will become final, as well as, if necessary, the retention period required for each beneficiary,
   iii. determine, if necessary, the conditions, in particular those related to the performance of the Company or its Group as well as the allocation criteria for these shares,
   iv. carry out during the vesting period, if necessary, any adjustments to the number of bonus shares allocated based on any operations on the Company's capital, so as to protect the rights of beneficiaries, with the understanding that the shares allocated following these adjustments will be deemed to have been allocated on the same day as the shares initially allocated,
   v. more generally, note the vesting dates and the dates as from which the shares may be freely transferred given the legal restrictions, enter into all agreements, draw up all documents, carry out all formalities and all declarations with all organisations and do all that will be otherwise necessary;
7. decides that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
8. decides that this authorisation, which supersedes the authorisation granted by the twenty-fifth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of thirty-eight (38) months as from this Shareholders' Meeting.

◆ Twenty-fifth resolution
(Amendment of the Articles of Association)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report, decides to amend Article 23, 3°, Paragraph 1 of the Articles of Association of the Company as follows:

"Article 23, 3°, Paragraph 1"

All shareholders 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 their identity and of their ownership of shares, in accordance with prevailing legal and regulatory provisions."

◆ Twenty-sixth 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 all formalities required by law.

7.8 / SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

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

To the Shareholders of COFACE SA,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on 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 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 R.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 TO BE 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 concluded during the year under review, which received the prior authorisation of your Board of Directors.

/ "Club Deal" syndicated loan for back-up lines to finance the factoring business with commercial paper

Nature and purpose:

Coface Finanz GmbH benefits from a €600 million commercial paper programme to refinance the factoring business. Until July 2017, Coface Finanz GmbH also benefited from six back-up bilateral credit lines for a total amount of €600 million. These lines were granted to COFACE SA by Natixis, BNP, BRED, CACIB, HSBC and Société Générale. In July 2017, these back-up bilateral credit facilities were replaced by a simplified syndicated loan in "club deal" format for a total amount of €700 million as from this date, with the same six banks that took part in the previous back-up bilateral credit facilities.

Terms:

The €700 million credit facility has a three-year maturity, renewable twice for a year.

Natixis contributes €150 million to these credit facilities, and its remuneration is as follows:

- €300,000 of placement fees. This amount is the same for all the lenders of the same level on the transaction;
- €183,750 of the estimated annual cost of non-utilisation of the credit facility, which resulted in an €80,646 expense recognised for the 2017 financial year. This amount is the same for the four Tier 1 lenders who are party to the agreement;
- €65,000 in its capacity as documentation agent.

Given the setting up of the syndicated loan as from July 2017, this remuneration was recognised as an expense for COFACE SA amounting to €445,646 for the period between July 28, 2017 and December 31, 2017.

At the express request of the banks, to the extent that Natixis is contributing €150 million, the agreement has been treated as a regulated agreement. It was authorised by the Board of Directors on July 27, 2017. This agreement replaces the agreement that was previously authorised to arrange a back-up facility by Natixis signed on October 3, 2015.

Reasons justifying its appropriateness for the company:

- Centralise the management of these "back-up" facilities,
- Introduce an additional facility in the event of a liquidity crisis.

Persons concerned:

Natixis is a shareholder of COFACE SA and holder of 41.24% of the Company's capital at December 31, 2017.

Natixis and COFACE SA have a common corporate officer in the person of Laurent Mignon (Chairman of the Board of Directors of COFACE SA and Chief Executive Officer of Natixis).

/ Renewal by tacit agreement of the liquidity agreement concluded with Natixis on June 26, 2014

Nature and purpose:

Under the authorisation that has been given to it by the Shareholders' Meeting on June 2, 2014, renewed on May 18, 2015, May 19, 2016 and then May 17, 2017, 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.

The renewal of this contract was approved by the Board of Directors on July 27, 2017. The €5 million cap was reduced to €3 million in November 2017; the annual compensation remains unchanged.

The cost for COFACE SA for the 2017 financial year was therefore €40,000.

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, 2017.

Natixis and COFACE SA have a common corporate officer in the person of Laurent Mignon (Chairman of the Board of Directors of COFACE SA and Chief Executive Officer of Natixis).

/ Joint guarantees renewed on April 27, 2017 and May 2, 2017 by COFACE SA for Natixis, one for €100 million and the other for €50 million

Nature and purpose:

Bilateral credit facilities have been concluded by the factoring companies of the COFACE Group with a number of banks including Natixis to finance their business. These loans mature between one to three years.

The credit facilities negotiated with Natixis stood at €50 million and €100 million as at December 31, 2017 to finance the factoring business in Germany and Poland respectively. 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.

On April 26, 2017, the Board of Directors authorised the renewal of two guarantees amounting to €100 million and €50 million in favour of Natixis, initially issued on April 30, 2015..

Terms:

These surety bonds bear interest from subsidiaries at a per annum rate of 0.2% These commitments themselves did not result in any financial flows between COFACE SA and Natixis in 2017.

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.

At the request of the banks, COFACE SA has guaranteed the repayment of these credit facilities.

Persons concerned:

Natixis is a shareholder of COFACE SA and holder of 41.24 % of the Company's capital at December 31, 2017.

Natixis and COFACE SA have a common corporate officer in the person of LaurentMignon (Chairman of the Board of Directors of COFACE SA and Chief Executive Officer of Natixis).

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments authorised in prior years that continued to be implemented during the year under review.

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments approved in prior years by the Shareholders' Meeting, have had continuing effect during the year.

/ 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 back-up facility was raised in due proportion from €100 million to €120 million and extended for a period of two years, under market conditions.

This agreement ended on July 28, 2017, when the "club deal" syndicated loan agreement was arranged.

Terms:

The ensuing annual financial expense from this credit line has an impact of less than €146,000 in the COFACE SA consolidated financial statements for the period between January 1, 2017 and July 28, 2017.

Persons concerned

Natixis is a shareholder of COFACE SA and holder of 41.24 % of the Company's capital at December 31, 2017.

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, 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.

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, 2017.

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 of COFACE SA and Chairman and Chief Executive Officer of Compagnie Française d'Assurance pour le Commerce Extérieur).

Pursuant to the law, we are informing you that the Board of Directors has not carried out the annual examination of this agreement concluded and authorised in prior years that have continued to be implemented during the last year, as provided by Article L.225-40-1 of the French Commercial Code.

/ 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 had been rated Baa1/ A by Moody's and Fitch, without the guarantee it would have been Baa3 /BBB).

This guarantee was authorised by the Board of Directors on February 14, 2014.

Terms:

The price of the guarantee was thus fixed at 0.2% for the total amount, which corresponded to a financial expense of €760,000 for financial year 2017 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, 2017.

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 of COFACE SA and Chairman and Chief Executive Officer of Compagnie Française d'Assurance pour le Commerce Extérieur).

Pursuant to the law, we are informing you that the Board of Directors has not carried out the annual examination of this agreement concluded and authorised in prior years that have continued to be implemented during the last year, as provided by Article L.225-40-1 of the French Commercial Code.

/ 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.

The granting of the loan was authorised by the Board of Directors on February 14, 2014.

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 2017.

Persons concerned:

COFACE SA owned 99.99% of the capital of Compagnie Française d'Assurance pour le Commerce Extérieur at December 31, 2017.

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 of COFACE SA and Chairman and Chief Executive Officer of Compagnie Française d'Assurance pour le Commerce Extérieur).

Pursuant to the law, we are informing you that the Board of Directors has not carried out the annual examination of this agreement concluded and authorised in prior years that have continued to be implemented during the last year, as provided by Article L.225-40-1 of the French Commercial Code.

/ Severance pay for Mr. Xavier Durand

Nature and purpose:

Xavier Durand would benefit, 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 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 only 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 would be paid by the Company if the corporate term is ended at Mr. Durand's initiative or in the event of termination for serious misconduct or gross negligence.

Persons concerned:

Mr. Xavier Durand Chief Executive Officer of COFACE SA.

Pursuant to the law, we are informing you that the Board of Directors has not carried out the annual examination of this agreement concluded and authorised in prior years that has continued to be implemented during the last year, as provided by Article L.225-40-1 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, on 4 April 2018

The Statutory Auditors,

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Régis Tribout	Jérôme Lemierre
Partner	*Partner*

7.9 / STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

Combined Shareholders' Meeting of May 16, 2018 – 14th resolution

To the Shareholders of COFACE SA,

In our capacity as Statutory Auditors of your company and pursuant to the assignment provided for in Article 225-209 of the French Commercial Code in the event of a capital reduction by the cancellation of purchased shares, we have prepared this report to inform you of our assessment of the reasons for and terms and conditions of the proposed capital reduction.

Your board of directors proposes that you delegate to it, for a period of twenty-six months from the date of this meeting, all powers to cancel the shares purchased via the implementation of an authorisation for your company to purchase its own shares under the provisions of the aforementioned Article, within a limit of 10% of the share capital, over a period of twenty-four months.

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 require us to examine whether the causes and conditions of the proposed capital reduction, which is not likely to jeopardise the equal treatment of shareholders, are due and proper.

We have no matters to report concerning the causes and conditions of the proposed capital reduction.

Neuilly-sur-Seine and Paris-La Défense, on April 4, 2018

The Statutory Auditors,

Deloitte & Associés	KPMG Audit
	Department of KPMG S.A.
Jérôme Lemierre	Régis Tribout
Partner	*Partner*

7.10 / STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND VARIOUS SECURITIES WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS

(Combined Shareholders' Meeting of May 16, 2018 - Resolutions 16, 17, 18, 19, 20 and 21)

To the Shareholders of COFACE SA,

In our capacity as Statutory Auditors of your company and in accordance with the engagement set out in Articles L.228-92 and L.225-135 *et seq*. of the French Commercial Code, we hereby present our report on the proposed delegations of authority to the Board of Directors for the various issues of shares and/or securities, transactions on which you are being asked to vote.

Based on its report, your Board of Directors proposes that:

- you delegate to the Board, which may further delegate this authority under the legislative and regulatory conditions, for a period of 26 months as from this Shareholders' Meeting, the authority to decide on the following transactions and to set the final terms and conditions of these issues and proposes that, if necessary, you waive your preferential subscription rights:
  - the issue with preferential subscription rights (sixteenth resolution) of ordinary shares and/or equity securities giving access to other equity securities and/or conferring entitlement to the allotment of debt securities and/or securities giving access to new equity securities, which may be subscribed to in cash, either by offsetting due and payable debts, or in part or in whole, by incorporation of reserves, earnings or premiums,
  - issue with the waiving of preferential subscription rights through a public offering (seventeenth resolution), in one or more instances, in the proportions and at the times that it shall deem relevant, both in France and abroad, in euros, foreign currency or units of account fixed in reference to several currencies, ordinary shares and/or equity securities giving access to other equity securities equity and/or conferring entitlement to the allocation of debt securities and/or securities giving access to new equity securities, which may be subscribed to either in cash, by offsetting debts due and payable:
    - it being specified that these securities could be issued as remuneration for securities that would be contributed to the Company as part of an exchange offering carried out in France or abroad according to local rules on securities that meet the conditions set out in Article L.225-148 of the French Commercial Code,
  - issue with waiving of preferential subscription right through the offerings set out in Section II of Article L.411-2 of the French Monetary and Financial Code and within the limit of 20% of share capital per year (eighteenth resolution) of common shares and/or giving access to other equity securities and/or conferring entitlement to the allotment of debt securities and/or securities that give access to new equity securities;
- authorises the Board, which may in turn delegate this authority under the legal and regulatory conditions (nineteenth resolution), in the event of the issue of shares and/or any other securities giving immediate or future access to the Company's equity, without preferential subscription rights, through public offerings or private placements mentioned in Article L.411-2-II of the French Monetary and Financial Code and for the implementation of the delegation of authority set out in the seventeenth and eighteenth resolutions, within the limit of a nominal amount of 10% of share capital per twelve-month period and to determine the issue price;
- to delegate for a 26 month-period,to the Board, which may in turn delegate this authority under the legal and regulatory conditions, the powers necessary to issue ordinary shares and/or equity securities giving access to other equity securities and/or conferring entitlement to the allotment of debt securities and or securities granting access to new shares, in view of remunerating contributions in kind granted to the Company and composed of equity securities or securities that give access to equity (twenty-first resolution) within the limit of 10% of share capital.

The total nominal amount of the increases in capital that may be made, either immediately or in the future, may, according to the sixteenth resolution, not exceed €120 million, it being specified that the nominal amount of the capital increases that may be made pursuant to the sixteenth resolution as well as the seventeenth to the twenty-fourth resolutions submitted to this Shareholders' Meeting, shall be deducted from this cap, and more specifically:

- for the seventeenth resolutions, €45 million, it being specified that the nominal amount of capital increases made pursuant to the seventeenth resolution as well as the eighteenth, nineteenth and twenty-first resolutions submitted to this Shareholders' Meeting will be deducted from this cap;
- for the eighteenth resolution, €30 million;
- for the twenty-first resolution, €30 million.

The total nominal amount of debt securities liable to be issued, may, according to the sixteenth resolution, not exceed €500 million, it being specified that the nominal amount of debt securities issued pursuant to the sixteenth resolution as well as the seventeenth to the twenty-first resolutions submitted to this Shareholders' Meeting, shall be deducted from this cap.

These caps include the additional number of securities to be created in connection with the implementation of the delegations referred to in the sixteenth, seventeenth, eighteenth and nineteenth resolutions, under the conditions set out Article L.225-135-1 of the French Commercial Code, should you adopt the twentieth resolution.

It is the duty of your Board of Directors to draw up a report in conformity with Articles R.225-113 *et seq.* of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information pertaining to these transactions, as presented in this report.

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 examinations have consisted in verifying the content of the report of the Board of Directors in relation to these transactions and the methodology of the determination of the issue price of the shares to be issued.

Subject to the subsequent review of the terms and conditions of the issues that may be decided, we have no comments on the conditions, as given in the Board of Directors' report, pursuant to the seventeenth, eighteenth and nineteenth resolutions.

Furthermore, since this report does not specify the methodology for the determination of the issue price of the equity securities to be issued pursuant to the sixteenth and twenty-first resolutions, we are unable to give our opinion on the choice of these elements in the calculation of this issue price.

Since the final conditions under which the issues will be made have not been determined, we do not express an opinion on these and consequently, on the proposed cancellation of preferential subscription rights made to you in the seventeenth, eighteenth, nineteenth and twenty-first resolutions.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, if necessary, during the use of the delegations by your board of directors in case of issues of securities that are equity securities giving access to other equity capital and/or conferring entitlement to the allotment of debt securities, in the event of the issue of securities giving access to equity securities to be issued in the event of the issue of shares with waiving of preferential subscription rights.

Neuilly-sur-Seine and Paris-La Défense, April 4, 2018

The Statutory Auditors,

Deloitte & Associés	KPMG Audit *Department of KPMG S.A.*
Jérôme Lemierre *Partner*	Régis Tribout *Partner*

7.11 / STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE RESERVED FOR EMPLOYEES ENROLLED IN A COMPANY SAVINGS PLAN

(Combined Shareholders' Meeting of May 16, 2018 – 22nd resolution)

To the Shareholders of COFACE SA,

In our capacity as Statutory Auditors of your company and pursuant to the assignment provided for in Articles L.225-135 *et seq*. of the French Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to approve a capital increase via the issuance of ordinary shares, with waiver of pre-emptive subscription rights, reserved for current or former employees and eligible corporate officers of your company and/or of companies that are related to it within the meaning of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code, where such individuals are enrolled in a company savings plan, in a nominal amount not to exceed three million two hundred thousand euros (€3,200,000) or the equivalent in any other currency or monetary unit pegged to several currencies – a transaction on which you are asked to vote. It is hereby specified that the nominal amount of any capital increase carried out under this delegation will be deducted from the overall nominal limit stipulated for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting and that the limit of this delegation will be the same as that of the twenty-third resolution of this Shareholders' Meeting. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights conferring entitlement to the company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate.

This capital increase is submitted for your approval pursuant to Articles 225-129-6 of the French Commercial Code and Articles L.3332-18 *et seq*. of the French Labour Code.

On the basis of its report, your Board of Directors proposes that you delegate it the authority, with the ability to further delegate such authority as provided by legal and regulatory provisions, for a period of twenty-six months. to approve a capital increase and to waive your pre-emptive subscription rights to the ordinary shares to be issued. Where appropriate, the Board will be responsible for setting the final terms and conditions of this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our responsibility is to express our opinion on the fairness of the numerical data derived from the financial statements, on the proposal to waive the pre-emptive subscription rights, and on certain other information concerning the issue that is provided in this report.

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 in verifying the content of the Board of Directors' report on this transaction and the methods for determining the price of the shares to be issued.

Subject to subsequent review of the terms and conditions of the capital increase to be decided, we have no matters to report concerning the procedures for determining the issue price of the ordinary shares to be issued as outlined in the Board of Directors' report.

As the final terms and conditions according to which the capital increase would be carried out have not yet been determined, we are not expressing any opinion on these or, in consequence, on the proposal to waive the pre-emptive subscription rights made to you.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, where applicable, when this delegation of authority is used by your Board of Directors.

Paris-La Défense and Neuilly-sur-Seine, April 4, 2018

The Statutory Auditors,

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Régis Tribout	Jérôme Lemierre
Partner	*Partner*

7.12 / STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE WITH WAIVER OF PRE-EMPTIVE SUBSCRIPTION RIGHTS, RESERVED FOR A SPECIFIC CATEGORY OF BENEFICIARY

(Combined Shareholders' Meeting of May 16, 2018 – 23rd resolution)

To the Shareholders of COFACE SA,

In our capacity as Statutory Auditors of your company and pursuant to the assignment provided for in Articles L.225-135 *et seq*. of the French Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to approve one or more capital increases via the issuance of shares, with waiver of pre-emptive subscription rights, reserved for one or more categories of beneficiary meeting the following characteristics: (i) employees and/or corporate officers of the company and/or companies that are related to it within the meaning 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 outside France; (ii) one or more mutual funds or other entities whether or not a legal corporate entity, subscribing on behalf of persons indicated in point (i) above, and (iii) one or more financial establishments authorised by the company to propose to the persons indicated in point (i) above a savings plan or shareholding comparable to those offered to the company's employees in France, in an amount not to exceed three million two hundred thousand euros (€3,200,000) or the equivalent in any other currency or monetary unit pegged to several currencies, based on the understanding that the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal limit specified for capital increases in paragraph 2 of the sixteenth resolution of this general meeting and that the limit of this resolution will be the same as that of the twenty-second resolution of this general meeting – a transaction on which you are asked to vote. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights conferring entitlement to the company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate.

On the basis of its report, your Board of Directors proposes that you delegate it the authority, with the ability to further delegate such authority as provided by legal and statutory provisions, for a period of eighteen months to approve one or more capital increases and to waive your pre-emptive subscription rights to the ordinary shares to be issued. Where appropriate, the board will be responsible for setting the final terms and conditions of this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our responsibility is to express our opinion on the fairness of the numerical data derived from the financial statements, on the proposal to waive the pre-emptive subscription rights, and on certain other information concerning the issue that is provided in this report.

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 in verifying the content of the Board of Directors' report on this transaction and the methods for determining the price of the shares to be issued.

Subject to subsequent review of the terms and conditions of the capital increase to be decided, we have no matters to report concerning the procedures for determining the issue price of the ordinary shares to be issued as outlined in the Board of Directors' report.

As the final terms and conditions according to which the capital increase would be carried out have not yet been determined, we are not expressing any opinion on these or, in consequence, on the proposal to waive the pre-emptive subscription rights made to you.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, where applicable, when this delegation of authority is used by your Board of Directors.

Paris-La Défense and Neuilly-sur-Seine, April 4, 2018

The Statutory Auditors,

KPMG Audit *Department of KPMG S.A.*	Deloitte & Associés
Régis Tribout *Partner*	Jérôme Lemierre *Partner*

7.13 / STATUTORY AUDITORS' REPORT ON THE AUTHORISATION TO ALLOCATE BONUS SHARES (NEW OR EXISTING)

(Combined Shareholders' Meeting of May 16, 2018 – 24th resolution)

To the Shareholders of COFACE SA,

In our capacity as Statutory Auditors of your company and pursuant to the assignment provided for in Article L.225-197-1 of the French Commercial Code, we hereby present our report on the proposed authorisation to allocate bonus shares (new or existing) to certain salaried personnel and corporate officers of the company or companies that are related to it within the meaning of Article L.225-197-1 of the French Commercial Code – a transaction on which you are asked to vote. The total number of shares that may be awarded under this authorisation must not represent more than 1% of the company's share capital, it being specified that the aggregate nominal amount of the capital increases that may result from this will be deducted from the overall nominal limit specified for capital increases in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting.

On the basis of its report, your Board of Directors proposes that you delegate it the authority, with the ability to further delegate such authority, for a period of thirty-eight months, to award bonus shares (new or existing).

The Board of Directors is responsible for drafting a report on this transaction with which it wishes to be able to proceed. It is our responsibility to pass on to you, as appropriate, our observations on the information given to you in connection with this planned transaction.

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 primarily of verifying that the proposed terms and conditions included in the Board of Directors' report comply with the provisions stipulated by law.

We have no matters to report concerning the information contained in the Board of Directors' report regarding the proposed transaction to authorise the allocation of bonus shares.

Neuilly-sur-Seine and Paris-La Défense, April 4, 2018
The Statutory Auditors,

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Régis Tribout	Jérôme Lemierre
Partner	*Partner*

8. ADDITIONAL INFORMATION

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 and have read the full document.

Paris, April 04, 2018

Mr Xavier Durand

Chief Executive Officer (CEO)

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 Jérôme Lemierre

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 the year ended December 31, 2018.

Deloitte & Associés is a member of Compagnie régionale des commissaires aux comptes de Versailles.

KMPG SA
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex France

Represented by Régis Tribout

KPMG SA 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 the year ended December 31, 2019.

KPMG SA 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 the 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 France

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 / SELECTED THREE-YEAR FINANCIAL INFORMATION

The tables below present extracts of income statements and consolidated financial statements for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

The financial information selected below must be read in conjunction with the consolidated financial statements in Chapter 4 and with the examination of the Group's financial position and results presented in Chapter 3 of this registration document.

Consolidated income statement

(in thousands of euros)	2017	2016	2015
Gross written premiums	**1,219,612**	**1,202,440**	**1,269,082**
Policyholders' bonuses and rebates	(98,954)	(92,876)	(81,497)
Unearned premiums reserves	(10,961)	5,576	(1,650)
Earned premiums	**1,109,697**	**1,115,140**	**1,185,935**
Fee and commission income	128,914	128,795	125,550
Net income from banking activities	72,043	70,619	70,599
Income from other activities	44,279	96,743	107,446
Other income	**245,236**	**296,157**	**303,596**
Revenue	**1,354,933**	**1,411,297**	**1,489,530**
Claims expenses	**(570,863)**	**(705,655)**	**(605,344)**
Policy acquisition costs	*(262,607)*	*(255,289)*	*(274,048)*
Administrative costs	*(253,532)*	*(275,095)*	*(269,956)*
Other expenses from insurance activities	*(70,816)*	*(83,004)*	*(81,652)*
Expenses from banking activities, excluding cost of risk	*(13,779)*	*(13,193)*	*(14,094)*
Expenses from other activities	*(53,130)*	*(44,379)*	*(44,892)*
Operating expenses	**(653,864)**	**(670,960)**	**(684,643)**
Cost of risk of banking activities	(4,483)	(4,222)	(4,696)
Underwriting income before reinsurance	**125,723**	**30,460**	**194,847**
Income/(loss) on ceded reinsurance	(25,970)	(17,599)	(51,410)
Underwriting income after reinsurance	**99,753**	**12,860**	**143,437**
Investment income, net of management expenses (excluding finance costs)	55,281	48,032	53,091
CURRENT OPERATING INCOME	**155,034**	**60,893**	**196,528**
Other operating income and expenses	(589)	53,496	(4,232)
CURRENT OPERATING INCOME/(LOSS)	**154,445**	**114,389**	**192,296**
Finance costs	(18,109)	(18,373)	(18,491)
Share in net income of associates	2,369	(5,838)	2,157
Income tax expense	(55,651)	(48,124)	(48,836)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**83,054**	**42,054**	**127,127**
Non-controlling interests	159	(523)	(888)
NET INCOME FOR THE YEAR	**83,213**	**41,531**	**126,239**
Earnings per share *(in €)*	0.53	0.26	0.80
Diluted earnings per share *(in €)*	0.53	0.26	0.80

To make the financial statements and the aggregates published and commented in financial disclosures more consistent, the Group has changed the presentation structure of the consolidated income statement. See the detailed explanations in the notes to the consolidated financial statements – Chapter 4.

Simplified consolidated balance sheet

(in thousands of euros)	As at Dec. 31		
	2017	2016	2015
Assets			
Intangible assets	217,230	215,708	224,307
Insurance business investments	2,876,380	2,751,091	2,648,119
Receivables arising from banking and other activities	2,523,549	2,481,525	2,370,902
Investments in associates	15,780	13,411	20,258
Reinsurers' share of insurance liabilities	405,178	341,347	327,986
Other assets	920,776	926,344	894,121
Cash and cash equivalents	264,325	332,071	396,837
TOTAL ASSETS	**7,223,218**	**7,061,497**	**6,882,530**

(in thousands of euros)	As at Dec. 31		
	2017	2016	2015
Liabilities			
Equity attributable to owners of the parent	1,802,621	1,755,177	1,760,954
Non-controlling interests	160	5,490	6,073
Total equity	1,802,781	1,760,667	1,767,027
Provisions for liabilities and charges	121,716	151,074	114,234
Financing liabilities	388,234	390,044	392,594
Liabilities relating to insurance contracts	1,682,258	1,678,249	1,514,862
Payables arising from banking sector activities	2,527,716	2,409,691	2,369,662
Other liabilities	700,513	671,772	724,151
TOTAL EQUITY AND LIABILITIES	**7,223,218**	**7,061,497**	**6,882,530**

Revenue by business line as at December 31, 2017

Consolidated revenue by business line *(in thousands of euros and as a % of the Group total)*	See also section	Dec. 31, 2017 *(in €k)*	Dec. 31, 2016 *(in €k)*	Dec. 31, 2015 *(in €k)*
Earned premiums – Credit		*1,029,499*	*1,039,916*	*1,103,152*
Earned premiums – Single Risk		*27,190*	*24,451*	*32,115*
Earned premiums – Credit insurance		**1,056,689**	**1,064,367**	**1,135,267**
Fee and commission income (1)		**128,914**	**128,795**	**125,550**
Other insurance-related services (2)		**4,382**	**5,882**	**10,129**
Compensation for public procedures management services		**574**	**53,361**	**59,969**
Revenue from the credit insurance business line	**1.3.1/1.5.1**	**1,190,559**	**1,252,405**	**1,330,915**
Earned premiums – Surety bonds	**1.3.3/1.5.3**	**53,008**	**50,773**	**50,668**
Financing fees		39,472	35,545	34,153
Factoring fees		33,884	35,557	36,831
Other		(1,314)	(483)	(385)
Net income from banking activities (factoring)	**1.3.2/1.5.2**	**72,043**	**70,619**	**70,599**
Information and other services		27,436	25,170	25,262
Receivables management		11,886	12,330	12,086
Revenue from information and other services	**1.5.4**	**39,322**	**37,500**	**37,348**
CONSOLIDATED REVENUE	**NOTE 21**	**1,354,933**	**1,411,297**	**1,489,531**

To make the financial statements and the aggregates published and commented in financial disclosures more consistent, the Group has changed the presentation structure of the consolidated income statement. See the detailed explanations in the notes to the consolidated financial statements – Chapter 4.
(1) Policy management costs.
(2) IPP commission – International policies commission; business contributors' commission.

Revenue by region as at December 31, 2017 (1) (2)

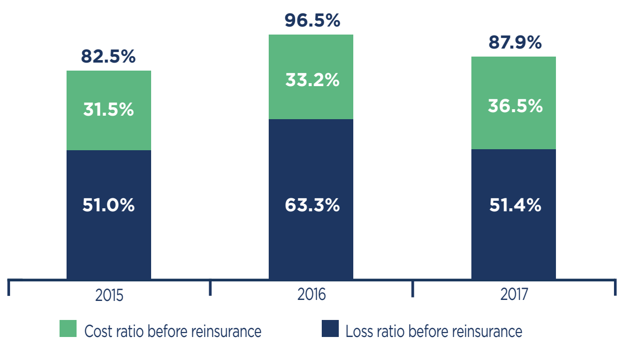
(in thousands of euros)	2017	2016	2015
Northern Europe	303,872	307,320	334,896
Western Europe	280,785	327,176	457,219
Central Europe	127,708	121,259	114,898
Mediterranean & Africa	348,021	331,864	246,376
North America	121,894	136,119	131,317
Latin America	75,715	77,743	83,484
Asia-Pacific	96,938	109,816	121,340
TOTAL	**1,354,933**	**1,411,297**	**1,489,530**

(1) See details in Note 21.
(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 & Africa region. Russia, initially included in Northern Europe, was transferred to Central Europe.

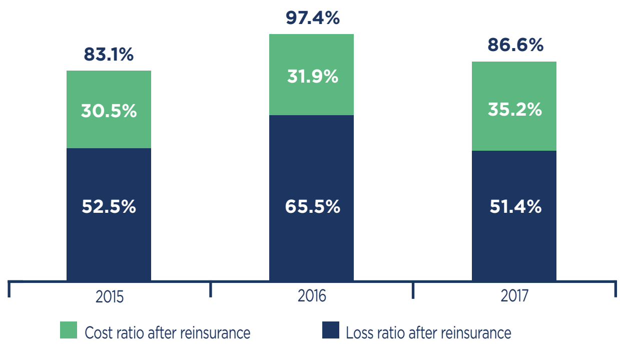
Performance indicators

These operating ratios and the methodology for calculating them are defined in Section 3.7 "General presentation – Key financial performance indicators".

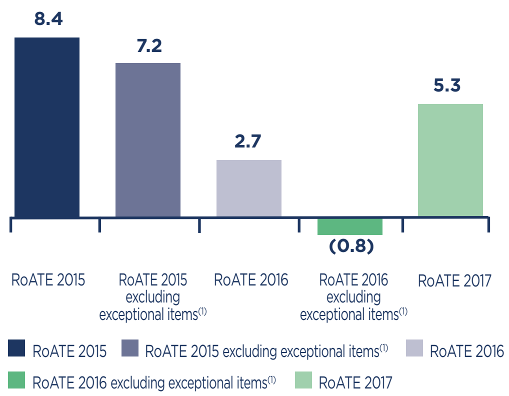
Combined ratio before reinsurance (as a %)



Combined ratio after reinsurance (as a %)



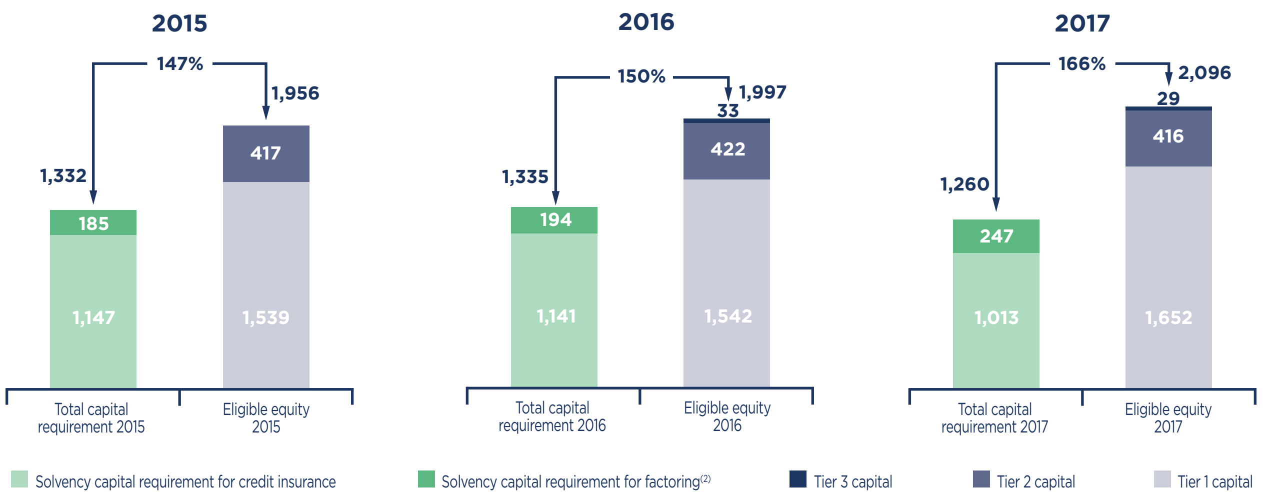
RoATE (as a %)



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

The return on average tangible equity (RoATE) is computed as net income (Group share) (N)/average tangible IFRS equity net of goodwill and intangible assets (N-1) – see Section 3.4.3 "Return on equity".

Solvency ratio (as a %)



(1) Preliminary calculation. Coface's interpretation of Solvency II. Not audited. See also 3.4.2 "Solvency of the COFACE Group".
(2) Calculated according to the RWA methodology used by Natixis.

8.

8.5 / DOCUMENTS ACCESSIBLE TO THE PUBLIC

The documents relating to the COFACE Group (constituent documents, Articles of Association, charter, 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) were produced for the first time in 2017, based on financial year 2016. The SFCR, which is aimed at the public, was filed with the ACPR on May 19, 2017 and published on the "Investor" section of the Company website www.coface.com. The next SFCR, based on financial year 2017, will be published on May 4, 2018 (subject to modification).

This registration document is available in the "Investors" section of the Company 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 charge:

- **by post:**

Coface
Financial communication – Investor relations
1, place Costes et Bellonte, 92270 Bois-Colombes, France.

- **by e-mail: investors@coface.com**

Thomas Jacquet/Head of Financial Communication
Ana Cecilia Uribe Arce de Bréant/Investor Relations Analyst

8.6 / MAIN RATINGS OF THE COFACE GROUP AT MARCH 31, 2018

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, 2018, 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/Investors/Ratings.

8.7 / 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.

Sections of Annex 1 of the European Regulation No. 809/2004	Page number of the registration document
1. PERSONS RESPONSIBLE	
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3.2 Interim financial information	n/a
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8.8 / CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

(Article L.451 *et seq.* of the French Monetary and Financial Code; Article 222-3 of the AMF General Regulations)

Sections of the annual financial report	Page number of the registration document
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Consolidated financial statements	126-205
Management report	See details in Section 8.9
Corporate governance report	See details in Section 8.10
Statement of the person responsible for the annual financial report	
Statutory Auditors' report on the annual financial statements	226-228
Statutory Auditors' report on the consolidated financial statements	223-225
Statutory Auditors' report on the Corporate Governance report (included in the Statutory Auditors' report on the annual financial statements)	227

8.9 / CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

(Article L.225-100-1 *et seq*. of the French Commercial Code, amended by Order No. 2017-1162 of July 12, 2017)

Sections of the management report	Page number of the registration document
An objective and exhaustive analysis of the development of the Company's business, results and financial position, in particular its debt situation, with respect to business volume and complexity	92-112
To the extent that it is necessary for the understanding of the development of the Company's business, results or position, financial key performance indicators and, if necessary, non-financial key performance indicators that concern the Company's specific activity, in particular information relating to environmental and personnel issues	112-124; Chapter 6
A description of the main risks and uncertainties with which the Company is faced	Chapter 5
Information about the financial risks linked to the effects of climate change and presentation of the measures taken by the Company to mitigate these risks by adopting a low-carbon strategy in all aspects of its business	276-277
The main characteristics of internal control and risk management procedures set up by the Company relating to the preparation and processing of financial and accounting information	Chapter 5
When this is relevant for the evaluation of its assets, liabilities, financial position and its profits or losses, indications on the Company's objectives and policy concerning the hedging of each principal category of planned transactions for which hedge accounting is used, as well as on the Group's exposure to pricing, credit, liquidity and cash risks	242-248
Corporate governance report	See details in Section 8.10

8.10 / CROSS-REFERENCE TABLE FOR THE REPORT ON CORPORATE GOVERNANCE

(Article L.225-37 *et seq*. of the French Commercial Code, amended by Order No. 2017-1162 of July 12, 2017)

8.

8.11 / CROSS-REFERENCE TABLE FOR THE SHAREHOLDERS' MEETING

(Article L.225-100 *et seq*. of the French Commercial Code)

Summary of the Company's position during the past year	Page number of the registration document
Parent company financial statements	206-221
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Group management report	See details in Section 8.9
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A table of appropriation of profit, specifying in particular the origin of the sums proposed for distribution (Article R.225-83 of the French Commercial Code)	309
Board of Directors' report on the draft resolutions proposed	334-342
Report of the Statutory Auditors on the annual financial statements (Article L.823-9 of the French Commercial Code)	226-228
Report of the Statutory Auditors on the consolidated financial statements (Article L.823-9 of the French Commercial Code)	223-225
Report of the Statutory Auditors on the corporate governance report (Article L.823-10 of the French Commercial Code included in the Statutory Auditors' report on the annual financial statements)	227
Report of the Statutory Auditors on regulated agreements and commitments (Articles L.225-40 and R.225-83 of the French Commercial Code)	334-337
Report of one of the Statutory Auditors, designated independent verifiers, on the consolidated corporate, environmental and societal information presented in the management report (Articles L.225-102-1 and R.225-105 of the French Commercial Code)	288-289

8.12 / CROSS-REFERENCE TABLE ON CORPORATE, ENVIRONMENTAL AND SOCIETAL INFORMATION (CHAPTER 6 OF THE REGISTRATION DOCUMENT)

Reference Grenelle II law	Name	Page number of the registration document
1 - CORPORATE INFORMATION		**264-272**
Article R.225-105-1-II° a)	**a) Employment:** ◆ total workforce and breakdown of employees by gender, age and geographic zone ◆ hiring and redundancy ◆ compensation and its changes	264-272
Article R.225-105-1-II° b)	**b) Work organisation:** ◆ working time organisation ◆ absenteeism	267
Article R.225-105-1-II° c)	**c) Corporate relations:** ◆ organisation of social dialogue, particularly information and personnel consultation procedures and negotiation procedures with staff ◆ the report on collective agreements	271
Article R.225-105-1-II° d)	**d) Health and safety:** ◆ health and safety at work conditions ◆ the report on agreements signed with trade unions or employee representatives on the subject of health and safety at work ◆ workplace accidents, particularly their frequency and seriousness, as well as professional illnesses	271
Article R.225-105-1-II° e)	**e) Training:** ◆ training policies implemented ◆ total number of training hours	268
Article R.225-105-1-II° f)	**f) Equality of treatment:** ◆ measures taken to promote gender equality ◆ measures taken to promote the employment and integration of people with disabilities ◆ anti-discrimination policy	266-267
Article R.225-105-1-II° g)	**g) Promotion and respect for the fundamental conventions of the International Labour Organisation concerning:** ◆ respect of freedom of association and the right of collective bargaining ◆ elimination of professional and employment discrimination ◆ elimination of forced or mandatory labour ◆ effective abolition of child labour	272

Reference Grenelle II law	Name	Page number of the registration document
2 - ENVIRONMENTAL INFORMATION		**273-277**
Article R.225-105-1-I2° a)	**a) General environmental policy** ◆ organisation of the Company to take account of the environmental issues and, where necessary, approaches to environmental assessment or certification ◆ actions on employee training and information regarding environmental protection ◆ the means devoted to environmental risk and pollution prevention	273
Article R.225-105-1-I2° a)	◆ the amount of provisions and guarantees for environmental risks, subject to this information not causing serious prejudice to the Company in a current litigation	n/a
Article R.225-105-1-I2° b)	**b) Pollution and waste management:** ◆ prevention, reduction or repair measures for discharge into the air, water and soil seriously affecting the environment ◆ waste prevention, recycling and elimination measures ◆ consideration of noise pollution and all other forms of pollution specific to an activity	274
Article R.225-105-1-I2° c)	**c) Sustainable use of resources:** ◆ water consumption and supply according to local constraints ◆ consumption of raw materials and measures taken to improve the efficacy in their use ◆ energy consumption, measures taken to improve energy efficiency and recourse to renewable energy	274-276
Article R.225-105-1-I2° c)	◆ use of soil	n/a
Article R.225-105-1-I2° d)	**d) Climate change:** ◆ greenhouse gas emissions ◆ adaptation to the consequences of climate change	276-277; 280-283
Article R.225-105-1-I2° e)	**e) Protecting biodiversity:** ◆ measures taken to preserve or develop biodiversity	277
3 - INFORMATION RELATING TO SOCIETAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT		**278-285**
Article R.225-105-1-I3° a)	**a) Regional, economic, and social impact of the Company's activity:** ◆ on employment and regional development ◆ on local or neighbouring populations	278
Article R.225-105-1-I3° b)	**b) Relationships with people or organisations affected by the Company's business, particularly integration organisations, teaching establishments, environmental protection organisations, consumer associations and neighbouring populations** ◆ conditions of dialogue with these persons or organisations ◆ partnership and corporate philanthropy	279
Article R.225-105-1-I3° c)	**c) Subcontracting and providers:** ◆ consideration of social and environmental issues within the purchasing policy. ◆ the importance of sub-contracting and consideration of sub-contractors' and suppliers' social and environmental responsibility is taken into account in the Company's relations with them	279-280
Article R.225-105-1-I3° d)	**d) Loyalty of practices:** ◆ anti-corruption actions ◆ consumer health and safety measures	284-285
Article R.225-105-1-II3° e)	**e) Other human rights initiatives**	**284-285**

8.13 / INCORPORATION BY REFERENCE

The 2017 registration document, by reference to the 2016 registration document registered by the Autorité des marchés financiers (French Financial Markets Authority) on April 12, 2017 under number R.17-016, incorporates the following items:

- "Overview of Coface" (all): pages 2 to 10;
- Chapter 3 (all): pages 107 to 140;
- Chapter 4 (all): pages 141 to 225.

By reference to the 2015 registration document registered by the Autorité des marchés financiers (French Financial Markets Authority) on April 13, 2016 under number R.16-020, it also 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.

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SA AU CAPITAL DE 314 496 464 EUROS
RCS NANTERRE 432 413 599

FOR TRADE