Consolidated financial statements

Preliminary version, unaudited financial statements – under audit
free translation

December, 31 2015

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(in thousands of euros)

ASSETS	Notes	Dec 31, 2015	Dec. 31, 2014*
Intangible assets		**224,307**	**231,968**
Goodwill	**5**	155,467	154,515
Other intangible assets	**6**	68,840	77,453
Insurance business investments	**7**	**2,648,119**	**2,677,731**
Investment property	**7**	800	923
Held-to-maturity securities	**7**	3,721	6,872
Available-for-sale securities	**7**	2,512,526	2,324,682
Trading securities	**7**	55,468	30,864
Derivatives	**7**	6,123	2,834
Loans and receivables	**7**	69,481	311,556
Receivables arising from banking and other activities	**8**	**2,370,902**	**2,244,262**
Investments in associates	**9**	**20,258**	**19,001**
Reinsurers' share of insurance liabilities	**20**	**327,986**	**329,163**
Other assets		**894,121**	**806,282**
Buildings used in the business and other property, plant and equipment	**10**	65,107	67,708
Deferred acquisition costs	**12**	44,043	43,171
Deferred tax assets	**22**	57,538	33,939
Receivables arising from insurance and reinsurance operations	**11**	518,970	453,415
Trade receivables arising from other activities	**12**	14,238	17,762
Current tax receivables	**12**	68,937	43,238
Other receivables	**12**	125,288	147,049
Cash and cash equivalents	**13**	**396,837**	**278,624**
TOTAL ASSETS		**6,882,530**	**6,587,031**

** The Group applied IFRIC 21 "Levies" retrospectively at the January 1, 2014. Consequently, 2014 comparative financial statements have been restated (See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014).*

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	Dec 31, 2015	Dec. 31, 2014*
Equity attributable to owners of the parent		**1,760,954**	**1,717,797**
Share capital	**14**	786,241	786,241
Additional paid-in capital		347,371	422,831
Retained earnings		442,231	318,498
Other comprehensive income		58,872	65,201
Consolidated net income for the year		126,239	125,026
Non-controlling interests		**6,073**	**6,737**
Total equity		**1,767,027**	**1,724,534**
Provisions for liabilities and charges	**17**	**114,234**	**117,792**
Financing liabilities	**19**	**392,594**	**395,123**
Liabilities relating to insurance contracts	**20**	**1,514,862**	**1,472,180**
Payables arising from banking sector activities	**21**	**2,369,662**	**2,217,782**
Amounts due to banking sector companies	**21**	352,379	300,706
Amounts due to customers of banking sector companies	**21**	404,218	379,016
Debt securities	**21**	1,613,065	1,538,060
Other liabilities		**724,151**	**659,620**
Deferred tax liabilities	**22**	144,266	128,463
Payables arising from insurance and reinsurance operations	**23**	241,339	176,628
Current taxes payable	**24**	111,527	97,058
Derivative instruments with a negative fair value	**24**	6,752	16,037
Other payables	**24**	220,267	241,434
TOTAL EQUITY AND LIABILITIES		**6,882,530**	**6,587,031**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Consolidated income statement

(in thousands of euros)

	Notes	Dec 31, 2015	Dec. 31, 2014*
Revenue	**25**	**1,489,530**	**1,440,536**
Gross written premiums		1,269,082	1,242,676
Premium refunds		(81,497)	(98,309)
Net change in unearned premium provisions		(1,650)	(11,640)
Earned premiums	**25**	**1,185,935**	**1,132,727**
Fee and commission income	**25**	**125,550**	**124,756**
Cost of risk	**27**	(4,696)	(2,046)
Revenue or income from other activities	**25**	**107,446**	**112,431**
Investment income, net of management expenses	**30**	50,245	35,397
Gains and losses on disposals of investments	**30**	2,846	7,372
Investment income, net of management expenses (excluding finance costs)	**30**	**53,091**	**42,769**
Total revenue and income from ordinary activities		**1,537,925**	**1,481,259**
Claims expenses	**26**	(605,344)	(538,727)
Expenses from banking activities, excluding cost of risk	**27**	(14,094)	(11,066)
Expenses from other activities		(44,892)	(47,338)
Income from ceded reinsurance	**29**	214,300	198,013
Expenses from ceded reinsurance	**29**	(265,710)	(266,673)
Income and expenses from ceded reinsurance	**29**	(51,410)	(68,660)
Policy acquisition costs	**28**	(274,048)	(262,880)
Administrative costs	**28**	(269,956)	(269,119)
Other current operating expenses	**28**	(81,652)	(74,509)
Total current income and expenses		**(1,341,396)**	**(1,272,299)**
CURRENT OPERATING INCOME		**196,529**	**208,960**
Other operating expenses	**31**	(5,490)	(11,809)
Other operating income	**31**	1,258	1,872
OPERATING INCOME		**192,297**	**199,023**
Finance costs		(18,491)	(14,975)
Share in net income of associates	**33**	2,157	2,136
Income tax expense	**32**	(48,836)	(60,335)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**127,127**	**125,849**
Non-controlling interests		(888)	(825)
NET INCOME FOR THE YEAR		**126,239**	**125,024**
Earnings per share (€)	**35**	0,80	0,80
Diluted earnings per share (€)	**35**	0,80	0,80

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	December 31, 2015	December 31, 2014*
Net income for the period		**126,239**	**125,026**
Non-controlling interests		888	825
Other comprehensive income			
Currency translation differences reclassifiable to income		**2,328**	**13,284**
Reclassified to income		(0)	(0)
Recognised in equity		2,328	13,284
Fair value adjustments on available-for-sale financial assets	**7 ; 16 ; 22**	**(13,901)**	**30,220**
Reclassified to income – gross		(4,490)	(7,834)
Reclassified to income – tax effect		1,525	2,485
Recognised in equity – reclassifiable to income – gross		(9,465)	48,086
Recognised in equity – reclassifiable to income – tax effect		(1,471)	(12,517)
Fair value adjustments on employee benefit obligations	**16 ; 18 ; 22**	**3,978**	**(6,132)**
Recognised in equity – not reclassifi able to income – gross		5,890	(8,763)
Recognised in equity – not reclassifi able to income – tax effect		(1,912)	2,631
Other comprehensive income for the period, net of tax		**(7,595)**	**37,371**
Total comprehensive income for the period		**119,532**	**163,222**
- attributable to owners of the parent		119,910	163,428
- attributable to non-controlling interests		(378)	(206)

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Consolidated reserves	Treasury shares	Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
					Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
Equity at December 31, 2013		**784,207**	**841,834**		**(33,962)**	**75,930**	**(15,211)**	**127,439**	**1,780,239**	**13,089**	**1,793,327**
Equity at January 1, 2014 restated IFRIC 21		**784,207**	**842,271**		**(33,962)**	**75,930**	**(15,211)**	**127,439**	**1,780,676**	**13,089**	**1,793,764**
Capital increase		2,034	1,352						3,386		3,386
2013 net income to be appropriated			127,439					(127,439)			0
Special dividend paid to Natixis (issue premium)			(226,983)						(226,983)		(226,983)
Payment of 2013 dividends in 2014			(1,868)						(1,868)	(760)	(2,628)
Total transactions with owners		**2,034**	**(100,060)**	**0**	**0**	**0**	**0**	**(127,439)**	**(225,465)**	**(760)**	**(226,225)**
2014 net income restated IFRIC 21								125,025	125,025	825	125,850
Fair value adjustments on available-for-sale financial assets recognized in equity						36,499			36,499	(930)	35,569
Fair value adjustments on available-for-sale financial assets reclassified to income						(5,349)			(5,349)		(5,349)
Change in actuarial gains and losses (IAS 19R)							(6,132)		(6,132)		(6,132)
Currency translation differences					13,281				13,281	3	13,284
Treasury shares elimination				(709)					(709)		(709)
Other movements			(172)			184	(39)		(28)	(5,490)	(5,518)
Equity at December 31, 2014 restated IFRIC 21		**786,241**	**742,039**	**(709)**	**(20,681)**	**107,264**	**(21,382)**	**125,025**	**1,717,797**	**6,737**	**1,724,534**
2014 net income to be appropriated			125,025					(125,025)			
Payment of 2014 dividends in 2015			(75,460)						(75,460)	(697)	(76,157)
Total transactions with owners		**0**	**49,565**	**0**	**0**	**0**	**0**	**(125,025)**	**(75,460)**	**(697)**	**(76,157)**
December 31, 2015 net income								126,239	126,239	888	127,127
Fair value adjustments on available-for-sale financial assets recognized in equity	7 ; 16					(10,164)			(10,164)	(771)	(10,935)
Fair value adjustments on available-for-sale financial assets reclassified to income	7 ;16 ; 22					(2,822)			(2,822)	(144)	(2,966)
Change in actuarial gains and losses (IAS 19R)	18 ; 22						3,978		3,978		3,978
Currency translation differences					2,679				2,679	(351)	2,328
Treasury shares elimination				(1,934)					(1,934)		(1,934)
Free share plans expenses			641						641		641
Transactions with shareholders										411	411
Equity at December 31, 2015		**786,241**	**792,245**	**(2,643)**	**(18,002)**	**94,278**	**(17,404)**	**126,239**	**1,760,954**	**6,073**	**1,767,027**

Consolidated statement of cash flows

(in thousands of euros)	Notes	Dec. 31, 2015	Dec 31, 2014
Net income for the period	**35**	**126,239**	**125,092**
Income tax expense		48,837	60,367
Finance costs		18,491	14,975
Operating income before tax (A)		**193,567**	**200,434**
Non-controlling interests		888	825
+/- Depreciation, amortization and impairment losses	**6 - 7.1 - 10 - 17**	21,030	21,179
+/- Net additions to/reversals from technical provisions	**20**	23,452	(10,502)
+/- Share in net income of associates	**9**	(2,157)	(2,136)
+ Dividends received from associates	**9**	900	756
+/- Fair value adjustments on financial instruments recognized at fair value through income		41,095	42,948
+/- Non-cash items			
Total non-cash items (B)		***123,047***	***(856)***
Gross cash flows from operations (C) = (A) + (B)		***316,614***	***199,577***
Change in operating receivables and payables		12,616	16,941
Net taxes paid		(73,228)	14,495
Net cash related to operating activities (D)		***(60,612)***	***31,436***
Increase (decrease) in receivables arising from factoring operations		(127,615)	(123,997)
Increase (decrease) in payables arising from factoring operations		100,207	214,538
Increase (decrease) in factoring liabilities		52,281	(62,245)
Net cash generated from banking and factoring operations (E)	**8 - 21**	***24,873***	***28,295***
Net cash generated from operating activities (F) = (C+D+E)		**280,875**	**259,308**
Acquisitions of investments	**7**	(2,027,373)	(3,286,721)
Disposals of investments	**7**	1,976,835	2,891,605
Net cash used in movements in investments (G)		***(50,538)***	***(395,116)***
Acquisitions of consolidated subsidiaries, net of cash acquired		(0)	(0)
Disposals of consolidated companies, net of cash transferred			
Net cash used in changes in scope of consolidation (H)		***(0)***	***(0)***
Disposals of property, plant and equipment and intangible assets	**6 - 10**	(7,931)	(8,920)
Acquisitions of property, plant and equipment and intangible assets	**6 - 10**	2,253	4,334
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***(5,678)***	***(4,586)***
Net cash used in investing activities (J) = (G+H+I)		**(56,216)**	**(399,702)**
Proceeds from the issue of equity instruments		(0)	3,386
Special dividend paid to Natixis - issue premium payment		(0)	(226,983)
Treasury share transactions		(1,781)	(657)
Dividends paid to owners of the parent		(75,460)	(1,867)
Dividends paid to non-controlling interests		(697)	(760)
Relution (Coface SA repurchase Compagnie Française d'Assurance pour le Commerce Extérieur from Natixis)		(0)	(4,169)
Cash flows related to transactions with owners		***(77,938)***	***(231,050)***
Proceeds from the issue of debt instruments		0	388,846
Cash used in the redemption of debt instruments		(2,759)	(10,457)
Interests paid (1)		(18,048)	(0)
Cash flows related to the financing of Group operations		***(20,807)***	***378,389***
Net cash generated from (used in) financing activities (K)		**(98,745)**	**147,339**
Impact of changes in exchange rates on cash and cash equivalents (L)		**(7,702)**	**(2,242)**

Net increase in cash and cash equivalents (F+J+K+L)		**118,213**	**4,704**
Net cash generated from operating activities (F)		280,875	259,308
Net cash used in investing activities (J)		(56,216)	(399,702)
Net cash generated from (used in) financing activities (K)		(98,745)	147,339
Impact of changes in exchange rates on cash and cash equivalents (L)		(7,702)	(2,242)

Cash and cash equivalents at beginning of period	**13**	278,624	273,920
Cash and cash equivalents at end of period	**13**	396,837	278,624

(1) The item “Interests paid” is mostly due to the paid interests on COFACE SA hybrid securities for €15,675 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Basis of preparation

These IFRS consolidated financial statements of the Coface Group as at December 31, 2015 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 4 "Applicable Accounting Standards" of the present consolidated financial statements as at December 31, 2015.

The same accounting principles and policies have been used for the consolidated financial statements for the the year ended December 31, 2015 and as for the year ended December 31, 2014 except the IFRIC21 interpretation as of January 1, 2015 (cf. note 1 Reconciliation of the published and restated financial statements).

In accordance with IAS 1, the consolidated financial statements of the Coface Group as of December 31, 2015 include:

- the balance sheet;
- the income statement;
- the consolidated statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;
- the notes to the financial statements.

They are presented with comparative financial information at December 31, 2014.

These IFRS consolidated financial statements for the year ended December 31, 2014 have been reviewed by the Coface Group's Board of Directors on February 9, 2015.

[1] The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

Note 1. Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014

IFRIC Interpretation 21 “Levies”, which was adopted by the European Commission on June 13, 2014, and which becomes mandatory on January 1, 2015, is intended to clarify the accounting date to be used for liabilities related to levies resulting in a net outflow of resources and imposed by governments (including government agencies and similar bodies whether local, national or international).

The following are within the scope of the Interpretation:

- Levies whose timing and amount are certain
- Levies that are within the scope of IAS 37

The interpretation does not cover:

- Taxes and levies that are within the scope of other standards such as IAS 12 Income Taxes, IAS 19 R Employee Benefits and IFRS 2 Share-based Payment
- Fines and other penalties imposed for breaches of applicable laws and regulations

According to the interpretation, the event giving rise to the recognition of the liability, or “obligating event” is the activity that triggers the payment of the levy in accordance with applicable laws and regulations. Based on current practice, two discrepancies emerge from the application of this principle, leading to differences between accounts prepared according to French GAAP and IFRS:

- For annual financial statements, under IFRIC, levies calculated on the basis of the current period’s activity, but whose payment is legally triggered in the subsequent period, may not be recognized in the period in which the corresponding revenue is generated;

- For interim financial statements, the obligating event may occur over time or at a particular point in time. Thus, in some instances the Interpretation requires the related provision to be recognized in full at the time the obligating event occurs, i.e., in a single nine-month period or quarter versus the current progressive recognition.

The first application of IFRIC 21 retrospectively at January 1, 2014, generates a positive impact on shareholders' equity amounting to €370 thousand of “Contribution sociale de solidarité des societes (C3S)” restatement.

The impact on the operating income on pro forma accounts at December 31, 2014 amounted to an expense of €99 thousand due to C3S restatement.

Restatements on assets

(in thousands of euros)

ASSETS	Notes	Dec 31, 2014 published	IFRIC 21 Impacts	Dec 31, 2014 restated
Intangible assets		**231,968**		**231,968**
Goodwill	**5**	154,515		154,515
Other intangible assets	**6**	77,453		77,453
Insurance business investments	**7**	**2,677,731**		**2,677,731**
Investment property	**7**	923		923
Held-to-maturity securities	**7**	6,872		6,872
Available-for-sale securities	**7**	2,324,682		2,324,682
Trading securities	**7**	30,864		30,864
Derivatives	**7**	2,834		2,834
Loans and receivables	**7**	311,556		311,556
Receivables arising from banking and other activities	**8**	**2,244,262**		**2,244,262**
Investments in associates	**9**	**19,001**		**19,001**
Reinsurers' share of insurance liabilities	**20**	**329,163**		**329,163**
Other assets		**806,468**	**(186)**	**806,282**
Buildings used in the business and other property, plant and equipment	**10**	67,708		67,708
Deferred acquisition costs	**12**	43,171		43,171
Deferred tax assets	**23**	34,125	(186)	33,939
Receivables arising from insurance and reinsurance operations	**11**	453,415		453,415
Trade receivables arising from other activities	**12**	17,762		17,762
Current tax receivables	**12**	43,238		43,238
Other receivables	**12**	147,049		147,049
Cash and cash equivalents	**13**	**278,624**		**278,624**
TOTAL ASSETS		**6,587,217**	**(186)**	**6,587,031**

Restatement on liabilities

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	Dec 31, 2014 published	IFRIC 21 Impacts	Dec 31, 2014 restated
Equity attributable to owners of the parent		**1,717,427**	**370**	**1,717,797**
Share capital	**14**	786,241		786,241
Additional paid-in capital		422,831		422,831
Retained earnings		318,062	437	318,499
Other comprehensive income		65,201		65,201
Consolidated net income for the year		125,092	(67)	125,025
Non-controlling interests		**6,737**		**6,737**
Total equity		**1,724,164**		**1,724,534**
Provisions for liabilities and charges	**17**	**117,792**		**117,792**
Financing liabilities	**19**	**395,123**		**395,123**
Liabilities relating to insurance contracts	**20**	**1,472,180**		**1,472,180**
Payables arising from banking sector activities	**21**	**2,217,782**		**2,217,782**
Amounts due to banking sector companies	**21**	300,706		300,706
Amounts due to customers of banking sector companies	**21**	379,016		379,016
Debt securities	**21**	1,538,060		1,538,060
Other liabilities		**660,176**	**(556)**	**659,620**
Deferred tax liabilities	**22**	128,463		128,463
Payables arising from insurance and reinsurance operations	**23**	176,628		176,628
Current taxes payable	**24**	97,614	(556)	97,058
Derivative instruments with a negative fair value	**24**	16,037		16,037
Other payables	**24**	241,434		241,434
TOTAL EQUITY AND LIABILITIES		**6,587,217**	**(186)**	**6,587,031**

Restatement on P&L

(in thousands of euros)

	Notes	December 31, 2014 published	IFRIC 21 Impacts	December 31, 2014 restated
Revenue	**25**	**1,440,536**		**1,440,536**
Gross written premiums		1,242,676		1,242,676
Premium refunds		(98,309)		(98,309)
Net change in unearned premium provisions		(11,640)		(11,640)
Earned premiums	**25**	**1,132,727**		**1,132,727**
Fee and commission income	**25**	**124,756**		**124,756**
Net income from banking activities	**25**	**70,623**		**70,623**
Cost of risk	**27**	(2,046)		(2,046)
Revenue or income from other activities	**25**	**112,431**		**112,431**
Investment income, net of management expenses	**30**	35,397		35,397
Gains and losses on disposals of investments	**30**	7,372		7,372
Investment income, net of management expenses (excluding finance costs)	**30**	**42,769**		**42,769**
Total revenue and income from ordinary activities		**1,481,259**		**1,481,259**
Claims expenses	**26**	(538,721)	(6)	(538,727)
Expenses from banking activities, excluding cost of risk	**27**	(11,066)		(11,066)
Expenses from other activities		(47,338)		(47,338)
Income from ceded reinsurance	**29**	198,013		198,013
Expenses from ceded reinsurance	**29**	(266,673)		(266,673)
Income and expenses from ceded reinsurance	**29**	(68,660)		(68,660)
Policy acquisition costs	**28**	(262,854)	(26)	(262,880)
Administrative costs	**28**	(269,106)	(13)	(269,119)
Other current operating expenses	**28**	(74,455)	(54)	(74,509)
Total current income and expenses		**(1,272,200)**	**(99)**	**(1,272,299)**
CURRENT OPERATING INCOME		**209,060**	**(99)**	**208,960**
Other operating expenses	**31**	(11,809)		(11,809)
Other operating income	**31**	1,872		1,872
OPERATING INCOME		**199,122**	**(99)**	**199,023**
Finance costs		(14,975)		(14,975)
Share in net income of associates	**33**	2,136		2,136
Income tax expense	**32**	(60,367)	32	(60,335)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**125,916**	**(67)**	**125,849**
Non-controlling interests		(825)		(825)
NET INCOME FOR THE YEAR		**125,092**	**(67)**	**125,024**
Earnings per share (€)	**35**	0.80		0.80
Diluted earnings per share (€)	**35**	0.80		0.80

Note 2. Significant events

Geographical development

Continuing its efforts of expansion in new markets, Coface obtained in January 2015 a licence in Israel allowing it to sell credit insurance policies through its own sales forces. The Group also opened a new sales representation office in Kazakhstan (January 2015).

Modernisation of the flagship offering, renamed TradeLiner

Coface has modernised its flagship offering and announced on June 15 the launch of TradeLiner, designed to address the changing needs of mid-market companies. This decision is an integral part of the Coface Group's decision to revamp its strategy and tailor its credit insurance offering to specific market segments.

Management of State export credit guarantees

The French government announced in February 2015 that it was examining the possibility of transferring the French State public guarantees activity, currently carried out by Coface, to the Bpifrance group.
Having studied and discussed the project with Coface, the French government announced on July 29th 2015, its decision to implement the project, in line with its aim to consolidate under one establishment the support it offers to SME and larger companies.
Coface and the French government have agreed the financial terms of such a transfer. These consist of a compensation[2] of €89.7 millions before tax.
This compensation will allow Coface to absorb immediate depreciation charges (estimated at €16.3 millions before tax) and contribute to absorbing the margin loss (€12.6 millions) and fixed costs remaining (€20.3 millions) at Coface's charge (amounts before tax on a full-year 2015 basis).
The transfer is subject to modification of the applicable legislative and regulatory framework, which will come into effect by decree[3]. Coface will continue to be remunerated by the French State until the transfer of this activity becomes effective, at a date which is not yet known.

Finalization of the financial autonomy project and evolution of the refinancing program

Introduction of the bilateral facility lines

In the context of disengagement from Natixis, the Coface Group has put in place an alternative refinancing solution to the liquidity line of €500 million granted by Natixis, as shareholder, for the Group's factoring companies in Germany and Poland (for and amount of €200 million and €300 million respectively). Therefore, 8 multicurrency revolving facilities have been put in place with 5 banking partners for a total amount of €500 million split equally between Coface Finanz and Coface Factoring Poland.
The credit lines are backed by a guarantee granted by COFACE SA to ensure the lenders with the borrower's obligations.
This shift has led the Group to reinforce the diversification of banking partners and to achieve complete financial autonomy for the global refinancing needs while extending the average maturity of the refinancing sources (the maturity of the new lines varies between 15 months and 3 years).

[2] The compensation of €89.7M before tax is composed of 77.2m€ cash payment and depreciation charges estimated at 12.5m€ at end 2015.
[3] Finance Law No. 2015-1786, Article 103, from December 29th 2015

Extension of the commercial paper program
In October 2015, the Coface Group has proceeded to an extension of its commercial paper program dedicated to the refinancing of the factoring business of Coface Finanz.
As a reminder, bilateral credit lines (backup lines) support the program in case of market disruption, which is a requirement of the rating agencies.

This year the renewal of the program has led to:

- A lengthening of maturities (4 of the 6 lines have a maturity of 2 years);
- An increase of the amount (from €500 million to €600 million) and;
- A significant financial gain (a decrease in average price of the lines by approximatively 10 bps).

The extension of the size of the program with a lengthening of the maturity is part of the strategy defined by the Group at the beginning of this year. It allowed to take advantage of favorable market conditions and to secure them for a larger amount and for a longer term.

Renewal of the securitization program
In March 2012 the Coface Group has put in place a securitization program as an alternative refinancing solution to the liquidity line granted by Natixis to support the Group's factoring business in Germany. The initial program for a global amount of 1100 million euros has evolved to reach 1 195 million euros in July 2014.
The special purpose vehicle (French fonds commun de titrisation), called VEGA, 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 subscribed by the conduits (one conduit per bank) which in turn issue ABCP (Asset-Backed Commercial Paper) on the market and (ii) junior units subscribed by Coface Factoring Poland.
In December 2015, the securitization program for factoring receivables of Coface Finanz has been renewed in advance for a maximum amount maintained at 1 195 million euros. Within this framework, the Coface Group entered into an agreement with the banks in charge of financing to renew funding with maturities of one year and three years at a 23% and 77% respectively of the global maximum amount.

Financial strength affirmed by rating agencies

Fitch and Moody's reaffirmed the financial strength ratings (IFS) of the Group, A2 and AA- respectively (stable outlook), on September 17th and October 13th 2015.

Governance evolution

Executive Committee
The Executive Committee is composed by the members of: i) the Group Direction Committee, which is the strategic and operational management body of the Group; and, ii) the heads of the seven geographic regions. The said committee has evolved to support the development of the Group.

Carole Lytton has been appointed as Group Corporate Secretary as of July 3rd 2015. She manages the Group legal, compliance, facility management functions and CSR (corporate social responsibility), a new function which is intended to include corporate governance issues on the sustainable development of Coface.

Juan Saborido has been appointed as director of the North America region, and has integrated the Executive Committee April 15th, 2015.

By decision of November 2nd, 2015 the Board of Directors appointed Carine Pichon as effective manager of the Group, as part of the Solvency II regulations. The Group now has two effective directors, the CEO and Carine Pichon, Chief Financial Officer of the Group.

Following the resignation of Richard Burton, Pierre Hamille was appointed Group Audit Director on November 30th 2015. Therefore and due to the incompatibility between this new function with that of being a member of the Executive committee, Pierre Hamille has left the Executive committee.
Since November 30th, 2015, the Risk Management Group is hierarchically attached to Carine Pichon, Chief Financial Officer of the Group.

Board of directors

Coface SA Board of Directors proceeded to co-opt two new directors during the meeting of May 5th, 2015: Linda Jackson, Managing Director of Citroën and member of the Executive committee of PSA Peugeot Citroën; and, Odillard Martine, Chief Executive Officer of Chargers Group.

These two new members are considered independent. The Board will benefit from their vast experience gained over the years by working in international companies in diversified sectors.

Mme Clara-Cristina Streit has left the Board of Directors on May 1st 2015.

As at December 31st 2015, the composition of Coface SA Board of Directors is as follows: Laurent Mignon (Chairman of the Board), BPCE (represented by Marguerite Berard-Andrieu), John Arundel, Jean-Paul Dumortier, Eric Hemar, Linda Jackson, Pascal Marchetti, Sharon MacBeath, Martine Odillard Laurent Roubin, Olivier Zarrouati.

Note 3. Scope of consolidation

Change in the scope of consolidation in 2015

First-time consolidation

Fonds Lausanne was first-time consolidated by full integration method during the third quarter 2015. This entity was created in order to allow to Coface Ré to subcribe to parts in mutual funds (Fonds Communs de Placement or FCP), it intergrates two french funds, Lausanne n°2 and Lausanne n°3.

Exit of consolidation scope
Coface Deutschland Vertriebs was merged with Cofacerating holding.
The invetment fund Fonds Colombes n°1 was liquidated during the second quarter of 2015.

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.
Coface Group entities (and only Coface Group entities) now subscribe to units in these funds, *via* Compagnie française d'assurance pour le commerce extérieur, instead of having their own respective investment portfolios, which have been liquidated. Once a year the entities concerned receive a share of the comprehensive income generated by the funds in proportion to their net contribution to the management platform.
Fonds Lausanne was created in order to allow to Coface Ré to subcribe to parts in investment funds, the management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.

The three criteria established by IFRS 10 for consolidation of the FCP Colombes and FCP Lausanne funds are met. Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated. They are wholly-controlled by the Group.

Scope of consolidation

All of Coface entities are consolidated by full integration method, except Cofacredit consolidated by equity method.

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2015	Interest Dec. 31, 2015	Control Dec. 31, 2014	Interest Dec. 31, 2014
Northern Europe						
Germany	Coface Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 5 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Deutschland Vertriebs Isaac – Fulda – Allee 1 55124 Mainz	Merged	NA	NA	100.00%	100.00%
Germany	Coface Rating Gmbh Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg Hauptstr. 131-137 65260 Eschborn	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation) 41 rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Country Bas	Coface Nederland Services Claudius Prinsenlaan 126 Postbus 3377 4800 DJ Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Claudius Prinsenlaan 126 P.O. Box 3377 4800 DJ Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark Nygade 111 7430 Ikast	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	Coface Russia Insurance Company Parus Business Centre, 23/1 1st Tverskaya-Yamskaya Str. 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Western Europe						
France	Coface SA (Ex-Coface Holding) 1 Place Costes et Bellonte 92 270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie Française d'Assurance pour le Commerce Extérieur (ex- Coface SA) 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacredit Tour facto 18, rue Hoche 92988 Puteaux	Equity method	36.00%	36.00%	36.00%	36.00%
France	Cofinpar 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fimipar 1 Place Costes et Bellonte 92 270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage			
			Control Dec. 31, 2015	Interest Dec. 31, 2015	Control Dec. 31, 2014	Interest Dec. 31, 2014
Western Europe						
France	Fonds Colombes 1 90, Boulevard Pasteur 75015 Paris	NA	NA	NA	100.00%	100.00%
France	Fonds Colombes 2 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 ter 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 bis 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 bis 90, Boulevard Pasteur 75015 Paris	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 Belgium 100, Boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Switzerland Rue Belle-Fontaine 18 ; CP 431 1001 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Ré Rue Belle-Fontaine 18 ; CP 431 1001 Lausanne	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	NA	NA
Switzerland	Fonds Lausanne 3 90, Boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	NA	NA
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	
UK	Coface UK Holding 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services 180 St Albans Rd, Watford Hertfordshire WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Road Watford, Hertfordshire WD17 1RP	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ireland	Coface Irlande 67 B Upper George's Street Dun Laoghaire Co Dublin	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2015	Percentage Interest Dec. 31, 2015	Percentage Control Dec. 31, 2014	Percentage Interest Dec. 31, 2014
Central Europe						
Austria	Coface Austria Services Stubenring 24 1011 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europ Holding Stubenring 24-2 A 1010 Vienna	Full	74.99%	74.99%	74.99%	74.99%
Austria	Coface Austria (ex- Coface Austria Holding AG) Stubenring 24 1011 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Coface Hungary Insurance Tűzoltó u. 57, H-1094 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Poland	Coface Poland CMS Al.Jerozolimskie 136 PL-02-305 / Warszaw	Full	100.00%	74.99%	100.00%	74.99%
Poland	Coface Poland Factoring Al.Jerozolimskie 136 PL-02-305 / Warszaw	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Insurance Al. Jerozolimskie 136, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Czech Republic	Coface Czech Insurance I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Calea Floreasca 39, Et. 3 Sect.1 Bucharest	Full	100.00%	74.99%	100.00%	74.99%
Romania	Coface Romania Insurance Calea Floreasca 39, Et. 3 Sect.1, 014453, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Coface Slovakia Insurance Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuanie	LEID (Lithuania) Vilniaus str. 23 01402 Vilnius	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Bulgaria	Coface Bulgaria Insurance 85/87, T. Alexandrov blvd 1303 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Mediterranean & Africa						
Italy	Coface Italy (Succursale) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
Israel	Business Data Information Coface (BDI Coface) 11 Ben Gurion st, Bnei Brak 51260 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa Services Nyanga Office Park Inyanga Close, Suninghill	Full	100.00%	100.00%	100.00%	100.00%
Turkey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34 330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation Method	Percentage Control Dec. 31, 2015	Percentage Interest Dec. 31, 2015	Percentage Control Dec. 31, 2014	Percentage Interest Dec. 31, 2014
North America						
United States	Coface North America Holding Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance Company Windsor Corporate Park 50, Millstone Road, Building 100 Suite 360, East Windsor New-Jersey 08520	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Canada 251 Consumer Roadn Suite 910 Toronto - On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 Mexico City, D.F	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina Av. Insurgentes Sur #1787 Piso 10, Col. Guadalupe Inn, Delegación: Alvaro Obregon 01020 México City, D.F	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface Do Brasil Seguros De Credito Interno SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE) Pça. João Duran Alonso, 34 - 12º Andar Brooklin Novo - Sao Paulo, CEP: 04571-070	Full	75.82%	75.82%	75.82%	75.82%
Chile	Coface Chile Nueva Tajamar 555. P17. Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Chile	Coface Chile SA Nueva Tajamar 555. Torre Costanera	Full	100.00%	100.00%	100.00%	100.00%
Argentina	Coface Argentina Ricardo Rojas 401 – 7 Floor CP 1001 Buenos Aires – Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia-Pacific						
Australia	Coface Australia Level 10, 68 York Street Sydney NSW 2000 GPO Box 129 Sydney NSW 2001	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong-Kong	Coface Hong Kong 29th Floor, No.169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface Japon Atago Green Hills MORI Tower 38F, 2-5-1 Atago, Minato-ku Tokyo 105-6238	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Singapore	Coface Singapour 16 Collyer Quay #15-00 Singapore 049318	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Taiwan	Coface Taiwan Room A5, 6F, N°16, Section 4, Nanjing East Road, Taipei 10553	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

Note 4. Accounting principles

4.1 Applicable accounting standards

The consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union[4]. The same accounting principles and policies have been used for the financial statements of the year ended December 31, 2014 – apart from the following amendments applicable for the first time on or after January 1, 2015:

- the interpretation of IFRIC 21 "Levies" published by the IASB on May 20, 2013 and adopted by the European Commission on June 13, 2014 and of mandatory application on or after January 1, 2015. This interpretation seeks to clarify the date to be used for the recognition of levies in the financial statements of the entity paying such levy in application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The first application of IFRIC 21 retrospectively at January 1, 2014, generates a positive impact on shareholders' equity amounting to €370 thousand (including tax effect) of "Contribution sociale de solidarité des societes (C3S)" restatement;
- the amendment "Annual Improvements to IFRS 2011 – 2013 Cycle", adopted by the European Commission on December 18, 2014 and of mandatory application on or after January 1, 2015 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 3 "Business Combinations", IFRS 13 "Fair value measurement", IAS 40 "Investment property", IFRS 1 "First-time adoption of IFRS". These amendments had no impact on Coface's financial statement.

Coface did not proceed to the early application of the texts adopted by the European Union at December 31, 2015 but not yet in force on that date. These include:

- the amendment to IAS 19 "Employee Benefits" entitled "Defined Benefit Plans: Employee Contributions" adopted by the European Commission on January 9, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment applies to the contributions paid by staff members or by third parties to defined benefit plans. The goal is to clarify and simplify the recognition of contributions that are independent of the employee's years of service (*e.g.*: the contributions of staff members that are calculated by a fixed percentage of wages) which can be recognized;
- the amendment "Annual Improvements to IFRS 2010 – 2012 Cycle", adopted by the European Commission on December 17, 2014 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IAS 16 "Property, plant and equipment", IAS 38 "Intangible Assets" and IAS 24 "Related-Party Disclosures";
- the amendment to IFRS 11 "Joint Arrangements" entitled "Accounting for acquisitions of interests in joint operation" adopted by the European Commission on November 24, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarifies on how to account for the acquisition of an interest in a joint operation that constitute a business as defined under IFRS 3 "Business combinaison". IFRS 3 should be applied proportionate to the interest acquired;
- the amendment to IAS 16 "Buildings used in the business" and IAS 38 "Intangible assets" entitled "Clarification of acceptable methods of depreciation and amortization" adopted by the European Commission on December 2, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment clarified that the use of revenue-based methods to

[4] The standards adopted by the European Union can be consulted on the website of the European Commission at:: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

calculate the depreciation of an asset is not appropriate;

- the amendment “Annual Improvements to IFRS 2012 – 2014 Cycle”, adopted by the European Commission on December 15, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment pertains to the annual improvement process aimed at simplifying and clarifying the international reporting standards. The following standards have been amended: IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits” and IAS 34 “Interim Financial Reporting”;
- the amendment to IAS 1 “Presentation of Financial Statements” entitled “Initiative to improve presentation and disclosure in financial reports” adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendement is designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements;
- the amendment to IAS 27 “Consolidated and Separate Financial Statements” entitled “Equity method in separate financial statements” adopted by the European Commission on December 18, 2015 and of mandatory application on or after January 1, 2016 in the financial statements of Coface. This amendment reinstate the equity method, described in IAS 28 “Investments in Associates”, as an accounting option for investments in subsidiaries, joint ventures and associate’s in an entity’s separate financial statements.

IASB published, in July 2014, the complete and final version of IFRS 9 “Financial Instruments”, replacing IAS 39, of mandatory application on or after January 1, 2018. This new standard includes:

- for financial assets, a new approach of classification based on the type of instrument (debt or equity instrument). For debt instrument, the standard revises the distinction Amortized Cost / Fair Value using a logical approach driven by cash flow characteristics and the business model in which an asset is held. Thus, only simple or standardized characteristic instruments are admissible under the amortized cost category (if the financial assets are held under a business model that is “hold to collect”) or fair value through other comprehensive income category (if the financial assets are held under a business model that is “hold to collect and sell”);
- for financial liabilities at fair value through P&L category, the variation of fair value related to own credit risk has to be recognized through other comprehensive income, unless it creates or increases an accounting mismatch on the net income in the P&L;
- a single model of impairment, prospective, based on an expected-loss model calculed on financial assets recognized under amortized cost category and fair value through other comprehensive income category;
- reformed model for hedge accounting, with enhanced disclosures about risk management activity.

Although the European Commission has not adopted IFRS 9 yet, Coface, considering the significance of changes, participates in diagnostic tasks of the standards and of operational impacts since the first half of 2015. This project continues in 2016.

4.2 Consolidation methods used

In accordance with IAS 1 “Presentation of Financial Statements”, IFRS 10 and IFRS 3 on Business Combinations, certain interests that are not material in relation to the Coface Group’s consolidated financial statements were excluded from the scope of consolidation.The consolidation methods applied are as follows:

- companies over which the Coface Group exercises exclusive control are fully consolidated;
- companies over which the Coface Group exercises significant influence are accounted for by the equity method.

All the entities of the Coface Group scope are fully consolidated except Cofacrédit, which is consolidated 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.

Intercompany transactions

Material intercompany transactions are eliminated on the balance sheet and on the income statement.

4.3 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

- management is committed to a plan to sell the asset (or disposal group);
- a non-binding offer has been submitted by at least one potential buyer;
- it is unlikely that significant changes will be made to the plan or that it will be withdrawn.

Once assets meet these criteria, they are classified under "Non-current assets held for sale" in the balance sheet at the subsequent reporting date, and cease to be depreciated/amortised as from the date of this classification. An impairment loss is recognised if their carrying amount exceeds their fair value less costs to sell. Liabilities related to assets held for sale are presented in a separate line on the liabilities side of the balance sheet.

If the disposal does not take place within 12 months of an asset being classified as "Non-current assets held for sale", the asset ceases to be classified as held for sale, except in specific circumstances that are beyond Coface's control.

A discontinued operation is a clearly identifiable component of an entity that either has been disposed of, or is classified as held for sale, and:

- the component represents a separate major line of business or geographical area of operations;
- without representing a separate major line of business or geographical area of business, the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the component is a subsidiary acquired exclusively with a view to resale.

The income from these operations is presented on a separate line of the income statement for the period during which the criteria are met and for all comparative periods presented. The amount recorded in this income statement line includes (i) the net income from discontinued operations until they are sold, and (ii) the post -tax net income recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

As of December 31, 2014, none of these activities were present in the Group's consolidated financial statements.

4.4 Year-end and accounting period

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

4.5 Foreign currency translation

Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.,* currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group's entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates.

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

The balance sheets of foreign subsidiaries whose functional currency is not the euro are translated into euros at the year-end exchange rate, except for capital and reserves, which are translated at the historical exchange rate. All resulting foreign currency translation differences are recognised in the consolidated statement of comprehensive income.

Income statement items are translated using the average exchange rate for the year, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

4.6 General principles

The insurance business

An analysis of all of Coface's credit insurance policies shows that they fall within the scope of IFRS 4, which permits insurers to continue to use the recognition and measurement rules applicable under local GAAP when accounting for insurance contracts.

Coface has therefore used French GAAP for the recognition of its insurance contracts.

However, IFRS 4:

- prohibits the use of equalisation and natural disaster provisions
- and requires insurers to carry out liability adequacy tests.

The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IAS 18 "Revenue".

In accordance with IAS 18, revenue is recognised when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

The factoring business

Companies engaged in the factoring business are directly impacted by IAS 39 "Financial Instruments: Recognition and Measurement": a financial instrument is a contract that gives rise to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

In application of IAS 39, Application Guidance 26, trade receivables are classified within the "Loans and receivables" category. After initial recognition at fair value, these receivables are measured at amortised cost using the effective interest method (EIM). The financing fee is recorded over the term of the factoring transactions, which is equivalent to it being included in the EIM in view of the short-term nature of the transactions concerned.

Classification of income and expenses for the Group's different businesses

Breakdown by function of insurance company expenses

The expenses of French and international insurance subsidiaries are initially accounted for by nature and are then analysed by function in income statement items using appropriate cost allocation keys. Investment management expenses are included under investment expenses. Claims handling expenses are included under claims expenses. Policy acquisition costs, administrative costs and other current operating expenses are shown separately in the income statement.

Public credit insurance procedures management

Compagnie française d'assurance pour le commerce extérieur manages the public credit insurance procedures for the French government. Although these services solely correspond to management on behalf of a third party, they nevertheless qualify as insurance business. Consequently, the compensation received from the French government is reported under "Revenue or income from other activities". The corresponding costs are analysed by function and are therefore included under the same income statement headings as the expenses incurred by Compagnie française d'assurance pour le commerce extérieur in connection with its private market insurance activities.

Until June 30, 2014, SBCE, a Brazilian insurance company, performed the same type of activity for the Brazilian government. This agreement which was entered into by the government of Brazil and SBCE was not renewed as at June 30, 2014. Since July 1, 2014, SBCE continues its export credit risk insurance business for short-term operations.

Factoring companies

Operating income and expenses of companies involved in the factoring business are reported as "Income from banking activities" and "Expenses from banking activities" respectively.

Other companies outside the insurance business and factoring business

Operating income and expenses of companies not involved in the insurance or factoring businesses are reported under "Revenue or income from other activities" and "Expenses from other activities", respectively.

Revenue

Consolidated revenue includes:

- for the insurance business, earned premiums, net of cancellation, and premium refunds for direct business and inward reinsurance transactions, as well as fees for insurance-related services. This latter category covers fee and commission income for policies issued as well as fees for other services offered by insurance companies;
- the compensation received by Compagnie française d'assurance pour le commerce extérieur from the French government for its management of public credit insurance procedures. The terms and procedures applicable to the compensation paid by the French government are set out in the "Financial Agreement" signed between the French government and Compagnie française d'assurance pour le commerce extérieur. The most recent version of this agreement was signed on February 24, 2012 and covers the four-year period from 2012 to 2015 (see Note 1. Significant events);
- sales of services, corresponding to the revenue generated by Group companies in the areas of business information, receivables management and marketing information. These services consist primarily of providing customer access to credit and marketing information and debt collection services;
- factoring fees for receivables management and collection services, financing fees corresponding to the gross revenue collected from factoring customers net of financing costs (interest margin), and dispute management fees.

Consolidated revenue is analysed by business line and country of invoicing (in the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located).

Insurance operations

Premiums

Gross premiums correspond to written premiums, excluding tax and net of premium cancellations. They include an estimate of pipeline premiums and premiums to be cancelled after the reporting date.

The estimate of pipeline premiums includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum and final premiums. It also includes a provision for future economic risks that may impact end-of-year premiums.

Premiums invoiced are primarily based on policyholders' revenue or trade receivables balances, which vary according to changes in revenue. Premium income therefore depends directly on the volume of sales made in the countries where the Group is present, especially French exports and German domestic and export sales.

The Group also receives fee and commission income, corresponding mainly to the cost of monitoring the credit status of insured buyers, which is billed to customers and partners.

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with the loss attributed to the policy.

The "premium refunds" item includes provisions established through an estimation of rebates to be paid.

Reserves for unearned premiums

Reserves for unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the provision corresponds to the fraction of written premiums relating to the period between the year-end and the next premium payment date.

Deferred acquisition costs

Policy acquisition costs, including commissions and internal expenses related to contract preparation, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred 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.

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. In accordance with the applicable French Regulations, separate provisions are set aside for claims and recoveries. 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.

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.

Cash deposits received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded reserves for unearned premiums.

Other operating income and expenses

In accordance with Recommendation no. 2013-03 issued by the ANC (the French accounting standards setter), "Other operating income" and "Other operating expenses" should only be used to reflect a major event arising during the reporting period that could distort the understanding of the Company's performance. Accordingly, limited use is made of this caption for unusual, abnormal and infrequent income and expenses of a material amount which Coface has decided to present separately in the income statement so that readers can better understand its recurring operating performance and to make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

Other operating income and expenses are therefore limited, clearly identified, non-recurring items which are material to the performance of the Group as a whole.

Goodwill

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the amount of any non-controlling interest in the acquiree; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; less

- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value).

In the case of a bargain purchase, the resulting gain is recognised in net income on the acquisition date.

If new information comes to light within the 12 months following the initial consolidation of a newly-acquired company and that new information affects the initial fair values attributed to the assets acquired and liabilities assumed at the acquisition date, the fair values are adjusted with a corresponding increase or decrease in the gross value of goodwill.

Goodwill is allocated, at the acquisition date, to the cash-generating unit (CGU) or group of CGUs that is expected to derive benefits from the acquisition. In accordance with paragraph 10 of IAS 36, goodwill is not amortised but is tested for impairment at least once a year or whenever events or circumstances indicate that impairment losses may occur. Impairment testing consists of comparing the carrying amount of the CGU or group of CGUs (including allocated goodwill) with its recoverable amount, which corresponds to the higher of value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

Impairment tests on goodwill and intangible assets

In accordance with IAS 36, for the purpose of impairment testing the strategic entities included in the Group's scope of consolidation are allocated to groups of CGUs.

A group of CGUs is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets (other CGUs). Paragraph 80 of IAS 36 stipulates that goodwill acquired in a business combination must, from the acquisition date, be allocated to each of the acquirer's groups of CGUs that is expected to benefit from the synergies of the combination.

Coface has identified groups of CGUs, based on its internal organisation as used by management for making operating decisions.

The seven groups of CGUs are as follows:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

Measuring groups of CGUs and performing goodwill impairment tests

Existing goodwill is allocated to a group of CGUs for the purpose of impairment testing. Goodwill is tested for impairment at least once a year or whenever there is an objective indication that it may be impaired.

Goodwill impairment tests are performed by testing the group of CGUs to which the goodwill has been allocated.

If the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised and allocated to reduce the carrying amount of the assets of the group of CGUs, in the following order:

- first, by reducing the carrying amount of any goodwill allocated to the group of CGUs (which may not be subsequently reversed); and
- then, the other assets of the group of CGUs pro rata to the carrying amount of each asset in the Group.

The recoverable amount represents the higher of value in use (determined using the discounted cash flow method) and fair value less costs to sell (determined using multiples data from comparable listed companies as well as comparable recent transactions).

Method used for measuring the value of Coface entities

Value in use: Discounted cash flow method

Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Coface Group management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business line development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.

The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

Under the discounted cash flow method, Coface applies a discount rate to insurance companies and a perpetuity growth rate to measure the value of its companies.

Fair value

Under this approach, Coface values its companies by applying multiples of (i) revenue (for services companies), revalued net assets (for insurance companies) or net banking income (for factoring companies), and (ii) net income. The benchmark multiples are based on stock market comparables or recent transactions in order to correctly reflect the market values of the assets concerned.

The multiples-based valuation of an entity is determined by calculating the average valuation obtained using net income multiples and that obtained using multiples of revenue (in the case of services companies), revalued net assets (insurance companies) or net banking income (factoring companies).

Intangible assets: IT development costs

Coface capitalises IT development costs and amortises them over their estimated useful lives when it can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the current and future availability of adequate resources to complete the development; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Internally generated software is amortised over its useful life, which is capped at 15 years.

Property, plant and equipment: property assets

Property, plant and equipment are measured using the amortised cost model. Coface applies this model to measure its property, plant and equipment, including buildings used in the business. IFRS requires the breakdown of these buildings into components where the economic benefits provided by one or more components of a building reflect a pattern that differs from that of the building as a whole. These components are depreciated over their own useful life.

Coface has identified the following components of property assets:

Land	Not depreciated
Enclosed/covered structure	Depreciated over 30 years
Technical equipment	Depreciated over 15 years
Interior fixtures and fittings	Depreciated over 10 years

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities.

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership.

An impairment loss is recognised if the carrying amount of a building exceeds its market value.

Financial assets

The Group classifies its financial assets into the following five categories: available-for-sale financial assets, financial assets held for trading, held-to-maturity investments, financial assets at fair value through income, and loans and receivables.

The date used by Coface for initially recognising a financial asset in its balance sheet corresponds to the asset's trade date.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributable to the acquisition (hereafter referred to as the purchase price). The difference between the fair value of the securities at year-end and their purchase price (less actuarial amortisation for debt instruments) is recorded under "Available-for-sale financial assets" with a corresponding adjustment to revaluation reserves (no impact on net income). Investments in non-consolidated companies are included in this category.

Financial assets held for trading

Financial assets held for trading are recorded at the fair value of the securities at year-end. Changes in fair value of securities held for trading during the accounting period are taken to the income statement.

Held-to-maturity investments (HTM)

Held-to-maturity investments are carried at amortised cost. Premiums and discounts are included in the calculation of amortised cost and are recognised over the useful life of the financial asset using the yield-to-maturity method.

Financial assets at fair value through profit or loss

Financial assets at fair value through income are accounted for in the same way as securities held for trading.

Loans and receivables

The "Loans and receivables" category includes cash deposits held by ceding insurers lodged as collateral for underwriting commitments. The amounts recognised in relation to these deposits 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.

Borrowings

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;
- and transfer taxes and duties.

Transaction costs do not include:

- debt premiums or discounts;
- financing costs;
- internal administrative or holding costs.

Payables arising from banking sector activities

This item includes:

- amounts due to banking sector companies: corresponds to bank credit lines. They represent the refinancing of the credit extended to factoring clients;
- amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations. They include:
  - amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor, and
  - factoring contract guarantee deposits;
- debt securities. This item includes subordinated borrowings and non-subordinated bond issues. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business line.

All borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest 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 cash in hand 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.

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, whichh 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.

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.

Coface therefore draws up tax business plans on a rolling basis, beginning from the last tax reporting date and extrapolated based on growth assumptions used in the medium-term business plans drawn up by its various business lines.

Receivables and payables denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into euros at the year-end exchange rate.

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur (formerly COFACE SA) and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

Exchange differences concerning receivables and payables denominated in a foreign currency and relating to a consolidated company are treated as part of Coface's net investment in that company. In accordance with IAS 21, these exchange differences are recorded in other comprehensive income until the disposal of the net investment.

Segment information

Coface applies IFRS 8 for segment information reporting, which requires an entity's operating segments to be based on its internal organisation as used by management for the allocation of resources and the measurement of performance.

The segment information used by management corresponds to the following geographic regions:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

No operating segments have been aggregated for the purposes of published segment information.

The Group's geographic industry sector segmentation is based on the country of invoicing.

Related parties

A related party is a person or entity that is related to the entity preparing its financial statements (referred to in IAS 24 as "the reporting entity").

Estimates

The main balance sheet items for which management is required to make estimates are presented in the table below:

Estimates	Notes	Type of information required
Goodwill impairment	5	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	20	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	20; 25	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	20; 26	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	20; 26; 42	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	20; 26; 42	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	18	Pension benefit obligations are measured in acordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

The policies managed by the Coface Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on local GAAP pending the publication of an IFRS that deals with insurance liabilities.

The recognition of technical provisions requires the Group to carry out estimates, which are primarily based on assumptions concerning changes in events and circumstances related to the insured and their debtors as well as to their economic, financial, social, regulatory and political environment. These assumptions may differ from actual events and circumstances, particularly if they simultaneously affect the Group's main portfolios. The use of assumptions requires a high degree of judgement on the part of the Group, which may affect the level of provisions recognised and therefore have a material adverse effect on the Group's financial position, results, and solvency margin.

For certain financial assets held by the Group there is no active market, there are no observable inputs, or the observable inputs available are not representative. In such cases the assets' fair value is measured using valuation techniques which include methods or models that are based on assumptions or assessments requiring a high degree of judgement. The Group cannot guarantee that the fair value estimates obtained using these valuation techniques represent the price at which a security will ultimately be sold, or at which it could be sold at a given moment. The valuations and estimates are revised when circumstances change or when new information becomes available. Using this information, and respecting the objective principles and methods described in the consolidated and combined financial statements, the Group's management bodies regularly analyse, assess and discuss the reasons for any decline in the estimated fair value of securities, the likelihood of their value recovering in the short term, and the amount of any ensuing impairment losses that should be recognised. It cannot be guaranteed that any impairment losses or additional provisions recognised will not have a material adverse effect on the Group's results, financial position and solvency margin.

NOTE TO THE CONSOLIDATION BALANCE SHEET

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

Note 5. 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, 2015	Dec. 31, 2014
Northern Europe	112 603	112 603
Western Europe	5 068	5 068
Central Europe	8 402	8 401
Mediterranean & Africa	22 050	21 435
North America	6 407	5 752
South America	939	1 256
Total	**155 467**	**154 515**

The change in goodwill amounted to €952 thousand due to the fluctuation of the exchange rate.

Impairment testing methods

In compliance with IAS 36 "Impairment of Assets", goodwill and other non-financial assets were tested for impairment losses at December 31, 2015. 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, 2015:

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean and Africa	North America	Latin America	Asia Pacific
Cost of capital	10,5%	10,5%	10,5%	10,5%	10,5%	10,5%	10,5%
Perpetual growth rate	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Contribution to consolidated net assets	480,8	861,7	158,2	75,8	55,9	54,0	129,3

The assumptions used in 2014 were as follows:

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean and Africa	North America	Latin America
Cost of capital	10.6%	10.6%	10.7%	10.6%	10.6%	10.6%
Perpetual growth rate	1.5%	1,5%	1,5%	1,5%	1,5%	1,5%
Contribution to consolidated net assets	490.3	785.9	153.0	50.5	51.0	70.6

Sensitivity of impairment tests

Sensitivity analyses were performed for the impairment tests, based on the following sensitivity factors:

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group’s consolidated financial statements for the year ended December 31, 2015;
- cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have a significant impact on the outcome of the impairment tests or therefore on the Group’s consolidated financial statements for the year ended December 31, 2015;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2019 and 2020): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have a significant impact on the outcome of the original impairment tests or therefore on the Group’s consolidated financial statements for the year ended December 31, 2015.

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 thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America	Asia Pacific
Contribution to consolidated net assets	480,8	861,7	158,2	75,8	55,9	54,0	129,3
Sensitivity: Long-term growth rate -0.5 points	478,6	923,9	238,5	124,2	166,8	78,5	59,2
Sensitivity: WACC +0.5 point	469,3	915,5	234,0	120,9	162,5	76,5	59,2
Sensitivity: Loss Ratio 2020 +1 point	484,5	881,7	239,8	122,0	170,4	78,1	60,0
Sensitivity: Loss Ratio 2020 +2 points	472,1	828,4	230,0	112,1	164,9	72,2	54,6
Sensitivity: Cost Ratio 2020 +1 point	484,4	834,1	239,8	118,6	165,9	77,4	55,5
Sensitivity: Cost Ratio 2020 +1 point	471,8	733,3	230,0	105,2	155,8	70,8	45,5

The amounts presented in the table above represent the total amount after changes in assumptions.

Note 6. Other intangible assets

(in thousands of euros)	Dec. 31, 2015 Net value	Dec. 31, 2014 Net value
Development costs and software	65,270	74,078
Purchased goodwill	2,980	3,018
Other intangible assets	590	357
Total	**68,840**	**77,453**

(in thousands of euros)	Dec. 31, 2015		
	Cost	Accumulated amortisation and impairment	Net value
Development costs and software	184,790	(119,520)	65,270
Purchased goodwill	8,367	(5,387)	2,980
Other intangible assets	3,191	(2,601)	590
Total	**196,348**	**(127,508)**	**68,840**

(in thousands of euros)	Dec. 31, 2014		
	Cost	Accumulated amortisation and impairment	Net value
Development costs and software	194,762	(120,684)	74,078
Purchased goodwill	7,717	(4,700)	3,018
Other intangible assets	2,754	(2,397)	357
Total	**205,233**	**(127,780)**	**77,453**

Change in the gross amount of intangible assets

(in thousands of euros)	**Dec. 31, 2014**	**Increases**	**Decreases**	**Exchange rate and other effects**	**Dec. 31, 2015**
Development costs and software	194,762	3,950	(15,337)	1,415	184,790
Purchased goodwill	7,717	(0)	(0)	650	8,367
Other intangible assets	2,754	353	(25)	109	3,191
Total	**205,233**	**4,303**	**(15,362)**	**2,174**	**196,348**

(in thousands of euros)	**Dec. 31, 2013**	**Increases**	**Decreases**	**Exchange rate and other effects**	**Dec. 31, 2014**
Development costs and software	195,703	5,503	(8,938)	2,494	194,762
Purchased goodwill	7,057	(0)	(0)	660	7,717
Other intangible assets	2,796	359	(0)	(401)	2,754
Total	**205,556**	**5,862**	**(8,938)**	**2,753**	**205,233**

Change in accumulated amortisation and impairment of intangible assets

(in thousands of euros)	**Dec. 31, 2014**	**Additions**	**Reversals**	**Exchange rate and other effects**	**Dec. 31, 2015**
Accumulated amortisation - development costs and software	(120,424)	(10,856)	13,289	(1,316)	(119,307)
Accumulated impairment - development costs and software	(260)	(21)	(0)	68	(213)
Total amortisation and impairment - development costs and software	**(120,684)**	**(10,877)**	**13,289**	**(1,248)**	**(119,520)**
Accumulated amortisation - purchased goodwill	(4,700)	(312)	(0)	(375)	(5,387)
Accumulated impairment - purchased goodwill	(0)	(0)	(0)	(0)	(0)
Total amortisation and impairment - purchased goodwill	**(4,700)**	**(312)**	**(0)**	**(375)**	**(5,387)**
Accumulated amortisation - other intangible assets	(2,377)	(89)	(0)	(115)	(2,581)
Accumulated impairment - other intangible assets	(20)	(0)	(0)	0	(20)
Total amortisation and impairment - other intangible assets	**(2,397)**	**(89)**	**(0)**	**(115)**	**(2,601)**
Total	**(127,780)**	**(11,278)**	**13,289**	**(1,738)**	**(127,508)**

Note 7. Insurance business investments

7.1 – Analysis by category

At December 31, 2015, the carrying amount of held-to maturity (HTM) securities was €3,721 thousand, available-for-sale (AFS) securities totaled €2,512,526 thousand and securities held for trading ("trading securities") came to €55,468 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments. At December 31, 2015, 20% of the Group's total bond portfolio was rated "AAA", 32% "AA" and "A", 33% "BBB" . The portion of the bond portfolio rated "BB" and below represents 15% of the total portfolio.

	Dec. 31, 2015					Dec. 31, 2014				
(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	**2,406,577**	**105,948**	**2,512,526**	**2,512,526**		**2,203,306**	**121,376**	**2,324,682**	**2,324,682**	
Equities and other variable-income securities	236,296	104,373	340,669	340,669		211,173	98,537	309,710	309,710	
Bonds and government securities	2,059,275	1,659	2,060,934	2,060,934		1,962,132	22,838	1,984,971	1,984,971	
o/w direct investments in securities	*1,675,626*	*4,595*	*1,680,221*	*1,680,221*		*1,752,367*	*27,757*	*1,780,124*	*1,780,124*	
o/w investments in UCITS	*383,649*	*(2,936)*	*380,714*	*380,714*		*209,765*	*(4,919)*	*204,847*	*204,847*	
Shares in non-trading property companies	111,006	(84)	110,922	110,922		30,001		30,001	30,001	
HTM securities										
Bonds	3,721		**3,721**	4,374	653	6,872		**6,872**	7,703	831
Fair value through income – trading securities										
Money market funds (UCITS)	55,468		**55,468**	55,468		30,864		**30,864**	30,864	
Derivatives (positive fair value)		6,123	**6,123**	6,123			2,834	**2,834**	2,834	
(derivatives negative fair value for information)		*(6,752)*	*(6,752)*	*(6,752)*			*(16,037)*	*(16,037)*	*(16,037)*	
Loans and receivables	69,481		**69,481**	69,481		311,556		**311,556**	311,556	
Investment property	716	84	**800**	800		707	216	**923**	923	
Total	**2,535,964**	**112,155**	**2,648,119**	**2,648,772**	**653**	**2,553,305**	**124,426**	**2,677,731**	**2,678,562**	**831**

(in thousands of euros)	Gross Dec. 31, 2015	Impairment	Net Dec. 31, 2015	Net Dec. 31, 2014
AFS securities	**2,542,222**	**(29,696)**	**2,512,526**	**2,324,682**
Equities and other variable-income securities	370,358	(29,688)	340,669	309,710
Bonds and government securities	2,060,934		2,060,934	1,984,971
o/w direct investments in securities	*1,680,221*		*1,680,221*	*1,780,124*
o/w investments in UCITS	*380,714*		*380,714*	*204,847*
Shares in non-trading property companies	110,930	(8)	110,922	30,001
HTM securities				
Bond	**3,721**		3,721	**6,872**
Fair value through income – trading securities				
Money market funds (UCITS)	**55,468**		55,468	**30,864**
Derivatives (positive fair value)	**6,123**		6,123	**2,834**
(for information, derivatives with a negative fair value)	*(6,752)*		*(6,752)*	*(16,037)*
Loans and receivables	**69,481**		69,481	**311,556**
Investment property	**800**		800	**923**
Total	**2,677,815**	**(29,696)**	**2,648,119**	**2,677,731**

Gross value corresponds to the amounts before impairment.

Impairments

(in thousands of euros)	Dec. 31, 2014	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2015
AFS securities	**30,141**	**921**	**(1,526)**	**160**	**29,696**
Equities and other variable-income securities	30,133	921	(1,526)	160	**29,688**
Shares in non-trading property companies	8				**8**
Total	**30,141**	**921**	**(1,526)**	**160**	**29,696**

(in thousands of euros)	Dec. 31, 2013	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2014
AFS securities	**30,661**	**1,624**	**(2,283)**	**139**	**30,141**
Equities and other variable-income securities	30,653	1,624	(2,283)	139	**30,133**
Shares in non-trading property companies	8				**8**
Total	**30,661**	**1,624**	**(2,283)**	**139**	**30,141**

Reversals were only related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	Dec. 31, 2014 Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Dec. 31, 2015 Carrying amount
AFS securities	**2,324,682**	**1,094,493**	**(899,387)**	**(13,956)**	**596**	**6,097**	**2,512,526**
Equities and other variable-income securities	309,710	114,144	(89,540)	7,020	605	(1,269)	340,669
Bonds and government securities	1,984,971	899,174	(809,847)	(20,891)	(9)	7,537	2,060,934
Shares in non-trading property companies	30,001	81,176		(84)		(171)	110,922
HTM securities							
Bonds	6,872	72	(3,223)				3,721
Fair value through income – trading securities	30,864	823,676	(799,072)				55,468
Loans, receivables and other financial investments	315,313	83,684	(287,245)	(41,227)	9	5,871	76,404
Total	**2,677,731**	**2,001,925**	**(1,988,928)**	**(55,183)**	**605**	**11,968**	**2,648,119**

Derivatives (within the Colombes funds)

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 2015, 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 partially hedged through purchases of index options (which were out of the money). The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

Several one-off interest rate hedges were also set up during the year for money-market securities.

7.2 – 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 81% 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 10% 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 9% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Breakdown of financial instrument fair value measurements as at December 31, 2015 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,512,526**	**2,512,526**	**2,096,980**	**175,326**	**240,219**
Equities and other variable-income securities	340,669	340,669	211,349	23	129,297
Bonds and government securities	2,060,934	2,060,934	1,885,631	175,303	
Shares in non-trading property companies	110,922	110,922			110,922
HTM securities					
Bonds	3,721	4,374	4,374		
Fair value through income – trading securities					
Money market funds (UCITS)	55,468	55,468	55,468		
Derivatives	6,123	6,123		6,123	
Loans and receivables	69,481	69,481		69,481	
Investment property	800	800			800
TOTAL	**2,648,119**	**2,648,772**	**2,156,822**	**250,930**	**241,019**

Movements in Level 3 securities as at December 31, 2015

(in thousands of euros)		Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	
	At Dec. 31, 2014	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		At Dec. 31, 2015
AFS securities	**155,470**	**1,526**	**806**	**83,894**		**(1,478)**	**240,219**
Equities and other variable-income securities	125,469	1,526	890	2,718		(1,307)	129,297
Shares in non-trading property companies	30,001		(84)	81,176		(171)	110,922
Investment property	**923**	**(123)**					**800**
TOTAL	**156,393**	**1,403**	**806**	**83,894**		**(1,478)**	**241,019**

Breakdown of financial instrument fair value measurements as at December 31, 2014 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,324,682**	**2,324,682**	**2,015,225**	**153,987**	**155,470**
Equities and other variable-income securities	309,710	309,710	177,611	6,630	125,469
Bonds and government securities	1,984,971	1,984,971	1,837,614	147,357	
Shares in non-trading property companies	30,001	30,001			30,001
HTM securities					
Bonds	6,872	7,703	7,703		
Fair value through income – trading securities					
Money market funds (UCITS)	30,864	30,864	30,864		
Derivatives	2,834	2,834		2,834	
Loans and receivables	311,556	311,556		311,556	
Investment property	923	923			923
TOTAL	**2,677,731**	**2,678,562**	**2,053,792**	**468,377**	**156,393**

Movements in Level 3 securities as at December 31, 2014

(in thousands of euros)	At Dec. 31, 2013	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At Dec. 31, 2014
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
AFS securities	**107,825**	**15**	**11,290**	**36,268**		**71**	**155,470**
Equities and other variable-income securities	107,824	15	11,290	6,268		71	125,469
Shares in non-trading property companies	1			30,000			30,001
Investment property	**1,271**	**(348)**					**923**
TOTAL	**109,096**	**(333)**	**11,290**	**36,268**		**71**	**156,393**

Note 8. Receivables arising from banking and other activities

Breakdown by nature

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Receivables arising from banking and other activities	2,312,352	2,181,560
Non-performing receivables arising from banking and other activities	78,961	79,840
Allowances for receivables arising from banking and other activities	(20,411)	(17,138)
Total	**2,370,902**	**2,244,262**

Breakdown by age

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.
They are recognised at cost within assets. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.
Where applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery, it being specifi ed that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions. Claims provisions recorded to hedge receivables arising from factoring operations amounted to €52,731 thousand at December 31, 2015.

(in thousands of euros)	Dec. 31, 2015					
		Due				Total
	Not due	- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	
Receivables arising from banking and other activities	1,781,588	530,764	(0)	(0)	(0)	**2,312,352**
Non-performing receivables arising from banking and other activities	(0)	(0)	5,004	57,350	16,607	**78,961**
Allowances for receivables arising from banking and other activities	(0)	(0)	(2,069)	(10,645)	(7,697)	**(20,411)**
Total receivables arising from banking and other activities	**1,781,588**	**530,764**	**2,935**	**46,705**	**8,910**	**2,370,902**
Claims reserves to cover factoring receivables	(0)	(0)	(1,732)	(43,329)	(7,670)	**(52,731)**
Total receivables arising from banking and other activities after claims reserves	**1,781,588**	**530,764**	**1,203**	**3,376**	**1,240**	**2,318,171**

The breakdown by age method had been reviewed in 2015.

(in thousands of euros)	Dec. 31, 2014					
		Due				Total
	Not due	- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	
Receivables arising from banking and other activities	1,770,696	410,864	(0)	(0)	(0)	**2,181,560**
Non-performing receivables arising from banking and other activities	(0)	(0)	78,952	888	(0)	**79,840**
Allowances for receivables arising from banking and other activities	(0)	(0)	(16,250)	(888)	(0)	**(17,138)**
Total receivables arising from banking and other activities	**1,770,696**	**410,864**	**62,702**	**(0)**	**(0)**	**2,244,262**
Claims reserves to cover factoring receivables	(0)	(0)	(36,358)	(0)	(0)	**(36,358)**
Total receivables arising from banking and other activities after claims reserves	**1,770,696**	**410,864**	**26,344**	**(0)**	**(0)**	**2,207,904**

Note 9. Investments in associates

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Investments in associates at January 1	19 001	17 621
Dividends paid	(900)	(756)
Share in net income of associates	2 157	2 136
Total investments in associates	**20 258**	**19 001**

The Company accounted for by the equity method is Cofacrédit.

Note 10. Tangible assets

(in thousands of euros)	Dec. 31, 2015 Net value	Dec. 31, 2014 Net value
Buildings used in the business	40,756	43,014
Other property, plant and equipment	24,351	24,694
Total	**65,107**	**67,708**

The buildings used in the bunisess are the head offices of Coface Deutschland and Coface Italia. The head offices of Coface Deutschland was acquired under a finance lease.

(in thousands of euros)	Dec. 31, 2015		
	Cost	**Accumulated amortisation and impairment**	**Net value**
Buildings used in the business	108,988	(68,232)	40,756
Other property, plant and equipment	59,377	(35,026)	24,351
Total	**168,365**	**(103,258)**	**65,107**

(in thousands of euros)	Dec. 31, 2014		
	Cost	**Accumulated amortisation and impairment**	**Net value**
Buildings used in the business	109,167	(66,153)	43,014
Other property, plant and equipment	63,980	(39,286)	24,694
Total	**173,147**	**(105,439)**	**67,708**

Change in the gross amount of property, plant and equipment

(in thousands of euros)	Dec. 31, 2014	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2015
Land used in the business	14,010	(0)	(0)	(0)	14,010
Buildings used in the business	95,157	(0)	(1)	(178)	94,978
Total buildings used in the business	**109,167**	**(0)**	**(1)**	**(178)**	**108,988**
Operating guarantees and deposits	5,319	37	(256)	102	5,202
Other property, plant and equipment	58,661	3,595	(9,154)	1,073	54,175
Total other property, plant and equipment	**63,980**	**3,632**	**(9,410)**	**1,175**	**59,377**
Total	**173,147**	**3,632**	**(9,411)**	**997**	**168,365**

(in thousands of euros)	Dec. 31, 2013	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2014
Land used in the business	14,010	(0)	(0)	(0)	14,010
Buildings used in the business	77,205	(0)	(196)	18,148	95,157
Total buildings used in the business	**91,215**	**(0)**	**(196)**	**18,148**	**109,167**
Operating guarantees and deposits	8,732	360	(3,826)	52	5,319
Other property, plant and equipment	58,753	2,605	(3,008)	311	58,661
Total other property, plant and equipment	**67,485**	**2,966**	**(6,834)**	**363**	**63,980**
Total	**158,700**	**2,966**	**(7,030)**	**18,511**	**173,147**

Change in accumulated depreciation and impairment of property, plant and equipment

(in thousand of euros)	Dec. 31, 2014	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2015
Accumulated depreciation – Building used in the business	(66,153)	(2,250)	(0)	171	(68,232)
Accumulated impairment – Buildings used in the business	(0)	(0)	(0)	(0)	(0)
Buildings used in the business	**(66,153)**	**(2,250)**	**(0)**	**171**	**(68,232)**
Accumulated depreciation other property, plant & equipment	(36,553)	(3,870)	9,226	(3,661)	(34,858)
Accumulated impairment other property, plant & equipment	(2,733)	(20)	(0)	2,585	(168)
Other property, plant and equipment	**(39,286)**	**(3,890)**	**9,226**	**(1,076)**	**(35,026)**
Total	**(105,439)**	**(6,140)**	**9,226**	**(905)**	**(103,258)**

(in thousand of euros)	Dec. 31, 2013	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2014
Accumulated depreciation – Building used in the business	(45,297)	(2,803)	94	(18,148)	(66,153)
Accumulated impairment – Buildings used in the business	(0)	(0)	(0)	(0)	(0)
Buildings used in the business	**(45,297)**	**(2,803)**	**94**	**(18,148)**	**(66,153)**
Accumulated depreciation other property, plant & equipment	(34,992)	(4,015)	2,693	(239)	(36,553)
Accumulated impairment other property, plant & equipment	(2,682)	(40)	(0)	(11)	(2,733)
Other property, plant and equipment	**(37,674)**	**(4,056)**	**2,693**	**(250)**	**(39,286)**
Total	**(82,970)**	**(6,859)**	**2,787**	**(18,397)**	**(105,439)**

Market value of buildings used in the business

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Carrying amount	40,756	43,014
Market value	73,095	69,918
Unrealised gain	**32,339**	**26,904**

Note 11. Receivables arising from insurance and reinsurance operations

Breakdown by nature

(in thousands of euros)	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	312,999	(30,298)	282,701	303,437	(29,191)	274,246
Earned premiums not written	123,003		123,003	125,178		125,178
Receivables arising from reinsurance operations, net	113,548	(282)	113,266	54,273	(282)	53,991
Total	**549,550**	**(30,580)**	**518,970**	**482,888**	**(29,473)**	**453,415**

Breakdown by age

(in thousands of euros)	Dec. 31, 2015					
	Not due	Due				Total
		-3 months	3 months to 1 year	1 to 5 years	+5 years	
Total receivables arising from insurance and reinsurance operations	376,754	81,856	44,345	10,857	5,158	**518,970**

(in thousands of euros)	Dec. 31, 2015					
	Not due	Due				Total
		-3 months	3 months to 1 year	1 to 5 years	+5 years	
Total receivables arising from insurance and reinsurance operations	289,462	81,695	57,647	24,610	0	**453,415**

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 3 months.
Consequently, the risk of liquidity linked to insurance receivables is considered to be marginal.

Note 12. Other assets

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Deferred acquisition costs	44,043	43,171
Trade receivables arising from other activities	14,238	17,762
Current tax receivbales	68,937	43,238
Other receivables	125,288	147 049
Total	**252,506**	**251,220**

Note 13. Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Cash at bank and in hand	358,326	248,656
Cash equivalents	38,511	29,968
Total	**396,837**	**278,624**

The positive variation of €118,213 thousands is mainly due to:
- the time difference in payment of the external reinsurance by Coface Ré for €37 million (made in the first quarter of 2016);
- an amount €35 million underway of investment by Coface Hong-Kong;
- a reinsurance deposit of €9 million at Coface South Africa.

Note 14. Share capital

Ordinary shares	Number of shares	Par value	Share capital (in €)
At December 31, 2014	157,248,232	5	786,241,160
Capital increase	0		0
At December 31, 2015	**157,248,232**	**5**	**786,241,160**
Treasury shares deducted	(296,591)	5	(1,482,955)
At December 31, 2015 (excluding treasury shares)	**156,951,641**	**5**	**784,758,205**

	Dec. 31, 2015		Dec. 31, 2014	
Shareholders	**Number of shares**	**%**	**Number of shares**	**%**
Natixis	64,853,870	41.32%	64,853,869	41.26%
Public	92,097,771	58.68%	92,313,544	58.74%
Total excluding treasury shares	**156,951,641**	**100.00%**	**157,167,413**	**100.00%**

The parent company of the Coface Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d'Épargne, established in July 2009.

Natixis holds 41.24% of Coface corresponding to securities and treasury shares.

Note 15. Share-based payments

Ongoing free share plans

In connection with its stock market listing, the Coface Group awarded free shares to certain beneficiaries (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 thousands of euros)
Allotment of exceptional free shares	June 26, 2014	43,269	2 years	July 1, 2016	July 1, 2018	10.4	205
Long-term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 1, 2017	July 1, 2019	10.4	221
Long-term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	318

Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2014	Number of new free share grants in 2015	Number of free shares cancelled in 2015	Number of shares to be acquired at Dec. 31, 2015
Allotment of exceptional free shares	43,269		-	**43,269**
Long-term Incentive Plan 2014	78,842		-	**78,842**
Long-term Incentive Plan 2015		106,800	-	**106,800**

The settlement of the exceptional bonus shares is contingent on a presence requirement (except for cases of involuntary departure). The vesting of free shares under the long-term incentive plans is contingent on a presence requirement and achieving of annual objectives based on financial indicators.

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 €744 thousand was expensed under the implemented plans at December 31, 2015.

Note 16. 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, 2015	**120,329**	**(31,184)**	**(3,409)**	**85,736**	**3,924**	**89,660**
Fair value adjustments on available-for-sale financial assets reclassified to income	(4,346)		1,525	(2,821)	(144)	**(2,965)**
Fair value adjustments on available-for-sale financial assets recognised in equity	(8,694)		(1,471)	(10,165)	(771)	**(10,936)**
Change in reserves - gains and losses not reclassificable to income (IAS 19R)		5,890	(1,912)	3,978		**3,978**
Transactions with shareholders	146			146		146
At December 31, 2015	**107,435**	**(25,294)**	**(5,267)**	**76,874**	**3,009**	**79,883**

(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, 2014	**79,148**	**(22,421)**	**3,991**	**60,719**	**4,852**	**65,571**
Fair value adjustments on available-for-sale financial assets reclassified to income	(7,834)	(0)	2,485	(5,349)	(0)	**(5,349)**
Fair value adjustments on available-for-sale financial assets recognised in equity	49,015	(0)	(12,517)	36,498	(928)	**35,570**
Change in reserves - gains and losses not reclassificable to income (IAS 19R)	(0)	(8,763)	2,631	(6,132)	(0)	**(6,132)**
At December 31, 2014	**120,329**	**(31,184)**	**(3,409)**	**85,736**	**3,924**	**89,660**

Note 17. Provisions for liabilities and charges

(in thousands of euros)	**Dec. 31, 2015**	**Dec. 31, 2014**
Provisions for disputes	10,966	7,624
Provisions for pension and other post-employment benefit obligations	84,855	93,752
Other provisions for liabilities and charges	18,413	16,416
Total	**114,234**	**117,792**

Provisions for liabilities and charges mainly consist of provisions for pensions and other post-employment benefit obligations.

(in thousands of euros)	**Dec. 31, 2014**	**Additions**	**Reversals (utilised)**	**Reversals (surplus)**	**Reclassi- fications**	**Changes in OCI**	**Exchange rate effects**	**Dec. 31, 2015**
Provisions for technical	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Provisions for tax disputes	361	3,200	(0)	(0)	(0)	(0)	(36)	3,525
Provisions for employee	5,225	2,345	(483)	(1,348)	(10)	(0)	(46)	5,683
Provisions for other disputes	2,038	200	(0)	(0)	1	(0)	(481)	1,758
Provisions for disputes	**7,624**	**5,745**	**(483)**	**(1,348)**	**(9)**	**(0)**	**(563)**	**10,966**
Provisions for pension	**93,752**	**6,169**	**(3,783)**	**(1,034)**	**(4,528)**	**(5,893)**	**172**	**84,855**
Provisions for liabilities	13,724	549	(0)	(1,248)	(0)	(0)	974	13,999
Provisions for restructuring	1,263	236	(76)	(535)	(0)	(0)	(0)	888
Other provisions for liabilities	1,429	1,523	(0)	(3,625)	4,202	(0)	(3)	3,526
Other provisions for liabilities and charges	**16,416**	**2,308**	**(76)**	**(5,408)**	**4,202**	**(0)**	**971**	**18,413**
Total	**117,792**	**14,222**	**(4,342)**	**(7,790)**	**(335)**	**(5,893)**	**580**	**114,234**

(in thousands of euros)	Dec. 31, 2013	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Exchange rate effects	Dec. 31, 2014
Provisions for technical	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Provisions for tax disputes	349	3	(0)	(0)	(0)	(0)	8	361
Provisions for employee	4,246	2,444	(897)	(570)	(0)	(0)	2	5,225
Provisions for other disputes	2,461	(445)	(0)	(29)	(0)	(0)	52	2,038
Provisions for disputes	**7,056**	**2,002**	**(897)**	**(599)**	**(0)**	**(0)**	**62**	**7,624**
Provisions for pension	**86 130**	**5 278**	**(6,077)**	**(359)**	**16**	**8 762**	**2**	**93,752**
Provisions for liabilities	14,347	2,028	(647)	(1,634)	(0)	(0)	(370)	13,724
Provisions for restructuring	2,760	529	(233)	(1,793)	(0)	(0)	(0)	1,263
Other provisions for liabilities	1,763	5	(0)	(339)	(0)	(0)	(0)	1,429
Other provisions for liabilities and charges	**18,870**	**2,562**	**(880)**	**(3,766)**	**(0)**	**(0)**	**(370)**	**16,416**
Total	**112,056**	**9,842**	**(7,854)**	**(4,724)**	**16**	**8,762**	**(306)**	**117,792**

Note 18. Employee benefits

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Present value of benefit obligation at January 1st	**95,449**	**87,765**
Current service cost	5,280	(501)
Interest cost	1,442	2,474
Actuarial (gains)/losses	(6,862)	12,464
Benefits paid	(4,974)	(6,706)
Other	(3,551)	(49)
Present value of benefit obligation at December 31st	**86,784**	**95,449**
<u>**Change in plan assets**</u>		
Fair value of plan assets at January 1st	**1,696**	**1,635**
Revaluation adjustments – Return on plan assets	42	71
Employer contributions	118	111
Benefits paid	(158)	(124)
Other	231	4
Fair value of plan assets at December 31st	**1,929**	**1,696**
<u>**Reconciliation**</u>		
Present value of benefit obligation at December 31st	**86,784**	**95,449**
Fair value of plan assets	1,929	1,696
(Liability)/Asset recognised in the balance sheet at December	**(84,855)**	**(93,752)**
<u>**Income statement**</u>		
Current service cost	5,480	4,907
Past service cost	(198)	(5,407)
Benefits paid including amounts paid in respect of settlements	(0)	(333)
Interest cost	1,303	2,474
Interest income	(32)	(54)
Revaluation adjustments on other long-term benefits	(980)	3,687
Other	598	6
Expense/(income) recorded in the income statement	**6,171**	**5,279**
<u>**Changes recognised directly in equity not reclassifiable to income**</u>		
Revaluation adjustments arising in the year	(5,890)	8,762
Revaluation adjustments recognised in equity not reclassifiable to income	**(5,890)**	**8,762**

(in thousands of euros) - Dec. 31, 2015	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1st	**41 652**	**25 443**	**19 913**	**6 361**	**2 080**	**95 449**
Current service cost	1,736	2,151	309	649	435	5,280
Interest cost	620	440	347	35	(0)	1,442
Actuarial (gains)/losses	(4,429)	(1,252)	(786)	(395)	(0)	(6,862)
Benefits paid	(1,355)	(1,694)	(1,236)	(586)	(103)	(4,974)
Other	(16)	23	(89)	(3,628)	159	(3,551)
Present value of benefit obligation at December 31st	**38,208**	**25,111**	**18,458**	**2,436**	**2,571**	**86,784**
<u>Change in plan assets</u>						
Fair value of plan assets at January 1st	**(0)**	**861**	**1,016**	**(0)**	**(181)**	**1,696**
Revaluation adjustments – Return on plan assets	(0)	11	31	(0)	(0)	42
Employer contributions	(0)	26	92	(0)	(0)	118
Benefits paid	(0)	(34)	(124)	(0)	(0)	(158)
Other	(0)	337	(106)	(0)	(0)	231
Fair value of plan assets at December 31st	**(0)**	**1,201**	**909**	**(0)**	**(181)**	**1,929**
<u>Reconciliation</u>						
Present value of benefit obligation at December 31st	**38,208**	**25,111**	**18,458**	**2,436**	**2,571**	**86,784**
Fair value of plan assets	(0)	1,201	909	(0)	(181)	1,929
(Liability)/Asset recognised in the balance sheet at December	**(38,208)**	**(23,910)**	**(17,549)**	**(2,436)**	**(2,752)**	**(84,855)**
<u>Income statement</u>						
Current service cost	1,736	2,354	290	665	435	5,480
Past service cost	(0)	(202)	20	(16)	(0)	(198)
Benefits paid including amounts paid in respect of settlements	(0)	(0)	(0)	(0)	(0)	(0)
Interest cost	620	433	215	35	(0)	1,303
Interest income	(0)	(15)	(17)	(0)	(0)	(32)
Revaluation adjustments on other long-term benefits	(110)	(858)	(12)	(0)	(0)	(980)
Other	4	11	9	574	(0)	598
Expense/(income) recorded in the income statement	**2,250**	**1,723**	**505**	**1,258**	**435**	**6,171**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(4,317)	(394)	(784)	(395)	(0)	(5,890)
Revaluation adjustments recognised in equity not reclassifiable to income	**(4,317)**	**(394)**	**(784)**	**(395)**	**(0)**	**(5,890)**

(in thousands of euros) - Dec. 31, 2014	France	Germany	Austria	Italy	Other	TOTAL
Present value of benefit obligation at January 1st	**43 680**	**19 588**	**17 205**	**5 379**	**1 914**	**87 765**
Current service cost	(3,737)	1,694	274	854	414	(501)
Interest cost	1,193	592	523	167	(0)	2,474
Actuarial (gains)/losses	2,562	5,199	3,012	1,690	(0)	12,464
Benefits paid	(2,046)	(1,631)	(1,106)	(1,729)	(194)	(6,706)
Other	(0)	(0)	6	(0)	(54)	(49)
Present value of benefit obligation at December 31st	**41,652**	**25,442**	**19,913**	**6,361**	**2,080**	**95,449**
<u>Change in plan assets</u>						
Fair value of plan assets at January 1	**(0)**	**837**	**978**	**(0)**	**(181)**	**1,635**
Revaluation adjustments – Return on plan assets	(0)	30	41	(0)	(0)	71
Employer contributions	(0)	11	100	(0)	(0)	111
Benefits paid	(0)	(21)	(103)	(0)	(0)	(124)
Other	(0)	4	(0)	(0)	(0)	4
Fair value of plan assets at December 31st	**(0)**	**861**	**1,016**	**(0)**	**(181)**	**1,696**
<u>Reconciliation</u>						
Present value of benefit obligation at December 31st	**41,652**	**25,442**	**19,913**	**6,361**	**2,080**	**95,449**
Fair value of plan assets	(0)	861	1,016	(0)	(181)	1,696
(Liability)/Asset recognised in the balance sheet at December	**(41,652)**	**(24,581)**	**(18,897)**	**(6,361)**	**(2,261)**	**(93,752)**
<u>Income statement</u>						
Current service cost	1,670	1,694	274	854	414	4,907
Past service cost	(5,407)	(0)	(0)	(0)	(0)	(5,407)
Benefits paid including amounts paid in respect of settlements	(0)	(0)	(0)	(333)	(0)	(333)
Interest cost	1,193	592	523	167	(0)	2,474
Interest income	(0)	(25)	(29)	(0)	(0)	(54)
Revaluation adjustments on other long-term benefits	(267)	2,668	15	1,272	(0)	3,687
Other	(0)	(0)	6	(0)	(0)	6
Expense/(income) recorded in the income statement	**(2,812)**	**4,929**	**788**	**1,959**	**414**	**5,279**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	2,830	2,527	2,987	419	(0)	8,762
Revaluation adjustments recognised in equity not reclassifiable to income	**2,830**	**2,527**	**2,987**	**419**	**(0)**	**8,762**

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.

Actuarial assumptions - Dec. 31, 2015	France	Germany	Austria	Italy
Inflation rate	1,70%	1,90%	1,90%	1,90%
Discount rate				
Supplementary retirement and other plans	0,45%	1,90%	1,90%	1,90%
Statutory retirement benefits	1,40%	N/A	1,90%	1,90%
Long-service awards	1,00%	1,90%	1,90%	N/A
Other benefits	2,15%	1,90%	N/A	1,90%
Rate of salary increases (including inflation)	2,00%	2,40%	3,00%	1,70%
Rate of increase in medical costs (including inflation)	4,20%	N/A	N/A	4,40%
Average remaining working life until retirement				
Supplementary retirement and other plans	0,00	5,40	8,72	11,37
Statutory retirement benefits	15,60	N/A	9,97	13,37
Long-service awards	8,14	19,33	15,48	14,70
Other benefits	15,60	2,92	N/A	20,15
Term (years)				
Supplementary retirement and other plans	28,59	11,15	12,02	18,00
Statutory retirement benefits	10,64	N/A	8,79	9,88
Long-service awards	7,69	11,57	6,65	10,93
Other benefits	N/A	1,95	N/A	0,00

Actuarial assumptions - Dec. 31, 2014	France	Germany	Austria	Italy
Inflation rate	1,80%	1,80%	1,80%	1,80%
Discount rate				
Supplementary retirement and other plans	0,50%	1,80%	1,80%	1,80%
Statutory retirement benefits	1,20%	N/A	1,80%	1,80%
Long-service awards	0,80%	1,80%	1,80%	-
Other benefits	1,80%	1,80%	N/A	1,80%
Rate of salary increases (including inflation)	2,10%	2,30%	3,00%	3,00%
Rate of increase in medical costs (including inflation)	4,30%	N/A	N/A	4,50%
Average remaining working life until retirement				
Supplementary retirement and other plans	0,00	4,61	9,49	6,88
Statutory retirement benefits	15,55	N/A	10,81	13,68
Long-service awards	15,52	22,39	14,71	N/A
Other benefits	15,55	2,21	N/A	20,15
Term (years)				
Supplementary retirement and other plans	29,26	12,51	12,25	25,05
Statutory retirement benefits	10,59	N/A	9,67	10,48
Long-service awards	7,92	12,40	6,79	N/A
Other benefits	0,00	1,97	N/A	22,33

Sensitivity tests on the defined benefit obligation

Sensitivity tests on the defined benefit obligation	Dec. 31, 2015			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	-16,18%	-8,98%	-9,01%	-1,66%
-1% increase in the discount rate	21,76%	10,60%	10,59%	1,71%
1% increase in the inflation rate	2,08%	10,37%	10,98%	1,16%
-1% increase in the inflation rate	-1,92%	-8,96%	-9,58%	-1,15%
1% increase in rate of increase in medical costs	17,61%	8,22%	0,00%	1,16%
-1% increase in rate of increase in medical costs	-12,97%	-7,09%	0,00%	-1,15%
1% decrease in rate of salary increase (including inflation)	32,44%	0,00%	0,00%	15,12%
-1% decrease in rate of salary increase (including inflation)	-23,17%	0,00%	0,00%	-11,90%

Sensitivity tests on the defined benefit obligation	Dec. 31, 2014			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	-16,93%	-9,43%	-9,16%	-12,52%
-1% increase in the discount rate	22,85%	11,09%	10,63%	16,13%
1% increase in the inflation rate	18,78%	8,64%	0,00%	2,00%
-1% increase in the inflation rate	-13,76%	-7,45%	0,00%	-1,93%
1% increase in rate of increase in medical costs	34,08%	0,00%	0,00%	0,00%
-1% increase in rate of increase in medical costs	-24,17%	0,00%	0,00%	0,00%
1% decrease in rate of salary increase (including inflation)	2,26%	10,83%	8,29%	15,12%
-1% decrease in rate of salary increase (including inflation)	-2,08%	-9,35%	-7,40%	-11,90%

Note 19. Financing liabilities

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Subordinated debt	387,292	386,850
Obligations under finance leases	5,202	7,955
Bank overdrafts and other borrowings	100	318
Total	**392,594**	**395,123**

(in thousands of euros)	Dec. 31,2015	Dec. 31,2014
Due within one year		
- Obligations under finance leases	3,010	2,754
- Bank overdrafts and other borrowings		318
Total	**3,010**	**3,072**
Due between one and five years		
- Obligations under finance leases	2,292	5,201
Total	**2,292**	**5,201**
Due beyond five years		
- Subordinated debt	387,292	386,850
Total	**387,292**	**386,850**
Total	**392,594**	**395,123**

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%.

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. The annual interest rate applicable is 0.2% on the basis of the total amount (due by COFACE SA).

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.

As at December 31, 2015, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €387,292 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs for €3,301 thousand;
- reduced by the issue premium for €1,924 thousand;
- increased by interest accrued of €12,517 thousand.

The impact on consolidated income statement income as at December 31, 2015 mainly includes the interest related to the period for €16,117 thousand.

Note 20. Liabilities relating to insurance contracts

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Provisions for unearned premiums	285,410	286,336
Claims reserves	1,122,211	1,091,668
Provisions for premium refunds	107,241	94,176
Liabilities relating to insurance contracts	**1,514,862**	**1,472,180**
Provisions for unearned premiums	(57,558)	(57,403)
Claims reserves	(247,147)	(249,010)
Provisions for premium refunds	(23,281)	(22,750)
Reinsurers' share of technical insurance liabilities	**(327,986)**	**(329,163)**
Net technical provisions	**1,186,876**	**1,143,017**

Through its activities, the Coface Group is exposed to a "technical" (underwriting) risk, which is the risk of losses arising from its portfolio of credit insurance policies. Tools aimed at managing this risk have been put in place to ensure that it remains within reasonable limits.

The liquidation term for insurance technical provisions is less than three years, and the total of these provisions is covered by liquid assets. Consequently, the risk of liquidity linked to insurance technical provisions is considered to be marginal.

Note 21. Payables arising from banking sector activities

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Amounts due to banking sector companies	352,379	300,706
Amounts due to customers of banking sector companies	404,217	379,016
Debt securities	1,613,065	1,538,060
TOTAL	**2,369,661**	**2,217,782**

The lines "Amounts due to banking sector companies" and "Borrowings" correspond to sources of refinancing for the Group's factoring entities – Coface Finanz (Germany) and Coface Factoring Poland.

Amounts due to customers and baning sector companies correspond to the unavailable factoring liabilities, of which €365 million of the Guarantee Fund for members at Coface Finanz.

Debt securities comprised:

- €1,195 million in senior units issued by the FCT Vega fund as part of the securitisation programme set up for Coface Finanz's factoring receivables;
- €418 million in commercial paper issued by COFACE SA to finance Coface Finanz's operations.

Amounts due to banking sector companies corresponded to drawdowns on the bilateral credit lines set up with various banking partners of Coface Finanz and Coface Factoring Poland (including Natixis).

Note 22. Deferred Tax

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014 *
Deferred tax assets	57 538	33 939
Deferred tax liabilities	144 266	128 463
Net deferred tax - liabilities	**86 728**	**94 524**
Temporary differences	38 562	13 208
Provisions for pensions and other employment benefit obligations	17 367	20 731
Tax loss carry forwards	1 609	0
Total deferred tax assets	**57 538**	**33 939**
Temporary differences	51 857	22 551
Cancellation of the claims equalization provision	92 409	105 912
Total deferred tax liabilities	**144 266**	**128 463**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014*

The deferred tax rate retained is the one in force in each country. It is of 34.43% for French entities.

Each entity is compensating deferred tax assets and liabilities whenever it is legaly authorized to compensate due tax assets and liabilities.

Changes in deferred tax balances by region

Deferred tax with positive signe are deferred tax liabilities. On the other hand, those with negative signe are deferred tax assets.

(in thousands of euros)	Dec. 31, 2014 *	Change through income	Revaluation adjustment on AFS investments	Change in Currency impact	Other movements	Dec. 31, 2015
Northern Europe	**113,008**	3,862	(2,358)	216	124	**114,852**
Western Europe	**2,189**	(7,337)	(5,320)	369	1,298	**(8,801)**
Central Europe	**(361)**	(253)	(0)	(19)	197	**(435)**
Mediterranean & Africa	**(8,954)**	(4,192)	(0)	59	108	**(12,979)**
North America	**225**	739	(155)	93	(0)	**902**
Latin America	**(6,679)**	(1,229)	7,787	924	(0)	**803**
Asia Pacific	**(4,905)**	(2,170)	(11)	(528)	(0)	**(7,614)**
Total	**94,524**	**(10,580)**	**(57)**	**1,114**	**1,727**	**86,728**

(in thousands of euros)	Dec. 31, 2013	Change through income	Revaluation adjustment on AFS investments	Change in Currency impact	Other movements	Dec. 31, 2014 *
Northern Europe	**123,996**	(8,826)	(755)	(620)	(788)	**113,008**
Western Europe	**(54,916)**	47,123	10,707	72	(798)	**2,189**
Central Europe	**835**	(579)	109	30	(756)	**(361)**
Mediterranean & Africa	**(5,544)**	(3,292)	(0)	(4)	(114)	**(8,954)**
North America	**218**	29	(66)	44	(0)	**225**
Latin America	**(5,116)**	(1,288)	34	25	(333)	**(6,679)**
Asia Pacific	**(2,505)**	(2,433)	4	30	(0)	**(4,905)**
Total	**56,968**	**30,734**	**10,033**	**(422)**	**(2,790)**	**94,524**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014*

Note 23. Liabilities relating to insurance and reinsurance

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Guarantee deposits received from policyholders and other	3,376	3,034
Amounts due to policyholders and agents	125,008	98,798
Payables arising from insurance and inward reinsurance operations	**128,384**	**101,832**
Amounts due to reinsurers	94,065	64,157
Deposits received from reinsurers	18,890	10,640
Payable arising from ceded reinsurance operations	**112,955**	**74,797**
Total	**241,339**	**176,628**

Note 24. Other liabilities

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014 *
Current tax payables	**111,527**	**97,058**
Derivatives and related liabilities	**6,752**	**16,037**
Accrued personnel costs	57,190	58,015
Sundry payables	135,550	163,291
Deferred income	7,740	7,190
Other accruals	19,787	12,938
Other payables	**220,267**	**241,434**
TOTAL	**338 546**	**354 529**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014*

NOTE TO THE CONSOLIDATION PROFIT AND LOSS

Note 25. Consolidated revenue

(in thousands of euros)

a) By business line	Dec. 31, 2015	Dec. 31, 2014
Premiums – direct business	1,178,162	1,179,321
Premiums – inward reinsurance	90,920	63,355
Premium Refunds	(81,497)	(98,309)
Provisions for unearned premiums	(1,650)	(11,640)
Earned premiums net of cancellations c)	**1,185,935**	**1,132,727**
Fees and commission income	**125,550**	**124,755**
Net income from banking activities d)	**70,599**	**70,623**
Other insurance-related services	10,129	9,259
Remuneration of public procedures management services	59,969	62,541
Business information and other services	25,262	25,264
Receivables management	12,086	15,367
Revenue or income from other activities	**107,446**	**112,431**
Consolidated revenue	**1,489,530**	**1,440,536**

(in thousands of euros)

b) By region of invoicing	Dec. 31, 2015	Dec. 31, 2014
Northern Europe	334,896	352,007
Western Europe	457,219	461,729
Central Europe	114,898	113,276
Mediterranean & Africa	246,376	226,539
North America	131,317	113,750
Latin America	83,484	76,149
Asia-Pacific	121,340	97,086
Consolidated revenue	**1,489,530**	**1,440,536**

Geographic segmentation by billing location does not necessarily match the debtor’s location.

(in thousands of euros)

c) Insurance revenue by type of insurance	Dec. 31, 2015	Dec. 31, 2014
Credit insurance	1,103,152	1,046,699
Guarantees	50,668	54,415
Single risk	32,115	31,613
Total insurance revenue	**1,185,935**	**1,132,727**

(in thousands of euros)

d) Net income from banking activities	Dec. 31, 2015	Dec. 31, 2014
Financing fees	34,153	34,832
Factoring fees	36,831	35,029
Other	(385)	762
Total net income from banking activities	**70,599**	**70,623**

Note 26. Claim expenses

(in thousands of euros)	Dec.31, 2015	Dec.31, 2014 *
Paid claims, net of recoveries	(548,609)	(558,953)
Claims handling expenses	(26,460)	(25,744)
Change in claims reserves	(30,275)	45,970
Total	**(605,344)**	**(538,727)**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Claims expenses by period of occurence

(in thousands of euros)	Dec. 31, 2015			Dec. 31, 2014 *		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(814,974)	165,188	(649,786)	(787,122)	164,324	(622,798)
Claims expenses – prior years	209,630	(43,387)	166,243	248,395	(60,765)	187,630
Total	**(605,344)**	**121,801**	**(483,543)**	**(538,727)**	**103,559**	**(435,168)**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Note 27. Expenses from banking activities

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Charges to allowances for receivables	(1,845)	(744)
Reversal of allowances for receivables	4,700	3,198
Losses on receivables not covered by allowances	(2,851)	(1,347)
Losses on receivables covered by allowances	(4,700)	(3,153)
Cost of risk	**(4,696)**	**(2,046)**
Operating expenses	**(14,094)**	**(11,066)**
Total expenses from banking activities	**(18,790)**	**(13,112)**

"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 28. Overheads by function

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014 *
Commissions	(162,016)	(141,887)
Other acquisition costs	(112,032)	(120,993)
Total acquisition costs	**(274,048)**	**(262,880)**
Administrative costs	**(269,956)**	**(269,119)**
Other current operating expenses	**(81,652)**	**(74,509)**
Investment management expenses	**(2,124)**	**(2,039)**
Claims handling expenses	**(26,460)**	**(25,744)**
Total	**(654,240)**	**(634,290)**
of which employee profit-sharing	*(7,439)*	*(7,497)*

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014 *
Acquisition, administration costs and other current operating expenses	(654,240)	(634,290)
Expenses from banking activities, excluding cost of risk	(14,094)	(11,066)
Expenses from other activities	(44,892)	(47,338)
Total	**(713,226)**	**(692,694)**

** see Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. It came out at €713,226 thousand for the year-end closing 2015 versus €692,694 thousand for the year-end closing 2014 with IFRIC 21 adjustments.

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 29. Income and expenses from ceded reinsurance

(in thousands of euros)	Dec. 31,2015	Dec. 31,2014
Ceded premiums	(267,863)	(260,233)
Change in unearned premiums provisions	2,153	(6,440)
Expenses from ceded reinsurance	**(265,710)**	**(266,673)**
Ceded claims	123,389	143,055
Change in claims provisions net of recoveries	(1,588)	(40,558)
Commissions paid by reinsurers	92,499	95,515
Income from ceded reinsurance	**214,300**	**198,013**
Total	**(51,410)**	**(68,660)**

Note 30. Investment income, net of management expenses (excluding finance costs)

Investment income by category

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Investment income	51,421	38,950
Change in financial instruments at fair value though income	(41,095)	(42,949)
o/w hedged by currency derivatives on "Colombes" mutual funds (1)	*(40,158)*	*(42,941)*
Net gains on disposals	2,846	7,372
o/w hedged by currency derivatives on "Colombes" mutual funds(1)	*(417)*	*(1,181)*
Additions to/(reversals from) impairment	54	(1,435)
Net foreign exchange gains	42,569	43,714
o/w hedged by currency derivatives on "Colombes" mutual funds(2)	*39,830*	*44,695*
Investment management expenses	(2,704)	(2,883)
Total	**53,091**	**42,769**

1) At December 31, 2015, the significant change of the euro-dollar caused significant impacts on the accounts, which were almost entirely hedged by foreign exchange derivatives. The residual impact was - €1,161 thousand.

2) The €39,830 thousand foreign exchange gains from the Colombes funds consisted of €35,757 thousand in realised gains and €4,073 thousand of unrealised gains.

Investment income by class

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Property	2,265	1
Equities	14,240	10,041
Fixed income	33,435	35,431
Derivatives	(43,730)	(47,082)
Sub-total	**6,210**	**(1,609)**
Management expenses	(2,704)	(2,883)
Net foreign exchange gains/(losses)	42,569	43,714
Dividends	4,887	2,933
Additions to provisions for investments in non-consolidated companies	975	264
Net gains/(losses) on investments in non-consolidated companies	1,154	349
Total	**53,091**	**42,769**

Note 31. Other operating income and expenses

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Other operating expenses	(3,275)	(11,809)
Stamp duty - Coface Re	(326)	
Compensation for American agent	(1,889)	
Total other operating expenses	**(5,490)**	**(11,809)**
Other operating income	1 258	1 872
Total other operating income	**1 258**	**1 872**
Total	**(4,232)**	**(9,937)**

At December 31, 2015, other operating expenses concern mainly compensations paid to sales representatives within the framework of the plan of restructuration and densification of the distribution network led in the United States.

At December 31, 2014, an exceptional expense of 7,962 thousand of euros has been recorded in other operating expenses as fees linked to the IPO, commissions and fees paid to Natixis Interépargne, as well as the contribution paid to the employees having acquired shares.

Note 32. Income tax expense

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014 *
Income Tax	(59,762)	(29,715)
Deferred Tax	10,926	(30,652)
Total	**(48,836)**	**(60,367)**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Tax proof

(in thousands of euros)	Dec. 31, 2015		Dec. 31, 2014 *	
Net income for the year	**126 239**		**125 025**	
Non-controlling interests	888		825	
Income tax expense for the year	-48 836		-60 335	
Share of net income of associates	2 157		2 136	
Pre-tax income for the year and share in net income of associates	**173 806**		**184 048**	
Tax rate		34,43%		34,43%
Theoretical tax	-59 841		-63 368	
Tax expense presented in the consolidationincome statement	-48 836	28,10%	-60 335	32,78%
Difference	**-11 005**	**6,33%**	**-3 033**	**1,65%**
Impact of differences between Group tax rates and local tax rates	11 601	6,67%	12 584	6,83%
Specific local taxes	-3 882	-2,23%	-5 654	-3,07%
o/w French Corporate value added tax (CVAE)	*-1 996*	*-1,15%*	*-2 145*	*-1,16%*
Tax reassessments	0	0,00%	-78	-0,04%
Tax losses for which no deferred tax assets have been recognised	-5 028	-2,89%	-3 944	-2,14%
Utilisation of previously unrecognised tax loss carryforwards	2 493	1,43%	3 290	1,79%
Dividends paid in France non deductible for tax purposes (5%)	-1 488	-0,86%	-460	-0,25%
Other differences	7 309	4,21%	-2 705	-1,47%

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

The tax losses for which no deferred tax assets have been recognised are coming mainly from the Hong Kong entity.
The other differences include a correction of tax expenses in Italy for € 7 millions.

Note 33. Share in net income of associates

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Cofacrédit	2 157	2 136
Total	**2 157**	**2 136**

OTHER INFORMATION

Note 34. 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, has been reallocated at the level of each region.

Income taxes by segment have been calculated based on this monitoring framework.

Analysis of 2015 net income by segment

(In thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia - Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**330,275**	**461,188**	**120,205**	**248,162**	**131,317**	**83,481**	**121,130**	**738,935**	**27,877**		**(773,038)**	**1,489,531**
o/w Earned Premium	*223,021*	*348,497*	*89,099*	*209,682*	*116,915*	*80,210*	*118,643*	*738,935*			*(739,067)*	*1,185,936*
o/w Factoring	*62,163*		*8,436*									*70,599*
o/w Other insurance-related services	*45,091*	*112,691*	*22,669*	*38,479*	*14,402*	*3,270*	*2,487*		*27,877*		*(33,970)*	*232,997*
Claims-related expenses (including claims handling costs)	(106,223)	(81,526)	(35,554)	(101,965)	(65,800)	(90,996)	(119,341)	(514,081)		(3,779)	513,920	(605,344)
Cost of risk	(4,480)		(216)									(4,696)
Commissions	(22,735)	(50,168)	(4,736)	(26,982)	(28,943)	(9,256)	(24,473)	(196,509)			201,788	(162,016)
Other internal general expenses	(123,890)	(164,914)	(38,163)	(77,952)	(29,736)	(22,965)	(30,828)		(27,343)	(36,476)	29,640	(522,627)
UNDERWRITING INCOME BEFORE REINSURANCE*	**72,947**	**164,580**	**41,535**	**41,263**	**6,838**	**(39,736)**	**(53,512)**	**28,344**	**534**	**(40,255)**	**(27,690)**	**194,848**
Income/(loss) on ceded reinsurance	(3,289)	(39,476)	(4,753)	(4,277)	19	4,749	3,874	(36,601)			28,344	(51,410)
Other operating income and expenses	(24)	(2,397)	(239)	(68)	(1,886)	558	9		(36)		(149)	(4,232)
Net financial income excluding finance costs	16,887	11,288	5,632	9,823	2,225	13,130	(6,883)		1,453	(1,148)	682	53,091
Finance costs	(653)	1,591	(60)	(421)	(846)	(212)	(313)		(273)	(16,117)	(1,187)	(18,491)
OPERATING INCOME including finance costs	**85,869**	**135,585**	**42,115**	**46,320**	**6,350**	**(21,511)**	**(56,824)**	**(8,256)**	**1,678**	**(57,520)**		**173,806**
Share in net income of associates		2,157										2,157
NET INCOME BEFORE TAX	**85,869**	**137,742**	**42,115**	**46,320**	**6,350**	**(21,511)**	**(56,824)**	**(8,256)**	**1,678**	**(57,520)**		**175,963**
Income tax expense	(27,925)	(39,978)	(8,448)	(7,143)	(1,991)	3,815	4,675	2,843	(578)	19,804	6,090	(48,837)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**57,945**	**97,765**	**33,667**	**39,177**	**4,359**	**(17,697)**	**(52,149)**	**(5,414)**	**1,100**	**(37,716)**	**6,090**	**127,127**
Non-controlling interests	(2)	(2)	(832)	(2)		(51)	2					(888)
NET INCOME FOR THE PERIOD	**57,942**	**97,763**	**32,835**	**39,175**	**4,359**	**(17,748)**	**(52,147)**	**(5,414)**	**1,100**	**(37,716)**	**6,090**	**126,239**

* 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.

Analysis of December 31, 2014 - IFRIC 21 restated net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**345,519**	**468,142**	**118,317**	**228,445**	**113,135**	**76,164**	**97,027**	**312,178**	**27,711**		**(346,102)**	**1,440,536**
o/w Earned Premium	*235,951*	*354,673*	*84,753*	*191,079*	*100,617*	*70,525*	*95,175*	*312,178*			*(312,223)*	*1,132,727*
o/w Factoring	*61,535*		*9,088*									*70,623*
o/w Other insurance-related services	*48,033*	*113,469*	*24,476*	*37,366*	*12,519*	*5,639*	*1,853*		*27,711*		*(33,879)*	*237,186*
Claims-related expenses (including claims handling costs)	(123,244)	(123,493)	(57,425)	(114,221)	(24,295)	(42,268)	(48,899)	(187,699)		(3,645)	186,463	(538,727)
Cost of risk	(1,661)		(430)								46	(2,046)
Commissions	(21,544)	(43,979)	(4,149)	(22,537)	(25,737)	(8,953)	(19,865)	(77,378)			82,256	(141,886)
Other internal general expenses	(136,832)	(168,040)	(38,063)	(73,018)	(25,372)	(24,152)	(28,735)		(27,412)	(32,301)	30,901	(523,024)
UNDERWRITING INCOME BEFORE REINSURANCE*	**62,237**	**132,630**	**18,250**	**18,669**	**37,731**	**791**	**(471)**	**47,101**	**299**	**(35,946)**	**(46,437)**	**234,853**
Income/(loss) on ceded reinsurance	(11,035)	(44,702)	423	(1,996)	(7,362)	(2,257)	(4,020)	(44,812)			47,101	(68,661)
Other operating income and expenses	(1,350)	(1,835)	(184)	1,274	(62)	(1,079)	(29)			(6,664)	(8)	(9,937)
Net financial income excluding finance costs	12,464	18,642	4,262	3,135	(1,399)	7,344	838		(463)	(722)	(1,332)	42,769
Finance costs	(1,234)	(833)	(14)	(364)	(794)	(144)	(24)		(169)	(12,075)	675	(14,975)
OPERATING INCOME including finance costs	**61,082**	**103,901**	**22,736**	**20,718**	**28,114**	**4,655**	**(3,706)**	**2,289**	**(333)**	**(55,407)**		**184,049**
Share in net income of associates		2,136										2,136
NET INCOME BEFORE TAX	**61,082**	**106,037**	**22,736**	**20,718**	**28,114**	**4,655**	**(3,706)**	**2,289**	**(333)**	**(55,407)**		**186,185**
Income tax expense	(18,600)	(38,313)	(4,477)	(12,146)	(8,891)	(143)	39	(788)	85	19,077	3,823	(60,335)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**42,482**	**67,725**	**18,259**	**8,572**	**19,223**	**4,512**	**(3,667)**	**1,501**	**(248)**	**(36,330)**	**3,823**	**125,850**
Non-controlling interests	(2)	(1)	(767)	(1)	(1)	(52)						(825)
NET INCOME FOR THE PERIOD	**42,480**	**67,723**	**17,492**	**8,571**	**19,222**	**4,460**	**(3,667)**	**1,501**	**(248)**	**(36,330)**	**3,823**	**125,025**

Note 35. Earnings per share

Dec. 31, 2015			
	Average number of shares	Net income for the period (in thousand of euros)	Earnings per share (in euros)
Basic earnings per share	157,059,527	126 238	0.80
Dilutive instruments	0	0	0
Diluted earnings per share	**157,059,527**	**126,238**	**0.80**

Dec. 31, 2014 *			
	Average number of shares	Net income for the period (in thousand of euros)	Earnings per share (in euros)
Basic earnings per share	157,004,360	125,025	0.80
Dilutive instruments	0	0	0
Diluted earnings per share	**157,004,360**	**125,025**	**0.80**

** See. Note 1 – Reconciliation of the published and IFRIC 21 restated financial statement December 31, 2014.*

Note 36. Group's headcount

(in full time equivalent)	Dec. 31, 2015	Dec. 31, 2014
Northern Europe	740	747
Western Europe	1 354	1 373
Central Europe	458	458
Mediterranean & Africa	397	392
North America	116	120
Latin America	229	216
Asia-Pacific	117	117
Total	**3 410**	**3 424**

At December 31, 2015, the number of employees of fully consolidated companies was 3,410 full-time equivalents *versus* 3,424 at December 31, 2014, down -0.4% (-19 FTEs) year-on-year, mainly in Western Europe

Note 37. Off-balance sheet commitments

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Commitments given	**924,417**	**419,655**
Endorsements and letters of credit	909,853	410,100
Property guarantees	7,500	7,500
Financial commitments in respect of equity interests	5,569	282
Obligations under finance leases	1,495	1,773
Commitments received	**1,228,810**	**1,086,961**
Endorsements and letters of credit	121,146	115,737
Guarantees	145,989	134,724
Credit lines linked to commercial paper	600,000	500,000
Credit lines linked to factoring	358,900	334,000
Financial commitments in respect of equity interests	2,776	2,500
Guarantees received	**409,216**	**305,323**
Securities lodged as collateral by reinsurers	409,216	305,323
Financial market transactions	**55,699**	**36,829**

The Endorsements and letters of credit amounting to € 909 853 thousand euros for the year ended December 31, 2015 correspond mainly to :

- a joint guarantee of €380,000 thousand in favor of COFACE SA subordinated notes' investors (10 year maturity)
- a joint guarantee of € 500,000 thousand euros given to banks financing the Factoring business.

The securities lodged as collateral by reinsurers are concerning Coface Ré for €104,639 thousand euros and Compagnie française pour le commerce extérieur for €304,577 thousand euros.

Note 38. Operations carried out on behalf of the French government

Some Coface operations are covered by a government guarantee pursuant to Article L.432-2 of the French Insurance Code *(Code des assurances).*

This essentially concerns the following activities, which are aimed at supporting and developing French export trade:

- credit insurance, providing coverage for an exporter or its bank against the risk of non-repayment of an export loan;
- foreign investment insurance, protecting against political risk, ownership risk and inability to collect the income generated by investments abroad;
- foreign exchange insurance, against the risk of depreciation in export billing currencies;
- prospecting insurance, which protects SMEs against the risk of their prospecting activities in foreign markets failing to produce results;
- exporter risk insurance, which protects banks against the insolvency of an exporter for which they have issued guarantees (such as for the reimbursement of advance payments) or to which they have granted a prefinancing loan.

The risks associated with these operations are fully and irrevocably covered by the French government.
Consequently:

- these operations do not have to be recognised in Coface's balance sheet or income statement: only the related management fees received are recognised in the income statement based on the volume of business and the quality of the services provided to both policyholders and the French government;
- Coface keeps separate accounting records for these operations, as provided for in Article 37 of the 1997 Amended French Finance Act. An agreement between Coface and the French government sets out the terms and conditions applicable for keeping these accounting records and for their audit and certification by one or more Statutory Auditors;
- without prejudice to the rights of holders of receivables arising from government-guaranteed operations, no creditor of Coface other than the French government can claim any rights whatsoever over the assets and entitlements included in these specific accounting records, even under (i) Act 85-98 of January 25, 1985 relating to the court-ordered receivership and liquidation of companies, (ii) Act 84-148 of March 1, 1984 relating to the prevention and out-of-court settlement of companies' financial difficulties, or (iii) Articles L.310-25 and L.326-2 to L.327-6 of the French Insurance Code.

The French government announced on July 29th, its decision of transferring the French State public guarantees activity to the Bpifrance group (See note 2 Significant events).

Note 39. Related parties

Natixis holds 41.32% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

	Number of shares	%
Natixis	64,853,870	41.32%
Public	92,097,771	58.68%
Total	**156,951,641**	**100.00%**

Relations betwwen the Group's consolidated entities and related parties

The Coface Group's main transactions with related parties concern Natixis and its subsidiaries.

The main related-party transactions are as follows:
- financing of a portion of the factoring activity by Natixis SA;
- financial investments with the BPCE and Natixis groups;
- Coface's credit insurance coverage made available to entities related to Coface;
- recovery of insurance receivables carried out by entities related to Coface on behalf of Coface;
- rebilling of general and administrative expenses, including overheads, personnel expenses, etc.

These transactions are broken down below:

Current operating income	**Dec. 31, 2015**			
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphère (ex-Coface Services)	Altus GTS Inc. (Ex Coface Collections North America, Inc.)
Total revenue and income from ordinary activities	**(2,511)**	**1**	**(2)**	
Revenue (net banking income, after cost of risk)	(2,510)			
Investment income/(loss), net of management expenses	(1)	1	(2)	
Total current income and expenses	**(183)**	**96**	**(430)**	**79**
Claims expenses	(11)	6	(16)	(31)
Expenses from other activities			(137)	(4)
Policy acquisition costs	(90)	48	(125)	
Administrative costs	(53)	27	(112)	114
Other current operating income and expenses	(29)	15	(40)	
Current operating income/(loss)	**(2,694)**	**97**	**(432)**	**79**

Related-party receivables and payables	Dec. 31, 2015					
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Altus GTS Inc. (Ex Coface Collections North America, Inc.)
Financial investments	**34,757**	**20,576**				
Other assets			**56**		**175**	**82**
Other receivables			56		175	82
Cash and cash equivalents		**668**				
Liabilities relating to insurance contracts						**85**
Payables arising from banking sector activities		**119,869**				
Amounts due to banking sector companies		119,869				
Other liabilities		**60**		**93**		**0**
Other payables		60		93		0

The €119,869 thousand in financing liabilities due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business in 2015 year-end closing.

Current operating income	Dec. 31, 2014					
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Collections North America	Altus GTS Inc. (Ex Coface Collections North America, Inc.)
Total revenue and income from ordinary activities	**(4,081)**		**(223)**	**(1)**	**17**	**6**
Revenue (net banking income, after cost of risk)	(4,219)					
Revenue or income from other activities			(204)		17	6
Earned premiums			(16)			
Fees and commission income						
Investment income/(loss), net of management expenses	138		(3)	(1)		
Total current income and expenses	**(499)**		**(522)**	**(124)**	**(1)**	**(97)**
Claims expenses	(32)		(21)	(8)		(166)
Expenses from other activities			(123)			(26)
Policy acquisition costs	(274)		(170)	(68)		
Administrative costs	(118)		(162)	(29)	(1)	95
Other current operating income and expenses	(75)		(46)	(19)		
Current operating income/(loss)	**(4,580)**		**(745)**	**(125)**	**16**	**(91)**

Related-party receivables and payables	Dec. 31, 2014					
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphère (ex-Coface Services	Kompass International	Altus GTS Inc. (Ex Coface Collections North America, Inc.)
Financial investments	**15,006**	**10,443**				
Other assets			**91**	**138**	**175**	**63**
Receivables arising from insurance and reinsurance operations			2			
Other receivables			89	138	175	63
Cash and cash equivalents		4,685				
Liabilities relating to insurance contracts						76
Payables arising from banking sector activities		**164,835**				
Amounts due to banking sector companies		164,835				
Other liabilities		**1,993**	**6**	**385**		
Current taxes		1,880				
Other payables		113	6	385		

The €164,835 thousand in financing liabilities due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business in 2014 year-end closing.

Off balance sheet commitments – related parties

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
	Natixis Group (Without abandonned entities)	Natixis Group (Without abandonned entities)
Commitments given	**151,753**	
Endorsements and letters of credit	151,753	
Commitments received	**203,119**	**349,585**
Endorsements and letters of credit	55,507	49,585
Credit lines linked to commercial paper	147,612	300,000

Note 40. Key management compensation

(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Short-term benefits	3,041	2,366
(gross salaries and wages, incentives, benefits in kind and annual bonus)	-	-
Post-employment benefits	-	-
Other long-term benefits	735	940
Statutory termination benefits	-	-
Share-based payment	-	-
Total	**3,776**	**3,306**

The Group Management Committee is composed of seven members at December 31, 2015 and eight members at December 31, 2014. One member of the Group Management Committee changed of position at December 1, 2015. The line "Short-term benefits" is calculated on a pro-rata basis.
The line "Other long-term benefits" corresponds to the free share distribution to the eight members of the Group Management Committee at the allocation date (no pro-rata calculation).
A total of €212.3 thousand was paid out in directors' fees to the members of the Board of Directors in 2015.

Note 41. Breakdown of audit fees

(in thousands of euros)	KPMG				Deloitte				To	
	2015	%	2014	%	2015	%	2014	%	2015	%
Auditor services										
COFACE SA	239	18%	159	8%	239	14%	159	7%	478	16%
Subsidiaries	980	74%	905	46%	1 137	67%	1 389	58%	2 117	70%
Services directly related to the Statutory Auditors' assignment										
COFACE SA	38	3%	764	39%	0	0%	763	32%	38	1%
Subsidiaries	20	2%	8	0%	314	19%	11	0%	334	11%
Total audit fees	**1 277**	**96%**	**1 836**	**94%**	**1 690**	**100%**	**2 322**	**97%**	**2 967**	**98%**
Legal, tax, social advice										
COFACE SA	0	0%	0	0%	0	0%	0	0%	0	0%
Subsidiaries	17	1%	54	3%	0	0%	65	3%	17	1%
Other services										
COFACE SA	0	0%	0	0%	0	0%	0	0%	0	0%
Subsidiaries	32	2%	69	4%	0	0%	0	0%	32	1%
Total other services and advice	**49**	**4%**	**123**	**6%**	**0**	**0%**	**65**	**3%**	**49**	**2%**
Total	**1 326**	**100%**	**1 959**	**100%**	**1 690**	**100%**	**2 387**	**100%**	**3 016**	**100%**

Services directly related to the statutory auditor's assignment in 2015 are mainly related to the independent review of the internal model for Solvency 2.

The important amount of services directly related to the statutory auditor's assignment in 2014 are due to the fees on the IPO (Initial Public Offering).

Note 42. Events after the reporting period

Coface's Board of Directors held a meeting on January 15th 2016, under the chairmanship of Laurent Mignon, and appointed Xavier Durand as new Chief Executive Officer (CEO). This appointment takes effect after the Board's meeting of February 9th 2016, which validates the financial statements for the year-end 2015. Mr. Jean-Marc Pillu will stay as Coface's CEO until that date.

This announcement does not impact the financial statements of the Group as at December 31st 2015.
The severance payment of Mr. Jean-Marc Pillu, granted by the Board of Directors of January 15th, 2016, amounts to € 1,979 thousand euros and it will be recorded on the financial statements of the year-end 2016.

Note 43. Risk management

Within the framework of its activity, the risk undertaken by the Group translates the search for business opportunities and the will to develop the company in an environment intrinsically submitted to possible unexpected events.
In order to address these risk factors, which are both endogenous and exogenous, the Group has established a risk control structure which aims to ensure the proper functioning of all of its internal processes, compliance with the laws and regulations in all of the countries where it is present, control of compliance by all operating entities with the Group rules enacted in view of managing the risks related to operations and optimising their effectiveness.

The internal and external contexts in which the Group operates being naturally changeable, the communication gives inevitably a vision of the risks at the closest date of the release. The Group took into account, within the framework of the display of this information, the legitimate interests of the Group with regard to the possible consequences of the disclosure of certain information, and in accordance with the correct information of the market and of the investors.

43.1 Organisation of risk oversight

Type of risks

The risks of the Group are distributed among four major categories: credit risks, financial risks, operational risks and other risks.

CREDIT RISKS
The so-called credit risks cover all of the risks related to the underwriting of insurance contracts, as well as the risks that are inherent to the factoring business, in other words, the risk incurred in the event of a counterparty's default.

FINANCIAL RISKS
Financial risks cover the risks related to the management of the balance sheet (in particular exchange rate, technical provisions, credit risks not related to factoring), the management of investments (in particular valuation, exposure, etc.), liquidity and concentration risks, but also reinsurance (default, treaties) and other risk mitigation techniques.

OPERATIONAL RISKS
The operational risk is a risk of losses due to an inadequacy or to a default that is attributable to procedures and people in all areas of business, to the internal systems or to outside events, including the risks of internal and external fraud. The operational risk includes the legal risks (excluding risks arising from strategic decisions and reputational risks), in other words the risk of any dispute with a counterparty as a result of any inaccuracy, deficiency or insufficiency that could be attributable to the Company as concerns its operations.

OTHER RISKS
The other risks include the risks of non-compliance as well as the reputational risk and strategic risks.

Governance

The Board of Directors examines and approves the annual report of the Chairman and ensures compliance with the rules relating to the Insurance Regulations and internal risk control procedures.

The Audit Committee ensures the quality of the management and risk control mechanisms implemented.

The Group's Risk Committee is presided over by the Chief Executive Officer (CEO); the members of the Group Management Committee, Strategic and Operational Control Body of the Group, the Director of Group Risks, and the Director of Group Legal Affairs and Compliance meet every quarter, as do, where applicable, the representatives of the operational or functional departments concerned, who are likewise in attendance according to the matters at hand. The Group Risk Committee is responsible for:

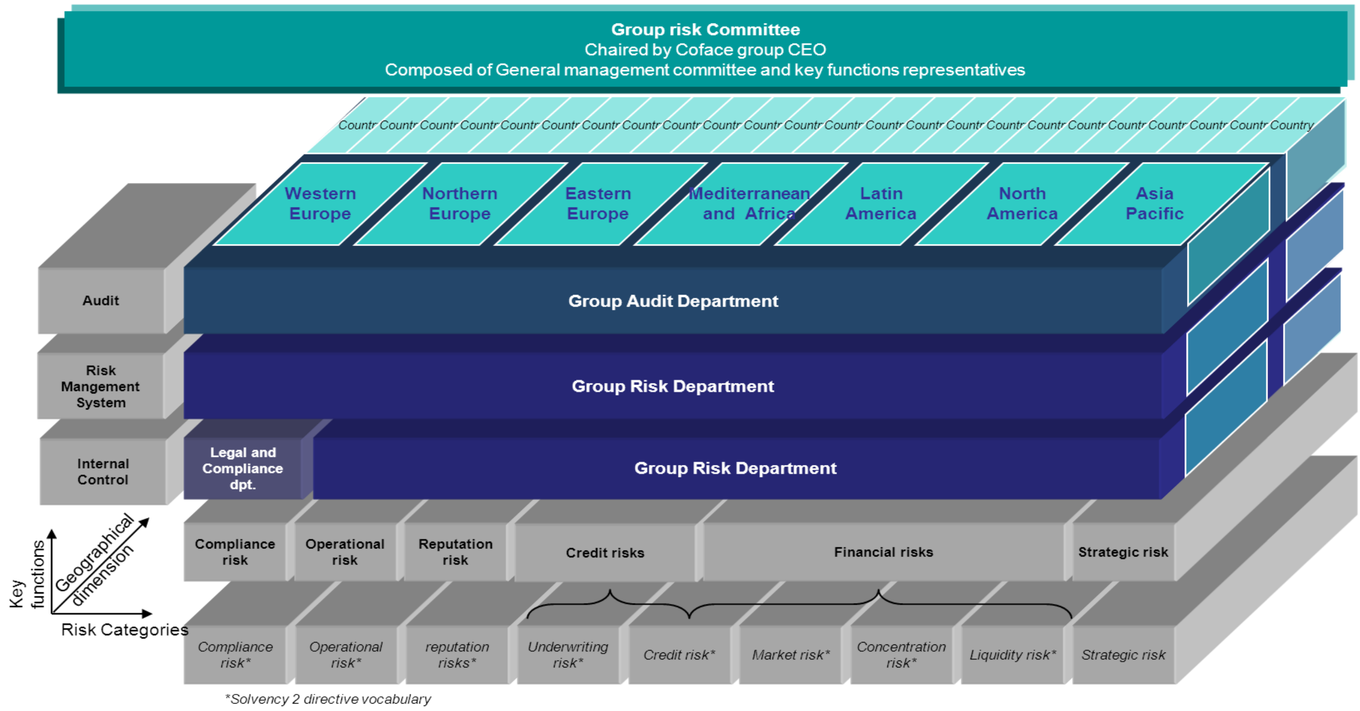
- setting the risk policies;
- monitoring the Company's risk exposure;
- measuring the efficacy of the risk management mechanisms;
- validating and defining the audit and control plans;

- verifying the Company's capacity to confront crises (business continuity plan, solvency); and
- ensuring compliance of processes and organisation.

General risk control mechanism

The Group has implemented a risk control system according to the provisions of the French insurance code and of the European Commission's Solvency II delegated acts.

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



The Group has implemented a general risk control mechanism which centres around the following organisation:

- level one operating controls handled by businesses, and based on operating procedures;
- level two controls managed by the Group's Risk Department and Legal and Compliance Department (*direction juridique et de la conformité Groupe* (the "**DJCG**"));
- periodic level three controls by the Group Audit Department.

It relies on various key functions:

- (i) internal audit function;
- (ii) risk management function;
- (iii) actuarial function; and
- (iv) internal control and compliance function.

(i) Internal audit function

The internal audit function, under the responsibility of the Group's Audit director, has the priority objectives of evaluating and reporting for each audited unit:

- the quality of the financial position;
- the level of risks effectively incurred;
- the quality of organisation and management;
- the consistency, adequacy and proper functioning of the risk assessment and control mechanisms;
- the reliability and integrity of accounting and management information;

- compliance with laws regulations and Group's rules;
- the effective implementation of recommendations coming from prior missions and regulators.

This control is performed through periodic missions which allow the Group's entire scope to be covered for a limited number of fiscal years. A report is then issued and recommendations made.

Under the Solvency II Directive, the internal audit function must assess the adequacy and effectiveness of the internal control system and the other elements of the governance system.

(ii) Risk management function

The risk management function consists of defining the risk policies and monitoring their application, assessing the pertinence and efficacy of the internal control system, tracking the business continuity plan, collecting the incidents and losses and updating the risk mapping.

This function is assumed by the Group Risk director.

The Group Risk Department was created within the context of adapting the Group's risk management system to the new Solvency II regulation. It is in charge of rolling out and coordinating Solvency II at the Group level in a project mode.

The Group Risk Department reports on its activity to the Group Risk Committee, which meets quarterly. This committee decides upon or ratifies action plans, monitors their implementation and may be convened upon to consider any issue relating to risk management.

The Group's Risk Management Department leads a network of seven correspondents for each region. The latter are in charge of leading a network of "control and compliance" correspondents in the countries within their geographic scope.

These correspondents are in charge of performing the centrally established level two controls at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

The organisational principles are reiterated in the risk function's charter, which defines the role and responsibilities, as well as the expertise required for performing these duties.

The Group Risk director meets the fill and proper requirements set out in the Article 42 of Directive 2009/138/EC.

(iii) Actuarial function

The actuarial function is performed by the head of the actuarial department, and is attached to the Group risk Department. Its mission is to advise the executive management or the supervisory board and to support its efforts to ensure the solvency and profitability of the Group over the long term and to ensure compliance with the requirements of Solvency II including on reserving. The actuarial function has a granted access to the supervisory board in the frame of its missions.

The actuarial function is the contact of numerous Group departments (finance, information, commercial or debt collection), entities of the Group on actuarial subjects, and informs the board of directors on the adequacy of the calculation of technical provisions.

The main tasks of the actuarial function are to:

- ensure the sufficiency of technical reserves to cover future claims, to establish and verify the correct implementation of the actuarial principles that the calculations of estimated reserves must follow;
- control the model and the parameters of the group's pricing tool and usually get involved in the underwriting and pricing policies;

- review the reinsurance policy annually to ensure proper risk coverage by the reinsurance scheme of the group and its relevance to the capital requirements;

The actuarial function is represented in the following committees: Group risk committee, DRA committee, reserving committee, new products committee, economical anticipation committee and pricing committee.

The head of the actuarial function meets the fit and proper requirements set out in in the Article 42 of Directive 2009/138/EC.

(iv) Internal control and compliance functions

The internal control and compliance functions consist of verifying compliance of the operations with the rules and of ensuring the control of operational activities. The Group Risk Department is in charge of the internal control function, and the DJCG is in charge of the compliance function.

They perform their respective tasks through level two controls and reporting.

a. Internal control function

The organisation of the internal control function falls within the logic of the Group's matrix organisation, which is established along geographical and functional lines. The Group's Risk Department relies on seven regional correspondents, who are in charge of leading a network of correspondents in the countries.

In addition to the existing controls in levels one (business) and three (audit), level two control programs, applicable in all countries, were created.

The Group Risk Department has established a minimum Group control program. This annual program is communicated to (regional and local) correspondents, as well as to regional managers. These programs may be supplemented at the regional or country level according to local regulatory needs (additional mandatory controls), local priorities or other. The frequency of the controls varies according to their nature (from monthly to annually). These correspondents are in charge of performing the centrally established level two control programs at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

These controls are performed based on procedures which define who the controllers are, the frequency of the controls, the methodology (preparation of samples, documents used, terminology, control items), as well as the procedures for reporting detected anomalies and following up on the resulting action plans. Following the controls, action plans are established to remedy any dysfunctions identified. The corrective actions immediately decided upon locally are implemented in cooperation with the operational managers, under the responsibility of the country and regional managers.

Quarterly reporting allows the various levels (Group, region, country) to track achievement: results of control plans, progress of remediation plans. A summary of the results of the controls is communicated quarterly by each correspondent to the Group Risk Department, which reports to the Group risks committee.

b. Compliance function

The compliance function, in accordance with the principles established by the Solvency II Directive, is responsible for supervising the risks of non-compliance through the preparation of rules which apply in all of the Group's entities, training actions designed to promote proper comprehension and the correct implementation of these rules, as well as the establishment of a pertinent and effective system for controlling the risk of non-compliance.

The risk of non-compliance is defined as the risk of judicial, administrative or disciplinary sanction, a significant financial loss or impact on reputation, which arises out of a failure to comply with the specific provisions on banking and financial activities, particularly insurance activity, whether they are legislatives or regulatory in nature, or concern professional and ethical standards, or instructions from the executive body.

The risks of non-compliance are controlled by the DJCG, within which the compliance function is more specifically in charge of:
- rolling out Group rules on compliance at the various entities of the Group;
- establishing level two controls which allow the proper application of the local and group rules to be ensured;
- reporting to the Group Risk Committee on the results of the level two controls and on incidents of non-compliance that have been detected during these controls or outside of them.

To perform its commitment, the DJCG's work is passed along regionally by the regional compliance correspondents, and at the country level by the local compliance correspondents, according to the functional matrix established within the Group.

The DJCG regularly informs the Group's management bodies of the status of the risk of non-compliance; quarterly, within the context of the Group Risk Committee, and occasionally directly to the Group's general management in case of major incidents.

43.2 Credit risk management

In direct relation to the economic environment, the debtor credit risk, which is the risk of losses generated by the insurance policy portfolio, could significantly affect the evolution of the Group's activity and results.

Classically, there is a distinction between the frequency risk and peak risk:

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

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

Control and follow-up of products

- *Approval of new products:* the Group relies on a Group product committee to ensure that the product offer is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offer in each region. It combines the marketing, sales, organisation, compliance, risk, 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 (insured, country), must be conveyed to the Group's Marketing Department and to the DJCG.

- *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

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

The 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[5] and the monthly indicator which determines changes in domestic/export credit by DRA (Debtor Risk Assessment) and business sectors, by acceptance rate in the DRA scale, or by product line (bond, Single Risk). Therefore, outstanding payments are analysed weekly by the Group risk underwriting committee, and monthly by the Group committee. The loss ratios of the various underwriting regions are likewise tracked at the consolidated level of the underwriting.

Coverage of the peak risk is the primary purpose of the reinsurance of Coface Re (see paragraph "Sharing of intra-group and reinsurance risks" below). In addition to the weekly and monthly monitoring by each region and country, a mechanism is established at the Group level, which relies on:

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

Diversification of the credit risk portfolio

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

DEBTOR RISK EXPOSURE

The Group insures the risk of payment defaults for nearly 2.44 million debtors worldwide. As of December 31, 2015, the average debtor risk was nearly €194.5 thousand. 81.7% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France,

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

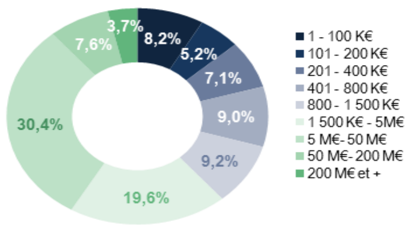
Italy and the United Kingdom, and the United States.

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

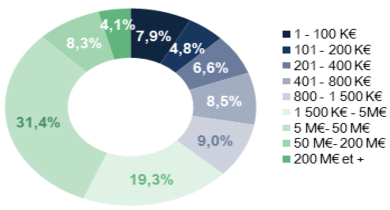
The total outstanding covered by the Group was €475.4 billion euros, decreasing by about 33 billion euros. It is explained by the anticipation of the degradation of the debtors' solvency in a number of emerging countries, as well as in certain business sectors (construction, metal industry …). Furthermore, some policyholders have revised downwards their coverage needs.

The charts below analyse the debtor distribution[6] as of December 31, 2013, 2014 and 2015 as a function of the outstanding amounts of cumulative credit risk[7] carried by the Group for them. The analysis of the number of debtors by segment of outstandings demonstrates a weak risk concentration profile.

AS OF DECEMBER 31, 2015



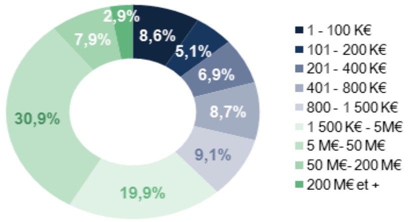
AS OF DECEMBER 31, 2014



6 The debtor mentioned above are the clients of the Coface Group's insureds

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

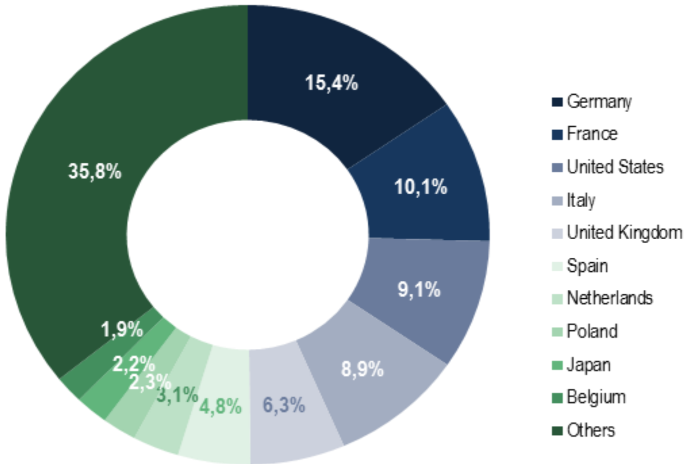
AS OF DECEMBER 31, 2013



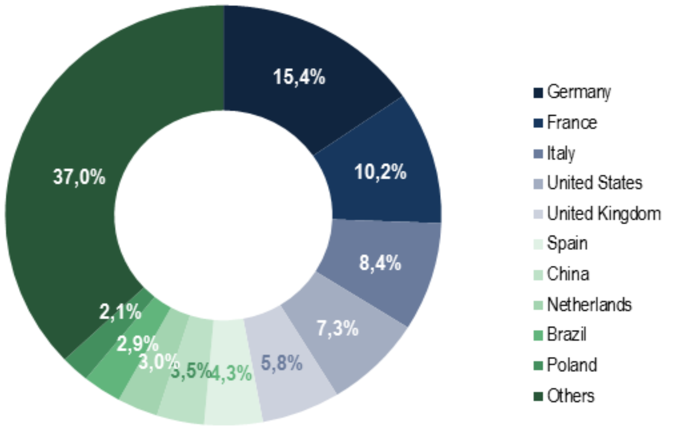
GEOGRAPHICAL DISTRIBUTION OF RISKS

The debtors covered by the Group's credit insurance policies are essentially located in Western Europe. As of December 31, 2013, 2014 and 2015, the 10 most important countries represented respectively 64.1%, 63% and 64.2% of the Group's total exposure, arising from its credit insurance activities:

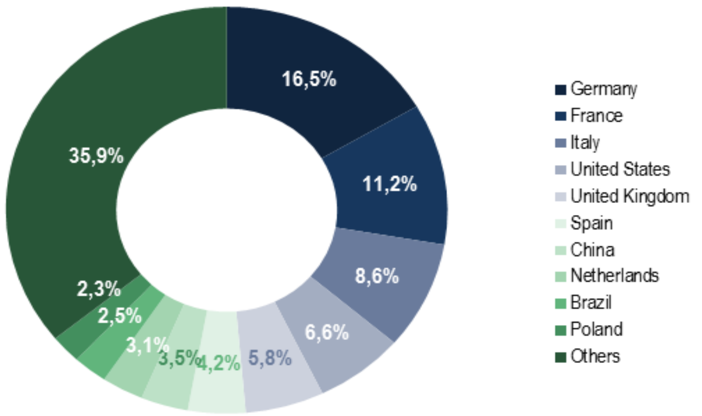
AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014

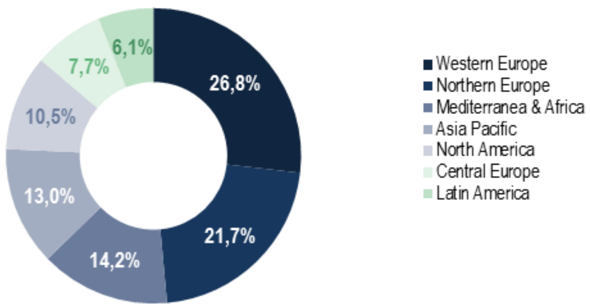


AS OF DECEMBER 31, 2013

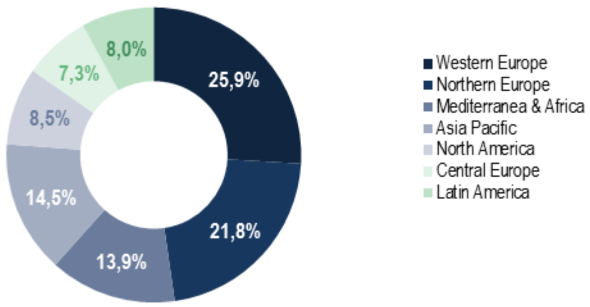


The charts[8] below shows the distribution as of December 31, 2013, 2014 and 2015 of the Group's debtor outstandings, grouped by geographical region:

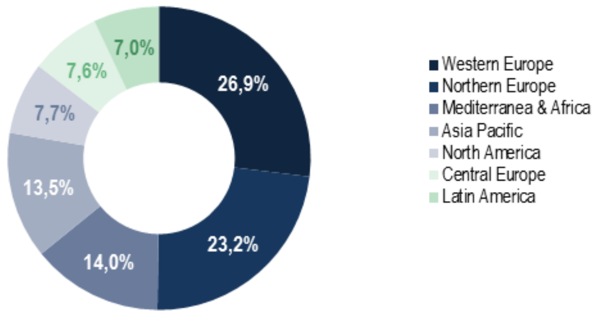
AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



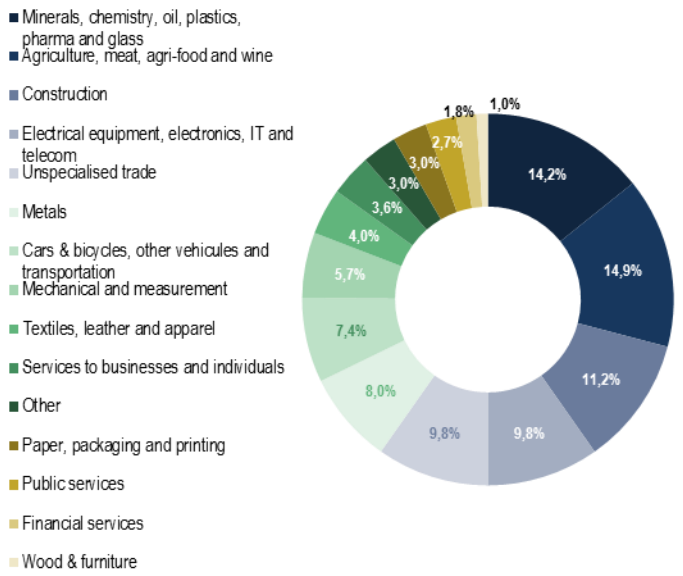
AS OF DECEMBER 31, 2013



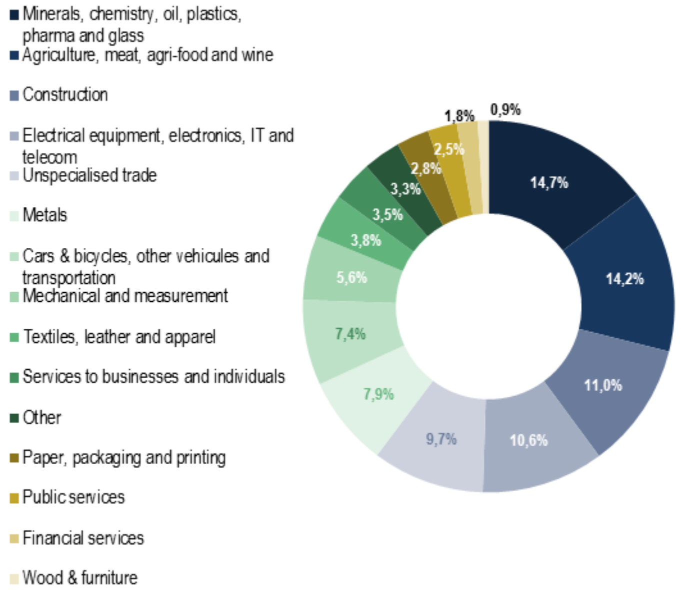
[8] The distribution has been modified with regard to the previous exercise: the Netherlands is attached with the Northern Europe region instead of Western Europe

EXPOSURE BY SECTOR OF BUSINESS OF THE DEBTOR

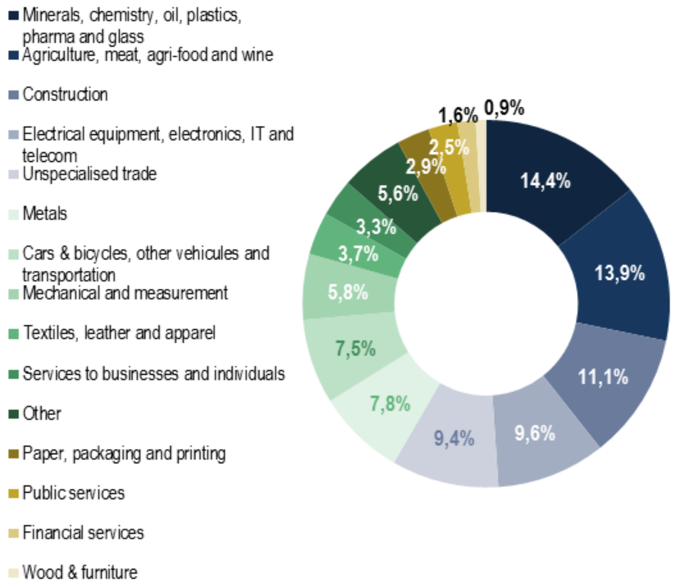
AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2013



Duration of risks

95% of the Group's outstandings consist of short-term risks. The maximum credit term mentioned in its policies rarely exceed 180 days.
Level two controls ensure that the Group's rules on credit risk are well-respected.

Common interests with insureds

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

DECISION-MAKING

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

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

CONSIDERATION OF RISK QUALITY FOR ESTABLISING 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 insureds which have similar characteristics and, on the other hand, the actual loss experience of the insured 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 are providing mechanisms to share benefits, in order to encourage insured companies to monitor the quality of their clients.

SHARING OF RISK BETWEEN THE GROUP AND THE INSURED

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

RECOVERY MANAGEMENT BY THE GROUP

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

A fine-tuned risk underwriting system: ATLAS (Advanced Technology for Limits Assessment System)

The underwriting decisions are made by groups of underwriters in various underwriting centres, who work in real time and in network thanks to ATLAS, an IT tool for underwriting and managing risks for all entities of the Group, which contains information on more than 65 million companies established worldwide.

These risk underwriting decisions address the risk underwriting rules that are defined for the Group as a whole.

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

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

EVALUATION OF PROVISIONS

The Group establishes claims provisions which are designed to cover probable losses for its credit insurance operations. The claims that have arisen but not yet been declared/settled at the close of the year are included in specific provisions.

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

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

The technical provisions for credit insurance are not updated.

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

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

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

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

LOSS RATIO

The Group measures the loss experience, notably as a function of the loss ratio (total of claims charges compared to the total gross premiums acquired). This ratio, which was determined using figures from the consolidated financial statements, totaled 51% in 2015. The table below shows the evolution of the average loss ratio recorded for a given year between 2010 and 2015:

Year	2010	2011	2012	2013	2014	2015
Loss Ratio	53.6%	51.7%	51.5%	51.1%	47.6%	51.0 %

The loss ratios were directly impacted by defaults of companies which were related to the consequences of the economic and financial crisis of 2008-2010. In an economic environment which was still difficult, the Group strengthened its policy on anticipating and preventing risks. Thanks to its capacity to reduce or cancel its credit insurance coverage at any time, the Group conducts its risk management policy by implementing certain necessary corrective measures aimed at reducing its exposure in certain countries in response to the worsening of the economic situation observed in the previous years.

As of December 31, 2015, the variation of +/- one percentage point[9] of the gross accounting loss ratio would have had an impact of +/- €12 million on the claims expenses, +/- €9 million on the claims expenses net of reinsurance, of +/-€6 million on the net income and of +/- €6 million on equity. The Group believes that a variation of one percentage point in the gross accounting loss ratio is reasonable as compared to the loss ratio recorded in previous years.

CLAIMS EXPENSES RECORDED AT THE GROUP LEVEL

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

(in millions of euros)	AS OF DECEMBER 31,								
	2015			2014			2013		
	GROSS	OUTWARD REINSURANCE AND RETRO-CESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETRO-CESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETRO-CESSIONS	NET
Claims expenses - current year	-815	165	-650	- 787	164	- 623	- 812	203	- 609
Claim expenses - prior years	210	-44	166	248	- 61	188	236	- 62	175
CLAIM EXPENSES	**-605**	**121**	**-484**	**- 539**	**104**	**- 435**	**- 576**	**142**	**- 435**

STATUS OF TECHNICAL PROVISIONS ESTABLISHED AT THE GROUP LEVEL

In the table below, the provisions for unearned premiums 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. The profit sharing is a contractual stipulation which consists of refunding a portion of the benefit, which the savings on the contract could generate, to the insured at the end of a defined period.

(in millions of euros)	As of December 31,		
	2015	2014	2013
Provisions for unearned premiums	286	286	267
Claims provisions	1,122	1,092	1,121
Provisions for profit sharing	107	94	63
Liabilities relating to insurance contracts	**1,515**	**1,472**	**1,45**
Provisions for unearned premiums	-58	-57	-42
Claims provisions	-247	-249	-289
Provisions for profit sharing	-23	-23	-16
Reinsurers' share of technical insurance liabilities	**-328**	**-329**	**-347**
Net technical provisions	**1,187**	**1,143**	**1,103**

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

ROLL-OUT OF CLAIMS PROVISIONS

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

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

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

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

Occurrence year/development year *(en %)*	1	2	3	4	5	6	7	8	9
2006	57.9	48.1	49.1	47.5	46.2	47.1	46.3	45.9	46.4
2007	61.5	60.7	66.2	66.4	66.4	63.3	63.8	63.2	63.4
2008	93.5	112.9	113.9	112	107.4	104.9	103.8	103.9	
2009	76.6	65.3	59.6	61.1	57.2	55.8	55.2		
2010	57.7	43.9	37.5	35.2	34.6	34.5			
2011	73.6	61.1	54.9	54.3	53.2				
2012	77.2	67.5	60.9	58.7					
2013	72.8	56.9	51.1						
2014	72.7	61.8							
2015	70.2								

The model on estimated claims provisions used by the Group is based on a history of data which notably includes 2008, which is characterised by a 10-point insufficiency of provisions (between 93% estimated in 2008, compared to 103.9% revaluated in 2015). Consequently, this provision model has historically led the Group to estimate, out of prudence, higher loss ratios that the loss ratios actually recorded. Given the Group’s proper control of loss experience, it has systematically recorded profits since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the evolution of these profits over the 2012-2015 period:

PERIOD	LATEST LOSS RATIO GROSS OF REINSURANCE AND MANAGEMENT EXPENSES OF EACH FOLLOWING THE FIRST YEAR OF DEVELOPMENT *(in %)*	ACCOUNTING LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES	PROFIT *(in %)*
2012	77,4	49,2	-28,2
2013	72,6	48,4	-24,1
2014	72,5	45,3	-27,2
2015	70,2	48,8	-21,4

The following second table, entitled "Triangle on development of cumulative claims paid, net of recourse (gross of reinsurance)", details, for each year of occurrence, the cumulative amount of payments relating to years of occurrence N and prior which have occurred since N, December 31. The process of declaring claims, indemnifying them and any recourse is extended over several years, which requires tracking the claims per insurance period.

TRIANGLE ON DEVELOPMENT OF CUMULATIVE CLAIMS PAID, NET OF RECOURSE (GROSS OF REINSURANCE)

Occurrence year/development year *in millions euros*	1	2	3	4	5	6	7	8	9	10
2006	69	312	372	394	396	399	400	406	407	407
2007	74	378	510	546	556	578	585	588	589	
2008	120	793	967	1 007	1 028	1 029	1 033	1 037		
2009	160	447	510	527	532	538	538			
2010	56	270	342	355	362	366				
2011	67	458	566	597	626					
2012	118	447	564	577						
2013	83	400	492							
2014	73	417								
2015	62									

Sharing of intra-group and reinsurance risks

In order to optimise its coverage against an abnormal deviation of the loss experience, the Group centralises the purchase of its reinsurance according to a sophisticated risk sharing mechanism.

The managing company, which centralises this purchase function, negotiates on behalf of the Group's insurance entities a coverage against the frequency and peak risks that would best suit, their operational needs. Compagnie française d'assurance pour le commerce extérieur had this role until the end of 2014, and was then replaced by Coface Re as of January 2015.

This company, located in Lausanne, Switzerland, was formed in late September 2014. In late December 2014, it obtained a license from the Swiss regulator to conduct business as a reinsurer, subject to compliance with various conditions indicated by the regulator.
The purpose of establishing Coface Re SA was to isolate the Group's flows of reinsurance within a dedicated entity, to pursue the streamlining of the coverage schemes of the Group's entities and partners, and to increase the range of services available to its international clients.

The external reinsurance programs for the 2014, 2015 and 2016 underwriting years are comprised as follows:

- a quota-share treaty for which the cession rate was 20%; and
- two excess loss treaties, one by risk, and the other by country (solely on Single Risk), protecting the Group's retained risks following cessions made under the quota-share treaty in such a way that an unitary loss would not impact after income tax more than 3% of the Group's own funds.

In addition, the 2016 reinsurance program includes also a stop loss treaty that is covering the Group retention, after quota-share and excess of loss treaties, against a serious deviation of the frequency risk.

The 2016 reinsurance treaty of the Group was entered into with a pool of 21 reinsurance companies. All of the reinsurance companies presented in the 2016 panel are rated between A- and AA by one of the main international rating agencies.

The Group continues to require systematic collateral securities from its reinsurers (cash, securities, letters of credit) on all proportional treaties, including "IBNRs". This objective was met 100% as of December 31, 2015 for all counterparties of its master treaty. The collateral requirements concern excess losses, on a case-by-case basis, according to the Group's assessment, and are updated every year. For the 2016 reinsurance treaty, the top three reinsurers of the Group represent a quota share of 41% 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.

In 2015, as concerns entities of the Group and members of the Coface Partner network, Coface Re is a reinsurer, and transmits the externally purchased coverage through the programs described below. It also ensures that the conditions offered to the concerned entities are providing them the incentive to control their loss experience as best as they possibly can.

- Global coverage of entities through the establishment of:

  - proportional protection on gross underwriting, which takes the form of a quota share treaty and aims to absorb frequency claims;
  - protection of retained risks of the Group's entities against peak claims, in the form of excess loss which is fully incorporated with the Group's non-proportional programs.

- Specific coverage of certain entities:

  In order to meet the ad-hoc regulatory needs of certain subsidiaries and branches of the Group, Compagnie française d'assurance pour le commerce extérieur, likewise underwrites "stop-loss" treaties by accounting year. This coverage aims to protect these entities against what is considered abnormal rises in their claims expenses by transferring any additional loss experience above the threshold set in the treaty to the reinsurer.

- Accepted reinsurance of the Coface Partner network

  There are acceptance schemes only in the countries where the Group conducts its business through fronters, in other words in countries where it has no license to perform its credit insurance activities. Within this framework, the rules on underwriting and risk management are the same as those applied for policies underwritten directly, and the provisions are established according to the same methods as the policies that are underwritten directly.

43.3 Internal investment management control mechanism

Since May 2013, Coface has centralised management of its investments, and delegates a large portion of the management to various delegates under the aegis of a sole investment provider, the Amundi management company. Coface RE, entity created in January, 2015, captive of reinsurance of the Group, has also delegated the management to various agents being under the aegis of the management company Amundi.

An administrative management platform thus combines all investments from the Group's various insurance entities with the following services:

- advice on strategic and tactical allocation of assets;
- reporting (economic, risks, regulatory (Solvency II) and accounting); and
- back-office and middle-office functions.

This platform allows the Group's global portfolio to be managed according to a targeted distribution of various asset classes, determined by integrating (i) the constraints on risk and liquidity, (ii) the regulatory and insurance-specific constraints, (iii) the cost in capital and adequacy of investments, in terms of risk and duration, with the Group's liabilities.

This organisation allows the Group to access, to diversify asset classes and management techniques, with the objective of seeking, for its investment portfolio, stable long-term performance, while maintaining strong quality and liquidity of the underlying assets. It also ensures best monitoring of financial risks, reduces the operational risks and enables more responsive and refined management of the Group's financial income within a controlled general risk framework, and in compliance with the current and future regulatory requirements.

In terms of governance and control of the investment policy, the structure is as follows:

- the Board of Directors ensures compliance with the rules relating to insurance regulation: representation of regulated commitments, matching and diversification of assets, solvency;
- the Group's Chief Executive Officer (CEO) defines Group's strategic allocation at least once a year, based on elements presented by the asset manager at a strategic investment committee. The general investment policy which defines all of the rules relating to the Group's investments and specific limits is likewise validated on this occasion;
- the strategic investment committee reviews the strategic allocation of the Group twice a year, which is proposed by the asset manager in concert with the Investment, Financing and Cash Management Department of the Group. This body thus defines and reviews the recommended general guidelines in terms of investment policy and exposure to different asset classes, which are

driven by: the market, the evolution of the Group's collections and liabilities, the optimisation of returns and the evolution of the enforceable regulatory constraints.

In addition to these three bodies, which govern the general organisation of the Group's investment policy, other specialised committees allow for monitoring the management of investments and their results on an ongoing basis:

- the monthly investment committee addresses the evolution of the financial markets and reviews the Group's investments in detail. Macroeconomic scenarios and underlying risks are presented by the asset manager, along with an analysis of the investment strategies and any tactical recommendations;

- the semi-annual risk committee has the purpose of monitoring the hedging and control of risks, relating to asset management services. It thus covers the investment risks (market risk, spread risk (including the counterparties and derivatives), liquidity risk) and operational risks. These risks are in particular considered in terms of the meaning ascribed to them by the Solvency II Directive.

43.4 Financial risk management

The Group has established an investment policy which considers the management of financial risks through the definition of its strategic allocation, the regulations applicable to insurance companies, and the investment constraints resulting from the management of its liabilities. The investment strategy implemented must allow for addressing the Group's commitments to its insureds, all while optimising investments and performance in a defined risk framework.

The Group's investment policy, which is reviewed twice a year, notably covers the strategic allocation of assets, asset classes and products eligible for investment, the target portfolio maturity, management of potential hedging and the income control policy of the Group. The allocation that is defined each year relies on an analysis of the liabilities, simulations and stress on performance/risk behaviours of various asset classes of the portfolio, and on compliance with the defined parameters linked to the Group's business and commitments: target sensitivity, consumption of equity, maximum loss as a function of the behaviour of financial markets, quality and liquidity of the investment portfolio.

The control of financial risks thus relies on a rigorous mechanism of standards and controls which is constantly reviewed.

Management of risks related to asset allocation

INVESTMENT ASSETS

As an insurance company, the Group's investment maintains an allocation that is heavily weighted towards fixed-income instruments, which provide it with recurring and stable revenues.

Investment portfolio (fair value) (1)	As of December 31,					
	2015		2014		2013	
	in € m	*%*	*in € m*	*%*	*in € m*	*%*
Shares	219	8.7	189	7.4	100	4.7
Bonds	1,685	66.7	1,788	69.9	1,343	63.8
Loans, deposits and other financial investments	512	20.3	550	21.5	662	31.4
Real estate investment	112	4.4	31	1.2	1	0.1
Total	**2,527**	**100**	**2,558**	**100**	**2,106**	**100**

(1) Excluding unconsolidated subsidiaries.

As of December 31, 2015, bonds represented 66.7% of the total investment portfolio.
Within the framework of the defined strategic allocation, the Group increased its exposure to the sovereign debt of leading issuers of the financial markets, as well as to the assets class of European stocks and to European unlisted real estate investment.

Distribution by type of debt in the bond portfolio (fair value)	As of December 31,					
	2015		2014		2013	
	in € m	*%*	*in € m*	*%*	*in € m*	*%*
Sovereign and assimilated	815	48.4	763	42.7	420	31.3
Non-sovereign	870	51.6	1,025	57.3	923	68.7
Total	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

These investments are all made within a strictly defined risk framework; the quality of the issuers, the sensitivity of issues, the dispersal of issuer positions and geographical zones are subject to precise rules that have been defined in the various management mandates granted to the Group's asset dedicated asset managers.

Specific limits applying to the entire investment portfolio are moreover defined in terms of portfolio pricing, and limits by counterparty and country. Regular monitoring is likewise conducted in terms of credit portfolio liquidity, the evolution of the spreads and the Group's cumulative exposure to the main asset/liability exposures. Hedging is then ultimately completed, where applicable: it is systematic based on the exchange rate risk, and discretionary, as concerns the yield and spread risk.

As of December 31, 2013, 2014 and 2015, the main characteristics of the bond portfolio were as follows:

Distribution by geographic zone of the bond portfolio (fair value)	As of December 31,					
	2015		2014		2013	
	in € m	*% (reported)*	*in € m*	*% (reported)*	*in € m*	*% (reported)*
Asia	154	9.1	73	4.1	37	2.7
Emerging countries (1)	159	9.4	135	7.5	60	4.5
Euro zone	788	46.8	1,036	58	894	66.5
Europe outside the euro zone (2)	136	8.1	151	8.4	112	8.4
North America	448	26.6	393	22	240	17.9
Total	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

(1) Country in which the Group is present, primarily Brazil, Mexico.

(2) Primarily the United Kingdom, Switzerland, Sweden and Norway.

The investment portfolio is primarily exposed to areas in developed countries, of the Euro area and North America. The risk related to sovereign issuers of the euro area was significant in 2013, and began decreasing in 2014 thanks to the various actions of the European Central Bank. The continuous improvement of the economic situations of Spain, Ireland and Italy allowed us to improve our investments in the sovereign securities of these countries in 2014 and 2015. Conversely, exposures to the sovereign debt of Portugal and Greece are still null. In 2015, the Group has increased the international diversification of its bond portfolio in order to benefit from higher rates of return and in the aim to follow interest rates rise.

The bond portfolio remains essentially invested in companies and countries that have been rated as investment grade[10].

Distribution by rating (1) of the bonds in the bond portfolio (fair value)	As of December 31,					
	2015		2014		2013	
	in € m	*% (reported)*	*in € m*	*% (reported)*	*in € m*	*% (reported)*
AAA	329	19.5	227	12.7	109	8.1
AA – A	540	32.1	636	35.6	722	53.7
BBB	558	33.1	576	32.2	330	24.6
BB – B	256	15.2	347	19.4	181	13.5
CCC and less	2	0.1	2	0.1	0	0.0
Total	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

(1) Average rating between Fitch, Moody's and Standard & Poor's.

Incidentally, the investments in company bonds represent 51.6% of the total portfolio and are more than 74% concentrated on quality investment grade companies. These investments were made within the context of a strictly defined risk policy, and a particular care was placed on the quality of the issuers, the sensitivity of the issues, the dispersal of the issuers' positions and the geographical zones in the various management mandates granted to the Group's dedicated managers.

[10] According to the Standard & Poor's rating agency scale, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of less than or equal to BB+ are considered to be high yield.

The rate risk carried by the Group on its financial portfolio is limited, the maximum authorised sensitivity for the bond asset class being deliberately capped at 4[11]. The sensitivity of the bond portfolio was 3.2 as of December 31, 2015.

The semi-annual risk committee lastly systematically reviews the spread and liquidity risks of the portfolio.

COVERAGE POLICY

The Group's Investment Department, in charge of controlling investments and managing the investment portfolio, can authorise the use of hedging on the risk of a rise in rates, through liquid financial forward instruments (swaps, futures, options) on a regulated market, or by negotiation with counterparties rated A- or higher.

These operations are exclusively performed for hedging purposes, and in strict application of the regulations applicable to insurance companies. The nominal amount of the hedge is thus strictly limited to the amount of underlying assets held in the portfolio (shares or rate products) in order to cover assets actually held in the portfolio.

As of December 31, 2015, only Compagnie française d'assurance pour le commerce extérieur and Coface Re held long-term maturity put options, and out of the money for the shares listed on the euro zone market. This hedging strategy is established on the exposure of shares of the investment portfolio; its level and control are defined and reviewed according to the market circumstances and the control of the levels of unrealised gains and losses during the monthly investment committee between the Group and the Amundi investment platform manager.

Foreign exchange risk

As of December 31, 2015, 37.1% of the Group's consolidated revenue was earned outside of the euro area, and thus subject to exchange rate risk.

The subsidiaries or branches whose financial statements have been prepared in euros, and that underwrite in other currencies must respect the same matching principle (matching between assets and liabilities denominated in a currency other than the one used as reference for issuing accounting statements). As an exception, positions opened in other currencies may be hedged. No investment in foreign currencies has been made by the Group for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. Exposure to the exchange rate risk is limited for investment portfolios: as of December 31, 2015, 69% of investments were thus denominated in euros.

Distribution by currency of the bond portfolio	As of December 31,					
	2015		2014		2013	
	in € m	*%*	*in € m*	*%*	*in € m*	*%*
EUR	1,743	69.0	1,791	70	1,58	75.0
USD	514	20.3	504	19.7	294	14.0
Other (1)	270	10.7	263	10.3	232	11.0
Total	**2,527**	**100**	**2,558**	**100**	**2,106**	**100**

(1) Primarily the Singapore dollar, the pound sterling, the Brazilian real and the Canadian dollar.

[11] The sensitivity of a bond measures its loss in value in the event that interest rates rise. Thus, a bond with a sensitivity of 3 will have its market value decrease by 3% if the interest rates increase by 1%.

Furthermore, as concerns the majority of the portfolio which includes the European entities of the Group, the exchange rate risk is systematically covered for investments in foreign currency which departs from the matching principle. Therefore, as of December 31, 2015, investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were the subject of systematic hedges against the euro by the managers in charge of the portfolios concerned.

SENSITIVITY TO EXCHANGE RATE RISKS OF NET INCOME OF ENTITIES DENOMINATED IN FOREIGN CURRENCIES

	Average exchange rate (December 2015)	Net income for the year, attributable to equity holders of the parent in euros (December 2015)	Net income for the year, attributable to equity holders of the parent, in local currency as of December 31, 2015	Assumption - 10% variation of the exchange rate	net income for the year, attributable to equity holders of the parent in euros, after change in exchange rate	Rate variance between actual exchange rate, varying +10%
Brazilian real	0.2707	- 3,371	- 12,455	0.2977	-3,708	-337
Canadian dollar	0.7051	- 2,936	- 4,164	0.7756	-3,230	-294
Swiss franc	0.9365	- 1,556	- 1,662	1.0301	-1,712	-156
Pound sterling	1.3771	8,703	6,320	1.5148	9,574	870
Hong Kong dollar	0.1162	- 40,669	- 349,864	0.1279	-44,736	-4,067
Mexican peso	0.0568	- 7,237	- 127,360	0.0625	-7,961	-724
Romanian leu	0.2250	1,667	7,410	0.2475	1,834	167
Russian rouble	0.0147	- 4,100	- 278,839	0.0162	-4,510	-410
Singapore dollar	0.6556	- 2,180	- 3,325	0.7212	-2,398	-218
US dollar	0.9012	4,753	5,274	0.9913	5,228	475
Polish Zloty	0.2391	17,591	73,582	0.2630	19,350	1,759
Other		2,869			3,156	287
Euro		152,706			152,706	
Total		**126,239**			**123,593**	**-2,647**

Equity risk

The stock markets are marked by volatility which causes a significant risk for an insurer, which is moreover subject to specific rules in terms of provisioning (provision for permanent impairment) and consumption of own funds (Solvency II Directive).

To that end, the Group has reviewed its equity exposure in 2015 through its work reviewing its strategic allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and concentrated in the euro area, in line with its core business. The Group has no specific concentration of its equity risk in one or more specific economic sectors. Management is benchmarked according to the MSCI EMU[12] reference index. These investments are moreover the subject of discretionary coverage established to mitigate any extreme shocks. The hedging strategy is dynamic: its level, scope and size are defined by the Investment department in line with the asset manager that is in charge of the asset management platform.

As of December 31, 2015, stocks represent 8.7% of the investment portfolio, 8.2% of which are stocks listed on a market in the euro area. These investments were the subject of a hedge on 40% of the portfolio that was invested through the purchase of put options on the Eurostoxx index maturing in December 2016, and an exercise price of approximately 20% out of the money. These hedges may be adjusted according to investments and the amount of the unrealised losses or gains on the shares held.

[12] Published by Morgan Stanley Capital International, the MSCI EMU index, an index which is weighted by the float adjusted market capitalisation, designed to measure the performance of stock markets in the euro zone countries

Risk of concentration/default of a counterparty

The Group has established an investment policy which defines an overall counterparty risk management framework. The approach consists of defining the limits on bond investments, and consolidating all exposures through all financial instruments in order to delimit the Group's total potential loss following the default or bankruptcy of the counterparty in question.

A maximum limit of exposure for a single counterparty has thus been determined as a percentage of the investment portfolio. This is set at 5% of outstandings managed with possible, temporary exceptions to be made on individual exposures which are linked to short-term investments.

As of December 31, 2015, the 10 main sovereign and non-sovereign exposures of the bond portfolio were €600 million, or 36% of the fair value of the bond portfolio.
More generally, the Group implemented rules imposing geographic and sector-specific risk diversification within its investment portfolio and for all asset classes, in an effort to protect itself or mitigate any default.

Sensitivity testing

Monthly simulations are moreover performed on the portfolio invested, and presented during investment committee meetings. They cover the maximum loss anticipated in terms of economic performance over various periods, from asset class to asset class, devoting particular attention to the spread risk.

These sensitivity tests cover all asset classes in which the Group has invested, and allow the overall risk to which the portfolio is exposed in case of an adverse scenario to be assessed each month, and potential measures to be taken to reduce this risk, as applicable (reduction of exposure to certain risk factors, hedging strategies, protection of economic result for a given period, etc.).

It is hoped that the results will represent the various risks linked to investments made, and that they will also present, as with any quantitative analysis, limited related to the data and models used.

RISK ON STOCKS AND BONDS IN THE PORTFOLIO AS OF DECEMBER 31, 2013, 2014 AND 2015

The tables below show that the portfolio, excluding hedging effect on shares, is, as of December 31, 2015, more sensitive to the combined effects of a 100 basis point rise in the bond rates and to a 10% drop in the stock market than it was as of December 31, 2013. This is explained by the increase of the Group exposure to European stock markets, as well as by a lower exposure to bonds despite the slight rise of the sensivity.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2015

(in millions of euros)	Market value as of December 31, 2015	Impact from the 100 basis point rise in rate [1]	Impact from the 10% drop of financial markets [2]
Bonds	1,685	-54.3	-
Shares	219	-	-21.9
Total	**1,903**	**-54.3**	**-21.9**

(1) Average bond portfolio sensitivity in late 2015 : 3.2.

(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2014

(in millions of euros)	Market value as of December 31, 2014	Impact from the 100 basis point rise in rate (1)	Impact from the 10% drop of financial markets (2)
Bonds	1,788	-54.4	-
Shares	189	-	-18.9
Total	**1,977**	**-54.4**	**-18.9**

(1) Average bond portfolio sensitivity in late 2014: 3.0.

(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2013

(in millions of euros)	Market value as of December 31, 2013	Impact from the 100 basis point rise in rate (1)	Impact from the 10% drop of financial markets (2)
Bonds	1,343	-28.2	-
Shares	100	-	-10
Total	**1,443**	**-28.2**	**-10**

(1) Average bond portfolio sensitivity in late 2013: 2.1.

(2) Excluding any hedge effect.

To the extent that the stocks and bonds are recorded in the available-for-sale category, sensitivity would have an effect on the “other elements of comprehensive income”, to which shareholder’s equity is sensitive. Unrealized gains as well as losses on financial instruments had no effect on net income. In case of sale, the resulting profit or loss would have an effect on the operating income in the income statement.

Real estate risks

Within the context of the Group’s strategic allocation, property represents a limited portion of the Group’s assets, less than 7% due to the low liquidity of this asset class. The Group’s current portfolio consists of property used within the context of its operating activities, as well as underlying real estate funds.

The real estate risk materialises due to a reduction in market value, thereby impacting the unrealised profits recorded for this property, or even recording unrealised losses.

As of December 31, 2015, the Group had real estate exposure with a fair value of €184.8 million, consisting of €73.1 million in operating property and €111.7 million in non-listed real estate.

43.5 Management of risks related to factoring

The risks inherent to the factoring activity are credit risks, as defined in the banking standard or counterparty risk as defined in the Solvency II Directive, given the “pre-financing” aspect of the client receivables.

The risk can arise in various manners:

- invoice quality: risk of invoice dilution (notably resulting from disputes or falsified invoices). This risk consists of all of the causes that render invoices technically valueless, regardless of the debtor solvency: disputes, compensations, prepaid invoices, double cession, or even in the most serious cases, issuances of falsified invoices. These anomalies produce a ceding risk, which translates into amounts to be recovered on the client;

- client insolvency (ceding risk): the insolvent client cannot repay the cash advance made for unpaid invoices (in the case of a contract with recourse, i.e. without credit insurance);
- risk on the solvency of the buyer, for factoring contracts without recourse (i.e. with credit insurance);
- consideration of the credit risk when determining the financed part. The financed part is determined using two elements: the assessment of the potential technical risk of non-payment by the debtors of the invoices purchased by the factor, for different reasons than the debtor insolvency; the assessment of the ceding risk: potential expected loss on the client in case the client becomes affected by an insolvency proceeding with the aim to cover all amounts the client owes to the factor as a result of an undervaluation of the technical risk noted above and/or of invoices financed without credit insurance cover in cases of a debtor's payment default. The financed part shall be determined by subtracting from 100% the retention rates related to these evaluations.

The risks are covered by guarantee funds or reserves. These guarantees represent the retention rate noted above. An exceptional reserve rate related to elements of seasonal dilution (for example to face up to end-of-year discounts and refunds negotiated by the client with its debtors) may be specifically added to this permanent contractual retention rate.

The management of the ceding risk is based on the assessment for each client of the risk occurrence probability and of the potential loss amount. Different procedures have been established for this:

- analysis of the clients' financial position, notably through internal pricing tools;
- on-site audit to check the reliability of the data on receivables during the acquisition phase of a new client, or during the monitoring phase of an existing client;
- regular checks to ensure the existence of the receivables acquired;
- specific procedures during the recovery phase.

When negotiating the contract, the type of product, the analysis of the client solvency and/or buyer, as well as the conditions and the applied pricing determine the credit risk taken by the Group.

During the life of the contract, the acceptance of invoices through a solvency analysis of the buyers is similar to credit insurance risk underwriting. The financing of the receivables determines the credit risk and fixes the risk exposure of the Group. In cases of a factoring contract without recourse, an underwriting risk is assumed by the Group on the buyers of the assignor.

As for all of the Group's sensitive activities, the factoring business is framed by specific Group rules.
Only two companies of the Group are allowed to distribute and manage factoring products: Coface Finanz in Germany and Coface Factoring Poland in Poland.

Only certain products are authorised to be sold by these two entities:

- in-house factoring with or without recourse;

- full factoring;
- maturity factoring and reverse factoring.

The limits on buyers for factoring activities are approved and managed by the risk underwriting departments according to the same rules and delegations as within the context of the credit insurance activities. These procedures allow managing the Group's total exposure for its factoring activities and providing an identical level of expertise.
A single tool (Magellan) structures the factoring activity. It is already operational in Germany and is currently being rolled-out in Poland. It contains all of the data relating to the life of the contracts: data on clients, buyers, invoices, contracts. The factoring exposure is recorded in ATLAS, which allows the Group to have a consolidated management of its exposure on a buyer or group of buyers.

Internal control procedures have been established in the main subsidiaries for following up files, late payments and claims. Regarding late payments and claims:

- late payments of the debtors are managed by the claims department for factoring contracts that are accompanied by this cover, including for the claims phase. In the absence of credit insurance, unpaid invoices are returned to the client (assignor) by debit from its current account;
- in the case of ceding risk (amounts to be collected from the factoring client), the recovery, including through litigation if needed, is provided by the factoring company.

In addition to a level two control to ensure compliance with the Group rules on factoring activity, there are three other monitoring components:

- limited delegations granted to entities which impose, above these limits, to get an approval from the Group Risk Underwriting Department, along with the favourable opinion of the Group Risk Department;
- a quarterly Risk Committee organised by the Group Risk Underwriting Department and the Group Risk Department, gathering together the Factoring Risk Managers of the entities: this committee examines sensitive files based on a procedure which defines the eligibility criteria for this committee examination;
- a database of risk indicators (prevention aspect) for each entity, both at global level (portfolio summary to assess its quality and evolution) and at individual level (all the clients): the risk indicators used have been chosen for their discriminating nature, in terms of their early detection of difficulties that could be encountered with certain clients early.

The factoring activities are covered by the Group's reinsurance treaty (the buyer risks by the credit insurance section and the ceding risks by a dedicated factoring section).

43.6 Liquidity and capital risks

Management of the liquidity risk related to credit insurance activities

The insurance activity operates with a reverse production cycle: premiums are cashed before payment of claims. Moreover, the liquidation term for a provision is less than three years, and the total of these provisions is covered by liquid assets. Consequently, the risk of liquidity linked to insurance activity is considered to be marginal.

For the entire consolidation scope, Group's Treasury Department monitors the liquidity risk through an analysis of the available assets and cash flow projections of the various entities. This data is consistently analysed, which allows liquid assets to be managed for monetary or financial investment needs, in cases of recurring excess liquidity.

The majority of the other rate products and all of the Group's portfolio stocks are listed on OECD markets and present a liquidity risk which has been deemed to be weak at this time.

The liquidity of the portfolio with OECD credit bonds, and sovereign bonds of emerging countries, is monitored on a regular basis via market indicators (evolution of flows, spreads, purchase and sale spreads) and the manager performs regular analyses on the time limits and liquidation costs of the lines in portfolios (term of partial and complete liquidation, cost of instantaneous liquidity and under market stress conditions, etc.).

The Group's bond portfolio presents short-term maturity, in line with its liabilities. The distribution of bond maturities is presented below:

Distribution by maturity of the bond portfolio	As of December 31,					
	2015		2014		2013	
	in €m	*% (reported)*	*in € m*	*% (reported)*	*in € m*	*% (reported)*
< 1 year	368	21.9	418	23.4	502	37.4
1 year < >3 years	547	32.5	646	36.1	385	28.7
3 years < >5 years	423	25.1	356	19.9	255	19.0
5 years < >10 years	312	18.5	344	19.3	190	14.2
>10 years	24	2	24	1.3	10	0.8
Total	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

More than 54% of the bond portfolio instruments have a maturity of less than three years as of December 31, 2015.

The position of an insurance company, in terms of liquidity, is evaluated by standards which measure the Company's capacity to confront its financial commitments.

Management of the liquidity risk related to factoring activity.

The average term for factoring receivables is very short (less than six months), which reduces the liquidity risk related to factoring activities.

In order to ensure the refinancing of the factoring activity, the Group has established several financing programs: a program to securitize its factoring trade receivables, for a maximum amount of €1,195 million in bilateral credit lines with various partners, for a maximum amount of €1,027 million, as well as a plan to issue treasury bills in the maximum amount of €600 million.

Management of the interest rate risk related to factoring activities

The Group, through its factoring activity, purchases and finances the trade receivables of its clients. These essentially concern short-term credit risks of a commercial nature (less than six months). The rate risk linked to factoring receivables is limited.

In order to ensure the refinancing of this activity, the Group has established several programs: a program to securitize its factoring trade receivables, and a program to issue treasury bills and bilateral credit lines with various partners, as described above.

The cost of the sources of financing depends on the evolution of short-term rates, in particular the 1-month Euribor rate, with the exception of negotiable credit instruments which are between one and three months. This cost essentially consists of the 1-month Euribor rate increased by a fixed margin. In terms of assets, the Group collects from its factoring clients compensation which consists of two parts: on the one hand, a factoring commission based on outstanding receivables throughout the term of the contract and, on the other hand, a financing cost which is indexed to the 3-month Euribor rate. Furthermore, it should be noted that, as for other activities of the Group, there is a matching principle for foreign currency between the needs and sources of financing.

Solvency margin

Solvency I

In compliance with the Solvency I Regulations, the solvency margin corresponds to the required level of shareholder equity, taking into account the activity levels as measured by the premium revenue, weighted by the average loss ratio. The Group is required to maintain a solvency margin which is at a level that is higher or equal to the level required by the regulations. The Group has calculated its solvency margin in conformity with the French regulations, resulting from Decree No. 2002-360 of March 14, 2002 relating to the additional oversight of insurance companies. As of December 31, 2015, the Group's solvency margin represented approximately seven times the minimum required (upon an estimate of the payment of dividends).

Solvency II

The Solvency II directive has come into force the first January, 2016. The official regulatory texts were transposed into French law in 2015. These new regulation introduces new modalities of calculation in terms of own fund requirements. It involves being able of quantifying the risk exposures, and then of comparing the result obtained in terms of own funds with the available capital position (pillar 1). The insurers will also have to prove that the organisation allows a sound, prudent and effective management (pillar 2). Finally, there are substantive regulatory reportings which deliver at the same time quantitative and qualitative information. They will be also produced in order to give evidence of the quality of the organization and the financial soundness of the company (pillar 3).

The Group has finalised the implementation of these new regulations. Within the framework of the standard formula, the Group covers its requirements regarding Solvency. The Group develops a partial internal model as regards the credit risk of non-life insurance, which is the subject of a preliminary authorisation procedure with the ACPR. In this context, regular discussions are held in the aim of the deposit and of the approval of this model. The Group also structured its organisation in terms of governance and risk management to conform to the requirements of the pillar 2 of the Solvency II directive. Finally, within the framework of the pillar 3, the Group finalises an integrated process for producing regulatory statements in order to deliver all reportings expected by the regulator.

The Group participated in all the preparatory exercises asked by the ACPR, in particular through the delivery of sets of annual and quarterly statutory reportings and reports: the regular report to the regulator on one hand and a report based on the internal evaluation of the risks and of the solvency (ORSA - Own

Risk and Solvency Assessment) on the other hand. The year 2016 shows a steady progression of the implementation: an official opening reporting as well as a report explaining the differences between figures calculated according to Solvency 2 and those calculated according to Solvency I are expected particularly for May.

43.7 Management of operational risks

Mapping of operational risks

In an effort to improve knowledge of its operational risks, the Group has set up a risk mapping according a qualitative methodology. This risk mapping was updated by all of the Group's entities in the fourth quarter of 2015.

For each business or support process for which the entity is responsible, a list was set up for situations that could affect such business or support process. Each risk situation is covered in a detailed sheet describing the risk, assessing the inherent risk (i.e. before level one controls), describing and assessing level one controls, assessing residual risk and action plans.

Risk assessment relies on assessing its frequency and the intensity of its impact. A three-level assessment scale was used (weak, average, high).

Collection of incidents and losses

An incident is the occurrence of an operational risk which could lead to or could have led to a financial loss, unjustified profit, or to other non-financial consequences.

An inventory of the operational incidents and losses is carried out. A summary is made each month and released, in particular to the members of the Group Executive Committee.

The incidents compiled are the subject of corrective measures, and are considered when updating the operational risk mapping.

Action plans and reporting

The purpose of implementing the approaches described above is to fully identify the operational risks. When approach is necessary, preventative or corrective action plans intended to reduce or control operational risks are defined and rolled out.

The Group Risk Department is in charge of reporting to the Group Risk Committee and the Group's management bodies.

Business continuity

Each entity of the Group has a business continuity plan (**BCP**) to confront a temporary or permanent unavailability of its premises, information systems or staff.

The BCP is prepared based on Group rules, and supplemented by rules on mutual assistance between entities and remote work, rolled out in October 2014 and for which three tests have been performed in 2015. These rules provide a concrete example of the Group business continuity policy. Each entity carries out its business continuity plan locally. User needs and resources are identified within a business impact analysis.

The overall process is in line with the standard principles on business continuity. The main operating elements of the BCP are the crisis management plan and the professional continuity plans. The back-up of the main data and it applications used by the Group is ensured by two remote data processing centres located in the Parisian region, which function in "active-active" mode (see paragraph 1.4 "Information systems" of this registration document).

43.8 Management of legal and compliance risks

The Group performs its activities in a strongly regulated environment in France and abroad, in particular for its insurance, factoring and bond activities.

The legal and compliance risks are managed by the Legal and Compliance Department of the Group (DJCG), as relayed at the regional and country level by the compliance correspondents. The DJCG also provides regulatory oversight. Furthermore, the DJCG prepares and coordinates the level 2 controls performed in the areas of its expertise, which notably include, in addition to the regulations applicable to the insurance business, legislation relating to anti-money laundering, corruption prevention, and more generally to fight against financial delinquency.

Legal and risk underwriting proceedings

The Group had no knowledge of governmental, judicial or risk underwriting procedures (including any procedure of which Group has knowledge or which has been suspended or threatened) which could or did have significant effects during the past twelve months on the financial position or profitability of the Company or Group.

Situation of dependency

The Group does not consider its business or profitability to be dependent on any trademarks, patents or licenses.

Indeed, within the context of its activity selling credit insurance solutions and additional services, the Group does not participate in any research and development activity, and does not hold any patent.
The name Coface is protected by a filed trademark, notably in France.

Lastly, the Group has filed a certain number of trademarks, logos and domain names worldwide within the context of its business.